

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

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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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ABBREVIATIONS

Σ	: Sum
B.S.	: Bikram Sambat
C.V.	: Coefficient of Variation
CEO	: Chief Executive Officer
CML	: Capital Market Line
CPI	: Consumer Price Index
CS	: Common Stock
EMR	: Expressed Market Return
EPS	: Earning Per Share
F/Y	: Fiscal Year
GDP	: Gross Domestic Product
i.e.	: That is
LTD.	: Limited
MBVR	: Market Book Value Ratio
MD	: Medium
MPPS	: Market Price Per Share
N	: Number of Observation
NEPSE	: Nepal Stock Exchange Limited
NICA	: NIC Asia Bank Limited
NPV	: Net Percent Value
NRB	: Nepal Rastra Bank
P/E Ratio	: Price Earnings Ratio
R	: Expected Return
ROE	: Return on Equity
S.D.	: Standard Deviation
SEA	: Security Exchange Act
SEBON	: Security Board of Nepal
T.U.	: Tribhuvan University
USR	: Unsystematic Risk

ABSTRACT

Merger and acquisition commercial banks improve after the merger with camel criteria. The research design of the study is descriptive and casual. The research has touch in mergers and acquisitions which sustain banks to ensure long term existence of considerable profitability. The study evaluates the effect of merger and acquisition on banks through profitability ratio. The merger law policy and monetary policy issued by Nepal Rastra Bank have been experienced most effective weapon for merger and acquisition in Nepalese banking sector. Three banks are taken for study, first the merger of Global IME bank Ltd; second, Prabhu Bank Ltd; and third, NIC Asia Bank Ltd. The post-merger performance compared to pre-merger performance is positive due to the strengthens of financial performance.

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

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Banks and financial institutions (BFIs) adjust their leadership decisions with regard modifications to the of the banking industry. One of the difficulties raised in this context is that banks have become a widespread phenomenon over the world. Specially, in developed and developing countries the number of mergers deals in significant. But in case of Nepal merger and acquisition of financial institutions is comparatively new phenomenon. Because market structure may change as a result of mergers and acquisitions, bank mergers can have a significant impact on bank lending behavior. Bank consolidation in the form of mergers is one of the measures pursued by the Nepal Rastra Bank to increase the banking system's capacity to provide intermediate services between savers and borrowers while also restoring public trust. Because merger initiatives around the world serve the same goal, the most common motive for a merger is to improve efficiency and lower costs (Shrestha 2009).

Mergers and acquisitions are aspects of corporate strategy, corporate finance, and management that deal with the purchasing, selling, splitting, and combining of various corporations and comparable entities in order to assist an organization develop swiftly in its industry. The advantages of merger and acquisition are numerous. Meager and acquisition can create cost savings through economies of scale, increase revenue through market share gains, generate tax benefits, and lower capital costs.

The terms "mergers" and "acquisitions" are sometimes used as one and the same, despite the fact that they have quite different connotations. An acquisition occurs when one company takes over another corporation and becomes the new owner. Legally, the target firm continues to exist, the buyer absorbs the business, and the buyer's stock is swapped, although the target company's stock is no longer traded (Gaughan, 2011).

A merger, on the other hand, refers to two enterprises of roughly the same size that join forces to continue ahead as a single new organization rather than continuing to function individually. This action is referred to as a "merger of equals." Both firms' shares are relinquished, and new company stock is issued in their stead. A purchase agreement is also referred to as a merger when both CEOs agree that collaborating is in the best interests of both firms. Unfriendly transactions, in which target enterprises do not want to be bought, are always considered acquisitions. As a result, a purchasing transaction is classed as a merger or an acquisition, depending on whether the purchase is friendly or hostile, and how it is reported. In other words, the key distinction is how the transaction is conveyed to the target company's board of directors, workers, and shareholders. Nestle, for example, has recently made many purchases (Straub, 2007).

Acquisitions, like mergers, involve a corporation buying another company using cash, shares, or a combination of the two. In smaller transactions, it is typical for one firm to buy all of another company's assets. Company X buys all of Company Y's assets for cash, leaving Company Y with only cash (and any debt). Of course, Company Y devolves into a shell and will eventually be liquidated or expanded into other businesses. Another type of purchase called a "reverse merger" allows a private firm to become publicly traded in a very short amount of time. Reverse mergers happen when a private corporation with promising prospects and a desire to get funding acquires a publicly traded shell company with no actual business activities and few assets. The private firm reverses merges with the public company, becoming a whole new public corporation with transferable shares. Companies should be aware of potential concerns and obstacles before to and during a merger. Why is there a need for merger, what is the significance of merger in Nepalese BFIs, what are the motivations behind merger, and whether or not merger would be effective in a growing nation like ours are the primary concerns of Nepalese academicians and researchers. The vigorous encouragements for mergers and accusations in Nepal have raised the topic of what motivates companies to combine, what variables are important in mergers, and what the possible influence on the banking system is. As a result, it is in the best interests of this research to investigate the merger and accusations

against NIC Asia Bank. This paper attempts to investigate many elements crucial to the merger of NIC Asia Bank Ltd.

One of the main goals of banking regulatory bodies is to establish an effective banking system. Therefore, as a regulator, the central bank should always strive to keep the banking sector faultless. To check out the imperfections, the central bank develops and executes a variety of financial tools and policies. The efficiency of policy actions is determined by the level of competition in the banking sector. In this regard, determining the level of competition in the banking sector is an important concern for regulatory bodies such as Nepal Rastra Bank.

This demonstrates nothing except a lack of foresight among officials. In a free-market economy, the widespread use of short-term policies to manage interest rates, cash reserve ratios, spread rates, and credit flow is nothing more than the result of poorly defined policies. For example, the NRB unexpectedly boosted the paid-up capital of BFIs fourfold through the monetary policy of 2072/2073 without considering the likely impact on the stock market. The issue is not whether the policy was bad; it wasn't. However, policymakers failed to prevent BFIs from issuing right shares and bonus shares in order to raise the requisite paid-up capital.

So, rather than pursuing large mergers and acquisitions, the stock market was flooded with BFI shares. As a result, the Nepal stock exchange is currently dealing with equities valued less than Rs 600, which were worth Rs 3000 at the time. As a result, unless we foster a culture of making policy decisions after conducting study on both the good and bad elements, the sector and the nation will suffer.

Since the NRB is about to publish its monetary policy for 2075/76, and its Governor Chiranjibi Nepal has urged that BFIs begin looking for the proper and acceptable partner for a large merger, let's look at the positive and negative aspects.

Since the current governor assumed office, the Nepali financial industry has been inundated with merger negotiations. Some economists and policymakers say that Nepal should have no more than 15 commercial banks, as there are now 27. However, such claims are unsupported by any meaningful study. To properly comprehend the benefits of mergers, we must first grasp the ubiquitous banking challenges.

The abundance of urban-based BFIs with little paid-up capital is a major challenge for Nepal's financial sector. By 2075, there were 151 BFIs. In spite of the economy's size, this sum is excessive. When there is a high concentration of small BFIs in the market, an economy may experience a number of problems, including increased interest rate sensitivity, a lack of capacity to finance large-scale projects, excessive rivalry in deposit collection and loan disbursement, and an increase in the flow of bad loans.

Similarly, banks with a lesser capital base struggle with interest rate sensitivity. Small banks' performance is particularly elastic in response to interest rate changes. As a result, even little changes in interest rates cost these banks a lot of money, so they can't lower their rates even if they wanted to. When concerned entities try to do so, the outcome is a major drop in profitability, which has an influence on the stock market and the economy as a whole.

A privately owned company can quickly become publicly listed through mergers. Reverse mergers happen when a publicly listed shell company with few assets and no real business operations is purchased by a private firm with bright futures and a need to raise capital. The public company and the private business reverse merge, creating a brand-new public company with traceable shares.

Companies should be familiar with issues and challenges before and after 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 NIC Asia Bank.

1.1.1 An Introduction of Selected Company

NIC Asia Bank Limited

NIC ASIA Bank was created on July 21, 1998, as Nepal Industrial and Commercial Bank. It was renamed NIC ASIA Bank on June 30, 2013, following its merger with Bank of Asian Nepal, the country's first merger of two commercial banks in history. Following the merger, NIC ASIA was named "Bank of the Year 2013-Nepal" by The Banker, Financial Times, UK. This is the bank's second time receiving this coveted award; the last one was in 2007. NIC Asia has successfully completed 21 years of business. The firm presently has the following fully owned subsidiaries: NIC Asia Capital Limited and NIC Asia Laghubittiya Sanstha Limited. The bank has 358 branches, 473 ATMs, 70 extension counters, and 81 branchless banking services, making it the largest in terms of footprint expansion, client base, and balance sheet size. Tulsi Ram Agrawal serves as the bank's chairman, while Roshan Kumar Neupane is its CEO. Neupane was named CEO of the bank on December 2, 2018, with a four-year mandate. Mr. Neupane is regarded to be the youngest CEO in Nepalese commercial banks.

Global IME Bank Limited

Global IME Bank Limited was founded in 2007 as a 'A' class commercial bank in Nepal, offering comprehensive commercial banking services. The bank was founded with the greatest capital base at the time, with a liquidated capital of NPR 1.0 billion. The bank's liquidated capital has now climbed to NPR 4.14 billion. The bank's shares are publicly listed as a 'A' category corporation on the Nepal Stock Exchange. Following the government's liberalized economic policies, the bulk of commercial banks have placed their headquarters in the valley. The bank maintains correspondent ties with 74 foreign banks from various nations to enable commerce, remittances, and other cross-border services. Through these correspondents, the bank may offer services in every major

currency in the globe. The bank also operates extension offices in India and the Middle East to help Nepalese workers remit monies from outside. These services will shortly be offered to South Korea. Global IME Bank Limited presently has 94 branches and 6 extension counters in Nepal. All of the bank's branches have been designated as comprehensive service centers. The bank also runs 103 ATMs around the country.

Prabhu Bank Limited

Over the course of its brief history, the Bank has progressed through several stages of its growth trajectory. Prabhu Bank's growth was phenomenal, particularly after the merger of Grand Bank Nepal Limited, Kist Bank Ltd, Prabhu Bikash Bank Ltd, Gaurishankar Development Bank Ltd, and Zenith Finance Ltd in 2016, when it achieved the status of "A" class financial institution licensed and regulated by Nepal's central bank, Nepal Rastra Bank. Since its foundation, the Bank has gone through years of development and has accommodated seven distinct financial entities.

While enough financing is essential for starting and sustaining any firm, it does not ensure success. Other aspects, such as professional consulting and counseling, play an important role in success. The bank has prioritized the development of human resources capable of understanding and meeting the needs of its customers. The bank prioritizes its customers in all of its operations. Prabhu Bank believes that a bank's success depends on the success of its clients. The bank has 215 branches, 58 extension counters, and 189 ATMs around the country.

As Nepal's largest banking and financial services company, the Bank will be present where growth occurs, linking consumers to opportunities, allowing businesses to thrive and economies to progress, and ultimately assisting people to achieve their dreams and goals. The Bank provides a comprehensive range of banking and financial services to both personal and corporate clients, supported by a staff of highly motivated, youthful, and energetic experts.

One of the bank's key goals is to reach out to the general public with a variety of beneficial goods and services that will ensure their future success. Over a relatively short period of time, the bank has achieved a high level of success in achieving this goal, resulting in a sizable base of devoted clients. Personalized service, rapid transactions, vast networks, mobile banking, and real-time account credit are just a few of the bank's main strengths. It has engaged in a variety of deposit strategies, loans and advances, overseas exchange facilities, trade finance, inward/outward remittances, and market making for government securities, among other operations.

1.2 Problem Statement

At a time when the Nepalese banking industry is experiencing anguish and a particularly difficult period, the NRB has presented a new merger bylaw, stating that it is urgently needed and that it will solve the entire burning issue. The NRB passed this law in an effort to strengthen and advance the faltering and distressed financial sector. According to the majority of analysts and observers, Nepal's financial sector is overburdened with too many businesses for such a small market, and if these problems are not resolved quickly, they will worsen. Previously, the NRB established a liberal licensing policy, which resulted in a massive increase in the number of BFIs, and the financial industry is currently suffering as a result of the overcrowded situation. With its new merger bylaw, the NRB is attempting to correct its previous decision to adopt a liberal licensing policy, which resulted in a tremendous surge in the number of BFIs, and the overcrowding is now harming the financial industry. The NRB is making an effort to correct its previous decision to adopt a lax licensing policy with its new merger bylaw. In addition to breaking banking regulations and causing unfair competition, the BFIs' explosive expansion and quick rise have made it challenging for the NRB to properly take charge of the situation, regulate it, and keep the current BFIs under control. In light of these facts and the situation, the suggested thesis aims to evaluate the NRB merger bylaw and determine if it would be a basis for addressing every issue facing Nepal's financial industry. Recently, Nepal's financial institutions have been characterized by low turnover, high lending interest rates, large interest rate spreads, inefficient administration, and a lack of project finance institutions such as the Gorkha Development Bank.

Nepalese banks, capital merchants, and finance firms were subjected to lax regulation and failed to adhere to corporate governance. There is a challenge in obtaining accurate information regarding what types of impacts on the aforementioned sectors are formed as a result of merger by legislation implementation and evaluation. When two banks combine to become one company, this is known as a merger. Banks often merge with the declared goal of increasing shareholder value through market share acquisition or business category expansion. In contrast to an acquisition, a merger may combine the two banks to create a new company. Typically, two banks of about similar size combine. An acquisition is the term used to describe when a larger corporation buys out a bank. Mergers frequently entail the exchange of shares rather than monetary payments. The data show that the earnings per share ratio improved while the returns on assets and equity ratios declined. However, the profits per share ratio dramatically improved while the return on equity significantly decreased, with no meaningful impact on return on assets.

The number of banks and financial institutions has increased unnaturally since Nepal's financial sector was economically liberalized, leading to fierce competition amongst them to draw in institutions, borrowers, and individuals. To increase people's access to financial institutions, the government allowed the formation of development banks and financing companies in addition to commercial banks. Prior to the adoption of the merger rules, BFIs gave out easy loans to borrowers in the housing, land, and real estate sectors without taking into account their capacity to pay back principle and interest. This resulted in a fast increase in the value of land and buildings. When the price fell, borrowers were unable to repay, resulting in a liquidity shortage. In Nepal, the banking industry is experiencing anguish and a very difficult period. A new merger bylaw has been submitted by the NRB, which says it is urgently needed and will solve the entire burning problem. A forceful merger by-law was released in May 2011 by Nepal Rastra Bank, which oversees and regulates all BFIs. The majority of researchers and professionals believe that the Nepalese financial sector is overcrowded, with too many companies vying for a small market, and that things will get worse if these problems are not resolved

quickly. In this context, it is critical to understand how chosen Nepalese banks function. The study's objective is to research and evaluate selected Nepalese commercial banks' mergers and acquisitions, which are used to assess a bank's overall safety and soundness. Based on the aforementioned challenges, this study focuses on the following issues:

- Does the return on assets, market price per share, dividend per share and P/E ratio have any effect of merger and acquisition?
- What is the impact of merger and acquisition of NIC Asia Bank Global IME Bank and Prabhu Bank Limited?

1.3 Objectives of study

The objective of study is to investigate whether of the financial performance of the selected commercial banks improve after the merger with the NRB's CAMEL criteria.

- To analyze earning return on assets, market price per share, dividend per share P/E ratio, dividend payout ratio, dividend yield and non performing loan before and after the merger and acquisitions.
- To identify the effect of merger and acquisitions on profitability of sample banks.

1.4 Rationale of the Study

This study put light on the vital factors in 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 finding of this study as it may serve as reference in management.

1.5 Limitation of the Study

The major limitations of this study are listed as under.

- The study is limited to NIC Asia Bank Limited, Global IME Bank and Prabhu Bank only.
- This study is based on secondary data taken from annual financial report of Sample Company.

- This study covers the six years of time period from 2012/013 to 2021/022.
- Only limited financial and statistical tools are used for analysis.

CHAPTER-II

LITERATURE REVIEW

This chapter reviews the relevant conceptualizations as they affect the variables of the study. Various empirical studies in line with the dependent as well as the independent variables are also reviewed and a theoretical framework developed for the study. A literature review is a survey of scholarly sources on a specific topic. It provides an overview of current knowledge, allowing the identify relevant theories, empirical review and gaps in the existing research.

2.1 Theoretical Review

2.1.1 Concept of Merger & Acquisition

Mergers and acquisitions have offered firms with synergistic possibilities to increase market share, enhance technology, and achieve economies of scale through vertical integration. Additionally, they have given workers perks and incentives including increased market awareness, job chances, and skill development. Mergers have been fraught with problems and value loss, despite the possibility of positive outcomes. Although a wide range of challenges have been examined in previous studies, the majority of the attention has been on how cultural conflict between two merging groups hinders or interferes with the acculturation process. "Acculturation" is the process by which two formerly independent groups' attitudes and ideas combine to form a unified culture. "Achieving acculturation is a significant issue for companies, which is not surprising." Employees may oppose these acculturation efforts by adopting an individualist role or remaining independent of the consolidated businesses. Widespread opposition is sometimes referred to as "culture clash," which has been demonstrated to have such implications as lesser commitment, diminished collaboration and turnover, and a degradation of operating performance (Lubatkin et al., 1997).

Mergers and acquisitions have been a widespread practice in recent years. This reflects the importance of consolidation in determining a company's success or failure. Mergers

and acquisitions have a lengthy history, dating back to at least the 1990s. However, mergers and acquisitions are a frequent business strategy for increasing organizational skills and gaining a more competitive market position (Gaughan, 1999).

Combining two or more businesses to pool resources and achieve shared objectives is known as a merger. A merger means that after the process, there will only be one organization left. A corporate transaction between unrelated parties based on market conditions, where each company acts in its own best interests, is called an acquisition. The assets and liabilities of the target firm are acquired by the acquiring entity. Ownership may no longer be claimed by the company's shareholders. Under some conditions, the target business becomes a subsidiary of the corporation making the purchase (Bertrand, 2004).

A bank merger is the consolidation of two or more separate banks into a single new organizational entity over which control is exercised by a single governing body and a single chief executive body, and all assets, liabilities, and responsibilities of the former bank are transferred to the new bank. A merger is similar to a marriage between two organizations; it is the process by which two or more organizations lose their identity as juristic firms on the date they are combined into a new juristic company. This study used the term of merger since it captures not only the parties involved, but also the legal side of the process (Coffey et al., 2002).

There are several classic motives for purchasing other firms or organizations. These factors include the capacity to expand and hence attain larger economies of scale, access new markets and distribution channels, seize new product breakthroughs and technologies, eradicate competitors and new threats to it, offer long-term ownership and control over value generated, and above all acquire talent and intellectual property (Coffey et al., 2002).

Mergers can occur for a number of reasons, such as to increase capacity utilization, maximize the use of present sales personnel, reduce management personnel, achieve

economies of scale, level off seasonal sales trends, get access to new suppliers, distributors, customers, goods, and debtors, and acquire new technology (David, 1999).

A conglomerate merger occurs between organizations that focus on a distinct type of product and operate in separate fields of study; A diversification merger is a combination of organizations focused on a similar product but operating in various academic subjects; Institutions operating in related educational sectors and focused on a comparable kind of product are said to be merging horizontally, whereas institution (Symes & Luescher, 2004).

Horizontal mergers are a type of merger and acquisition in the Nigerian banking sector, where institutions operate in related academic disciplines. This is verified by those who define a horizontal merger as the joining of two or more firms in the same area (Cartwright & Cooper, 1997).

The primary economic rationale for opposing a merger is that mergers and acquisitions increase the danger of monopolies. Consumers are therefore abused and resources are misallocated if these mergers generate significant entry barriers that limit competition, potentially leading to market failure and a loss in economic welfare. According to our experience, there are and will likely always be impediments to open market access. With increased need for protection in warring nations, those obstacles may become more formidable over time (Dimgba, 2009).

The data on whether mergers boost firm performance varies. Companies make projections about future growth, enhanced efficiency, and more profitability. However, those projections are frequently overstated, resulting in disappointment among investors, shareholders, and merger management. Certain inefficiencies in the capital markets contribute to inaccurate information and, in certain cases, merger failures. Market imperfections are caused by the fact that corporate control does not always perform ideally and that ineffective management remains in place for an extended period of time. Furthermore, financial institutions hold the majority of the shares, but they do not operate the firms on a regular basis. This implies that the classical conflict of agent and principal

always exists, and that management would choose to operate in their own self-interest rather than in the interest of increasing shareholder value. The future for firms considering mergers seems quite good, especially provided the grounds are legal and do not possibly limit free competition. Regardless of how professional, enticing, or well-crafted a merger appears on paper, there are regulations in place to oversee mergers (Gaughan, 1999).

2.1.2 Merger by Laws of NRB 2011

2.1.2.1 Introduction

The Nepalese banking and financial industries are now going through a critical moment. According to the International Monetary Fund (2008), in their study request, the majority of Nepalese BFIs exhibit excessive liquidity, high operational expenditures, inadequate management, unhealthy competition, and a lack of suitable operating capital. According to the BFIs' third-quarter balance statement, the ratio of bad loans has gone up while all earnings—aside from a few banks—have decreased. In addition to lowering bank earnings, the ongoing political unrest and anxiety about the future have deterred investors from funding new projects. As a result, there is now less need for funding for major projects. As a result, banks are facing increasing pressure to either avoid utilizing money to generate more profits by failing to manage the capital or to enter the riskiest, most volatile housing and real estate sectors (New Spotlight News Magazine, 2011).

As the main authority in charge of overseeing all BFIs, the Nepal Rastra Bank became more and more alarmed by their subpar standing. By passing the Merger Bylaw 2011, which is based on Article 177 of the Company Act 2063 and Articles 68 and 69 of the BAFIA 2063, the Center Bank aimed to improve the financial sector's health. It mandates that all BFIs immediately combine as a consolidation. The Nepal Rastra Bank was compelled to enhance capital and increase their ability to compete in the market; they did not chose to merge. If not, a lot of BFIs could have to pass away (Gautam, 2012).

2.1.2.2 Guidelines and Conditions for Opting Merger by laws 2011

The Nepal Rastra Bank has listed three circumstances in which it may demand that BFIs merge right now. First and foremost, BFIs run and controlled by the same family, relatives, or groups must be given consideration for merger. The central bank will require the BFIs to combine if they are owned by the same family, relatives, or organizations. According to the central bank's Merger by Laws policy, if a BFI is controlled by a single family group, it may be able to pressure it to merge. In a similar vein, if there is a lack of capital, the central bank will compel such BFIs to merge under the second condition. NRB banking and financial institution regulations stipulate that development banks must have a minimum capital adequacy ratio (CAR) of 11% and commercial banks a minimum CAR of 10%. Establishing the bank's ability to meet time obligations and other risks, such credit and operational risk, requires a CAR. The BFIs will be forced to merge in order to strengthen their capital and improve their competitive performance if they are unable to sustain an NRB-imposed CAR (Subedi, 2012).

2.1.2.3 Major Provisions of Merger by laws 2011

According to the New Business Age (2013), the primary requirements of the NRB's Merger Bylaws are:

1. While A, B, and C class financial institutions can combine, D class financial institutions can only merge with other financial institutions of the same class.
2. To merge, BFIs should form separate merger committees and execute an MOU at their annual general meetings.
3. Prior to filing for a Letter of Intent (LOI) from Nepal Rastra Bank, ensure that the proper procedure, including a MOD, is supported by an implementation plan. The NRB should convene within 15 days after receiving the LOI application.
4. The NRB has the discretion to approve or reject the LOI based on a thorough conversation and analysis of the financial institution.
5. Upon receiving a LOI from the central bank, a due diligence audit shall be completed within six months.
6. Institutions shall present a complete review of their assets, liabilities, and transactions to the NRB.

7. Submit an agreement copy of the final decision to the NRB, including the name, address, and share ratio of the affected BFIs.
8. The financial institution shall submit an action plan, including a date of operation following the merger, to the NRB.

Nepal Rastra Bank, Nepal's central bank, has indicated certain scenarios under which it might force banking and financial institutions to combine immediately. The requirements, taken from the website of Nepal Rastra Bank under the policies named "Merger by Laws, 2068 (Including First Amendment)" in 2016 are:

1. If many banks and financial institutions are owned by the same family, relatives, or group.
2. If there is a lack of capital, banking and financial institutions should combine. Commercial banks should have a capital adequacy ratio of 10%, while development banks should have a ratio of 11%.
3. If banking and financial institutions have been subjected to reformatory penalty three or more times.
4. If banks and financial organizations fail to meet payment obligations due to systemic risks.
5. Merging many banks may improve banking and financial outcomes.
6. Allowing banks and financial institutions to operate in their current state may have bad consequences for the country's finances.

Nepalese banks and financial institutions' merger procedure consists of the following steps:

1. Formation of merger committee

A committee will be formed, consisting of directors from all of the BFIs that are being merged.

2. Special Annual General Meeting

The AGM will be conducted here, with the shareholders discussing their aims and reasons. The decision will be considered only if the majority of shareholders approve it.

3. Memorandum of Understanding

It specifies future goals following the merger, which are supported by at least two-thirds consensus, and it is also utilized as a mechanism for legal commitment. This is presented to the Nepal Rastra Bank for merger.

4. Application to Nepal Rastra Bank for merge

The application is filed to Nepal Rastra Bank, describing the firms' existing standing and their future intentions following merger.

5. Due to diligence report

Prepared by the impartial third-party audit company, it provides the facts on the net worth, capital sufficiency, liquidity status, types of loans, and so on of the firms.

6. Final approval

Nepal Rastra Bank makes merger decisions based on financial statements, memorandums of agreement, valuation of firms' assets and liabilities, geographical data, and the names of the companies intended to combine, as well as share valuation reports, business plans after merging, and so on.

2.2 Empirical Review

2.2.1 Review of Article & Journal

Richard and Apolinaris (2023) analyzed the Impact of mergers and acquisitions on abnormal returns and financial performance of banks listed on the Indonesia Stock Exchange. This study looks at the stock market performance of Indonesian banking firms that execute mergers and acquisitions (M & A) in 2019. The goal of this study is to look at the influence of M&A agreements on the performance of takeover banks. This study

sampled three firms participating in the 2019 merger and acquisition deal. To investigate the impact of M&A, this study employs two methods: the event study technique using a market model approach and the accounting approach-based method. The findings revealed that anomalous returns evaluated by CAR did not improve after M&A, while financial performance proxies such as ROA, ROE, BOPO, gross NPL, and LDR also performed poorly after the transaction. However, the firm's size increased and was statistically significant following the merger and acquisition.

Chiaromonte et al. (2022) examined the Mergers and acquisitions in the financial industry: A bibliometric review and future research directions. The expanding use of bibliometric evaluations in finance, as well as continuous consolidation procedures between enterprises and nations, prompted this study on mergers and acquisitions (M&A) in the financial industry. From a beginning count of about 4500 publications, we narrow our database based on keywords and journal quality, ultimately analyzing 174 items. Using bibliometric and content analysis, we identify top journals, nations, institutions, authors, publications, and related research areas that have made significant contributions to this subject. Furthermore, this study includes a keyword/cartographic analysis that identifies five major research streams and their progression over time, which we thoroughly analyze. Finally, we outline the key questions raised in the literature as a proposal for further research.

Gorman et al. (2021) has studied on the effect of media coverage on target firms trading activity and liquidity around domestic acquisition announcements: evidence from UK. This study looks into the impact of news media coverage on trading activity in the liquidity of target businesses' shares following an acquisition announcement. The number of stories published in four major UK newspapers is used as a proxy for media coverage. Between 1996 and 2014, the dataset included 350 UK domestic purchase agreements. The study's conclusions show a positive correlation between target firms' trading activity and stock liquidity and media coverage. This is in line with the media's vital function in lessening financial markets' information asymmetry. By examining the effects of media coverage on trading activity and stock liquidity following the price run-up and offering

further insights into the UK market, which has historically gotten less attention than the US market, this study contributes to the body of research on stock market reactions to acquisition news.

Stunda (2019) has published an article on impact of mergers and acquisitions on acquiring firms in previous research looked at purchasing organizations that were experiencing mergers and acquisitions, as well as the influence these events had on company security prices. These investigations have shown varied outcomes. Some report a negative influence on stock prices, while others believe that there is a favorable effect. This study expands on prior research by expanding the number of organizations tested and the years examined. According to the first research, the stock price effect of acquiring firms is significantly negative when compared to firms that are not participating in M&A activities, whereas the stock price effect of non-M&A firms is significantly favorable. The results indicate that businesses involved in M&A operations in all analyzed industries have a considerable negative impact on stock prices, with the exception of the oil and gas industry and the banking and financial services sector, when acquiring firms are evaluated based on industry membership. It was shown that the stock price was significantly positively impacted by these two industries. These findings are important because they provide managers, investors, and others with more information on how mergers and acquisitions impact the price of shares from the acquiring company's point of view. According to this study, certain industries may be more positively influenced in terms of stock price than others.

Mehrotra and Sahay (2018) has published an article on financial performance of mergers and acquisitions in India. The mergers and acquisitions (M&A) wave began after deregulation in 1991. The liberalized policies included the elimination of industrial licensing as well as the repeal of the Monopolistic and Restrictive Trade Practices (MRTP) Act. The strategies heralded the arrival of a new emergent paradigm in which combining enterprises became an effective means of combating fierce competition in India through improved governance. The goal of this essay is to evaluate previously published material on acquirers' post-merger financial performance. The examination

indicated that the research is mostly focused on transactions that occurred in industrialized countries, when M&A first became popular in the late nineteenth century. Furthermore, the majority of them were announcement related. The assessment highlighted a vacuum in studies conducted in emerging countries. This article seeks to assist scholars in better understanding the challenges involved in mergers and acquisitions and proposes options for further research.

Pachulia (2018) has published an article on impact of mergers and acquisitions on corporate performance a case study of Silknet Company. In this work, researchers use financial report data to investigate the influence of mergers and acquisitions on corporate financial performance in Georgian companies. The study provides a literature review on mergers and acquisitions and uses a Georgian firm example. The report examines JSC Silkne's merger and acquisition strategy, industry picks, and new acquisition objectives. Mergers and acquisitions yield benefits, and as a result, product diversification is one of the strategic tools employed by JSC Silknet to widen its company portfolio. Furthermore, research reveals financial performance patterns based on returns on equity, assets, and sales. The findings reveal if the company's financial performance improved as a result of mergers and acquisitions.

Walsh (2018) has published an article on merger policy and its impact on Nepalese bank. The study's objective is to assess the situation, its influence on senior staff, customers, and employee motivation, as well as identify the issues identified. The study investigation employed public audited accounts from ten banks and 200 respondents, which included both primary and secondary data. The investigation found a beneficial influence on the bank's personnel, workers, and customers.

Michaels and Spector (2016) has published an article on the impact and challenges of merger and acquisition in Nepalese banking. Commitment to the M&A project and organization appear to be essential components of effective acculturation and integration.

Goyal and Vijay (2016) has published an article on merger and acquisition in banking industry. The study's aims were to determine the impact of mergers and acquisitions on net profit margins and return on equity, as well as return on assets and return on investment. The study's findings indicate that employees are less concerned about losing their jobs and are more happy with their jobs and working conditions. The job is both hard and intriguing; they believe that improvements have been properly implemented, and the company's future appears to be bright, with excellent plans and policies. Still, there is a good likelihood that they will choose other groups. On the other hand, stress-related variables in the workplace include. The company's technological infrastructure, reporting system, working hours, connection with the boss, and supervision.

Banerjee (2015) has published an article on impact of merger and acquisitions on financial performance: Evidence from selected companies in India. The purpose of this study is to investigate the effects of a merger on profitability and liquidity. It examines the firms' financial performance during the last three years, both before and after the merger. The sample size for this study comprises of seven distinct sectors that underwent mergers and acquisitions between 2006 and 2012. To meet the study's purpose, secondary data from three years previous to and three years after the merger were collected from yearly audited financial statements from 2000 to 2015. Various financial statistics are used to analyze profitability and liquidity condition. The analysis is carried out using SPSS's paired test on accounting ratios to determine the study's relevance. This study's findings suggest that acquiring firms' financial performance does not increase following merger.

Mayer et al. (2015) examined an article on mergers and acquisitions: The human factor defines trust as a party's readiness to be susceptible to another party's activities with the expectation that the other would do a certain activity vital to the trust, regardless of the capacity to monitor. Furthermore, Graebner defines trust as an individual, group, or organization's readiness to rely on another party's conduct in opportunistic or risky situations. According to Kooning (2015) and Maguire and Phillips, a lack of trust might contribute to the establishment of cultural disputes and identity challenges during post-

merger integration. Konovsky and Pugh show that a good beginning action increases trust, which promotes behavioral reactions. Aryee, Budhwar, and Chen discovered that justice enhances trust, which therefore boosts organizational citizenship behavior. Lander's findings demonstrate the beneficial relationship between trust in mergers and post-merger organizational identity among workers.

Morrell et al. (2014) has published an article on organizational change and employee turnover. Job satisfaction is seen to be an essential theoretical and practical issue since it affects an employee's capacity to deal with job demands successfully and perform efficiently. Job satisfaction may be helpful in retaining outstanding employee performance during a time when the business may be vulnerable because of the high expectations placed on employees participating in merger and acquisition integration. Low work satisfaction has been linked to poor task performance, low staff morale, increased absenteeism, and job turnover at the organizational level.

Table 1

Summary of Empirical Review

S.N.	Date of Publication	Article	Writers	objectives	Methodology	Findings
1	2023	Impact of Mergers and Acquisitions on Abnormal Returns and Financial Performance of Banks Listed on the Indonesia Stock Exchange	Gorman et al.	To investigate the impact of M&A agreements on the performance of takeover banks	The event research method combines a market model approach with an accounting approach-based method.	The findings revealed that anomalous returns evaluated using CAR did not improve following M&A and financial success.
2	2022	Mergers and acquisitions in the financial industry: A bibliometric review and future research directions	Chiaramonte, Piserà & Khan	To summarize the main questions proposed by the literature as a suggestion for future	Descriptive and analytical research design were used.	This study provides a keyword/cartographic analysis identifying five leading research streams and their evolution over time

research.

3	2021	the effect of media coverage on target firms' trading activity and liquidity around domestic acquisition announcements evidence	Gorman et al.	To investigate the effect of news media coverage on trading activity	Financial and statistical tools were used.	The findings of the study indicate that media coverage is favorably related with target businesses' trading activity and stock liquidity. This is consistent with the media's critical role in reducing information asymmetry in financial markets.
4	2019	The market impact of mergers and acquisitions on acquiring firms	Stund	To examine acquiring firms undergoing mergers and acquisitions along with the impact that these events have on firm security prices.	This study expands on prior studies by expanding the number of businesses examined and the years analyzed..	According to this study, certain industries may be more positively influenced in terms of stock price than others.
5	2018	Systematic review on financial performance of mergers and acquisitions in India.	Mehrotra & Sahay	To review literature already published pertaining to post-merger financial performance of acquirers.	Various statistical and financial tools were used. Among them descriptive and analytical research design were used.	This page seeks to assist scholars in understanding the challenges in M&A and suggests options for further research.
6	2018	impact of mergers and acquisitions on corporate performance: a case study of Silknet company	Pachulia	To investigate the influence of mergers and acquisitions on corporate financial performance in Georgian companies	The article describes and analyzes JSC Silkne's merger and acquisition strategy, industry picks, and new acquisition objectives.	This study predicts financial performance patterns based on return on equity, return on assets, and return on sales. The findings reveal if the company's financial performance improved as a result of mergers and acquisitions.

				using data from financial reports.	Based on the portfolio analysis, the benefits of mergers and acquisitions are identified, and as a result, product diversification is one of the strategic tools utilized by JSC Silknet to widen its business portfolio.	
7	2018	Merger policy and its impact on Nepalese bank	Walsh	To evaluate the status, impact on senior staff, costumer and employee's motivation as well identify the problem issued raised	The research analysis used published audited account of ten banks and 200 respondents which consists primary and secondary data.	The analysis revealed that there is positive impact on impact on staff, employees and consumer of bank.
8	2016	Impact and challenges of merger and acquisition in Nepalese banking.	Michaels & Spector	To analyze the impact and challenges.	Financial and statistical tools were used.	Commitment to the M&A undertaking and organization thus appear to be critical elements for successful acculturation and integration.
9	2016	Merger and Acquisition in Banking Industry	Goyal & Vijay	To identify the effect of merger and acquisition on the net profit margin and return on equity and to identify the effect of merger and acquisition on return on assets and	The research analysis used published audited account of ten banks and 200 respondents which consists primary and secondary data.	The study's findings indicate that employees are less concerned about losing their jobs and are more happy with their jobs and working conditions. The job is both hard and intriguing; they believe that improvements have been properly implemented, and the company's future appears to be bright,

				return on investment.		with excellent plans and policies. Still, there is a good likelihood that they will choose other groups.
10	2015	Impact of merger and acquisitions on financial performance: Evidence from selected companies in India	Banerjee	To analyze the effect of merger upon profitability and liquidity position.	The sample size for this study comprises of seven distinct sectors that underwent mergers and acquisitions between 2006 and 2012. Various financial statistics are used to analyze profitability and liquidity condition.	The analysis is carried out using SPSS's paired test on accounting ratios to determine the study's relevance. This study's findings suggest that acquiring firms' financial performance does not increase following merger.
11	2015	Mergers and acquisitions: The human factor	Mayer, Davis and Schoorman	To analyze the threats during the post-merger integration.	Financial and statistical tools were used.	The findings of Lander and support the positive association between trust in merger and the post-merger organizational identification among employees.
12	2014	Organizational change and employee turnover	Morrell, Loan-Clarke, & Wilkinson	To analyze the affect the ability of the employee to deal with job demands successfully and perform effectively	Financial and statistical tools were used. In this research primary data were collect through questionnaire distribute.	Due to the high expectations placed on employees involved in merger and acquisition integration, job satisfaction may be beneficial in maintaining excellent employee performance during a period when the firm may be susceptible. At the organizational level, low work satisfaction has been associated to increased absenteeism, job turnover, poor task performance, and low staff morale.

2.2.2 Review of National Articles

Bhatta (2021) examined the effect of bank merger on the shareholders' wealth and post-merger situation of Nepalese banking industry. The mergers resulted in changes in bank share ownership. Bank efficiency improves with more skilled and integrated ideas. Excess capital allows you to compete competitively with global banks who want to enter the Nepalese market shortly. The objectives and questions are also incorporated in this chapter as well as the scope, the significance and purpose, and the disposition of the research study. It is found out engaging in such mergers and acquisitions strategies is to create or appreciate the value of the returns of the shareholders. The asset purchase takes into account the sale of all or part of the assets of the acquired company to the acquiring company or its subsidiary in exchange for the acquiring company's stock. Financial synergies refer to the influence mergers and acquisitions have on the surviving company's weighted average cost of capital.

Gautam (2020) studied the effect of bank merger on the shareholders' wealth and post-merger situation of Nepalese banking industry. Mergers and acquisitions are seen as an essential instrument for enabling the financial sector to operate soundly and efficiently while controlling the system's fundamental issues. Additionally, the tool is essential for lowering operating expenses and boosting the businesses' profitability and competitiveness in the market. M&A is frequently carried out in the global financial markets in an effort to improve the competitive edge and broaden the activities of financial institutions, as well as to satisfy regulatory bodies' requirements. However, over half of mergers and acquisitions fall short of the initial expectations, even with these optimistic assumptions.

Dhakal (2019) examined the impact and challenges of merger and acquisition in Nepalese banking and financial institution. This paper's study methodology was descriptive research, which suggests that the findings were derived from the survey and analysis. Questionnaires were used to examine the effects on staff and clients, while financial data from the combined bank's two years before and after the merger was used to examine the

effects on shareholders. According to the findings, workers were content with their jobs, pay, and working conditions, but they were negatively influenced by HR problems such as socialization, favoritism, cultural conflicts, and positional challenges. Customers needed more creative service, but they also felt that the value, product, and service had changed in the post-merger era. The bank had significantly improved in the post-merger phase, according to the total financial statistics, which increased the wealth of the shareholders. Problems with the swap ratio, the BOD's creation, the management team's structure, HR, IT, and other areas were noted. In order to transform the underperforming BFIs into powerful and reputable organizations, M&A was therefore essential in the Nepalese industry. In addition to the physical and administrative aspects of the merger, the BFIs should take sociocultural considerations into account. To prevent the delays and complications of some merger processes seen in Nepal, they should also work with investment banks or experts to provide full-fledged merger consultancy services.

Shrestha (2017) investigated the impact and challenges of merger and acquisition in Nepalese banking sector. The idea of mergers and acquisitions is relatively new to the banking and financial institutions in Nepal. Nepal Rastra Bank urged all BFIs to combine as a consolidation by introducing the Merger Bylaw, which was based on an item of the Company Act of 2015. Among the few organizations that underwent a merger procedure prior to the bylaws' publication were Laxmi Bank, Nepal Bangladesh Bank, and Narayani National Finance. The NRB announced a four-fold increase in the minimum paid-up capital for commercial banks and a twenty-four-fold increase for development banks in the 2015 monetary policy. This meant that the national level development bank would need to raise its paid-up capital to Rs. 2.5 billion, while the commercial banks would need to raise it to Rs. 8 billion. The circumstances to support the merger and acquisition process have been further improved by the requirements set by the banking regulation; the wave of mergers and acquisitions that began as early as 2015 has affected the BFI industry in Nepal.

Bista (2016) made a comparative analysis of impact of mergers and acquisition on financial efficiency of banks. Questionnaires were used to examine the effects on staff

and clients, while financial data from the combined bank's two years before and after the merger was used to examine the effects on shareholders. It was discovered that the post-M&A era was more cost-effective than the pre-M&A era. The study's main conclusions are that it was unable to assess the impact of additional factors that may have improved the banks' efficiency. Therefore, it is unclear if the findings were due to the contributions of other factors like human resources (staff happiness), which might have enhanced the banks' operations.

Table 2

Summary of Review of Nepalese Article

S.N	Date of Publication	Thesis	Writers	Objectives	Methodology	Findings
1.	2021	Effect of bank merger on the shareholders wealth and post-merger situation of Nepalese banking industry	Bhatta	To analyze the mergers and acquisition strategies is to create or appreciate the value of the returns of the shareholders	Descriptive and analytical research design was used. Financial and statistical tools were used.	The selling of all or a portion of the acquired firm's assets to the acquiring company or one of its subsidiaries in return for the acquiring company's shares is taken into consideration during the asset acquisition. The impact that mergers and acquisitions have on the weighted average cost of capital for the surviving business is referred to as financial synergy.
2	2020	Effect of Bank Merger on the Shareholders Wealth and Post-Merger Situation of Nepalese Banking Industry	Gautam	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.	M&A is frequently carried out in the global financial markets in an effort to improve the competitive edge and broaden the activities of financial institutions, as well as to satisfy regulatory bodies' requirements. However, over half of mergers and

- acquisitions fall short of the initial expectations, even with these optimistic assumptions.
- 3 2019 the impact and challenges of merger and acquisition in Nepalese banking and financial institution Dhakal To analyze the impact on shareholders was observed through analysis of financial data of merged bank in 2 years of pre and post-merger phase. The research method used in this paper was descriptive research, which implies the results based on the survey and the analysis. In the Nepalese industry, M&A was essential to transforming underperforming BFIs into powerful and reputable organizations. In addition to the physical and administrative aspects of the merger, the BFIs should take sociocultural considerations into account. To prevent the delays and complications of some merger processes seen in Nepal, they should also work with investment banks or experts to provide full-fledged merger consultancy services.
- 4 2018 Market based mergers in Indian banking institutions Krishnamurthy to investigate whether the empirical evidence of mergers and acquisition hold true in the Naples context and it is explored the benefits of mergers and acquisition on the stock The research method used in this paper was descriptive research, which implies the results based on the survey and the analysis. The increased protection of customers' rights is the most significant effect of the merger. Alongside it, the banking industry has improved its ability to protect itself, even under dire financial circumstances.

5	2017	The impact and challenges of merger and acquisition in Nepalese banking Merger and Acquisition	Shrestha	market i.e. the Nepalese Stock Exchange The employees are less feared of losing job, they go satisfied with the work and working condition and find the job quite challenging and interesting	The research method used in this paper was descriptive research, which implies the results based on the survey and the analysis.	Employees are mostly negatively impacted by HR difficulties such as cultural complexity, partiality, conflicts between senior management's perspectives, socialization challenges, etc.
6	2016	comparative analysis of the impact of mergers and acquisition on financial efficiency of banks.	Bista	To analyze the post M&A period was more financially efficient than the pre- M&A period	Descriptive research method has been used which implies the results based on the secondary data and the analysis.	The study was unable to assess the impact of additional factors that may have improved the banks' efficiency. Therefore, it is unclear if the findings were due to the contributions of other factors, such as human resources, which may have enhanced the banks' operations.

2.3 Research Gap

In Nepal, the practice of merging and acquiring financial institutions has become more and more common in recent years. The NRB's capital augmentation program and merger by law policy may be to blame. The Corporate mergers and acquisitions are aimed at amplifying efficiency, enhancing competitive advantage, achieving synergy and improving firm value. However, in the case of the Nepalese banking sector, factors like the emphasis on achieving security, financial diversification, gaining a stronger market position, increasing income, and complying with regulatory authorities' regulations do

not significantly influence merger and acquisition decisions. The association was shown to be adversely associated when the focus was on improved branding. One possible explanation for this might be because mergers and acquisitions are not considered typical in Nepalese society and are only done in extreme circumstances.

Mergers and Acquisitions pursue the profitability, liquidity and solvency objectives of an organization. This is supported by the fact that merging/acquisition had a significant impact on the financial performance. It can clearly be said that majority of the bank employee's' agreed that the merger and acquisition exercise which took place in their bank is being able to keep them busy all the time with the highest percentage rate of response rate on very satisfied/ satisfied. Employees are shown what makes the new or acquiring firm a fantastic place to work by the human resources department, which also raises awareness of the potential available inside the organization. Employees will believe that they are working for the greatest firm as a result of this improvement in their knowledge and comprehension of the business. It is highly advised that management and staff collaborate to embrace the acquiring company's vibrant and varied culture. In this study, the financial performance of NIC Asia Bank Limited, Global IME Bank Limited, and Prabhu Bank Limited is examined in relation to mergers and acquisitions. This study provides guideline for similar known of organization having merger and acquisition pattern. This study will serve as source of reference for similar researcher.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Research Design

The research design of the study is descriptive and casual. A descriptive research approach entails the use of information from other studies and qualitative analyses. In casual research is used to identify the cause-and-effect relationship between variables and provides conclusive results that can answer the research problem. The human resources department shows employees what makes the new or acquiring company a great place to work, which also increases awareness of the possibilities inside the company. Because of this increase in their understanding of the company, workers will feel that they are employed by the best company. Management and employees should work together to embrace the dynamic and diverse culture of the acquiring firm. This research looks at Prabhu Bank Limited, Global IME Bank Limited, and NIC Asia Bank Limited's financial performance in connection to mergers and acquisitions.

3.2 Population and Sample

At present, there are 20 (https://en.wikipedia.org/wiki/Commercial_banks_of_Nepal, 2079-12-06) commercial banks are operating in Nepal. Due to time and resource factors, it is not possible to study all of them regarding the study topic. All the commercial banks that are operating in Nepal are considered as the population. From the commercial banks of Nepal, only three banks, NIC Asia Bank Limited, Global IME Bank Limited and Prabhu Bank Limited are taken as a sample bank for the research study.

3.3 Sampling Design

Among the total commercial banks only three commercial banks were selected for the study. Recently merged companies were selected for the study, i.e. NIC Asia Bank Limited, Global IME Bank Limited and Prabhu Bank Limited. These companies were merged and accruing their competitors through giving swap ratio.

3.4 Nature and Sources of Data

This study is based on secondary data.

i. Secondary data

secondary data gathering from a variety of sources, including books, journals, magazines, websites, research papers, bank databases, etc. The combined banks' annual reports were the source of the financial information. Several journals and papers were examined in order to have a thorough understanding of the topic and the study's computations.

3.5 Instrument of Data Collection

In this study, the data were collected from the annual report of the sampled commercial banks. Collected data were analyzed through the statistical and financial tools and results were elaborated.

3.6 Methods of Analysis

A number of financial measures, including EPS, MPS, NPL, DPS, PE Ratio, DPR, DY, and ROA, are calculated to study the financial performance of the chosen banks before and after the merger in order to determine the effects of the merger on their financial performance.

3.6.1 Financial tools

The financial metric aids in assessing the organization's financial standing. Financial disclosure and financial statements provide the parameter. In order to examine market capitalization, market price of shares, return of assets, non-performing loan to total loan ratio, dividend yield, price earnings ratio, dividend payout ratio, and dividend per share, some of the financial variables listed below have been used.

3.6.2 Statistical tools

The most well-known Statistical tools are the descriptive, correlation, regression, t-test, f-test, a nova test etc. There are also software packages like excel, SAS and SPSS which are useful in interpreting the results for large sample size.

Correlation Analysis

A statistical method for determining the strength and direction of a link between variables is correlation. It is always in the range of ± 1 . This metric is relative. Conversely, regression quantifies the type and strength of the average connection using the data's original units. Regression coefficients must be less than unit if one is bigger than unit. It is a connection metric that is absolute. Finding out if two sets of data are associated in a way that causes them to rise together—if one rises, the other falls—is possible through correlation analysis.

$$\text{Correlation Coefficient (r)} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2} \sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Regression Analysis

Regression analysis postulates a certain connection direction. One of the inferential statistics used to calculate the impact of one or more independent variables on a dependent variable is regression analysis. The following is an outline of the model utilized in this study:

$$\text{ROA}_{it} = \beta_0 + \beta_1 \text{EPS}_{it} - \beta_2 \text{MPS}_{it} + \beta_3 \text{NPL}_{it} + \beta_4 \text{DPS}_{it} + \beta_5 \text{PE}_{it} + \beta_6 \text{DPR} + \beta_7 \text{DY}_{it} + e_{it}$$

Where

ROA_{it} = Return on Assets

MPS_{it} = Market Price Share

EPS_{it} = Earnings Per Share

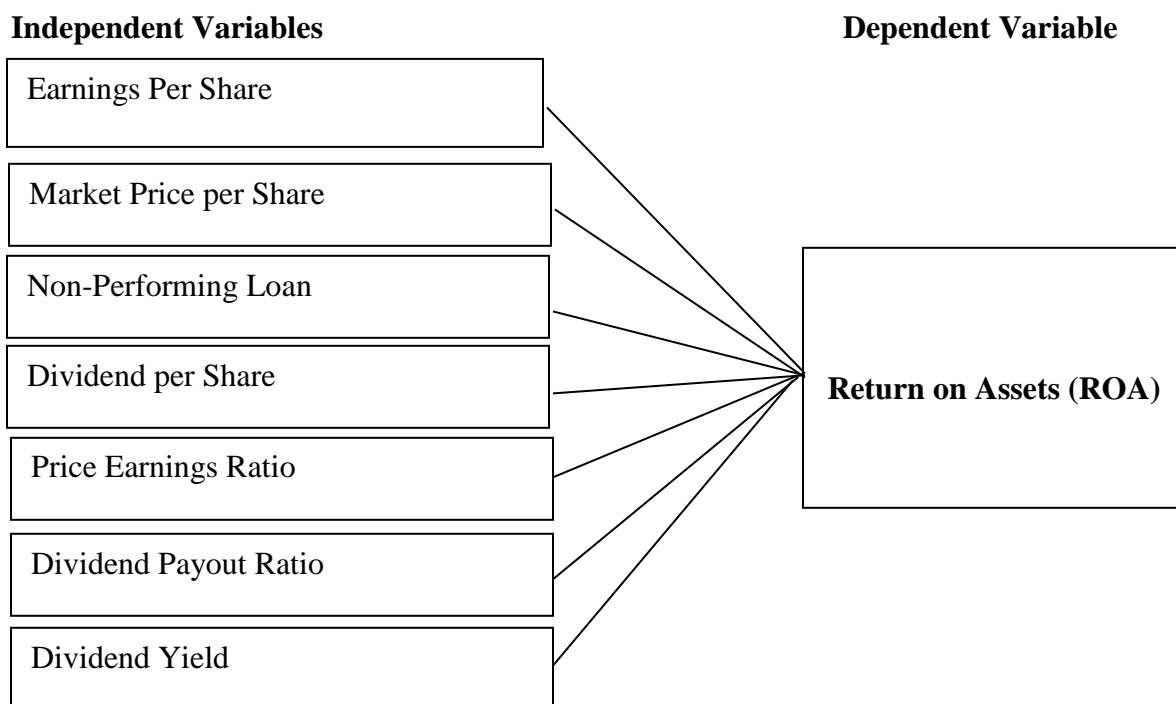
NPL_{it} = Non- Performing Loan to Total Loan Ratio

DPS_{it} = Dividend Per Share

PE_{it}	= Price Earnings Ratio
DPR_{it}	= Dividend Payout Ratio
DY_{it}	= Dividend Yield
e_{it}	= Error Term

3.7 Research Framework and definition of variables

Figure 1: Conceptual Framework Models



Source: (Bhatta, 2021), (Pingfeng, 2018) & (Shehzad, 2014)

Definition of Variables

a) Return on Assets

In this case, the link between net earnings and assets is used to calculate the profitability ratio. Another name for the ROA is the profit-to-assets ratio. It gauges how well management uses its available resources to produce profits overall. The better, the greater the company's return on total assets.

$$\text{Return on Total Assets} = \frac{\text{Net profit after Tax}}{\text{Total assets}}$$

b) Earning Price per Share

The EPS is a measure of a company's profitability as seen by common shareholders. It calculates the profit that stock investors can receive on a per-share basis, or the amount they can receive on each share they own. It is computed by dividing the number of outstanding shares by the earnings that are available to shareholders. Net earnings after taxes and preference dividends represent the profitability of common shareholders. The investing public keeps a close eye on EPS, which is seen as a crucial sign of a successful business. Thus,

$$\text{EPS} = \frac{\text{Net Profit to Equityholders}}{\text{No. of Share outstanding}}$$

c) Market Price per Share

The price at which a share of a company's stock may be purchased in the marketplace, as on a stock exchange, is known as the market value per share. Depending on how much demand there is for the product, its price fluctuates throughout the day. MPS and ROA have a favorable relationship.

$$\text{Market Price per Share} = \frac{\text{Total Market Value}}{\text{No of Share outstanding}}$$

d) Non-performing loan

A loan in which the customer is in default and has not made the monthly principle and interest payments for a certain amount of time is known as a non-performing loan (NPL). When borrowers run out of money to make loan payments or encounter circumstances that make it impossible for them to continue making loan payments, the loan becomes non-performing. The NPL ratio may be calculated using this straightforward method: As a proportion of the bank's nonperforming loans, the ratio can also be stated. NPL and ROA have a favorable relationship.

$$\text{NPL} = \frac{\text{Total Non-performing Loan}}{\text{Total Loan and Advances}}$$

e) Dividend per share

The total amount of dividends allocated to each outstanding share of a firm is known as the dividend per share, or DPS. ROA and DPS have a good relationship. An investor may ascertain how much money they will get from the firm on a per-share basis by calculating the dividend per share.

$$\text{DPS} = \frac{\text{Total Dividend}}{\text{No. of Shares Outstandings}}$$

g) Price Earnings Ratio

The link between earnings per share and the stock's market price is known as the price-earnings ratio. The company's success is demonstrated by earnings per share, which indicates how well it has managed its people and material resources to meet the needs of investors. The P/E ratio and ROA have a favorable relationship. Therefore, the price that the market is presently paying for each rupee of currently reported EPS is reflected in the P/E multiple.

$$\text{Price Earnings Ratio} = \frac{\text{Market Price per Share}}{\text{Earnings per Share}}$$

d) Dividend payout ratio

The dividend payout ratio, expressed as a percentage, is the ratio of total dividends to total net income. A firm may choose to distribute its profits to shareholders or reinvest them back into the organization. The percentage of earnings distributed to shareholders as a dividend is known as the dividend payout ratio. Stock performance is positively impacted by return on assets. It demonstrates that stock returns would increase in proportion to the return on assets. Nevertheless, the dividend payout ratio has a detrimental effect on stock return, indicating that the greater the ratio, the worse the stock return.

$$\text{Dividend payout ratio} = \frac{\text{Dividend per Share}}{\text{Earnings per Share}}$$

e) Dividend Yield

The link between dividend per share and market price per share is shown by dividend yield. The cash dividend per share is divided by the market value per share to determine the dividend yield. DY and ROA have a good relationship.

$$\text{Dividend Yield} = \frac{\text{Divident per Share}}{\text{Market Price per Share}}$$

The financial performance of the chosen banks before and after the merger is examined by computing a number of financial ratios, including EPS, MPS, NPL, DPS, PE Ratio, DPR, DY, and ROA. This is done in order to determine the effects of the merger on their financial performance.

CHAPTER-IV

RESULTS AND DISCUSSION

This chapter includes data presentation and analysis. The data and information collected from the NIC-Asia Bank Limited. The processing data are presented and analyzed according to response of respondents. All the questionnaires are distributed and collected by the researcher herself. The collected data are analyzed using different tools and techniques. Results found from the analysis are systematically presented and carefully interpreted or explained in the following sections.

4.1 Financial Indicators of Banks before and after the Merger

A popular format or method for examining a company's financial statements is ratio analysis. Ratio analysis is one method that may be used to explain or show the analyst the positive and negative aspects of a company's financial situation. Return on assets (ROA) and profitability measures were used in this investigation. ASIA Bank Ltd. is one of the primary secondary sources of data used in this study. All of the combined firms' annual reports, both before to and during the merger, are carefully examined. Based on a number of financial measures, the bank's merger activity's effect on shareholders is examined.

When shareholders are evaluating the bank for potential investments, these financial metrics are crucial. The performance and financial health of the company may be usefully determined by looking at financial ratios. The balance sheet, P/L, A/C, and cash flow statement of the firms are used to calculate the majority of the ratios.

A regular individual may quickly comprehend the financial situation of that specific firm thanks to the straightforward and intelligible method that ratios transform these financial statements.

Table 3
Variables of Selected banks

Variable	Before Merger			Mean	S.D.	After Merger			Mean	S.D.
	2012/13	2013/14	2014/15			2019/20	2020/21	2021/22		
ROA	1.24	1.46	1.43	1.37	0.12	1.03	1.03	1.26	1.10	0.13
EPS	18.09	21.56	15.27	18.31	3.15	20.49	20.87	23.72	21.69	1.76
MPS	449.33	643.00	426.67	506.33	118.89	337.67	630.67	427.67	465.33	150.08
NPL	2.21	1.77	2.37	2.12	0.31	1.89	1.20	1.31	1.46	0.37
DPS	34.23	38.07	43.76	38.68	4.79	31.25	63.11	55.68	50.01	16.66
PE	23.79	21.62	21.00	22.13	1.46	16.57	29.43	17.63	21.21	7.13
DPR	147.58	131.30	140.19	140.76	8.15	83.23	89.61	94.28	89.04	5.54
DY	7.65	7.74	9.01	8.13	0.76	18.59	26.54	28.53	22.95	5.25

Source: Annual report of Global IME bank, Prabhu bank and NIC Asia bank

Table 3 shows that the mean ROA before merger is 1.37 and after merger 1.1, mean EPS before merger is 18.31 and after merger 21.69, mean MPS before merger is 506.33 and after merger 465.33, mean NPL before merger is 2.12 and after merger 1.46, mean DPS before merger is 38.68 and after merger 50.01, mean PE before merger is 22.13 and after merger 21.21, mean DPR before merger is 140.76 and after merger 89.04, mean DY before merger is 8.13 and after merger 22.95. In this criterion, the selected bank's performance good for EPS, DPS, DY due to increasing values after bank merger and decreasing values of NPL. Above table shows that higher the values of standard deviation for MPS, NPL, DPS, PE and DY are more risk after merger the bank.

Table 4

Correlation Analysis of Selected Banks

	Variables		ROA	EPS	MPS	NPL	DPS	PE	DPR	DY
Before merger	ROA	Pearson correlation	1	-.988*	.993*	0.785	0.693	0.944	-0.818	.989*
		Sig.(1-tailed)		0.049	0.038	0.213	0.256	0.107	0.195	0.047
	EPS	Pearson correlation	.988*	1	0.963	0.87	0.574	0.882	-0.72	0.088**
		Sig.(1-tailed)	0.049		0.087	0.164	0.305	0.156	0.244	0.002
	MPS	Pearson correlation	.993*	0.963	1	0.704	0.775	0.977	-0.881	0.964
		Sig.(1-tailed)	0.038	0.087		0.251	0.218	0.069	0.157	0.085
	NPL	Pearson correlation	0.785	0.87	0.704	1	0.097	0.536	-0.285	0.867
		Sig.(1-tailed)	0.213	0.164	0.251		0.469	0.32	0.408	0.166
	DPS	Pearson correlation	0.693	0.574	0.775	0.097	1	0.892	-0.982	0.58
		Sig.(1-tailed)	0.256	0.305	0.218	0.469		0.149	0.061	0.303
PE	Pearson correlation	0.944	0.882	0.977	0.536	0.892	1	-0.962	0.885	
	Sig.(1-tailed)	0.107	0.156	0.069	0.32	0.149		0.088	0.154	
DPR	Pearson correlation	-0.818	-0.72	-0.881	-0.285	-0.982	-0.962	1	-0.725	
	Sig.(1-tailed)	0.195	0.244	0.157	0.408	0.061	0.088		0.242	
DY	Pearson correlation	.989*	.994**	0.964	0.867	0.58	0.885	-0.725	1	
	Sig.(1-tailed)	0.047	0.002	0.085	0.166	0.303	0.154	0.242		
After merger	ROA	Pearson correlation	1	-0.587	-0.464	-0.521	.793*	0.503	-0.175	-0.014
		Sig.(1-tailed)		0.111	0.177	0.145	0.03	0.155	0.37	0.49
	EPS	Pearson correlation	-0.587	1	-0.404	0.025	-0.61	-0.653	0.419	0.069
Sig.(1-tailed)		0.111		0.214	0.481	0.099	0.08	0.204	0.448	
MPS	Pearson correlation	-0.464	-0.404	1	0.319	-0.305	-0.023	-0.4	-0.34	

		Sig.(1-tailed)	0.177	0.214		0.269	0.279	0.482	0.216	0.255
	NPL	Pearson correlation	-0.521	0.025	0.319	1	-0.151	0.341	0.53	0.599
		Sig.(1-tailed)	0.145	0.481	0.269		0.387	0.254	0.14	0.105
	DPS	Pearson correlation	.793*	-0.61	-0.305	-0.151	1	0.393	0.112	0.331
		Sig.(1-tailed)	0.03	0.099	0.279	0.387		0.221	0.416	0.261
	PE	Pearson correlation	0.503	-0.653	-0.023	0.341	0.393	1	-0.014	0.361
		Sig.(1-tailed)	0.155	0.08	0.482	0.254	0.221		0.489	0.241
	DPR	Pearson correlation	-0.175	0.419	-0.4	0.53	0.112	-0.014	1	0.443
		Sig.(1-tailed)	0.37	0.204	0.216	0.14	0.416	0.489		0.189
	DY	Pearson correlation	-0.014	0.069	-0.34	0.599	0.331	0.361	0.443	1
		Sig.(1-tailed)	0.49	0.448	0.255	0.105	0.261	0.241	0.189	

Source: Annual report of Global IME bank, Prabhu bank and NIC Asia bank

Table 4 presents the results of a test of the links between the study variables shown in the model utilizing correlation with ROA and EPS separately before and after the merger of the chosen banks. The findings indicate that ROA and EPS have a negative correlation (-.988*) as a result of the sample banks' high profit accumulation and recommended ideal capital. The associated P value is 0.049, which is higher than the significance level, or 0.05, following the bank merger. There is no statistically significant correlation between ROA and EPS, respectively.

In contrast, MPS .993* has negative correlated with ROA depicts that the sample banks could not effectively manage as its quality of assets before merger. Likewise, the associated P value is 0.037, which is below the significance level of 0.05. There is a statistically significant correlation between MPS and ROA, respectively. Furthermore, there is a negative correlation between NPL and ROA, the correlation being -.988*. The

correlation's negative coefficient estimations suggested that the ratio of nonperforming loans to total loans had indirect links.

Similarly, DPS has a positive link with ROA and a statistically significant relationship with ROA following the merger, but NPL has a statistically insignificant relationship with ROA. Similarly, there is a negative correlation (-.988*) between the PE ratio and ROA. With a matching P value of 0.002, the association between ROA and PE ratio is statistically significant and below the significance level, or 0.05. In a similar vein, DPR and ROA have a positive association (0.693). The equivalent P value, which shows a substantial correlation between ROA and DPR, is 0.047. Lastly, DY and ROA have a positive correlation of .989*. Likewise, the associated P value is 0.049, which is below the significance level of 0.05. According to statistics, the DY ratio and ROA have a significant link.

Table 5

Regression Analysis of Selected banks before merger

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df 1	df2	Sig. Change	F
1	.999 ^a	.999	.990	1.92775	.999	114.653	7	1	.072	

a. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2982.526	7	426.075	114.653	.072 ^b
	Residual	3.716	1	3.716		
	Total	2986.242	8			

a. Dependent Variable: ROA

b. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

Coefficients^a		Unstandardized		Standardized	t	Sig.
Model		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	41.680	30.400		1.371	.401
	EPS	.059	.185	.028	.319	.034
	MPS	-.016	.017	-.113	-.936	.521
	NPL	6.191	2.932	.258	2.111	.282
	DPS	.311	.035	.548	8.816	.022
	PE	-.618	.101	-.663	-6.096	.104
	DPR	-.150	.107	-.311	-1.407	.393
	DY	-1.637	1.211	-.284	-1.352	.405

a. Dependent Variable: ROA

Table 5 shows regression results with VIF test and F test of the model's goodness of fit for before merger the banks. As shown in the above table, the results of the Fishers ratio (also known as the F-Statistics, which is evidence of the correctness of the estimated model) show that the F statistic value is about 114.65. as each independent variable's VIF statistic is less than 10. Therefore, regression model with ordinary least square (OLS) can be used. In a similar vein, the R-Square, also known as the variables' coefficient of determination, is.999. About 71.9% of the variability in the Return on Assets of the sample commercial banks can be explained by the model, according to the R-Square, which is also a measure of the model's overall fitness. This indicates that roughly.999 of the dependent variable's systematic variance can be explained by the model. In other words, -0.841 accounts for around 25.3% of the variances in Return on Assets (ROA). Hence the coefficient analysis above the table shows the relationship between dependent variable and each independent variable. Unstandardized Coefficients B is 41.680 Constant values are receptively Standardized Coefficients. Beta is .028. The regression coefficient of Earning per share (EPS) is -.391 which indicates that if it increased Earnings per share by Rs.1 rupees, the average influence on the Return on Assets will decrease -0.841 % percent. The simple regression coefficients of different variables are calculated.028using SPSS 20 software program. Other calculations are done accordingly.

Table 6
Regression Analysis of Selected bank after merger

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df 1	df 2	Sig. Change	F
1	.879 ^a	.889	.980	1.52325	.8	108.346	7	1	.061	

a. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2834.234	7	344.256	108.346	.061 ^b
	Residual	4.356	1	3.658		
	Total	2838.59	8			

a. Dependent Variable: ROA

b. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	34.659	25.650		2.31	.605
	EPS	.062	.174	.305	.289	.149
	MPS	.559	.156	-.065	.654	.026
	NPL	4.52	2.85	.984	2.512	.351
	DPS	.624	.042	.658	7.263	.036
	PE	-.854	.584	-.569	4.257	.104
	DPR	-.157	.132	-.281	-1.365	.393
	DY	-2.006	1.327	-.524	-1.256	.022

a. Dependent Variable: ROA

Table 6 shows regression results with VIF test and F test of the model's goodness of fit for after merger the banks. As shown in the above table, the results of the Fishers ratio (also known as the F-Statistics, which is evidence of the correctness of the estimated model) show that the F statistic value is about 108.346, as each independent variable's

VIF statistic is less than 10. Therefore, regression model with ordinary least square (OLS) can be used. Likewise, the R-Square, which is sometimes called the variables' coefficient of determination, is .889. About 66.8% of the variability in the Return on Assets of the sample commercial banks can be explained by the model, according to the R-Square, which is also a measure of the model's overall fitness. This indicates that roughly .889 of the dependent variable's systematic variance can be explained by the model. In other words, -0.645 accounts for around 17.65% of the changes in Return on Assets (ROA). Hence the coefficient analysis above the table shows the relationship between dependent variable and each independent variable. Unstandardized Coefficients B is 34.659 Constant values are respectively Standardized Coefficients. Beta is .305. The regression coefficient of Earning per share (EPS) is $-.289$ which indicates that if it increased Earnings per share by Rs.1 rupees, the average influence on the Return on Assets will decrease -1.56% percent. The simple regression coefficients of different variables are calculated 0.305 using SPSS 20 software program. Other calculations are done accordingly.

4.2 Discussion

According to Mayer et al. (2015), their research supports the favorable correlation between employee organizational identification and trust in mergers. Similarly, using information from financial reports, author Pachulia (2018) investigated how mergers and acquisitions affected the financial performance of Georgian companies. The financial performance patterns based on return on equity, return on assets, and return on sales are suggested by his research. The findings indicate if the company's financial performance improved during the mergers and acquisitions of other businesses.

Prior research has looked at acquiring businesses going through mergers and acquisitions as well as the effects these events have on company security prices, similar to the author Stunda's (2019) paper on the Impact of Mergers and Acquisitions on Acquiring businesses. The findings of these investigations have been conflicting. While some find that there is a beneficial effect, others show a negative influence on stock prices. By expanding the number of organizations examined and the years assessed, this study

builds upon these earlier research efforts. The first study shows that the stock price effect of acquiring businesses is considerably negative when compared to organizations that do not engage in M&A activities, whereas the stock price effect of non-M&A firms is significantly favorable. Findings indicate that companies involved in M&A activities in all assessed industries have a substantially negative impact on stock prices, with the exception of the oil and gas sector and the banking and financial services sector, when the acquiring firms are ranked by industry membership. It was discovered that stock values were considerably positively impacted by these two industries. These findings are significant because they give managers, investors, and others more information on how mergers and acquisitions affect securities prices from the standpoint of the acquiring company. According to this study, companies in some industries could see more benefits than companies in other industries in terms of their stock prices.

According to a study by Gorman et al. (2021), the outcome is favorably correlated with the trading activity and stock liquidity of the target businesses. This is in line with the idea that the media may help reduce the information asymmetry in the financial markets. By investigating how media coverage affects trading activity and stock liquidity outside of price spikes and by providing additional context for the UK market, which has traditionally gotten less attention than the US market, this study adds to the body of research on stock market reactions to acquisition announcements.

Krisnan and Yakimenko (2022) discussed the effects of bank mergers and acquisitions on the market, but they fail to account for other variables that may affect performance after the acquisition. These include external influences like shifts in the US economy and firm-specific ones like post-acquisition announcements that can include stock buybacks or the launch of new product lines. Although we mentioned a few causes of investor misreaction above, further research may explore these causes in further detail. These causes might be behavioral, such as the anticipation of a debt-to-equity ratio that is seen ideal for certain businesses, or reactive, such as based on recent events like the economic crisis. Our research has policy implications as well. For instance, how much do the well-publicized capital adequacy ratios that banks must adhere to in the United States, tax

breaks that companies receive due to their debt in the United States, or even the literature on the benefits of debt for managerial discipline affect investor behavior and returns? A potential extension of the paper would look at the results in other nations with different capital adequacy standards for banks.

The effect of mergers and acquisitions on the financial performance and abnormal returns of banks listed on the Indonesia Stock Exchange was examined by Richard and Apolinaris (2023). This study looks at how Indonesian banks that were involved in mergers and acquisitions (M&A) performed on the stock market during 2019. Investigating how M&A agreements affect takeover banks' performance is the aim of this study. This study sampled three firms that were participating in the 2019 M&A deal. To investigate the effects of M&A, this study employs two methodologies: an accounting approach-based technique and the event study method with a market model approach. The findings indicated that financial performance proxies such as ROA, ROE, BOPO, gross non-performing loans, and LDR also performed poorly following M&A, and anomalous returns as evaluated by CAR did not improve. However, following M&A, the firm's size increased and became statistically significant.

Due to the sample banks' high accumulated profit and recommended optimum capital, the results of this study, which examined the impact of mergers and acquisitions on return on assets and earnings per share, indicate that ROA and EPS have a negative correlation. The associated P value is 0.149, which is higher than the significance level of 0.05. According to statistics, ROA and EPS do not significantly correlate with one another. Analyze how mergers and accusations affect ROA using the following variables: market price per share, dividend per share, nonperforming loans, and P.E. ratio. The sample banks are shown by the positive correlation between the MPS and ROA. Its quality of assets is efficiently managed by the correspondence P value of 0.022. Similarly, there is a negative correlation between ROA and the PE ratio. There is statistically no significant link between ROA and PE ratio, as indicated by the corresponding P value of 0.104, which is higher than the significance level of 0.05. Corresponding to this, the DPS P

value is 0.037, which is below the significance limit of 0.05. There is a statistically significant correlation between MPS and ROA, respectively.

Furthermore, there is a negative correlation between NPL and ROA, with a relationship of -0.320. The correlation's negative coefficient estimations suggested that the ratio of nonperforming loans to total loans had indirect links. Similarly, DPS has a positive link with ROA and a statistically significant relationship with ROA following the bank's merger, but NPL has a statistically insignificant relationship with ROA. Similarly, there is a negative correlation between ROA and NPL. With a matching P value of 0.002, the association between ROA and NPL is statistically significant and below the significance level, or 0.05.

Similarly, DPR shows a negative connection with ROA when measuring the impact of mergers and accusations against sample banks. The equivalent P value, which shows a substantial correlation between ROA and DPR, is 0.047. Lastly, there is a positive correlation (0.584) between DY and ROA. Likewise, the associated P value is 0.049, which is below the significance level of 0.05. According to statistics, the DY ratio and ROA have a significant link. The coefficient of determination of the variables, also known as the R-Square, is 0.719. About 71.9% of the variability in the Return on Assets of the sample commercial banks can be explained by the model, according to the R-Square, which is also a measure of the model's overall fitness. This indicates that roughly 71.9% of the dependent variable's systematic variance can be explained by the model. With a regression coefficient of -0.391 for earnings per share (EPS), an increase of Rs. 1 in EPS would result in an average drop of 0.391 percent in return on assets.

Overall, the study's findings were conflicting. While some believe that there is a beneficial effect, others point to a negative impact of the merger. By expanding the number of tested banks and the years examined, this study builds on these earlier investigations. According to the first finding, the effect of acquiring banks is considerably unfavorable when compared to banks that are not involved in M&A operations, but the effect of non-M&A banks is significantly positive. Similar to that, this study's findings were not entirely consistent. There is no significant correlation between the dependent

and independent variables, however some ratios have positive and negative correlates. The dependent and independent variables have a significant relationship, according to a second study.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

The study's primary goals are to determine how mergers and acquisitions affect the return on assets and return on investment of particular commercial banks, as well as whether the financial performance of the chosen merger and acquisition commercial banks improves following the merger. To examine the effect of merger and acquisition on earning per share and market price per share of sampled commercial banks. It measures the impact of merger and acquisition of sample commercial banks. The first chapter deals with introduction of the main topic of the study like general background, statement of the problems, objective of the study and rationale of the study and other introductory framework. The second chapter presents the literature review. It includes previous research work and article, which provides information about existing knowledge in the field. The third chapter is devoted to research methods including research plan and design, description of sample, instrumentation, sources of data collection and analysis plan. It has included theoretical framework that deals with dependent and independent variable. Fourth chapter includes the presentation of data so collected from secondary sources. For the data presentation, different table and diagrams are used. After the presentation of data, the presentation analyzed using various statistical tools and techniques. Similarly, it includes the analysis, interpretation of the data and information collected through survey. Chapter five includes the conclusions and implications that may be valuable to banking industry.

The most popular business approach for reorganizing and fortifying banks to become more competitive, secure long-term viability with significant profitability, penetrate new markets, determine the capital base, etc., is mergers and acquisitions. In particular, the most successful tools for mergers and acquisitions in the Nepalese banking sector have been the merger legislation policy of 2011 and the monetary policy of 2020 released by Nepal Rastra Bank, which oversees banks in the country. From the analysis of before and

after merge of the banks data, the financial position of both banks after merger have fruitfully and it is also found that after merger the company position was being strong.

5.2 Conclusion

Due to the sample banks' high accumulated profit and recommended optimum capital, the results of this study, which examined the impact of mergers and acquisitions on return on assets and earnings per share, indicate that ROA and EPS have a negative correlation. The related P value is found to be greater than the significance level. According to statistics, ROA and EPS do not significantly correlate with one another. Analyze how mergers and accusations affect ROA using the following variables: market price per share, dividend per share, nonperforming loans, and P.E. ratio. The sample banks' inability to efficiently manage their asset quality is indicated by the MPS's negative correlation with ROA. It is determined that there is a statistically significant association between ROA and MPS, respectively, and that the associated P value is below the significance threshold. Furthermore, there is a negative correlation between ROA and NPL. The correlation's negative coefficient estimations suggested that the percentage of non-performing loans to total loans had indirect links. Similarly, DPS has a positive link with ROA and a statistically significant relationship with ROA, but NPL has a statistically insignificant relationship with ROA. Similarly, there is a negative correlation between ROA and the PE ratio. The statistical significance of the link between ROA and PE ratio is indicated by the accompanying P value being below the significance threshold.

In a similar vein, DPR has a negative association with ROA and analyzes the impact of mergers and accusations against Sample Company. The equivalent P value, which shows a substantial correlation between ROA and DPR, is 0.047. Lastly, there is a positive correlation between DY and ROA. The matching P value is also below the significance level. The conclusion indicates that ROA and DY ratio, respectively, have a significant association. The model's capacity to explain the variability in the Return on Assets of the sample commercial banks is demonstrated by the R-Square, which is also a measure of the model's overall fitness. This indicates that the dependent variable's systematic

variance can be explained by the model. According to the earnings per share (EPS) regression coefficient, the average impact on return on assets would decline if earnings per share were raised by one rupee.

In addition to shedding some insight on managing the human resource responses, the research has touched on some of the crucial human concerns in mergers and acquisitions. Employees are excited about the bank's features. By engaging with and gathering input from workers of merging companies, the researchers propose a participatory management model that might aid in the implementation of successful merger and acquisition policies in Nepal. Therefore, it can be said that the NRB's decision to issue merger by law and capital enhancement policies was sufficient because they helped the BFIs to establish synergy and provide a sustainable competitive advantage. However, these corporate events can also cause significant personal disruption and stress, which can lead to ongoing issues for both individuals and companies if the premerger phase issues are not adequately resolved.

5.3 Implications

According to the study's findings, implication is necessary in order to maximize merger and acquisition advantages. In order to ensure that the firm's continued existence is not threatened following mergers and acquisitions, management should enforce discipline on itself by guaranteeing sound corporate governance, encouraging technological advancement, and increasing its paid-up capital despite the requirements of the law. Since they are new to the company, this may be accomplished through appropriate induction, which involves presenting the new hire to the person in charge of training initiatives.

- It is advised that the human resources department informs the staff about the potential inside a new business and demonstrates to them what makes the new or acquiring firm a fantastic place to work. Employee awareness and comprehension of the business will increase as a result, giving them the impression that they are working for the greatest firm.
- Preparation: Get staff ready for change.

- Planning: Create a backup plan in case things don't work out as expected.
- Transition Structure: Establish a transition management team to supervise the modifications.
- Implementation: Give participating personnel the necessary coaching, training, etc.
- Reward: Honor staff members who spearhead the transformation to provide incentives for exceptional work.
- Process Innovation and Leverage: If a process or procedure isn't functioning, management should be able to modify it.

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APPENDICES
Appendix- I
Correlation Analysis

Premerger		ROA	EPS	MPS	NPL	DPS	PE	DPR	DY	
Before merger	ROA	Pearson correlation	1	-.988*	.993*	0.785	0.693	0.944	-0.818	.989*
		Sig.(1-tailed)		0.049	0.038	0.213	0.256	0.107	0.195	0.047
	EPS	Pearson correlation	.988*	1	0.963	0.87	0.574	0.882	-0.72	0.088**
		Sig.(1-tailed)	0.049		0.087	0.164	0.305	0.156	0.244	0.002
	MPS	Pearson correlation	.993*	0.963	1	0.704	0.775	0.977	-0.881	0.964
		Sig.(1-tailed)	0.038	0.087		0.251	0.218	0.069	0.157	0.085
	NPL	Pearson correlation	0.785	0.87	0.704	1	0.097	0.536	-0.285	0.867
		Sig.(1-tailed)	0.213	0.164	0.251		0.469	0.32	0.408	0.166
	DPS	Pearson correlation	0.693	0.574	0.775	0.097	1	0.892	-0.982	0.58
		Sig.(1-tailed)	0.256	0.305	0.218	0.469		0.149	0.061	0.303
	PE	Pearson correlation	0.944	0.882	0.977	0.536	0.892	1	-0.962	0.885
		Sig.(1-tailed)	0.107	0.156	0.069	0.32	0.149		0.088	0.154
	DPR	Pearson correlation	-0.818	-0.72	-0.881	-0.285	-0.982	-0.962	1	-0.725
		Sig.(1-tailed)	0.195	0.244	0.157	0.408	0.061	0.088		0.242
	DY	Pearson correlation	.989*	.994**	0.964	0.867	0.58	0.885	-0.725	1
		Sig.(1-tailed)	0.047	0.002	0.085	0.166	0.303	0.154	0.242	

Appendix- II
Correlation Analysis

After Merger

After merger	ROA	Pearson correlation	1	-0.587	-0.464	-0.521	.793*	0.503	-0.175	-0.014
		Sig.(1- tailed)		0.111	0.177	0.145	0.03	0.155	0.37	0.49
	EPS	Pearson correlation	-0.587	1	-0.404	0.025	-0.61	-0.653	0.419	0.069
		Sig.(1- tailed)	0.111		0.214	0.481	0.099	0.08	0.204	0.448
	MPS	Pearson correlation	-0.464	-0.404	1	0.319	-0.305	-0.023	-0.4	-0.34
		Sig.(1- tailed)	0.177	0.214		0.269	0.279	0.482	0.216	0.255
	NPL	Pearson correlation	-0.521	0.025	0.319	1	-0.151	0.341	0.53	0.599
		Sig.(1- tailed)	0.145	0.481	0.269		0.387	0.254	0.14	0.105
	DPS	Pearson correlation	.793*	-0.61	-0.305	-0.151	1	0.393	0.112	0.331
		Sig.(1- tailed)	0.03	0.099	0.279	0.387		0.221	0.416	0.261
PE	Pearson correlation	0.503	-0.653	-0.023	0.341	0.393	1	-0.014	0.361	
	Sig.(1- tailed)	0.155	0.08	0.482	0.254	0.221		0.489	0.241	
DPR	Pearson correlation	-0.175	0.419	-0.4	0.53	0.112	-0.014	1	0.443	
	Sig.(1- tailed)	0.37	0.204	0.216	0.14	0.416	0.489		0.189	
DY	Pearson correlation	-0.014	0.069	-0.34	0.599	0.331	0.361	0.443	1	
	Sig.(1- tailed)	0.49	0.448	0.255	0.105	0.261	0.241	0.189		

Appendix- III
Regression Analysis

Premerger

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df 1	df2	Sig. Change	F
1	.999 ^a	.999	.990	1.92775	.999	114.653	7	1	.072	

a. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2982.526	7	426.075	114.653	.072 ^b
	Residual	3.716	1	3.716		
	Total	2986.242	8			

a. Dependent Variable: ROA

b. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	41.680	30.400		1.371	.401
	EPS	.059	.185	.028	.319	.034
	MPS	-.016	.017	-.113	-.936	.521
	NPL	6.191	2.932	.258	2.111	.282
	DPS	.311	.035	.548	8.816	.022
	PE	-.618	.101	-.663	-6.096	.104
	DPR	-.150	.107	-.311	-1.407	.393
	DY	-1.637	1.211	-.284	-1.352	.405

a. Dependent Variable: ROA

Appendix- IV
Regression Analysis

After Merger

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df 1	df2	Sig. Change	F
1	.879 ^a	.889	.980	1.52325	.8	108.346	7	1	.061	

a. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2834.234	7	344.256	108.346	.061 ^b
	Residual	4.356	1	3.658		
	Total	2838.59	8			

a. Dependent Variable: ROA

b. Predictors: (Constant), DY, DPS, NPL, MPS, EPS, PE, DPR

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	34.659	25.650		2.31	.605
	EPS	.062	.174	.305	.289	.149
	MPS	.559	.156	-.065	.654	.026
	NPL	4.52	2.85	.984	2.512	.351
	DPS	.624	.042	.658	7.263	.036
	PE	-.854	.584	-.569	.4257	.104
	DPR	-.157	.132	-.281	-1.365	.393
	DY	-2.006	1.327	-.524	-1.256	.022

a. Dependent Variable: ROA

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