MERGER AND ACQUISITION AND FINANCIAL PERFORMANCE OF NEPALESE DEVELOPMENT BANKS

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Master's Degree in Business Studies

by

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CERTIFICATION OF AUTHORSHIP

I confirm that I have conducted research and submitted the completed dissertation titled "**MERGER AND ACQUISITION AND FINANCIAL PERFORMANCE OF NEPALESE DEVELOPMENT BANKS**". This dissertation has not been previously submitted for any degree conferral or as part of any other academic requirements. I acknowledge the assistance and cooperation received during my research and confirm that all information sources and literature referenced are duly cited.

Shova Shrestha

June, 2025

REPORT OF RESEARCH COMMITTEE

Ms. Shova Shrestha has successfully defended her research proposal titled "MERGER AND ACQUISITION AND FINANCIAL PERFORMANCE OF NEPALESE DEVELOPMENT BANKS ". The research committee has approved the dissertation for further development. It is advised to proceed with the project according to the recommendations and guidelines provided by Supervisor Asso. Prof. Dr. Kapil Khanal and to submit the thesis for evaluation and oral examination (viva voce).

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APPROVAL SHEET

We have reviewed the dissertation titled "Merger and Acquisition and Financial Performance of Nepalese Development Banks," submitted by **Shova Shrestha**, a candidate for the Master of Business Studies (MBS) degree. Additionally, we have conducted the oral examination of the candidate. We confirm that the dissertation meets the requirements for the degree to be conferred upon the candidate.

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Shova Shrestha

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ABBREVIATIONS

%	: Percentage
&	: And
ANOVA	: Analysis of Variance
B.S.	: Bikram Sambat
BFIs	: Bank and Financial Institutions
EPS	: Earnings Per Share
F/Y	: Fiscal Year
M&A	: Merger and Acquisition
NRB	: Nepal Rastra Bank
ROA	: Return on Assets
ROE	: Return on Equity
Sig.	: Significance
SPSS	: Statistical Package for the Social Sciences

ABSTRACT

This study investigates the relationship between merger and acquisition (M&A) activities and the financial performance of development banks in Nepal. With the increasing trend of M&A in the global banking sector, understanding its impact on financial institutions in emerging economies like Nepal is crucial. Development banks play a significant role in fostering economic growth by providing financial services to underserved sectors. This study analyzes the effects of M&A on key financial indicators, including profitability, liquidity, asset quality, and efficiency, using data from Jyoti Bikash Bank Limited, Lumbini Bikash Bank Limited, and Shangri-La Development Bank from 2012 to 2021. Empirical evidence suggests a significant positive impact on financial performance post-merger, with improvements in return on equity, earnings per share, and return on assets. The findings contribute to the literature on M&A in the banking sector and offer insights for policymakers and stakeholders in Nepal's banking industry.

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

A merger entails the amalgamation of two companies to create a new entity. It occurs when one company acquires all the assets and liabilities of another, with the resulting entity retaining its identity while the acquired company ceases to exist. Typically, shareholder approval through a majority vote is required for a merger to proceed. In the Nepali banking sector, challenges such as low turnover, high lending interest rates, wide interest rate spreads, managerial inefficiency, and insufficient resources for large-scale projects prevail. Moreover, there are disparities in financial inclusion and regional development within the Nepali financial system. To address these issues, the Nepal Rastra Bank (NRB) has implemented a consolidation policy, with mergers being a key strategy to enhance efficiency through economies of scale and scope. The government of Nepal advocates for mergers as a means to consolidate weaker and stronger banks, thereby creating a more efficient and resilient merged entity.

Merger and acquisition (M&A) activities have become integral to corporate strategies aimed at strengthening market competitiveness. In the banking sector, M&A is influenced by various factors, with synergies being a primary driver. Synergies from combining business activities can lead to improved performance in terms of efficiency, speed, and cost-effectiveness. Businesses often seek to merge with complementary entities, leveraging their respective strengths and weaknesses. While the terms "mergers" and "acquisitions" are often used interchangeably, they have distinct meanings. In an acquisition, one company purchases and absorbs another, resulting in the target company ceasing to exist legally, while in a merger, two similar-sized firms join forces to operate as a single entity, retaining separate ownership and operations.

This process is often referred to as a "merger of equals," where the stocks of both companies are exchanged, and new company shares are issued in their place. A merger can be seen as an acronym, denoting:

- M: Mixing
- E: Entities'
- R: Resources for

• G: Growth
• E: Enrichment and
• R: Renovation

Thus, one can succinctly describe a merger as the blending of entities' resources for growth and enhancement. Mergers have emerged as the preferred strategy for expanding the size of banks, which is crucial for their participation in the global financial market. In the contemporary global economy, mergers and acquisitions (M&A) are increasingly utilized by organizations worldwide to enhance competitiveness. These strategies aim to increase market share, diversify portfolios to mitigate business risks, penetrate new markets and regions, and capitalize on economies of scale. Mergers and acquisitions represent distinctive approaches adopted by companies worldwide to thrive in a dynamic and competitive business landscape.

1.1.1 *Merger and Acquisition.*

In Nepal, mergers and acquisitions (M&A) are predominantly observed within the banking sector. This trend gained momentum following directives issued by the Nepal Rastra Bank (NRB) in the Monetary Policy for FY 2015/16, mandating banks and financial institutions (BFIs) to escalate their paid-up capital fourfold (from Rs. 2 billion to Rs. 8 billion for commercial banks). This directive effectively made M&A a necessity. The underlying aim of NRB's M&A initiative was to reduce the number of BFIs, particularly commercial banks. The policy mandating a fourfold increase in capital within two years initially seemed challenging to accomplish without mergers. However, NRB largely achieved its objective, evidenced by a significant decrease in the number of BFIs over the past five years, particularly within categories "B" (development banks) and "C" (financial companies).

There has been much speculation within the financial sector regarding the effectiveness of the merger policy in bolstering Nepalese banks and financial institutions. Encouragingly, positive indications have emerged within financial institutions, with over 179 entities, including commercial banks, development banks, and finance companies, engaging in the merger process, resulting in the closure of 121 bank and financial institution licenses. Among these, 112 institutions merged with each other, while the remaining 67 BFIs were acquired. Additionally, several banks and financial institutions are currently in the pipeline, with some having received

letters of intent. This indicates a gradual shift towards merger and consolidation within the banking industry. The objective of this research is to examine the impact of the merger policy implemented by the Nepal Rastra Bank on the financial performance of Nepalese banks and financial institutions. The study aims to analyze the financial statements of BFIs involved in merger and acquisition activities, comparing the pre-merger and acquisition performance with the post-merger performance based on profitability, liquidity, and asset quality metrics.

Mergers and acquisitions differ from consolidation, which is a business combination where two or more companies join to form an entirely new company. Merger and acquisition refer to the change in ownership, business mix, assets mix, and alliance with the view to maximizing shareholder value and improving company performance is a boon in mergers and acquisitions (Pazarkis, et. al, 2006).

Merger: A merger occurs when two or more companies unite, usually by providing shareholders of one company with securities in the acquiring company in return for giving up their stock.

Types of mergers:

Horizontal mergers. Horizontal mergers occur when a company combines with or acquires another that provides identical or similar product lines and services to end consumers, indicating that they operate in the same industry and production stage. Typically, companies involved are direct rivals. A case in point is the merger between Global IME Bank and Janata Bank.

Vertical mergers. These mergers entail two companies manufacturing identical goods or services but operating at distinct production stages. Such mergers aim to enhance market influence. For instance, a merger between a car wheel manufacturer and a car company exemplifies vertical mergers, where companies operate within the same production line. These mergers occur when a supplier acquires a customer or vice versa. A notable instance of vertical mergers is Google's acquisition of Motorola Mobility Holdings in June 2012.

Concentric. Concentric mergers occur between companies targeting the same customer base within a specific industry, yet they provide different products. An illustration of this is Coca-Cola collaborating with the Six Flags Entertainment Company

Conglomerate Merger. When two companies from entirely distinct industries merge,

irrespective of their production stages, it constitutes a conglomerate merger. Typically, such mergers aim to diversify into other sectors, thereby mitigating risks. For instance, a conglomerate merger could involve Walt Disney and the American Broadcasting Company.

1.1.2 Financial Performance

Financial performance involves carrying out financial responsibilities and meeting financial goals. It includes measuring the achievement of financial objectives and analyzing the results of a company's actions and plans in monetary terms. This assessment helps understand a company's financial health over a specific timeframe and allows for comparisons with similar businesses in the same field or across different industries. A thorough examination of financial performance takes into account factors like assets, debts, ownership, costs, income, and profitability. Different business metrics are employed to accurately assess a company's efficiency.

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period. (Will Kenton, 2020).

Financial performance pertains to engaging in financial activities and achieving financial goals. In a broader context, it signifies the extent to which these objectives have been met. This involves quantifying the outcomes of a company's strategies and activities in monetary terms, serving as a tool to assess its financial well-being over a specific timeframe. Additionally, it facilitates comparisons between firms within the same industry or across different sectors. Analyzing ratios of a company's current and historical performance serves as the basis for predicting future performance. (Shilpa, 2010).

Ratio analysis aims to assess the efficacy of a firm's strategies across the various management levels, often termed as the drivers of the company's profitability and growth. Managers utilize these drivers to attain the company's growth and profit objectives. A cash flow statement plays a crucial role in financial statement analysis, revealing the sources and destinations of funds within the organization. Should one area of the business encounter significant cash outflows, the company must generate inflows through financing or asset sales to maintain viability. The direct method of preparing a statement of cash flows involves recording actual cash inflows and outflows from the company's operations, rather than adjusting the operating section from accrual

accounting to a cash basis.

1.1.3 Merger and acquisition on financial performance

Mergers and acquisitions represent a significant financial strategy that allows companies to expand more rapidly and deliver returns to stakeholders. The potential economic advantages of mergers and acquisitions involve alterations that enhance value and may not have occurred without a change in control. The objectives driving mergers and acquisitions include enhancing financial performance through increased revenues and profitability, accelerating growth in size and market presence, and gaining access to new technologies or expertise. These factors largely contribute to the perception that mergers and acquisitions are effective means of enhancing corporate performance.

The basis for mergers is the assumption that such consolidations lead to improvements in efficiency and profits amassed through increased market power, economies of scale, reduced earnings volatility, diversification, and other financial and operational synergies. However, with a significant increase in mergers collapse of certain firms has been witnessed (Sharma, 2009). Mergers and acquisitions act as an important tool for the growth and expansion of the economy. The main motive behind the merger and acquisitions is to create synergy, that is one plus one is more than two. Mergers and acquisitions help companies get the benefits of greater market share and cost efficiency (Khan, 2011).

A study conducted in Pakistan, in which the impact of merger and acquisition on the post-merger life of a company was captured indicated positive changes have resulted in the share price of five companies and negative impact in the share price of the two companies have been found one month after the merger. Moreover, no change in the price of one company has been found. Overall, the results indicate that M&A positively affects the share of companies. (Fatima and Shehzad, 2014).

Some of the genuine impacts or effects of mergers on the banking industry can be observed around the world, which have been the reduced availability of loans to the customer base after the merger. It is mainly because of the decline in competitiveness in the banking industry and the increase in the interest rates above a reasonable level. Banks have been observed to be engaged in activities ranging from anti-competitiveness to corruption after the merger. When economies of scale are observed, there is a significant uncertainty over how wide the range of scale is.

Based on this research, therefore, we can infer that mergers and acquisitions would positively or

negatively impact the financial performance of an organization.

1.1.4 *Brief Introduction to a Sample of Merged Development Bank*

Jyoti Bikash Bank Limited. Jyoti Bikash Bank Limited is a national-level development bank engaged in commercial banking activity with a category "Kha" license from Nepal Rastra Bank. Established by a core group of promoters coming from the employees of Nepal Electricity Authority among other businessmen, professionals, and common citizens, the bank had an original focused vision of promoting the hydropower sector through lending credit facilities to potential hydro projects. Continuously assessing the needs of the common citizens and the economy of the country on the whole, the Bank has by now established itself as a financial institution catering to a large segment of the society with the cause of the citizens' needs at the center.

With the growing economy and a change in the demographic mix, more and more people are getting engaged in commercial and financial activities and the need for credit and other banking facilities has been on a tremendous rise. From personal financial needs to the financial needs of small and medium-sized businesses to the needs of big corporates, the Bank has been at the forefront of supporting the national goal of bringing about prosperity in the lives of the citizens.

Starting with an initial paid-up capital of Rs. 259 million, the Bank has reached a paid-up capital of Rs. 3.10 billion with the latest acquisition of Hamro Bikas Bank Limited. In the journey of past almost 11 years, the Bank merged with Jhimruk Bikas Bank Limited (FY 2073/74) and has acquired 2 more regional-level development banks in, Raptiveri Bikas Bank Limited (FY 2074/75) and Hamro Bikas Bank Limited (FY 2075/76).

Lumbini Bikas Bank Limited. Lumbini Bikas Bank has been an emerging name in the field of banking and financial sector of Nepal. It stands with 89 branches, 1 extension counter, 20 ATMs and more than 600 staff providing a wide range of services to more than 15,000 loan customers are the driving force of the bank.

It is an entity established with the merger of five Banks and Financial Institutions namely Bhajuratna Finance Ltd., Birgunj Finance Ltd., Himichuli Bikas Bank Ltd., Lumbini Finance and Leasing Co. Ltd. and Vibor Bikas Bank Ltd. The last merger of Vibor Society Development Bank and Lumbini Finance and Leasing took place on 25th Ashad 2074**.**

Shangri-la Development Bank. Shangri-la Development Bank, one of Nepal's largest national-level development banks, completes 19 glorious years. Established in 2061 B.S, the

bank has always been on the top list when it comes to fulfilling the financial requirements of people Always dedicated to customer service, Shangri-la Development Bank with its head office in Baluwatar has been providing its services through an extensive network of 112 branches and 30 ATMs spread across the country. The customer-friendly products have remained successful always leading to the exponential growth of the company.

The continuous trust of their valued customers has established Shangri-la Development Bank as one large family comprising over 450 thousand customers and 821 staff members. With a paid-up capital of Rs. 3.010 billion, deposits totaling Rs. 52.20 billion, and loans amounting to Rs. 43.24 billion, Shangri-la Development Bank stands as a prominent entity within the development banking sector.

1.2 Problem statement

The development banks in Nepal have achieved their primary objectives to some degree, yet they have faced challenges in significant areas due to the country's political instability and various government policies. Additionally, the development banks themselves have struggled to operate satisfactorily. The success of any business is typically gauged by its ability to generate surplus, but the financial performance of Nepal's development banks has been rather bleak and has failed to contribute to surplus generation.

NRB (2016) claims that the merger of BFIs in Nepal has improved the financial indicators of many institutions. However, very few studies have been conducted to study the effects of the merger process (pre-merger and post-merger) on the performance of the Nepalese development bank. The Nepalese banking sector is going through torment and a really tough phase.

The Nepal Rastra Bank (NRB) has introduced a new merger bylaw, viewing it as a potential solution to the prevailing issues and deeming it necessary at this juncture. Many experts and analysts argue that Nepal's financial sector is excessively crowded given the small market size, and failure to address this promptly could exacerbate existing problems. In contemporary times, financial institutions and banks are assessed using frameworks like CAMELS. This study will also examine whether these circumstances are influenced and enhanced following bank mergers and acquisitions. Hence, understanding the performance of selected Nepalese banks within this

context becomes crucial. The acronym “CAMEL” refers to the five components of a bank’s condition that are assessed:

C=Capital adequacy

A=Assets quality

M=Management

E=Earning; and

L= Liquidity

In 1997, a sixth component, "Sensitivity to market risk," was incorporated into the banking evaluation framework, resulting in the alteration of the acronym to "CAMLES". Shareholders and bank mergers often resort to mergers and acquisitions with the expectation of enhancing the financial performance of their banks. However, research in this area has yielded conflicting outcomes.

Numerous studies have been conducted to assess the financial well-being of companies post-merger. While some studies suggest that merged banks exhibit improved performance compared to their individual pre-merger states, others have found no significant enhancement in financial performance attributable to mergers and acquisitions.

1. What is the status of mergers and acquisitions and the financial performance of development banks in Nepal?
2. Is there s significant relationship between mergers and acquisitions and the financial performance of development banks in Nepal?
3. Do mergers and acquisitions have any impact on the financial performance of development banks in Nepal?

1.3 Objective of the study

The major objective of this study is to investigate whether the financial performance of the selected merged commercial banks (Jyoti Bikash Bank Limited, Lumbini Bikas Bank Limited, and Shangri-la Development Bank) from 2012-2021. The specific objectives of the study are as follows:

- To assess the status of mergers and acquisitions and the financial performance of Development banks in Nepal.

- To examine the relationship between merger and acquisition and financial performance of development banks in Nepal.
- To analyze the impact of mergers and acquisitions on the financial performance of development banks in Nepal

1.4 Significance of the Study

The main aim of this study is to investigate how mergers affect the accounting ratios of banks that are active in Nepal. This research aims to offer a comprehensive understanding of the ongoing merger and acquisition activities involving selected banks within the Nepalese Banking and Financial Institutions (BFIs) sector. The study seeks to identify whether mergers among BFIs lead to efficiency improvements and to explore the factors contributing to such performance changes. The potential outcomes of these research findings are expected to assist planners and policymakers in maximizing stakeholder value based on mergers and acquisitions, prompting further investigation into the provisions of bylaws and their impact on financial performance. Upon completion, this study will aid stakeholders in the banking industry in assessing the status of institutional mergers and their effects on financial performance. It furnishes data and evidence to support informed decision-making for investments and business ventures in the market. The research aims to deepen understanding of the relationship between mergers and acquisitions and the performance of commercial banks, offering valuable insights for scholars and researchers in the field. Additionally, the findings would be beneficial to investors and companies listed on NEPSE, enhancing their comprehension of the significance of mergers and acquisitions in assessing bank performance.

The research aims to deepen understanding of the relationship between mergers and acquisitions and the performance of commercial banks, offering valuable insights for scholars and researchers in the field. Additionally, the findings would be beneficial to investors and companies listed on NEPSE, enhancing their comprehension of the significance of mergers and acquisitions in assessing bank performance. Furthermore, non-listed firms in the competitive industry would also find value in the study's insights. The research outcomes would provide valuable information for bank management, enabling them to undertake corrective measures in banking

activities. Moreover, the study's findings would benefit other researchers and students seeking knowledge about the impact of mergers on banking and financial institutions in Nepal.

1.5 Limitations of the Study

Every research endeavor inevitably encounters limitations, and this study is no exception. Conducted as part of the requirements for a Master's Degree in Business Studies (MBS), it is essential to acknowledge several constraints inherent in its design and execution:

- The study's reliance on a relatively small sample size and a comparison period of five years before and after the merger raises concerns regarding the statistical validity of the findings.
- Due to time constraints, the analysis is restricted to only three merged institutions—Jyoti Bikash Bank Limited, Lumbini Bikas Bank Limited, and Shangri-la Development Bank—limiting the generalizability of the results.
- The analysis relies solely on secondary data and available information, making the consistency of findings and conclusions contingent upon the reliability of these sources.
- The study's exclusive reliance on a descriptive and comparative research design overlooks alternative research methodologies that could provide additional insights.
- The study focuses solely on data from development banks, neglecting valuable insights that could be gleaned from other financial and non-financial institutions.
- Conducted to fulfill academic requirements, the study may prioritize academic rigor over practical applicability, potentially limiting its relevance to real-world scenarios.
- The financial data utilized in the study may not fully represent the industry's actual figures, introducing potential inaccuracies into the analysis.
- The study predominantly examines profitability metrics, neglecting other crucial performance indicators such as risk and cash flow, which are vital for evaluating the effectiveness of merger and acquisition strategies in financial institutions.

CHAPTER-II

LITERATURE REVIEW

2.1 Theoretical Review

Merger and acquisition (M&A) activities have become prevalent in the banking sector worldwide, including Nepal, with financial institutions seeking to enhance their market presence, efficiency, and financial performance through strategic combinations. This theoretical review aims to provide a comprehensive understanding of the theoretical frameworks and empirical evidence relevant to the relationship between M&A and the financial performance of development banks in Nepal.. (Firer et al. 2004). Types of acquisition: stock acquisition & asset acquisition. Some theories are used to explain the reason the firm engages in a mergers and acquisitions.

Power theory. The concept of market power refers to the ability of individuals or groups within a market, such as individuals, companies, or partnerships, to influence factors like pricing, product quality, and the overall production landscape. This influence can potentially lead to disproportionately high and secure profits, as suggested by Montgomery in 1985. According to this theory, when mergers and acquisitions occur, they often reduce the number of players in the market, diminishing competition and thereby increasing the dominance of certain entities within the banking sector. This heightened market concentration empowers banks to raise prices and generate excess profits. Consequently, mergers and acquisitions are anticipated to enhance the performance of both the acquired and acquiring entities, as outlined by Hankir et al. in 2011.

Resource theory or synergy theory. According to the synergy theory, it is posited that the economic benefits stemming from a merger are contingent upon the firm's resource allocation in relation to the overall economic landscape and the availability of opportunities to leverage these resources (Chatterjee, 1986). Mergers and acquisitions are anticipated to enhance future cash flow and augment firm value through operational and financial synergies, which may arise from either scaling up to achieve economies of scale or leveraging specific combined advantages between the merging entities. Synergies manifest in various forms, including increased revenue through cross-selling or upselling, cost reduction via efficiency improvements, and the realization of new opportunities for tax savings. Within this framework, it is expected that the performance of both the entities being acquired and the acquirers will see improvement (Hankir

et al., 2011).

"Eat or be eaten" theory of mergers. As per Gorton, Kahl, and Roen (2005), the core principles of the "eat or be eaten" theory revolve around several key assumptions. Firstly, managers may have a preference for preserving the autonomy of their companies. Managers from acquired firms might find themselves in subordinate positions within the new organization or could face the risk of job loss. Secondly, there exists a scenario wherein certain mergers can generate value. Thirdly, a firm of a certain scale cannot acquire a larger entity. The larger the acquisition, the more challenging it becomes to secure financing. Consequently, the underlying rationale of the "eat or be eaten" theory suggests that mergers and acquisitions may occur as a defensive measure to avoid being acquired by other entities, safeguard a company's independence, bolster its size, or protect the job security of its managers. Essentially, managerial defensive motives could drive mergers and acquisitions as managers might seek acquisitions to augment their firm's scale, thereby mitigating the likelihood of a takeover.

Agency theory. Agency theory posits that managers are incentivized to drive their firms to expand beyond their current size. This expansion enhances managers' authority by increasing the resources they oversee. Moreover, it correlates with rises in managers' compensation, as compensation shifts are positively linked to increases in sales growth (Hankir et al., 2011). According to agency theory, the management of acquiring banks engages in mergers and acquisitions primarily for personal gain, disregarding economic justifications (Asimakopoulos and Athanasoglou, 2013). Similarly, the Hubris theory shares parallels with agency theory. According to Hubris theory, the management of acquiring banks may pay a premium price due to excessive confidence in their ability to identify undervalued target banks (Asimakopoulos and Athanasoglou, 2013). Under both agency theory and Hubris theory, it is expected that the performance of acquiring entities will decline (Hankir et al., 2011).

2.2 Empirical Review

The efficacy of mergers is constrained due to the absence of established hypotheses and subsequent testing, relying primarily on subjective primary data, as noted in its limitations. Nonetheless, numerous pertinent studies have been undertaken in countries with comparable economic indicators to Nepal and other developed economies. Consequently, the findings from these global studies serve as the foundation of the literature for this research.

2.2.1 *Review of International Articles and Journals*

Gachigo, Ondigo, Aduda, and Onsomu (2023) conducted a study titled "The Mediating Role of Risk Management in the Relationship between Mergers and Acquisitions and Financial Performance of Commercial Banks in Kenya." The aim was to investigate how risk management intervenes in the link between mergers and acquisitions and the financial performance of commercial banks in Kenya. The study employed a mixed-methods approach, incorporating theoretical and empirical literature, constructing a conceptual framework, testing hypotheses, and establishing causal relationships among the study variables using a correlational descriptive research design. The study's findings revealed that credit and liquidity risk management significantly impact operational efficiency. This suggests that a lack of operational efficiency can result in inadequate credit risk management, leading to an increase in non-performing loans and subsequently, a rise in provisions for non-performing loans, ultimately deteriorating financial performance.

Mwatsuma, Ali, and Mary (2020) conducted a study titled "Impact of Mergers on Financial Performance of Listed Commercial Banks in Kenya at Nairobi Securities Exchange." The research employed a descriptive research design, focusing on a population consisting of 13 merged commercial banks in Kenya spanning from 2010 to 2017. The study investigated the effects of capital adequacy, liquidity management, asset structure, and asset quality using the multiple linear regression method and sampling technique. The findings indicate that the collected data exhibit a high level of internal consistency, suggesting that it can be broadly generalized to represent the opinions of the respondents regarding the study's issue. Capital adequacy showed an increasing trend in the years following the mergers, resulting in a positive impact and enhancement of financial performance. Moreover, there was a positive correlation observed between the mergers of listed commercial banks and their financial performance.

Boloupremo and Ogege (2019) conducted a study titled "Mergers, Acquisitions & Financial Performance: A Study of Selected Financial Institutions." The research aimed to investigate the impact of mergers and acquisitions on financial performance within the Nigerian financial sector, focusing on selected banks during the period from 2000 to 2010. The study evaluated the effects of mergers and acquisitions on financial performance and shareholders' wealth post-merger through the analysis of financial ratios and the application of a linear regression model.

The study's findings revealed several key points. Firstly, the bank managed to mitigate the level

of risk present in the pre-merger period, effectively reducing its default risk to minimal levels. Additionally, there was a notable change in the bank's risk profile, leading to an increase in the extension of loans to customers by the management. In the post-merger period, cost control exhibited a negative trend and was statistically significant in influencing the financial performance during this phase.

Gathuku and Njeru (2019) researched „Effect of Mergers on the Financial Performance of Commercial Banks in Kenya‟ . The main objective of this study is to establish the effect of mergers on the financial performance of commercial banks in Kenya. The specific objectives were; to evaluate the effect of synergy, access to intangible assets, and cost reduction on the financial performance of commercial banks in Kenya. The population of interest in this study was comprised of all the 14 banks that have merged in Kenya, all having their headquarters in Nairobi County. The banks considered in this study were those that merged in the period between 2000-2011.

The study used secondary sources of data from published audited annual reports of accounts for the population of interest. Financial data from Balance Sheets, Profit, and Loss Accounts, and Cash Flow Statements of the 14 banks for the 11 years in calculating and analyzing accounting ratios, also known as performance indicators. The study then used accounting ratios to analyze the financial performance of the 14 banks under study. For the pre-merger period, ratios for both the acquirers and the targets were then examined to get an indication of the relative performance of the acquirer and the target.

Boloupremo and Ogege (2019) undertook a study titled "Examining the Impact of Mergers, Acquisitions, and Financial Performance: Insights from Selected Financial Institutions." This research aimed to explore how mergers and acquisitions affect the financial performance of specific banks within the Nigerian financial sector, focusing on the years between 2000 and 2010. The investigation assessed the repercussions of mergers and acquisitions on financial performance and shareholders' wealth subsequent to the merger by utilizing financial ratios analysis and employing a linear regression model.

The study's outcomes unveiled several significant findings. Initially, the bank successfully mitigated the pre-existing risk levels before the merger, effectively diminishing default risk to minimal levels. Moreover, there was a discernible alteration in the bank's risk profile, resulting in an uptick in the provision of loans to customers by the management. Subsequently, during the

post-merger period, cost control exhibited a negative trajectory and proved to be statistically significant in shaping financial performance during this phase.

Muhammad, Waqas, and Migliori (2019) conducted a study titled "Assessing the Influence of Mergers and Acquisitions on Banks' Financial Performance: Evidence from an Emerging Economy." The research aimed to scrutinize the effects of mergers and acquisitions on the financial performance of banks in Pakistan over the period from 2004 to 2015. The study evaluated how mergers impacted financial ratios of performance and post-merger profitability through the use of financial ratios, regression analysis, and paired sample t-tests.

The findings of the study indicate that the p-values associated with t-statistics demonstrate statistical significance for all variables, signifying a positive incremental impact on the performance of banks in Pakistan. Furthermore, the comparative analysis of investment ratios suggests that mergers and acquisitions have led to enhancements in investment returns for the banks. This suggests that investment ratios derived from post-merger and acquisition data series are superior to those calculated based on pre-merger and acquisition data series.

Singh and Das (2018) conducted a study titled "Impact of Post-Merger and Acquisition Activities on the Financial Performance of Banks: An Examination of Indian Private Sector and Public Sector Banks." The research focused on evaluating the effects of mergers and acquisitions on the financial performance of selected banks in India. Post-merger analysis was performed on various variables to assess the effectiveness of mergers and acquisitions on the banks and to examine the market reaction to announcements of merger/acquisition decisions during the study period. The researcher utilized accounting ratios such as liquidity ratios, activity ratios, and profitability ratios to scrutinize the financial position of the banks during the post-acquisition periods.
The study's findings revealed that the mean capital ratio remained relatively consistent over the six-year period, suggesting no significant improvement in the years following acquisition activities. Additionally, it was observed that the acquisition of Banaras State Bank appeared to decrease the efficiency of Bank of Baroda in terms of effectively utilizing working capital to generate income, whereas the acquisition process undertaken by SBI enhanced its efficiency in converting working capital into earnings.

Ombaka and Jagongo (2018) conducted a study titled "Impact of Mergers and Acquisitions on Financial Performance Among Selected Commercial Banks in Kenya." The study focused on a population comprising nine banks that underwent mergers or acquisitions between 2010 and May 2017 in Kenya. The research aimed to assess the influence of organizational operating synergy, differential efficiency, risk diversification, and market share development on the financial performance of commercial banks in Kenya. Multiple regression analysis was employed to analyze the data.

The study's findings concluded that operational synergy, differential efficiency, risk diversification, and market share development, serving as indicators of mergers and acquisitions, significantly influenced the financial performance of commercial banks in Kenya. It was observed that horizontal mergers experienced slower growth due to limited resource base, while vertical mergers exhibited faster growth owing to ample resource endowment, albeit facing higher employment risks. Additionally, there was evidence of improved performance among the selected commercial banks attributable to merger and acquisition activities.

Otieno and Kemunto (2017) conducted research titled "Impact of Mergers and Acquisitions on the Financial Performance of Commercial Banks in Kenya," aiming to assess the influence of mergers and acquisitions on the financial performance of financial institutions in Kenya. Employing a descriptive study design, the research utilized an event study model to examine the relationship between accounting ratios such as EPS, ROA, and ROE as indicators of financial performance.

The study's findings suggest that mergers and acquisitions have a positive impact on the financial performance of commercial banks. The negative ROE observed is attributed to a single extreme negative performance recorded by the ECB. Consequently, the study recommends that managers consider undertaking corporate actions to capitalize on the advantages offered by mergers and acquisitions.

Ambica (2017) conducted research titled "Mergers and Acquisition in the Banking Sector in India: An Analysis of Pre and Post Merger Performance of Kotak Mahindra Bank." The study involved a comparison between the five years preceding the merger and the five years following

the merger. It aimed to provide an overview of the Indian banking system, assess the impact on the profitability of Kotak Mahindra Bank in India, analyze the strengths and weaknesses of merged banks in India, and identify improvements experienced by the beneficiaries. The study employed profitability ratios and T-tests of profitability ratios of Kotak Mahindra Bank to evaluate financial performance before and after the merger.

The findings of the study indicate that acquirer banks have derived positive benefits from merger and acquisition activities. However, the analysis of correlation, paired t-tests, p-values, and F-values between pre and post-financial performance did not yield significant observations, as insignificant correlations were found for all correlation pairs. The mean performance showed both positive and negative relationships between profitability measures, with each relationship being unique across all profitability measures.

Abdulazeez, Suleiman, and Yahaya (2016) conducted a study titled "The Impact of Mergers and Acquisitions on the Financial Performance of Deposit Money Banks in Nigeria." The research focused on mergers and acquisitions that occurred between the years 2002 and 2008, aiming to assess their effects on the performance of selected banks in Nigeria. Descriptive and T-test statistics were utilized to analyze data extracted from the annual reports and accounts of the sampled banks, while financial ratios were employed to gauge financial performance.

The study's findings suggest that merger and acquisition activities have led to enhanced financial efficiency, resulting in improved financial performance among banks in Nigeria. It was observed that mergers and acquisitions have significantly contributed to the enhancement of financial performance across most banks in Nigeria's financial system. Consequently, there is evidence of improved performance among the selected commercial banks attributable to mergers and acquisitions

Joash and Njangiru (2015) conducted a study titled "The Impact of Mergers and Acquisitions on the Financial Performance of Banks: A Survey of Commercial Banks in Kenya." The research focused on banks that underwent mergers or acquisitions in Kenya during the period between 2000 and, aiming to assess the effect of these mergers and acquisitions on shareholders' value and financial performance implications. Financial ratios were utilized, and a multiple regression model was employed to analyze the data.

The study's findings revealed significant positive effects of mergers and acquisitions on the profitability of banks. The majority of the banks experienced notable increases in market share,

gross profit, and net profit following the mergers and acquisitions. Additionally, there was a significant increase in the number of account holders in most of these banks. Furthermore, both independent variables examined in the study, namely shareholders' value and bank profitability, were found to significantly contribute to changes in return on capital among banks that underwent merger/acquisition processes. Moreover, these independent variables positively affected the return on capital of the banks, indicating that an increase in these variables led to an increase in the return on equity of the bank.

Table 1

Review of International Articles and Journals

S.N.	Author and Date	Article	Objectives	Methodology	Findings
1.	Justin Gachigo, Dr. Herick Ondigo (PhD), Prof. Josiah Aduda (PhD)& Dr. Zipporah Onsomu (2023)	Intervening role of Risk Management on the relationship between Mergers and Acquisitions and Financial Performance of Commercial Banks in Kenya.	To determine the intervening role of risk management on the relationship between mergers and acquisitions and financial performance of commercial banks in Kenya	The study adopted this paradigm as it involved the use of both theoretical and empirical literature, the development of a conceptual framework, hypothesis testing, and establishing the causal link among the study variables. A correlational descriptive research design.	Credit and liquidity risk management, according to the study's findings, have an influence on operational efficiency. This suggests that a lack of operational efficiency can lead to insufficient credit risk man agreement, leading in an increase in non-performing loans and, as a result, an increase in provision for non-performing loans, resulting in worsening financial performance.
2	James Mwarabu Mwatsuma, Banafa Ali	Effect of Mergers on Financial Performance	To evaluate the effect of capital adequacy, assess the effect of	Sampling technique was used and multiple linear regression	The data shows that bank mergers positively impact financial

	& IBVA Mary (2020)	of Listed Commercial Banks in Kenya at Nairobi Securities Exchange	liquidity management, establish the effect of assets structure, to establish the effect of asset quality.	method is used.	performance, improve capital adequacy, and are strongly correlated with better outcomes.
3	Tarila Bolou premo & Samson Ogege (2019)	Mergers, Acquisitions & Financial Performance: A Study of Selected Financial Institution.	To essential the impact of merger on financial performance. and evaluate the impact on shareholders wealth post-merger.	Used the financial ratios and linear regression model.	The bank was able to curtail the level of risk existing in the pre-merger period. The bank has reduced its default risk to the barest minimum.
4.	Hussain Muhammd, Muhamma d Waqas & Stefnia Migliori (2019)	The Impact of M & A on Banks Financial Performance Evidence From Emerging Economy.	To essential the impact of merger on financial ratio of performance. To evaluate the impact on profitability of post-merger.	Financial ratio used in evaluating M& A performance. Using the regression analysis and paired sample t-test was used.	The statistical results show that mergers and acquisitions significantly enhanced bank performance and investment returns, with post-M&A investment ratios outperforming pre-M&A ratios.
5.	Sonia	Impact of post-	The study evaluates	The researcher has	The 6 years mean CR

	Singh &; Subhankar Das (2018)	merger and acquisition activities on the financial performance of banks: a study of Indian private sector and public sector banks.	the impact of mergers and acquisitions on Indian banks' financial performance, analyzes post-merger effectiveness, and examines security price reactions to merger announcements.	used accounting ratios viz., liquidity ratios, activity ratio and profitability ratios to analyze the financial position of the banks during post-acquisition periods.	remains almost same between pre and post period, indicating no improvement in the period of 5 years after acquisition activities. It is found that the acquiring Banaras State Bank tend to reduce the efficiency of the Bank of Baroda in respect to using working capital properly for
6.	Christine Ombaka & Dr.Ambrose Jagongo (2018)	Mergers And Acquisitions on Financial Performance Among Selected Commercial Banks,Kenya.	To establish the influence of organizational operating synergy on the financial performance of commercial banks in Kenya. To investigate the effect of differential efficiency on financial performance of commercial banks in Kenya.To assess	The study used both primary and secondary data. The study used a multiple regression analysis.	The study concluded that operational synergy, differential efficiency, risk diversification and market share development as indicators of mergers and acquisitions have a significant influence on the financial performance of the commercial banks in Kenya. Horizontal mergers

			the effect of risk diversification on financial performance of commercial banks in Kenya. To establish the market share development on the financial performance of commercial Banks.		could not grow faster due to low resource base while vertical mergers grew faster due to high resource endowment but high employment risks were faced. There is an improved performance on the part of selected commercial banks due to merger and acquisition.
7.	D. Ambica (2017)	Mergers And Acquisition in Banking Sector in India: An Analysis of Pre & Post Merger Performance of Kotak Mahindra.	Overview of Indian banking system. To study the impact on the Profitability of the Sample Bank in India. To examine the strength and weakness of the merged banks in India and find out the Improvements faced by the beneficiaries.	Used the profitability ratio. T-tests of Profitability Ratios of Kotak Mahindra Bank Before and After Merger.	The selected banks show positive gains for acquirers post-merger, though statistical tests revealed mostly insignificant correlations, with mixed profitability relationships across different measures.
8.	Ouma	Effect of	To evaluate on the	The study adopts a	The study concludes

	Duncan Otienob & Simon Linnet Kemunto (2017)	Merger and Acquisitions on the Financial Performance of Commercial Banks in Kenya	effect of merger and acquisition on the financial performance of financial institutions in Kenya.	Descriptive study design using event study model to analyze the relationship existing between the accounting ratios (EPS, ROA and ROE) as measures of financial performance.	that merger and acquisition positively affect financial performance of commercial banks. The negative ROE is attributed to the single extreme negative performance recorded by ECB. The study recommends that managers to consider taking the corporate action to take advantage of the benefits of mergers and acquisitions.
9.	Daniya Adeiza Abdul azeez* and Onotu Suleim an and Abdulr Ahaman Yahaya (2016)	Impact of Merger And Acquisitions on the Financial Performance of Deposit Money Banks in Nigeria.	To evaluate the effects of merger and acquisition on the performance of selected banks in Nigeria.	Descriptive and T-test statistics were used to analyze the data obtained from the annual reports and accounts of the sampled banks.	Mergers and acquisitions have significantly improved financial efficiency and performance in most Nigerian commercial banks.
10.	George	Effect of	To evaluate the	The study analyzed	Mergers improve

	Macharia Gathuku & Dr.Agnes Njeru (2016)	Mergers on Financial Performance of Commercial Banks in Kenya.	effect of synergy. Access to intangible assets. Cost reduction on Financial performance of commercial banks in Kenya.	financial performance of 14 banks using accounting ratios based on audited annual reports.	commercial banks' performance through increased capital and customer base, but strong, competitive banking also depends on other key factors.
11.	Gwaya Ondieki Joash & Mungai John Njangiru (2015)	The Effect of Mergers and Acquisitions on Financial Performance of Banks (A Survey of Commercial Banks in Kenya)	To determine the effect of the mergers and acquisitions on the shareholders‟ value in relation to financial performance. To examine the implication of mergers and acquisitions on profitability of companies.	Used the financial ratios. The multiple regression model was used to analyze data.	Mergers and acquisitions significantly improved bank profitability, increased account holders, and showed that shareholders' value and profitability positively impacted return on capital and equity.

Source: Google Scholar

2.2.2 *Review of Literature on National Articles and Journals*

Kunwar & Paudel (2023) conducted a study titled "Evaluation of Financial Performance Pre and Post Mergers in Nepalese Commercial Banks." The research aimed to explore alterations in profitability and assess capital adequacy subsequent to bank mergers. The study employed a combination of descriptive and inferential statistical methods, utilizing measures such as mean,

standard deviation, correlation, and T-tests for data analysis and presentation. Microsoft Excel and E Views were employed for data organization, categorization, and analysis.

The anticipated findings of this study are expected to furnish a comprehensive examination of the shifts in financial performance before and after mergers and acquisitions. Such insights hold potential for bolstering competitive advantage in terms of value and performance following M&A activities. Furthermore, the research outcomes stand to benefit various stakeholders including financial institutions, academic researchers, management consultants, and financial advisors, offering valuable insights and recommendations for future decision-making endeavors.

Neupane (2021) conducted a study titled "Assessing the Influence of Merger and Acquisition on the Financial Performance of Commercial Banks in Nepal." The study focused on two banks that underwent mergers or acquisitions between 2007 and 2017, aiming to evaluate the impact of these mergers and acquisitions on indicators such as Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS), as well as the liquidity position post-merger and acquisition. The research employed a descriptive methodology, utilizing statistical tools and financial ratios for analysis.

The study's findings revealed that mergers and acquisitions led to improvements in the profitability of financial institutions, as evidenced by enhancements in ROA, ROE, and EPS. Additionally, the impact on post-merger and acquisition wealth was assessed using financial ratios, indicating significant increases in liquidity positions compared to the pre-merger period for both banks involved in the study.

Acharya (2020) conducted a study titled "Assessment of the Influence of Mergers on the Financial Performance of Nepalese Commercial Banks," which examined the effects of significant mergers on Earnings Per Share (EPS) and market value per share, as well as the impact of mergers and acquisitions on the operational performance of firms in Nepal, utilizing secondary data from shareholders. The study's findings indicated that the financial standing of weaker institutions improved upon merging with stronger institutions, leading to an increase in the size of total deposits and loans, along with the creation of investment opportunities.

Bipin (2018) conducted a study titled "Analyzing the Effects of Mergers on the Financial Performance of Banks in Nepal," aimed at examining and comprehending the impacts of mergers, providing insights into the necessity of mergers among existing BFIs in Nepal. The

research utilized financial ratios, a multiple regression model, and descriptive analysis. The findings revealed similarities between mergers among commercial banks and development banks. An independent t-test indicated no significant differences in the performance of commercial development banks before and after mergers.

Sharma (2018) conducted a study titled "Impact of Banks' Mergers and Acquisitions in Nepal: Examination of Selected Banks," which aimed to assess the effects of mergers and acquisitions on the financial performance of specific banks in Nepal. The research also sought to identify the repercussions of mergers and acquisitions on employees, shareholders, and the overall financial markets. Secondary data was utilized, employing various financial indicators to gauge the financial performance of the merged entity. The study's findings indicated that during the post-merger period, there was a gradual increase observed in Earnings Per Share (EPS) and Market Price per Share (MPS). This rise in price was deemed beneficial to shareholders. Furthermore, the transformation of weak and unstable financial institutions into strong, stable, and competitive entities was observed as an outcome of the mergers and acquisitions.

Chalise (2017) conducted a study titled "Evaluation of the Impact of Mergers and Acquisitions on the Performance of Commercial Banks in Nepal," with the aim of gaining insights into mergers and acquisitions. The research also aimed to identify variations in the financial performance of selected commercial banks before and after mergers, and to investigate the effects of mergers and acquisitions on Nepal's banking sector. Employing a combination of descriptive and analytical methods, such as paired sample t-tests and financial ratios, the study revealed that commercial banks experienced enhanced financial performance following mergers and acquisitions. Furthermore, it was noted that weaker institutions exhibited improvement in their financial position after merging with stronger ones.

Bananiya & Shah (2016) conducted a study titled "Investigation of Factors Influencing Merger and Acquisition Decision-Making in the Nepalese Banking Sector," which aimed to assess the factors affecting merger and acquisition decisions within Nepal's banking sector and their importance. The research employed primary data collection methods, distributing 250 questionnaires, of which 200 were completed by respondents. Correlation coefficient and regression analysis were utilized for data analysis. The statistical findings revealed that certain independent variables, such as providing effective service, meeting capital requirements, achieving cost-effectiveness, and maintaining brand integrity, significantly influenced merger

and acquisition decisions. This study endeavors to identify the factors influencing merger and acquisition decisions within the Nepalese banking sector.

Dhakal (2015) conducted a study titled "Effects and Obstacles of Merger and Acquisition in Nepalese Banking and Financial Institutions." Following the implementation of merger bylaws policy by Nepal Rastra Bank in 2011, a noticeable rise in mergers and acquisitions was observed in the banking and financial institutions (BFIs) of Nepal. This research primarily focused on assessing the impact of mergers on employees, customers, and shareholders of the merged banks. The research methodology employed in this study was descriptive research, which entailed deriving results from surveys and analysis. The impact on shareholders was evaluated by analyzing the financial data of the merged bank during the two-year periods before and after the merger.

The overall financial data indicated significant improvement in banks during the post-merger phase, consequently enhancing shareholder wealth.

Adhikari (2014) conducted an exploratory study to examine the role of merger and acquisition in fortifying Nepalese banking and financial institutions. The study utilized primary data collected from 550 respondents, along with secondary data spanning three years before and after the merger involving 25 merged entities. The research identified the primary motives driving financial institutions towards mergers, which included the desire to augment their paid-up capital, expand operational reach, and mitigate competition.

Although mergers were associated with positive changes in employee satisfaction and organizational culture, they also resulted in delays in decision-making processes. The study analyzed six financial indicators, revealing mixed results in the initial two years following the merger—some banking and financial institutions (BFIs) experienced positive changes while others faced negative outcomes. However, by the third-year post-merger, there was a notable improvement in financial indicators across all merged BFIs.

Table 2

Summary of Review of Literature in Nepalese Context

S.N.	Author and Date	Article	Objectives	Methodology	Findings
1	Radha Kunwar & Sandip Paudel (2023)	Financial performance analysis of pre-post merger of commercial bank in Nepal	To examine whether the profit position changes after the merger. To measure the capital adequacy position of the banks before merger.	Both descriptive and inferential statistics tools are used for analysis of data. Mean, standard deviation, correlation and T-test are used for the purpose of presentation and analysis of data. Microsoft Excel and E Views are used for the presentation, classification, and analysis of the data.	The outcome of this research could provide better analysis regarding the pre-post-merger and acquisition changes on financial performance. This information can be useful for increasing competitive advantage in value and performance among others after M& A. Further, this research could be an advantage to financial institutions, other academic researcher, management consultant, and financial consultant.
2.	Shreena Neupane (2021)	Impact of Merger and Acquisition on Financial performance of	To examine the impact of merger and acquisition on ROA, ROE & EPS. To	Using descriptive methodology, Statistical tools & financial Ratios.	ROA, ROE & EPS indicated the mergers and acquisitions improve the profitability of financial institutions.

		Commercial Banks in Nepal.	evaluate the liquidity position after merger and acquisition.		Also, from the liquidity positions of both banks the significant increase on the ratios compare to before merger period.
3.	Krishna Prasad Acharya (2020)	Impact of Merger on Financial performance of Nepalese Commercial Bank.	To identify the impact of big merger on EPS and market value per share. To critically analyze the impact of mergers and acquisitions on the operating performance of the firm in Nepal To strategically evaluate the impact on shareholders‟ wealth post M&A	This research is descriptive analysis. It is based only on secondary data	The financial position of weak institutions has also improved when they merged with strong institutions. As the size of total deposits and loan has increased and investment opportunities have been created.
4.	Prakash Kumar Bipin (2018)	The Impact of Merger on Financial performance of Banks in	This research work can be fruitful for the analysis and understand the	Used the financial ratios, used as a multiple regression	The studies found that there are similarities between commercial bank

		Nepal.	impacts of merger. This study will provide the answer for the necessity of the merger of existing BFIs in Nepal.	Model and Descriptive Analysis.	merger and development bank merger. Independent t-test, shows that there is no differences between the before and after merger performance of commercial development banks.
5.	Krishna Prasad Sharma (2018)	Effect of banks‟ Merger and Acquisition in Nepal: study of selected banks.	To evaluate the effects of merger and acquisitions on the financial performance of the selected banks in Nepal. The study also tends to identify the impacts of M&A on employees, shareholders, and overall financial markets.	Secondary data by using different financial indicators has been used to measure the financial performance of the merged entity.	During the post-merger period, the EPS and MPS seem to be gradually increasing. The increment in the price is beneficial to the shareholders. Transformed the weak and unstable financial institutions into strong, stable and competitive financial institutions.
6.	Rupesh Chalise (2017)	Analysis Of Mergers And Acquisitions On The	To overview the general knowledge of the merger	Using both descriptive and analytical tools, paired sample t-	Commercial banks financial performance improves with

		Performance of Commercial Banks In Nepal	and acquisition. To identify the difference in the financial performance of the selected commercial bank pre-post the merger. 3.To examine the effect of merger and acquisition in Nepal banking sector i.e. Global IME Bank.	test and financial ratios.	the merger/acquisition. the the financial position of weak institutions have also improved when they merged with strong institutions
7.	Dinesh Baniya and Manjeela Shah (2016)	A Study On The Factors Affecting Merger And Acquisition Decision In Nepalese Banking Sector	To find out about the factors affecting merger and acquisition decision in Nepalese banking sector and them significance.	Using primary data. 250 questionnaires had been distributed out of which 200 informants filled up the questionnaire. Using correlation coefficient and regression analysis.	The statistical results obtained illustrate that some independent variables such as providing effective service, fulfilling capital requirement, making cost effective and brand maintenance do have significant effect on merger and acquisition decision. The aim of

					this research is to find out the factors affecting merger and acquisition decision in Nepalese banking sector.
8.	Ms. Hema Dhakal (2015)	Impact And Challenges Of Merger And Acquisition In Nepalese Banking And Financial Institutions	To study the reasons or motives behind Merger and Acquisition To identify why there is an increasing trend in merger and acquisition in banking and financial sectors To identify the impact of M&A on employees, customers, shareholders, and overall financial Markets.	The research method used in this study was descriptive research which implies the results based on the survey and analysis.	The overall financial data showed that banks had improved a lot in post-merger phase hence increasing shareholder's wealth.

Source: Google Scholar

2.2.3 Research Gap

Based on the literature review, it is evident that there remain unresolved research inquiries regarding the impact of mergers on banking performance in Nepal. This study aims to contribute novel insights and solicit ideas, knowledge, and recommendations concerning the effects of mergers on banking performance. However, it is crucial to acknowledge the foundational role of previous studies in shaping the current investigation. The study seeks to address the imperative of mergers among existing banking and financial institutions (BFIs) in Nepal, offering valuable insights for Nepalese BFIs to comprehend the precise impact of mergers on their financial performance. By analyzing merger events, this study endeavors to provide a comprehensive understanding of their implications for BFI performance in Nepal. Furthermore, this research on BFI merger practices in Nepal will offer detailed insights into a significant issue in the Nepalese financial market. Given the novelty of this concept in Nepalese BFIs and the ensuing uncertainty surrounding mergers and their long-term effects on growth and profitability, this research holds promise for insightful analysis and understanding of merger impacts. Moreover, it is poised to serve as a valuable reference for future studies on mergers and acquisitions.

CHAPTER-III

RESEARCH METHODOLOGY

The research methodology employed in this study encompasses both descriptive and event study methodologies to thoroughly investigate the pre and post-merger performance of Development Banks in Nepal. The descriptive methodology facilitates the collection and analysis of comprehensive data regarding the performance dynamics of these banks before and after merger activities. Additionally, an event study methodology is utilized to examine the effects of mergers and acquisitions on the performance metrics of the merged financial institutions. This approach involves analyzing the performance trends during distinct time periods: the pre-merger period, representing the state of affairs prior to any merger activities, and the post-merger period, which captures the performance outcomes following mergers. The research methodology incorporates a combination of quantitative techniques such as correlation and regression analyses to derive meaningful insights from the collected data. By employing these methodologies, the study aims to provide a nuanced understanding of the impact of mergers on the performance of Development Banks in Nepal.

3.1 Research Design

The research design adopted for this study is primarily descriptive, supplemented by an event study framework. The descriptive aspect of the design involves systematically gathering and analyzing data pertaining to the performance of Development Banks in Nepal, both before and after merger events. This approach enables a comprehensive exploration of various performance indicators and trends within the banking sector. Additionally, the event study framework facilitates the examination of the specific effects of mergers and acquisitions on the performance outcomes of the merged financial institutions. By dividing the study period into distinct phases, namely the pre-merger and post-merger periods, the research design allows for a comparative analysis of performance metrics before and after merger activities. The utilization of correlation and regression analyses further enhances the robustness of the research design by enabling statistical examination of relationships and trends within the data. Overall, this research design enables a detailed investigation into the impact of mergers on the performance of Development

Banks in Nepal, providing valuable insights for academic research and practical decision-making in the banking sector.

3.2 Population and Sampling Procedure

All the items in any field of research constitute a universe or population. Sampling is the process by which inference is made to the whole and examines only one part. The sample size will be determined based on factors such as the number of Development Banks in each region and the desired level of statistical precision. Additionally, efforts will be made to include both large and small Development Banks in the sample to provide a comprehensive understanding of the impact of mergers on banks of different sizes. The method of selecting a portion of the population with the view to conclude the population under the study is known as sampling. By employing a systematic sampling approach, this study aims to ensure that the selected sample is representative of the broader population of Development Banks in Nepal, thus enhancing the generalizability of the findings. There are a total of 17 Class B development banks. The population of the study is made up of all the three development banks that had merged i.e., Jyoti Bikash Bank Ltd., Lumbini Bikash Bank Ltd., and Shangri-La Development Bank Ltd. and were acquired over 10 years between 2011 to 2022.

3.3 Nature and Sources of Data Collection

In this study, the nature of the data encompasses both quantitative and qualitative aspects, reflecting various performance indicators and contextual information regarding Development Banks in Nepal. Quantitative data include numerical measurements of financial performance metrics such as profitability ratios, liquidity ratios, and capital adequacy ratios. These quantitative data points provide objective insights into the financial health and performance trends of the banks before and after merger activities.

The sources of data for this study are diverse, drawing from secondary sources. Secondary data sources include publicly available information such as audited financial statements, bank

supervision reports issued by the Central Bank of Nepal, and official documents published by the banks themselves. These secondary sources provide historical data on financial performance, regulatory compliance, and other relevant information related to the banks' operations. By integrating data from these diverse sources, the study aims to provide a comprehensive understanding of the impact of mergers on the performance of Development Banks in Nepal.

3.4 Data Analysis and Interpretation

The data analysis was conducted using SPSS version 21. Three merger cases were randomly selected for the study. The impact of these mergers on the financial performance of the chosen banks was assessed by analyzing their pre- and post-merger financial data. Various financial and accounting ratios, including ROA, ROE, EPS, profitability, liquidity, firm size, and leverage position, were calculated for the selected banks to gauge the effects of the mergers.

Sample Bank I. Jyoti Bikash Bank Limited is a national-level development bank engaged in commercial banking activity with a category "Kha" license from Nepal Rastra Bank. The Bank started its operation on 9th Shrawan 2065**.** Starting with an initial paid-up capital of Rs. 259 million, the Bank has reached a paid-up capital of Rs. 4.26 billion. In the journey of past 13 years, the Bank merged with Jhimruk Bikas Bank Limited (FY 2073/74) and has acquired 2 more regional-level development banks, Raptiveri Bikas Bank Limited (FY 2074/75) and Hamro Bikas Bank Limited (FY 2075/76). Jyoti Bikash Bank has set a clear set of Purpose, Vision, Core values, and business strategy, which truly reflects its utmost urge to serve the citizens of the Country through all possible avenues.

Sample Bank II. Lumbini Bikas Bank has been an emerging name in the field of banking and the financial sector of Nepal. It is an entity established with the merger of five Banks and Financial Institutions, namely Bhajuratna Finance Ltd., Birgunj Finance Ltd., Himichuli Bikas Bank Ltd., Lumbini Finance and Leasing Co. Ltd., and Vibor Bikas Bank Ltd. The last merger of Vibor Society Development Bank and Lumbini Finance and Leasing took place on 25th Ashad 2074.

Sample Bank III: Shangri-la Development Bank, one of Nepal’s largest national-level development banks, completes 19 glorious years. Established in 2061 B.S. Starting with an initial paid-up capital of Rs. 3.010 billion, a deposit of Rs.52.20 billion, and a loan of Rs.

43.24Billion. Shangri-la Development is formed after merger of two local development bank named Bageshwari Development Bank based in Nepalgunj and Shangri-la Development Bank based in Pokhara. Shangri-la Development Bank Ltd acquired Cosmos Development Bank and started joint operation from 30 Ashad,2074.

3.5 Method Data Analysis

The data analysis method employed in this study involved utilizing statistical tools within the Statistical Package for the Social Sciences (SPSS) version 21. These tools encompassed various mathematical formulas, models, and techniques designed for statistical analysis of raw research data. Specifically, the financial data of three randomly selected merger cases were subjected to analysis, focusing on pre- and post-merger financial performance metrics. Key financial and accounting ratios, including Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), profitability ratios, liquidity ratios, firm size, and leverage position, were computed to assess the impact of mergers on the selected banks' financial performance. Overall, the utilization of these statistical tools facilitated a comprehensive analysis of the data, enabling the interpretation of findings and insights into the effects of mergers on the financial performance of the selected banks.

Descriptive Analysis. This process provided a snapshot of the banks' financial performance both before and after the merger. Mean values, standard deviations, Minimum, Maximum, and Coefficient Variance and percentages were computed to elucidate the central tendencies and variability within the data. These descriptive statistics offered insights into the overall trends and variations in financial performance metrics across the selected banks. Additionally, the data were tabulated and presented under different headings, enhancing the organization and clarity of the analysis. Overall, the descriptive analysis served as a foundational step in comprehensively understanding the financial implications of mergers on the selected banks, setting the stage for further inferential analysis and interpretation of the findings.

Correlation Coefficient. Correlation analysis stands as a crucial aspect within regression analysis. Its primary function lies in determining the strength of the association between variables. Represented typically by the symbol R, correlation measurement gauges the extent of

relationship between two distinct variables. The correlation value ranges from -1 to +1. A value nearing +1 indicates a positive correlation, signifying that an increase in one variable corresponds with a rise in another. Conversely, a value nearing -1 denotes a negative correlation, indicating that an increase in one variable corresponds with a decrease in another. In this study, the Pearson Correlation method has been employed to ascertain the correlation between variables both before and after the merger and acquisition activities of banks.

$$r = \frac{\sum(x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum(x_i - \bar{x})^2 \Sigma(y_i - \bar{y})^2}}$$

Where,

r= correlation coefficient

x_i= value of the x-variable in a sample

$\bar{x}$= mean of the values of the x-variable

y_i= value of the y-variable in a sample

$\bar{y}$= mean of the values of the y-variable

Regression Analysis. This study employed a sample t-test to ascertain how much the overall changes in the dependent variables (financial performance) are impacted by the fluctuations in the independent variables. This test was utilized to evaluate the significance of the independent variables in influencing the changes in the dependent variables during both the pre-merger and post-merger periods. Additionally, the subsequent regression model was utilized.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_t$$

In which:

Y= Financial Performance as measured by dependent variables (ROE, ROA and EPS)

α = y intercept of the regression equation

$\beta_1, \beta_2, \beta_3, \beta_4$ =are the regression slope

x_1 = Profitability, as given by, net income over revenue

x_2 = Liquidity, as given by, current assets divided by current liabilities

x_3 = Firm size, natural logarithm of total assets

x_4 = Leverage, as given by, total debt to total assets

ε_t = error term

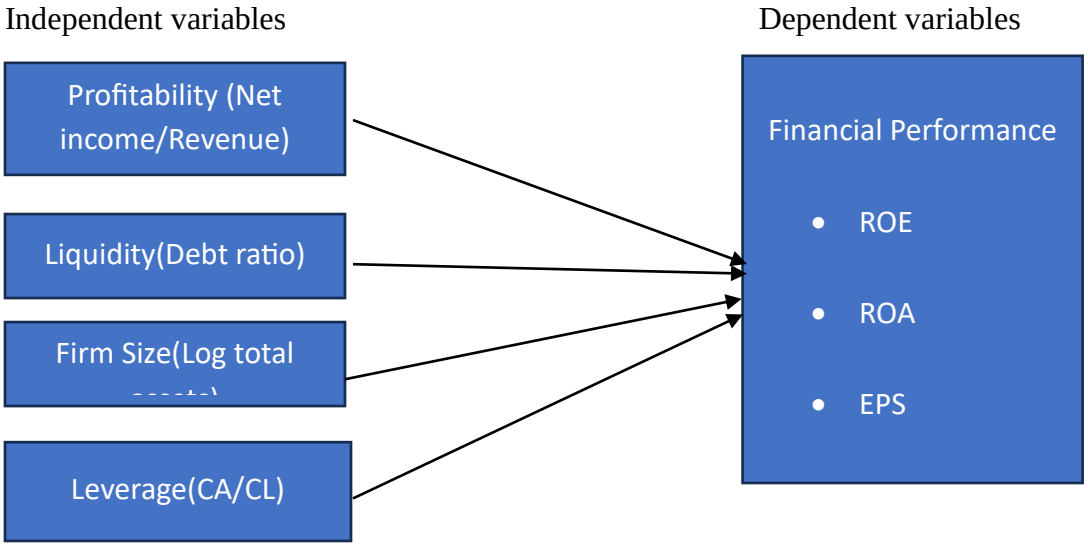
3.6 Conceptual Framework and Definition of Variables

The conceptual framework of this study involves examining the relationship between merger events and financial performance in banks. The key variables in this framework include the dependent variable, "financial performance," and several independent variables, such as "merger status," "pre-merger financial indicators," and "post-merger financial indicators."

"Financial performance" refers to various metrics used to assess the profitability, efficiency, and overall health of a bank, including return on assets (ROA), return on equity (ROE), earnings per share (EPS), liquidity ratios, and leverage ratios. By analyzing these variables within the conceptual framework, the study aims to determine the extent to which merger events influence the financial performance of banks and to identify any significant relationships between merger status and financial indicators.

Figure 1

Conceptual Framework



Source: Bhandarai and Pradansh (2024)

Definitions of the Variables

Dependent variables. The dependent variable in the study is "Financial Performance." It refers to the overall effectiveness and profitability of a bank, typically assessed through various

financial metrics such as return on assets (ROA), return on equity (ROE), earnings per share (EPS), liquidity ratios, and leverage ratios. Financial performance serves as a primary indicator of a bank's success in generating profits and managing financial resources efficiently. This variable allows researchers to gauge the impact of independent variables, such as merger status and pre- and post-merger financial indicators, on the bank's overall performance in Nepal.

Return on Assets (ROA). Return On Assets (ROA) is a metric indicating the efficiency with which a company utilizes its assets to generate profits. It proves particularly useful when making comparisons between similar companies or assessing a company's performance across different time periods. ROA offers valuable insights for managers, investors, or analysts into how efficiently a company utilizes its assets to generate earnings. A higher ROA suggests more effective asset management and greater profitability. Essentially, ROA reveals the efficiency with which a bank's management employs its assets to generate profits. The calculation formula for ROA is as follows:

$$\text{ROA} = \frac{Net\ Income}{Total\ Assets}$$

Return On Equity (ROE). Return On Equity (ROE) evaluates a company's profitability concerning its shareholders' equity. It serves as a profitability metric assessing a bank's capacity to generate earnings from the investments made by its shareholders. ROE is a vital tool in financial analysis, indicating how efficiently each dollar of common stockholders' investment is utilized by the company. This metric is computed by dividing the net income by the shareholders' equity.

$$\textbf{ROE} = \frac{Net\ Income}{Total\ Equity\ Capital}$$

Earnings Per Share (EPS). Earnings Per Share (EPS) is calculated by dividing a corporation's net income by the total count of outstanding shares of its common stock. This figure acts as an indicator of the profit generated by a company for each individual share of its stock and plays a crucial role in assessing its overall value. A higher EPS indicates increased value, as investors typically assign greater value to shares of a company showing higher profits relative to its share price. The EPS formula is simple: it involves dividing the net profit by the total number of outstanding shares.

$$\text{EPS} = \frac{Net\ Profit\ after\ tax - Preference\ Devinend}{Number\ of\ equity\ shares}$$

Independent Variables

Profitability (net profit margin). Profitability, often measured by the net profit margin, is a financial metric that assesses a company's ability to generate profit from its revenue. It represents the percentage of revenue that translates into net profit after accounting for all expenses. A higher net profit margin indicates that a company is effectively managing its costs and generating more profit per dollar of revenue. This metric is crucial for investors and analysts as it reflects the efficiency and profitability of a company's operations.

$$\text{Profitability (Net Proft Margin)} = \frac{Net\ Income}{Revenue}$$

Liquidity (Current Ratio). Liquidity, typically measured by the current ratio, is a financial metric used to evaluate a company's ability to meet its short-term financial obligations with its short-term assets. The current ratio is calculated by dividing the total current assets by the total current liabilities. It provides insight into a company's liquidity position and its ability to cover its immediate debts. A higher current ratio indicates that a company has more current assets than current liabilities, suggesting it is better positioned to meet its short-term obligations. This metric is essential for assessing a company's financial health and its capacity to manage day-to-day operations without facing liquidity issues.

$$\text{Liquidity (Current Ratio)} = \frac{Current\ Assets}{Current\ Liabilities}$$

Leverage (Debt Ratio). A leverage ratio refers to various financial metrics that analyze the proportion of capital obtained through debt (loans) or evaluate a company's capacity to fulfill its financial commitments. Understanding the leverage ratio category is crucial as companies typically use a blend of equity and debt to fund their activities, and comprehending the level of debt held by a company is valuable in assessing its ability to settle its debts on time. In this study, the debt ratio is employed as a gauge of leverage. The term "debt ratio" denotes a financial metric that quantifies how much leverage a company holds.

$$\text{Leverage (Debt Ratio)} = \frac{Total\ Debt}{Total\ Assets}$$

Firm Size. The magnitude of a company might impact its financial performance. The correlation between performance and magnitude tends to be affirmative since larger enterprises often gain from operational streamlining, resulting in increased efficiency and economies of scale. However, there could also be a detrimental effect on performance with increasing size, attributed to bureaucratic complexities and added cost implications. In this research, the natural logarithm of total assets is utilized as an indicator of company size.

Firm Size = log (Total assets)

CHAPTER: IV

RESULTS AND DISCUSSION

4.1 Introduction

In this research, extensive secondary data from Jyoti Bikash Bank Limited, Lumbini Bikas Bank, and Shangri-la Development Bank was collected. The dataset spanned a minimum operating history of five years both before and after the merger. Quantitative techniques, including mean value, standard deviation, and t-tests, were applied for data analysis. A descriptive research design was adopted, which involved examining various central tendency measures typically found in annual reports. Comprehensive analysis was conducted on the annual reports of all merged companies, encompassing both pre- and post-merger periods. Initially, the pre-merger ratios of the acquiring companies were assessed to gauge their post-merger performance, focusing primarily on the amalgamated institution. A comparison between the average data before and after the merger was then conducted to evaluate changes in performance indicators following the merger or acquisition. The analysis also incorporated financial performance metrics such as EPS, ROA, and ROE, along with indicators related to profitability, firm size, leverage, and liquidity positions.

4.2 Data presentation

The data presentation in the study involved the systematic organization and presentation of the collected data from Jyoti Bikash Bank Limited, Lumbini Bikas Bank, and Shangri-la Development Bank. This process likely included structuring the data in a clear and understandable format to facilitate analysis and interpretation. Various quantitative techniques, such as mean value, standard deviation, and t-tests, were applied to the data to derive meaningful insights. Descriptive statistics, including central tendency measures like averages and dispersion measures, may have been used to summarize key aspects of the data. In addition, tabular representations may have been utilized to visually present the data, facilitating the comprehension of trends and patterns for the readers. Overall, the data presentation aimed to effectively communicate the findings of the study in a coherent and understandable manner.

Table 3

ROE of Jyoti Bikash Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Total Shareholder's Equity (in millions)	Return on Equity
Pre-Merger	2069/70	70.1	846	8.28
	2070/71	62.9	906	6.94
	2071/72	103	1005	10.24
	2072/73	152	1157	13.13
	2073/74	228	2552	8.95
	2074/75	296	2881	10.29
	2075/76	531	4007	13.26
	2076/77	488	4504	10.84
Post-Merger	2077/78	664	5246	12.66
	2078/79	670	5637	11.89
	2079/80	302	5782	5.22

(Sources: Jyoti Bikash Bank Ltd. Website)

The ROE fluctuated during the pre-merger years, starting at 8.28% in 2069/70, peaking at 13.13% in 2072/73, and fluctuating between 8.95% and 10.29% until 2074/75. This indicates some variability in the bank's profitability and efficiency in utilizing shareholder's equity before the merger. After the merger, there was a noticeable increase in ROE, reaching 13.26% in 2075/76. It then fluctuates between 10.84% and 12.66% until 2077/78, indicating relatively stable performance. However, there's a decline in ROE to 11.89% in 2078/79 and further down to 5.22% in 2079/80. This decline suggests a deterioration in the bank's ability to generate profit from shareholder's equity in the later post-merger years. Overall, the ROE trend analysis indicates the mixed performance before the merger with fluctuations in ROE. A relatively positive impact of the merger initially, led to an increase in ROE. However, there was a subsequent decline in ROE in the later post-merger years, indicating challenges in maintaining

profitability and efficiency after the merger.

Table 4

EPS of Jyoti Bikas Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Number of Shares Outstanding	Earnings per share
Pre-Merger	2069/70	70.1	7.40	9.47
	2070/71	62.9	7.92	7.94
	2071/72	103	8.47	12.16
	2072/73	152	9.23	16.45
Post-Merger	2073/74	228	22.09	10.34
	2074/75	296	25.94	11.42
	2075/76	531	31.00	17.14
	2076/77	488	34.95	13.97
	2077/78	664	38.45	17.27
	2078/79	670	42.68	15.70
	2079/80	302	43.96	6.87

(Sources: Jyoti Bikash Bank Ltd. Website)

Table 4 provides the trend analysis of Jyoti Bikash Bank Ltd.'s Earnings Per Share (EPS) over a ten-year period, encompassing both pre-merger and post-merger years. The EPS fluctuated during the pre-merger years, starting at 9.47 in 2069/70 and reaching its peak at 16.45 in 2072/73. Thereafter, it fluctuated between 7.94 and 12.16 until 2074/75. These fluctuations suggest variability in the bank's profitability per share before the merger. Following the merger, there was a significant increase in EPS, reaching its highest at 17.14 in 2075/76. However, there was a subsequent decline in EPS to 13.97 in 2076/77, followed by an increase to 17.27 in 2077/78. The trend then shows a decrease to 15.70 in 2078/79 and a notable decline to 6.87 in 2079/80. These declines indicate challenges or changes in the bank's profitability per share after the merger. Overall, the trend analysis of EPS for Jyoti Bikash Bank Ltd. suggests mixed performance before the merger, with fluctuations in EPS. An initial positive impact of the

merger, leading to an increase in EPS. However, there's a subsequent decline in EPS in the later post-merger years, suggesting challenges in maintaining or growing profitability per share after the merger.

Table 5

ROA of Jyoti Bikash Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Total Assets (in millions)	Return on Assets
Pre-Merger	2069/70	70.1	4902	1.43
	2070/71	62.9	6195	1.01
	2071/72	103	7423	1.39
	2072/73	152	8918	1.70
	2073/74	228	13188	1.73
	2074/75	296	23347	1.27
Post-Merger	2075/76	531	36460	1.46
	2076/77	488	42361	1.15
	2077/78	664	60174	1.10
	2078/79	670	71408	0.94
	2079/80	302	72786	0.41

(Sources: Jyoti Bikash Bank Ltd. Website)

Table 5 presents the trend analysis of Jyoti Bikash Bank Ltd.'s Return on Assets (ROA) over ten years, covering both pre-merger and post-merger years. The ROA fluctuated during the pre-merger years, starting at 1.43% in 2069/70 and reaching its peak at 1.73% in 2073/74. Thereafter, it fluctuated between 1.01% and 1.70% until 2074/75. These fluctuations indicate variability in the bank's ability to generate profit from its total assets before the merger. Following the merger, there was an increase in ROA to 1.46% in 2075/76. However, there was a subsequent decline in ROA to 1.15% in 2076/77 and further down to 1.10% in 2077/78. The trend then shows a notable decrease to 0.94% in 2078/79 and a significant decline to 0.41% in 2079/80. These declines suggest challenges or changes in the bank's ability to generate profit from its total assets after the merger. Overall, the trend analysis of ROA for Jyoti Bikash Bank Ltd. indicates mixed performance before the merger, with fluctuations in ROA. An initial increase in ROA post-

merger, followed by a notable decline in the later post-merger years. The decline in ROA in the post-merger years suggests challenges in maintaining or improving profitability relative to the bank's total assets after the merger.

Table 6

Liquidity Jyoti Bikash Bank Ltd.

	Fiscal Years	Current Assets (in millions)	Current Liabilities (in millions)	Liquidity (current ratio)
Pre-Merger	2069/70	4624	3968	116.53
	2070/71	5861	5188	112.97
	2071/72	7099	6342	111.94
	2072/73	8337	7682	108.53
	2073/74	12518	10516	119.03
	2074/75	22316	20064	111.22
	2075/76	33336	31072	107.28
	2076/77	38883	37483	103.73
Post-Merger	2077/78	51429	54125	95.02
	2078/79	62726	63455	98.85
	2079/80	62596	64696	96.75

(Sources: Jyoti Bikash Bank Ltd. Website)

Table 6 presents the trend analysis of Jyoti Bikash Bank Ltd.'s Liquidity, measured by the current ratio, over ten years, covering both pre-merger and post-merger years. The current ratio, indicating liquidity, fluctuated during the pre-merger years, starting at 116.53 in 2069/70 and fluctuating between 108.53 and 119.03 until 2073/74. These fluctuations suggest variability in the bank's ability to cover its current liabilities with its current assets before the merger. Following the merger, there was a decrease in the current ratio to 107.28 in 2075/76. The trend continued with a decline in the current ratio to 103.73 in 2076/77 and further down to 95.02 in 2077/78. There was a slight recovery in the current ratio to 98.85 in 2078/79, but it declined again to 96.75 in 2079/80. These declines suggest challenges in maintaining liquidity post-

merger. Overall, the trend analysis of Liquidity for Jyoti Bikash Bank Ltd. indicates fluctuations in liquidity before the merger, with some years indicating better liquidity than others. A decrease in liquidity post-merger suggests challenges in maintaining sufficient current assets to cover current liabilities after the merger. The declining trend in liquidity post-merger highlights the need for the bank to address its liquidity management to ensure financial stability and meet short-term obligations effectively.

Table 7

Profitability Ratio of Jyoti Bikash Bank Ltd.

	Fiscal Years	Net Income (in millions)	Revenue (in millions)	Profitability ratio
Pre-Merger	2069/70	70.1	115	61.02
	2070/71	62.9	102	61.51
	2071/72	103	147	69.97
	2072/73	152	177	85.81
	2073/74	228	292	78.27
	2074/75	296	467	63.49
Post-Merger	2075/76	531	1467	36.21
	2076/77	488	1585	30.81
	2077/78	664	1962	33.84
	2078/79	670	2169	30.89
	2079/80	302	1724	17.50

(Sources: Jyoti Bikash Bank Ltd. Website)

Table 7 presents the trend analysis of Jyoti Bikash Bank Ltd.'s Profitability Ratio over ten years, covering both pre-merger and post-merger years. The profitability ratio fluctuated during the pre-merger years, starting at 61.02% in 2069/70 and fluctuating between 63.49% and 85.81% until 2073/74. These fluctuations suggest variability in the bank's ability to generate profit relative to its revenue before the merger. Following the merger, there was a significant decrease in the profitability ratio to 36.21% in 2075/76. The trend continued with a decline in the profitability ratio to 30.81% in 2076/77 and further down to 17.50% in 2079/80. Overall, the

trend analysis of the Profitability Ratio for Jyoti Bikash Bank Ltd. indicates fluctuations in the profitability ratio before the merger, with some years indicating higher profitability than others. A significant decrease in the profitability ratio post-merger suggests challenges in maintaining profitability relative to revenue after the merger. The declining trend in the profitability ratio post-merger highlights the need for the bank to address its operational efficiency and cost management to improve profitability in the long term

Table 8

Leverage of Jyoti Bikash Bank Ltd.

	Fiscal Years	Total Debt (in millions)	Total Assets (in millions)	Leverage (Debt ratio)
Pre-Merger	2069/70	3926.7	4902	80.11
	2070/71	5185.4	6195	83.71
	2071/72	6333	7423	85.31
	2072/73	7677	8918	86.09
	2073/74	10516	13188	79.74
	2074/75	20064	23347	85.94
Post-Merger	2075/76	31072	36460	85.22
	2076/77	37483	42361	88.49
	2077/78	54125	60174	89.95
	2078/79	64379	71408	90.16
	2079/80	66187	72786	90.93

(Sources: Jyoti Bikash Bank Ltd. Website)

Table 8 presents the trend analysis of Jyoti Bikash Bank Ltd.'s Leverage, measured by the Debt Ratio, over ten years, covering both pre-merger and post-merger years. The debt ratio fluctuated during the pre-merger years, starting at 80.11% in 2069/70 and fluctuating between 79.74% and 86.09% until 2074/75. These fluctuations suggest variability in the bank's leverage, with some years indicating higher debt relative to total assets than others before the merger. Following the merger, the debt ratio remained relatively stable, starting at 85.22% in 2075/76 and fluctuating between 85.22% and 90.93% until 2079/80. Overall, the trend analysis of Leverage (Debt Ratio) for Jyoti Bikash Bank Ltd. indicates fluctuations in debt ratio before the

merger, with some years indicating higher leverage than others. A relatively stable debt ratio post-merger, suggests consistent leverage levels relative to total assets after the merger. The stable trend in debt ratio post-merger may indicate effective management of debt levels and financial stability, but it's essential to monitor and manage leverage carefully to ensure long-term financial health.

Table 9

ROE of Lumbini Bikash Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Total Shareholders' Equity	Return on Equity
	2070/71	-300	596	-50.39
	2071/72	158	690	22.95
Pre-Merger	2072/73	158	848	18.64
	2073/74	179	2735	6.56
	2074/75	302	3218	9.39
	2075/76	621	4208	14.75
	2076/77	379	4444	8.52
Post-Merger	2077/78	434	5295	8.20
	2078/79	637	5730	11.12
	2079/80	498	6217	8.00

(Sources: Lumbini Bikash Bank Ltd. Website)

Table 9 presents the trend analysis of Jyoti Bikash Bank Ltd.'s Return on Equity (ROE) over ten years, covering both pre-merger and post-merger years. The ROE fluctuated during the pre-merger years. In 2070/71, there was a negative ROE of -50.39%, indicating a loss. However, there was a significant improvement in 2071/72 with an ROE of 22.95%. This improvement continued in 2072/73 with an ROE of 18.64%. Thereafter, the ROE decreased in 2073/74 and 2074/75 but remained positive, indicating some variability in the bank's profitability relative to shareholder's equity before the merger. Following the merger, there was an increase in ROE to 14.75% in 2075/76. However, there was a decline in ROE in the subsequent years, reaching 8.52% in 2076/77 and further down to 8.20% in 2077/78. The trend then shows an increase in

ROE to 11.12% in 2078/79, but it decreases again to 8.00% in 2079/80. Overall, the trend analysis of Return on Equity for Jyoti Bikash Bank Ltd. indicates fluctuations in ROE before the merger, with a mix of positive and negative returns. An initial increase in ROE post-merger, followed by fluctuations in the later post-merger years. The variability in ROE suggests challenges in maintaining consistent profitability relative to shareholder's equity, highlighting the need for effective management strategies to improve financial performance over time.

Table 10

EPS of Lumbini Bikash Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Net Share Outstanding	Earnings per share
	2070/71	-300	898	-33.46
	2071/72	158	898	17.64
Pre-Merger	2072/73	158	917	17.24
	2073/74	179	2009	8.93
	2074/75	302	2173	13.90
	2075/76	621	2210	28.09
	2076/77	379	2716	13.94
Post-Merger	2077/78	434	2906	14.93
	2078/79	637	3284	18.84
	2079/80	498	3383	14.71

(Sources: Lumbini Bikash Bank Ltd. Website)

Table 10 presents the trend analysis of Lumbini Bikash Bank Ltd.'s Earnings Per Share (EPS) over ten years, covering both pre-merger and post-merger years. The EPS fluctuated during the pre-merger years. In 2070/71, there was a negative EPS of -33.46, indicating a loss per share. However, there was an improvement in EPS in 2071/72 and 2072/73 with EPS of 17.64 and 17.24, respectively. The EPS continued to improve in 2074/75, reaching 13.90. Following the merger, there was a significant increase in EPS to 28.09 in 2075/76. However, there was a decrease in EPS in the subsequent years, reaching 13.94 in 2076/77 and further down to 14.93 in 2077/78. The trend then shows an increase in EPS to 18.84 in 2078/79, but it

decreases again to 14.71 in 2079/80. Overall, the trend analysis of Earnings Per Share for Lumbini Bikash Bank Ltd. indicates fluctuations in EPS before the merger, with a mix of negative and positive earnings per share. An initial increase in EPS post-merger, followed by fluctuations in the later post-merger years. The variability in EPS suggests changes in profitability and earnings distribution over the years, highlighting the need for effective financial management to ensure stable and sustainable earnings growth.

Table 11

ROA of Lumbini Bikash Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Total Assets (in millions)	Return on Assets
	2070/71	-300	5879	-5.11
	2071/72	158	5473	2.89
Pre-Merger	2072/73	158	7444	2.12
	2073/74	179	21230	0.85
	2074/75	302	25694	1.18
	2075/76	621	30027	2.07
	2076/77	379	4497	8.42
Post-Merger	2077/78	434	44125	0.98
	2078/79	637	56689	1.12
	2079/80	498	58891	0.85

(Sources: Lumbini Bikash Bank Ltd. Website)

Table 11 presents the trend analysis of Lumbini Bikash Bank Ltd.'s Return on Assets (ROA) over a ten-year period, covering both pre-merger and post-merger years. The ROA fluctuated during the pre-merger years. In 2070/71, there was a negative ROA of -5.11%, indicating a loss relative to total assets. There was an improvement in ROA in 2071/72 and 2072/73 with ROA of 2.89% and 2.12%, respectively. The ROA continued to improve in 2074/75, reaching 1.18%. Following the merger, there was a significant increase in ROA to 2.07% in 2075/76. However, there was a decrease in ROA in the subsequent years, reaching 0.98% in 2077/78 and further down to 0.85% in 2079/80. Overall, the trend analysis of Return on Assets for Lumbini Bikash Bank Ltd. indicates fluctuations in ROA before the merger, with a

mix of negative and positive returns. An initial increase in ROA post-merger, followed by fluctuations in the later post-merger years. The variability in ROA suggests changes in the bank's ability to generate profit relative to its total assets over the years, highlighting the need for effective asset management and profitability strategies to improve financial performance.

Table 12

Liquidity Lumbini Bikash Bank Ltd.

	Fiscal Years	Current Assets (in millions)	Current Liabilities (in millions)	Liquidity (current ratio)
	2070/71	1332	4787	27.82
	2071/72	4857	4683	103.71
Pre-Merger	2072/73	1562	6488	24.08
	2073/74	19775	18300	108.06
	2074/75	23505	22185	105.95
	2075/76	27419	25488	107.58
	2076/77	31589	29705	106.34
Post-Merger	2077/78	38029	38207	99.53
	2078/79	46564	49980	93.17
	2079/80	49364	50584	97.59

(Sources: Lumbini Bikash Bank Ltd. Website)

Table 12 presents the trend analysis of Lumbini Bikash Bank Ltd.'s Liquidity, measured by the current ratio, over a ten-year period, covering both pre-merger and post-merger years. The current ratio fluctuated during the pre-merger years. In 2070/71, the current ratio was 27.82, indicating relatively low liquidity. There was a significant improvement in liquidity in 2071/72, with the current ratio soaring to 103.71, indicating a substantial increase in current assets relative to current liabilities. However, there was a decrease in liquidity in the subsequent years, with the current ratio dropping to 24.08 in 2072/73 and then increasing again to 108.06 and 105.95 in 2073/74 and 2074/75, respectively. Following the merger, the current ratio remained relatively stable, starting at 107.58 in 2075/76 and fluctuating between 93.17 and 107.58 until 2079/80.Overall, the trend analysis of Liquidity for Lumbini Bikash Bank Ltd. indicates

fluctuations in liquidity before the merger, with substantial variations in the current ratio. A relatively stable current ratio post-merger, suggesting consistent liquidity levels after the merger. The stability in liquidity post-merger may indicate effective management of current assets and liabilities, but it's essential to monitor liquidity closely to ensure the bank's ability to meet short-term obligations and maintain financial stability.

Table 13

Profitability Ratio of Lumbini Bikash Bank Ltd.

	Fiscal Years	Net Income (in millions)	Revenue (in millions)	Profitability ratio
	2070/71	-300	-320	93.86
	2071/72	158	-69	-230.96
Pre-Merger	2072/73	158	94	168.48
	2073/74	179	245	73.36
	2074/75	302	401	75.31
	2075/76	621	1445	42.95
	2076/77	379	1116	33.91
Post-Merger	2077/78	434	1229	35.32
	2078/79	637	1703	37.41
	2079/80	498	1502	33.14

(Sources: Lumbini Bikash Bank Ltd. Website)

Table 13 presents the trend analysis of Lumbini Bikash Bank Ltd.'s Profitability Ratio over a ten-year period, covering both pre-merger and post-merger years. The profitability ratio fluctuated significantly during the pre-merger years. In 2070/71, there was a high profitability ratio of 93.86, indicating strong profitability relative to revenue despite a negative net income. However, the profitability ratio became negative in 2071/72 and 2072/73, indicating losses relative to revenue. There was some improvement in profitability in 2073/74 and 2074/75, with profitability ratios of 73.36% and 75.31%, respectively. Following the merger, there was a significant improvement in profitability in 2075/76, with a profitability ratio of 42.95%. However, the profitability ratio decreased in the subsequent years, fluctuating between 33.14% and 37.41% in 2076/77 to 2079/80. Overall, the trend analysis of the Profitability Ratio for

Lumbini Bikash Bank Ltd. indicates significant fluctuations in the profitability ratio before the merger, with some years indicating strong profitability despite losses, while others indicating losses relative to revenue. An initial improvement in profitability post-merger, followed by fluctuations in the later post-merger years. The variability in profitability ratio suggests challenges in maintaining consistent profitability over the years, highlighting the need for effective cost management and revenue generation strategies to improve financial performance.

Table 14

Leverage of Lumbini Bikash Bank Ltd.

	Fiscal Years	Total Debt (in millions)	Total Assets (in millions)	Leverage (debt ratio)
	2070/71	4787	5879	81.42
	2071/72	4676	5473	85.43
Pre-Merger	2072/73	6474	7444	86.97
	2073/74	17928	21230	84.45
	2074/75	22183	25694	86.33
	2075/76	25488	30027	84.88
	2076/77	29706	34497	86.11
Post-Merger	2077/78	38207	44125	86.59
	2078/79	49980	56689	88.17
	2079/80	51593	58891	87.61

(Sources: Lumbini Bikash Bank Ltd. Website)

Table 14 presents the trend analysis of Lumbini Bikash Bank Ltd.'s Leverage, measured by the Debt Ratio, over a ten-year period, covering both pre-merger and post-merger years. The debt ratio fluctuated during the pre-merger years. In 2070/71, the debt ratio was 81.42%, indicating a relatively high level of leverage. There was a slight increase in the debt ratio in 2071/72 and 2072/73, reaching 85.43% and 86.97%, respectively. The debt ratio decreased in 2073/74 to 84.45% and then increased again to 86.33% in 2074/75. Following the merger, the debt ratio remained relatively stable, starting at 84.88% in 2075/76 and fluctuating between 86.11% and 88.17% until 2079/80. There seems to be a slight decrease in the debt ratio from 2078/79 to 2079/80. Overall, the trend analysis of Leverage (Debt Ratio) for Lumbini Bikash

Bank Ltd. indicates fluctuations in the debt ratio before the merger, with variability in leverage levels relative to total assets. A relatively stable debt ratio post-merger, suggesting consistent leverage levels after the merger. It's important for the bank to monitor and manage its debt levels carefully to ensure financial stability and sustainability over the long term.

Table 15

ROE of Shangri-La Development Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Total Shareholder's Equity (in millions)	Return on Equity
	2070/71	74	853	8.69
	2071/72	178	1031	17.27
Pre-Merger	2072/73	215	1350	15.95
	2073/74	348	1706	20.39
	2074/75	305	3131	9.75
	2075/76	342	3335	10.25
	2076/77	1911	3306	57.80
Post-Merger	2077/78	410	3712	11.05
	2078/79	527	4189	12.59
	2079/80	270	4484	6.03

(Sources: Shangri-La Development Bank Ltd. Website)

Table 15 presents the trend analysis of Shangri-La Development Bank Ltd.'s Return on Equity (ROE) over ten years, covering both pre-merger and post-merger years ROE fluctuated during the pre-merger years. In 2070/71, the ROE was 8.69%, indicating a moderate return on equity. There was a significant increase in ROE in 2071/72 and 2072/73, reaching 17.27% and 15.95%, respectively, indicating improved profitability and efficiency in utilizing shareholder equity. The ROE further increased in 2073/74 to 20.39%, suggesting continued profitability and effective management of shareholder equity. However, there was a decrease in ROE in 2074/75 to 9.75%, indicating a decline in profitability relative to shareholder equity. Following the merger, the ROE remained relatively stable, starting at 10.25% in 2075/76. There was a significant spike in ROE in 2076/77 to 57.80%, which could be due to extraordinary profits or changes in the bank's financial structure post-merger. The ROE decreased in the subsequent

years, fluctuating between 6.03% and 12.59% in 2079/80. Overall, the trend analysis of Return on Equity for Shangri-La Development Bank Ltd. indicates fluctuations in ROE before the merger, with some years showing significant improvements and others showing declines. A relatively stable ROE post-merger, except for an exceptional increase in 2076/77, suggesting varying levels of profitability and efficiency in utilizing shareholder equity over the years. It's crucial for the bank to maintain a consistent and sustainable ROE to ensure long-term profitability and shareholder value.

Table 16

EPS of Shangri-La Development Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Net Share Outstanding (in millions)	Earnings per share
	2070/71	74	640	11.56
	2071/72	178	736	24.19
Pre-Merger	2072/73	215	977	22.06
	2073/74	348	1358	25.60
	2074/75	305	2506	12.18
	2075/76	342	2607	13.11
	2076/77	1911	2607	73.31
Post-Merger	2077/78	410	2737	14.98
	2078/79	527	3011	17.51
	2079/80	270	3268	8.28

(Sources: Shangri-La Development Bank Ltd. Website)

Table 16 presents the trend analysis of Shangri-La Development Bank Ltd. 's Earnings Per Share (EPS) over ten years, covering both pre-merger and post-merger years. The EPS fluctuated during the pre-merger years. In 2070/71, the EPS was 11.57. There was a significant increase in EPS in 2071/72 and 2072/73, reaching 24.19 and 22.06, respectively, indicating improved profitability per share. The EPS further increased in 2073/74 to 25.60, suggesting continued profitability per share. However, there was a decrease in EPS in 2074/75 to 12.18, indicating a decline in profitability per share. Following the merger, the EPS remained relatively

stable, starting at 13.11 in 2075/76. There was a significant spike in EPS in 2076/77 to 73.31, which could be due to extraordinary profits or changes in the bank's financial structure post-merger. The EPS decreased in the subsequent years, fluctuating between 8.28 and 17.51 in 2079/80.Overall, the trend analysis of Earnings Per Share for Shangri-La Development Bank Ltd. indicates fluctuations in EPS before the merger, with some years showing significant improvements and others showing declines. A relatively stable EPS post-merger, except for an exceptional increase in 2076/77, suggesting varying levels of profitability per share over the years.

Table 17

ROA of Shangri-La Development Bank Ltd.

	Fiscal Years	Net Profit after Taxes (in millions)	Total Assets (in millions)	Return on Assets
Pre-Merger	2070/71	74	7462	0.99
	2071/72	178	9168	1.94
	2072/73	215	11959	1.80
	2073/74	348	16044	2.17
	2074/75	305	21219	1.44
	2075/76	342	26284	1.30
Post-Merger	2076/77	1911	32898	5.81
	2077/78	410	47837	0.86
	2078/79	527	59822	0.88
	2079/80	270	58650	0.46

(Sources: Shangri-La Development Bank Ltd. Website)

Table 17 presents the trend analysis of Shangri-La Development Bank Ltd. 's Return on Assets (ROA) over ten years, covering both pre-merger and post-merger years. The ROA fluctuated during the pre-merger years. In 2070/71, the ROA was 0.99%. There was a significant increase in ROA in 2071/72 and 2072/73, reaching 1.94% and 1.80%, respectively, indicating improved profitability relative to total assets. The ROA further increased in 2073/74 to 2.17%,

suggesting continued efficiency in generating profits from assets. However, there was a decrease in ROA in 2074/75 to 1.44%, indicating a decline in profitability relative to total assets. Following the merger, the ROA remained relatively stable, starting at 1.30% in 2075/76. There was a significant spike in ROA in 2076/77 to 5.81%, which could be due to extraordinary profits or changes in the bank's financial structure post-merger. The ROA decreased in the subsequent years, reaching 0.46% in 2079/80. Overall, the trend analysis of Return on Assets for Shangri-La Development Bank Ltd. indicates fluctuations in ROA before the merger, with some years showing significant improvements and others showing declines. A relatively stable ROA post-merger, except for an exceptional increase in 2076/77, suggesting varying levels of profitability relative to total assets over the years.

Table 18

Liquidity of Shangri-La Development Bank Ltd.

	Fiscal Years	Current Assets (in millions)	Current Liabilities (in millions)	Liquidity (current ratio)
	2070/71	2111	6468	32.64
	2071/72	8773	8013	109.48
Pre-Merger	2072/73	11418	10363	110.18
	2073/74	13229	13882	95.29
	2074/75	19909	17812	111.78
	2075/76	24147	22589	106.90
	2076/77	29156	29255	99.66
Post-Merger	2077/78	42785	43600	98.13
	2078/79	51114	54695	93.45
	2079/80	48322	53256	90.73

(Sources: Shangri-La Development Bank Ltd. Website)

Table 18 presents the trend analysis of Shangri-La Development Bank Ltd. 's Liquidity over ten years, covering both pre-merger and post-merger years. The liquidity, as measured by the current ratio, fluctuated during the pre-merger years. In 2070/71, the current ratio was 32.64. There was a significant increase in liquidity in 2071/72 and 2072/73, reaching 109.48 and

110.18, respectively, indicating an improved ability to meet short-term obligations. The liquidity decreased in 2073/74 to 95.29 but increased again in 2074/75 to 111.78. Following the merger, the liquidity remained relatively stable, starting at 106.90 in 2075/76. The liquidity fluctuated around 100 in the subsequent years, indicating a balanced position in terms of current assets to current liabilities. However, there was a slight decrease in liquidity in the later post-merger years, reaching 90.73 in 2079/80. Overall, the trend analysis of Liquidity (current ratio) for Shangri-La Development Bank Ltd. indicates fluctuations in liquidity before the merger, with some years showing significant improvements and others showing declines. A relatively stable liquidity post-merger, suggesting a balanced position in terms of short-term obligations and resources. It's important for the bank to maintain a healthy liquidity position to ensure it can meet its short-term financial obligations effectively.

Table 19

Profitability Ratio of Shangri-La Development Bank Ltd.

	Fiscal Years	Net Income (in millions)	Revenue (in millions)	Profitability ratio
Pre-Merger	2070/71	74	116	64.10
	2071/72	178	286	62.15
	2072/73	215	313	68.94
	2073/74	348	539	64.56
	2074/75	305	442	69.03
	2075/76	342	1173	29.14
Post-Merger	2076/77	1911	1221	156.50
	2077/78	410	1679	24.42
	2078/79	527	1903	27.70
	2079/80	270	1942	13.92

(Sources: Shangri-La Development Bank Ltd. Website)

Table 19 presents the trend analysis of Shangri-La Development Bank Ltd. 's Profitability Ratio over ten years, covering both pre-merger and post-merger years. The profitability ratio fluctuated during the pre-merger years. In 2070/71, the profitability ratio was 64.10. There was a slight decrease in profitability in 2071/72 and 2073/74, with ratios of 62.15 and 64.56,

respectively. However, there were also years of improvement, such as in 2072/73 and 2074/75, with ratios of 68.94 and 69.03, respectively. Following the merger, there was a significant decrease in profitability in 2075/76, with a ratio of 29.14. In 2076/77, there was a substantial increase in profitability to 156.50, indicating a significant improvement. However, there was a sharp decline in profitability in the subsequent years, reaching 24.42 in 2077/78 and 13.92 in 2079/80. Overall, the trend analysis of Profitability Ratio for Shangri-La Development Bank Ltd. indicates fluctuations in profitability before the merger, with some years showing improvements and others showing declines. A significant improvement in profitability immediately post-merger, followed by a decline in the subsequent years. It's important for the bank to analyze the factors contributing to these fluctuations and take appropriate measures to sustain profitability over the long term.

Table 20

Leverage of Shangri-La Development Bank Ltd.

	Fiscal Years	Total Debt (in millions)	Total Assets (in millions)	Leverage (debt ratio)
	2070/71	6456	7462	86.52
	2071/72	80109	91676	87.38
Pre-Merger	2072/73	10361	11959	86.63
	2073/74	13873	16044	86.47
	2074/75	15564	21219	73.35
	2075/76	22589	26284	85.94
	2076/77	29255	32898	88.92
Post-Merger	2077/78	43600	47837	91.14
	2078/79	54695	59822	91.43
	2079/80	53256	58650	90.80

(Sources: Shangri-La Development Bank Ltd. Website)

Table 20 presents the trend analysis of Shangri-La Development Bank Ltd. 's Leverage over ten years, covering both pre-merger and post-merger years. The leverage ratio fluctuated during the pre-merger years. It started at 86.52 in 2070/71. There was a significant increase in leverage in 2071/72, with a ratio of 87.38, indicating higher reliance on debt. In the subsequent

years, the leverage ratio remained relatively stable, with slight fluctuations, ranging between 86.47 and 86.63 in 2072/73 to 2073/74. However, in 2074/75, there was a notable decrease in leverage, with a ratio of 73.35, indicating a reduction in debt relative to assets. Following the merger, there was a slight increase in leverage in 2075/76, with a ratio of 85.94. In the subsequent years, there was a consistent increase in leverage, reaching a peak of 91.43 in 2078/79. In the final year, 2079/80, the leverage ratio decreased slightly to 90.80. Overall, the trend analysis of Leverage for Shangri-La Development Bank Ltd. indicates fluctuations in leverage before the merger, with some years showing increases and others showing decreases. A slight increase in leverage immediately post-merger, followed by a consistent increase in the subsequent years. It's important for the bank to monitor and manage its leverage effectively to ensure financial stability and mitigate risks associated with excessive debt.

The table below gives the minimum, maximum, mean, and standard deviation for each variable in the pre- and post-merger period for descriptive analysis.

Table 21

Descriptive statistics of Pre- and Post-merger Financial Ratios

Descriptive Statistics

		Minimum	Maximum	Mean	Std. Deviation
ROE	Pre-Merger	-50	23	8.58	17.092
	Post-Merger	5	58	13.48	12.550
EPS	Pre-Merger	-33	26	11.88	13.662
	Post-Merger	7	73	19.24	15.697
ROA	Pre-Merger	-5	3	1.16	1.816
	Post-Merger	0	8	1.85	2.227
Liquidity	Pre-Merger	24	119	92.85	33.894
	Post-Merger	91	108	99.65	5.556
Profitability	Pre-Merger	-231	168	57.86	84.191
	Post-Merger	14	157	38.91	33.375
Leverage	Pre-Merger	73	87	84.38	3.715
	Post-Merger	85	91	88.42	2.274

Firm Size	Pre-Merger	4	5	4.11	0.332
	Post-Merger	4	5	4.87	0.352

The minimum ROE observed was -50%, indicating that some companies had negative returns on equity before the merger. The maximum ROE was 23%, with a mean of 8.58% and a standard deviation of 17.092%. The minimum ROE improved to 5%, while the maximum increased to 58%. The mean ROE after the merger was 13.48%, with a lower standard deviation of 12.550%. This suggests an overall improvement in return on equity following the merger. EPS ranged from -33 to 26, with a mean of 11.88 and a standard deviation of 13.662. EPS improved with a range of 7 to 73. The mean EPS increased to 19.24, with a standard deviation of 15.697. This indicates a positive impact on earnings per share after the merger. ROA ranged from -5% to 3%, with a mean of 1.16% and a standard deviation of 1.816%. The range of ROA improved from 0% to 8%, with a higher mean of 1.85% and a standard deviation of 2.227%. This suggests a slight improvement in asset utilization efficiency after the merger. Liquidity ratios ranged from 24 to 119, with a mean of 92.85 and a standard deviation of 33.894. The range tightened to 91 to 108, with a slightly increased mean of 99.65 and a l owner standard deviation of 5.556. This indicates a more consistent liquidity position post-merger. Profitability ranged widely from -231 to 168, with a mean of 57.86 and a high standard deviation of 84.191. The range narrowed significantly to 14 to 157, with a lower mean of 38.91 and a reduced standard deviation of 33.375. This suggests a more stable profitability profile following the merger. Leverage ratios ranged from 73 to 87, with a mean of 84.38 and a standard deviation of 3.715. Leverage slightly increased with a range of 85 to 91. The mean leverage post-merger was 88.42, with a lower standard deviation of 2.274. This indicates a slight increase in leverage after the merger. Firm sizes ranged from 4 to 5, with a mean of 4.11 and a small standard deviation of 0.332. Firm sizes continued to be concentrated between 4 and 5, with a slightly increased mean of 4.87 and a similar standard deviation of 0.352. This indicates relatively stable firm sizes before and after the merger

Table 22

Correlation analysis of Pre-merger

Correlations

		ROE	EPS	ROA	Liquidity	Profitability	Firm Size	Leverage
ROE	Pearson Correlation	1						
EPS	Pearson Correlation	.975**	1					
ROA	Pearson Correlation	.994**	.958**	1				
Liquidity	Pearson Correlation	0.457	0.465	0.493	1			
Profitability	Pearson Correlation	-0.239	-0.147	-0.269	-0.278	1		
Leverage	Pearson Correlation	0.319	0.365	0.255	-0.144	-0.040	1	
Firm Size	Pearson Correlation	0.259	0.377	0.236	0.418	0.191	0.025	1

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

ROE correlates strongly with itself, which is expected and evident by a correlation coefficient of ROE and EPS have a very strong positive correlation of 0.975. This means that there is a high positive relationship between ROE and EPS. Companies with higher ROE tend to have higher EPS. ROE and ROA also have a very strong positive correlation of 0.994. This indicates a high positive relationship between ROE and ROA. Companies with higher ROE tend to have higher ROA. ROE has a moderate positive correlation with liquidity (0.457). This suggests that there is a moderate positive relationship between ROE and liquidity. However, the

correlation is not as strong as with EPS or ROA. ROE has a weak negative correlation with profitability (-0.239). This implies a weak negative relationship between ROE and profitability. Companies with higher ROE tend to have slightly lower profitability. ROE has a moderate positive correlation with leverage (0.319). This indicates a moderate positive relationship between ROE and leverage. Companies with higher ROE tend to have higher leverage. ROE has a moderate positive correlation with firm size (0.259). This suggests a moderate positive relationship between ROE and firm size. Larger companies tend to have higher ROE.

Overall, these correlations provide insights into how different financial metrics are related to each other. For example, ROE is strongly correlated with EPS and ROA, moderately correlated with liquidity, leverage, and firm size, and weakly correlated with profitability.

Table 23

Correlation analysis of Post-Merger

		ROE	EPS	ROA	Liquidity	Profitability	Leverage	Firm Size
ROE	Pearson Correlation	1						
EPS	Pearson Correlation	.986**	1					
ROA	Pearson Correlation	0.476	0.493	1				
Liquidity	Pearson Correlation	0.075	0.105	0.410	1			
Profitability	Pearson Correlation	.985**	.986**	.536*	0.117	1		
Leverage	Pearson Correlation	0.001	-0.084	-0.340	-.802**	-0.102	1	
Firm Size	Pearson Correlation	0.032	-0.035	0.031	-.555*	0.035	.538*	1

ROE correlates perfectly with itself, as evident by a correlation coefficient of 1. This is expected. There is a very strong positive correlation between ROE and EPS (0.986), significant at the 0.01 level. This suggests that companies with higher ROE tend to have higher EPS post-merger. There is a moderate positive correlation between ROA and ROE (0.476), indicating a positive relationship between these two metrics post-merger. There is a weak positive correlation between ROE and liquidity (0.075), which is not statistically significant at conventional levels. This suggests a weak positive relationship between ROE and liquidity post-merger. There is a very strong positive correlation between ROE and profitability (0.985), significant at the 0.01 level. This implies that companies with higher ROE also tend to have higher profitability post-merger. There is a very weak positive correlation between ROE and leverage (0.001), which is not statistically significant. This suggests no meaningful relationship between ROE and leverage post-merger. There is a weak positive correlation between ROE and firm size (0.032), but it is not statistically significant. This suggests a weak positive relationship between ROE and firm size post-merger.

Overall, post-merger, ROE shows strong positive correlations with EPS and profitability, moderate positive correlation with ROA, and weak positive correlations with liquidity and firm size. However, the relationship with leverage appears to be insignificant. These insights can be valuable for understanding the dynamics of the company's financial performance post-merger.

4.3 Regression Analysis

Table 24 presents the model summary statistics for both pre- and post-merger analyses with respect to Return on Equity (ROE). The regression was carried out at a significance level of 5%.

Table 24

Model summary of pre- and post-merger with ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Pre-Merger	.610[a]	0.372	0.121	16.028
Post-Merger	.994[a]	0.988	0.983	1.642
Predictors: (Constant), Firm Size, Leverage, Profitability, Liquidity				

The R-squared value (R^2) is 0.372, indicating that approximately 37.2% of the variance in ROE can be explained by the predictors (Firm Size, Leverage, Profitability, and Liquidity) in the model. The Adjusted R-squared value is 0.121, which adjusts the R-squared value for the number of predictors in the model. It suggests that about 12.1% of the variance in ROE is explained by the predictors, considering the model's complexity. The Standard Error of the Estimate is 16.028, representing the average distance between the observed values of ROE and the values predicted by the model.

The R-squared value is notably higher at 0.988, indicating that approximately 98.8% of the variance in ROE is explained by the predictors in the model post-merger. The Adjusted R-squared value is 0.983, suggesting that about 98.3% of the variance in ROE is explained by the predictors, considering the model's complexity. The Standard Error of the Estimate is substantially lower at 1.642 compared to the pre-merger model, indicating that the model's predictions are more accurate post-merger.

Overall, the post-merger model demonstrates a significantly higher explanatory power (R-squared) and improved prediction accuracy (lower Standard Error of the Estimate) compared to the pre-merger model. This suggests that the predictors (Firm Size, Leverage, Profitability, and Liquidity) have a much stronger association with ROE post-merger.

Table 25 displays the results of the analysis of variance (ANOVA) for both pre- and post-merger models with respect to Return on Equity (ROE).

Table 25

ANOVA with ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
Pre-Merger	Regression	1520.936	4	380.234	1.480	.280[b]
	Residual	2568.861	10	256.886		
	Total	4089.797	14			
Post-Merger	Regression	2178.068	4	544.517	201.933	.000[b]
	Residual	26.965	10	2.697		
	Total	2205.034	14			

a. Dependent Variable: ROE

b. Predictors: (Constant), Firm Size, Leverage, Profitability, Liquidity

The "Regression" row provides information about the variance explained by the predictors (Firm Size, Leverage, Profitability, and Liquidity) in the model. The Sum of Squares for the regression is 1520.936, with 4 degrees of freedom (df). The Mean Square, calculated as the Sum of Squares divided by the degrees of freedom, is 380.234. The F-value is 1.480, indicating the ratio of the variance explained by the model to the variance not explained. This F-value is associated with a p-value of .280, suggesting that the model is not statistically significant at the conventional significance level of 0.05. The "Residual" row provides information about the unexplained variance in the model. The Sum of Squares for the residuals is 2568.861, with 10 degrees of freedom. The "Total" row indicates the total variance in the dependent variable (ROE). The Similar to the pre-merger model, the "Regression" row presents information about the variance explained by the predictors in the post-merger model. The Sum of Squares for the regression is 2178.068, with 4 degrees of freedom. The Mean Square is 544.517. The F-value is notably higher at 201.933, and the associated p-value is .000, indicating that the model is statistically significant at the 0.05 level. The "Residual" row provides information about the unexplained variance in the post-merger model. The Sum of Squares for the residuals is 26.965, with 10 degrees of freedom. The "Total" row indicates the total variance in the dependent variable (ROE), which is 2205.034.

Overall, the ANOVA results suggest that the post-merger model provides a significantly better fit to the data compared to the pre-merger model, as indicated by the higher F-value and statistically significant p-value. This implies that the predictors (Firm Size, Leverage, Profitability, and Liquidity) have a stronger association with ROE post-merger.

Table 26 presents the regression coefficients for the model predicting Return on Equity (ROE) before the merger and acquisition.

Table 26

Regression Coefficient before merger and acquisition with ROE

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
Pre-Merger	(Constant)	-174.776	109.895		-1.590	0.143
	Liquidity	0.223	0.155	0.442	1.435	0.182
	Profitability	-0.024	0.057	-0.117	-0.417	0.685
	Leverage	1.725	1.180	0.375	1.463	0.174
	Firm Size	4.489	15.326	0.087	0.293	0.776

Dependent Variable: ROE

The intercept of the regression equation is -174.776. This indicates the expected value of ROE when all predictor variables are zero. The unstandardized coefficient (B) for Liquidity is 0.223, indicating that a one-unit increase in liquidity is associated with a 0.223-unit increase in ROE, holding other variables constant. The unstandardized coefficient for Profitability is -0.024, suggesting that a one-unit increase in profitability is associated with a -0.024-unit decrease in ROE, holding other variables constant. The unstandardized coefficient for Leverage is 1.725, indicating that a one-unit increase in leverage is associated with a 1.725-unit increase in ROE, holding other variables constant. The unstandardized coefficient for Firm Size is 4.489, suggesting that a one-unit increase in firm size is associated with a 4.489-unit increase in ROE, holding other variables constant. These coefficients represent the contribution of each predictor

to the dependent variable (ROE) when measured in standard deviation units. They allow for comparison of the relative importance of each predictor. The t-value assesses the significance of each coefficient. None of the predictors have statistically significant coefficients at the conventional significance level of 0.05 (indicated by Sig. values greater than 0.05).

Overall, before the merger and acquisition, none of the predictor variables (Liquidity, Profitability, Leverage, Firm Size) have statistically significant effects on ROE, as none of their coefficients have p-values below 0.05.

The regression equation before merger and acquisition was:

$Y = -174.776 + 0.223\ x_1 - 0.024x_2 + 1.725x_3 + 4.489x_4$

Where,

Y = Financial Performance (ROE)

x_1= Liquidity

x_2= Profitability

x_3 = Leverage

x_4 = Firm Size

Table 27 presents the regression coefficients for the model predicting Return on Equity (ROE) after the merger and acquisition.

Table 27

Regression Coefficient after merger and acquisition with ROE

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
Post-Merger	(Constant)	-114.209	40.328		-2.832	0.018
	Liquidity	0.208	0.137	0.092	1.521	0.159
	Profitability	0.375	0.013	0.998	28.113	0.000
	Leverage	1.174	0.329	0.213	3.564	0.005
	Firm Size	-2.367	1.538	-0.066	-1.539	0.155

a. Dependent Variable: ROE

The intercept of the regression equation is -114.209. This indicates the expected value of ROE when all predictor variables are zero. The unstandardized coefficient (B) for Liquidity is 0.208, indicating that a one-unit increase in liquidity is associated with a 0.208-unit increase in ROE, holding other variables constant. The unstandardized coefficient for Profitability is 0.375, suggesting that a one-unit increase in profitability is associated with a 0.375-unit increase in ROE, holding other variables constant. The unstandardized coefficient for Leverage is 1.174, indicating that a one-unit increase in leverage is associated with a 1.174-unit increase in ROE, holding other variables constant. The unstandardized coefficient for Firm Size is -2.367, suggesting that a one-unit increase in firm size is associated with a 2.367-unit decrease in ROE, holding other variables constant. These coefficients represent the contribution of each predictor to the dependent variable (ROE) when measured in standard deviation units. They allow for a comparison of the relative importance of each predictor. The t-value assesses the significance of each coefficient. A t-value greater than 2 (or less than -2) indicates that the coefficient is statistically significant at the conventional significance level of 0.05.

The regression equation for predicting ROE after the merger and acquisition can be written as follows:

$$Y=-114.209+0.208x_1+0.375\,x_2+1.174\,x_3-2.367x_4$$

This equation can be used to estimate the expected value of ROE based on the values of the predictor variables (Liquidity, Profitability, Leverage, Firm Size).

Where,

y = Financial Performance (ROE)

x_1= Liquidity

x_2= Profitability

x_3 = Leverage

x_4 = Firm Size

When all independent variables are zero, the model predicts that the ROE will be −114.209−114.209. However, this value may not be practically meaningful as it assumes all predictors are at their minimum values simultaneously. For each unit increase in liquidity,

profitability, and leverage, the model predicts increases in ROE of 0.2080.208, 0.3750.375, and 1.1741.174 units, respectively, holding other variables constant. Conversely, for each unit increase in firm size, the model predicts a decrease in ROE of −2.367 units, holding other variables constant.

Table 28

Model summary pre- and post-merger with ROE

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Pre-Merger	.610[a]	0.372	0.121	16.028
Post-Merger	.994[a]	0.988	0.983	1.642

a. Predictors: (Constant), Firm Size, Leverage, Profitability, Liquidity

From the outcome in table 28, Before the merger, the correlation coefficient (R) indicates a moderate positive linear relationship between Return on Equity (ROE) and the independent variables (Firm Size, Leverage, Profitability, Liquidity), with R = 0.610. The coefficient of determination (R^2) suggests that approximately 37.2% of the variance in ROE is explained by these predictors. The adjusted R^2, considering model complexity, is 0.121, indicating that about 12.1% of the variance in ROE is explained. The standard error of the estimate is 16.028, representing the average distance between observed and predicted ROE values.

After the merger, the correlation coefficient (R) significantly increases to 0.994, indicating a very strong positive linear relationship between ROE and the independent variables. The R^2 value also substantially increases to 0.988, suggesting that approximately 98.8% of the variance in ROE is explained post-merger. The adjusted R^2 is 0.983, implying that about 98.3% of the variance in ROE is explained, considering model complexity. The standard error of the estimate decreases to 1.642, indicating more accurate predictions post-merger. Overall, the post-merger model exhibits significantly stronger explanatory power and improved prediction accuracy compared to the pre-merger model, suggesting a stronger association between ROE and the

predictors.

Table 29

ANOVA with ROA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
Pre-Merger	Regression	662.535	4	165.634	1.080	.417[b]
	Residual	1534.143	10	153.414		
	Total	2196.678	14			
Post-Merger	Regression	690.341	4	172.585	6.608	.007[b]
	Residual	261.158	10	26.116		
	Total	951.499	14			

a. Dependent Variable: ROA

b. Predictors: (Constant), Firm Size, Leverage, Profitability, Liquidity

A low p-value (typically below 0.05) indicates statistical significance, suggesting that the model's results are unlikely to be due to random chance. In this case, the F-value is 1.080, and the p-value is 0.417, indicating that the model is not statistically significant at the conventional significance level of 0.05). A higher sum of squares for regression relative to residuals suggests a better fit of the model to the data. Here, the F-value has increased significantly to 6.608, and the associated p-value is 0.007, which is below the typical significance threshold of 0.05. This indicates that the model is now statistically significant after the merger. The increase in the F-value and the decrease in the p-value suggest that the relationship between the predictors and ROA has become stronger and more reliable after the merger. The sum of squares for regression has increased slightly to 690.341, while the sum of squares for residuals has decreased substantially to 261.158. This indicates that after the merger, more of the variance in ROA is explained by the independent variables, resulting in a better-fitting model with fewer unexplained variances.

The regression model before the merger did not provide statistically significant results, suggesting that the predictors (Firm Size, Leverage, Profitability, and Liquidity) did not have a strong relationship with ROA at that time. However, after the merger, the regression model became statistically significant, indicating that the relationship between the predictors and ROA strengthened. This suggests that the merger may have influenced the dynamics between these variables. The significant F-values also suggest that the data can be reliably used for linear regression analysis, providing insights into the factors affecting ROA post-merger.

Overall, these results imply that the merger had an impact on the relationship between the predictors and ROA, making the regression model more useful for understanding the financial dynamics of the merged entity

Table 30

Regression Coefficient before merger & acquisition with ROA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-26.637	56.114		-0.475	0.645
	Liquidity	0.205	0.119	0.554	1.727	0.115
	Profitability	-0.001	0.044	-0.006	-0.022	0.983
	Leverage	0.307	0.344	0.248	0.891	0.394
	Firm Size	-2.010	11.941	-0.053	-0.168	0.870

a. Dependent Variable: ROA

The intercept represents the value of the dependent variable (ROA) when all predictor variables are zero. In this case, the intercept is -26.637. However, it's not statistically significant ($p = 0.645$), meaning it doesn't significantly contribute to explaining ROA. The coefficient for Liquidity is 0.205. This means that, holding other variables constant, a one-unit increase in Liquidity is associated with a 0.205 increase in ROA. However, it's not statistically significant at

the conventional level (p = 0.115). The coefficient for Profitability is -0.001, indicating that there's a very slight negative relationship between Profitability and ROA, but it's statistically insignificant (p = 0.983). The coefficient for Leverage is 0.307, suggesting a positive relationship between Leverage and ROA, but it's not statistically significant (p = 0.394). The coefficient for Firm Size is -2.010, indicating a negative relationship between Firm Size and ROA. However, like the others, it's not statistically significant (p = 0.870).

Before the merger, none of the predictor variables (Liquidity, Profitability, Leverage, Firm Size) were statistically significant in explaining the variation in ROA. This suggests that, individually, these variables did not have a significant impact on ROA before the merger. However, the coefficients provide insight into the direction and magnitude of the relationships between these variables and ROA, even though they are not statistically significant.

The regression equation before merger and acquisition was:

$y = -26.637 + 0.205\ x_1 - 0.001\ x_2 + 0.307\ x_3 - 2.010\ x_4$

Where:

y= dependent variable, which is ROA.

x_1= Liquidity

x_2= Profitability,

x_3= Leverage,

x_4= Firm Size

The constant term (-26.637) represents the estimated ROA when all predictor variables (Liquidity, Profitability, Leverage, Firm Size) are zero. However, in this case, it's not statistically significant, so it's not meaningful to interpret it further. The coefficient for Liquidity (0.205) suggests that, holding other variables constant, a one-unit increase in Liquidity is associated with a 0.205 increase in ROA. However, this coefficient is not statistically significant at the

conventional significance level of 0.05. The coefficient for Profitability (-0.001) suggests that, holding other variables constant, a one-unit increase in Profitability is associated with a very slight decrease (0.001) in ROA. However, this coefficient is not statistically significant. The coefficient for Leverage (0.307) suggests that, holding other variables constant, a one-unit increase in Leverage is associated with a 0.307 increase in ROA. However, this coefficient is not statistically significant. The coefficient for Firm Size (-2.010) suggests that, holding other variables constant, a one-unit increase in Firm Size is associated with a 2.010 decrease in ROA. However, this coefficient is not statistically significant.

Overall, the regression equation provides insights into the relationships between the predictor variables and ROA, but since none of the coefficients are statistically significant, we cannot make confident conclusions about the effects of these variables on ROA before the merger.

The intercept is -350.419. This represents the estimated value of ROA when all predictor variables (x_1, x_2, x_3 , x_4) are zero. The intercept is statistically significant (p = 0.004), indicating that it significantly contributes to explaining ROA. The coefficient is 1.148. This suggests that, holding other variables constant, a one-unit increase in Liquidity is associated with a 1.148 increase in ROA. It's statistically significant (p = 0.005). The coefficient is -0.082. This indicates that, holding other variables constant, a one-unit increase in Profitability is associated with a 0.082 decrease in ROA, but The coefficient is 0.132. This suggests that, holding other variables constant, a one-unit increase in Leverage is associated with a 0.132 increase in ROA. It's statistically significant (p = 0.045). The coefficient is 52.029. This indicates that, holding other variables constant, a one-unit increase in Firm Size is associated with a 52.029 increase in ROA. It's statistically significant (p = 0.006).

Using the coefficients from the table, we can construct the regression equation as follows:

y=−350.419+1.148x_1−0.082x_2+0.132x_3+52.029x_4

Where:

y= dependent variable, which is ROA.

x_1= Liquidity

x_2= Profitability,

x_3= Leverage,

x_4= Firm Size

The intercept (-350.419) represents the estimated ROA when all predictor variables are zero. Given its significance, it suggests that there's a baseline ROA even when the independent variables are absent or zero.

An uptick of one unit in Liquidity correlates with a rise of 1.148 in ROA. Conversely, a single-unit boost in Profitability is linked with a decline of 0.082 in ROA. Similarly, a one-unit rise in Leverage corresponds to an uptick of 0.132 in ROA. Moreover, a one-unit increase in Firm Size is connected to a substantial increase of 52.029 in ROA.

Overall, this regression equation provides insights into how changes in the predictor variables are associated with changes in ROA. It also highlights the variables that significantly contribute to explaining ROA (Liquidity, Leverage, and Firm Size) and those that do not (Profitability).

Table 31

Model summary pre- and post-merger with EPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Pre-Merger	.503[a]	0.253	-0.046	13.010
Post-Merger	.992[a]	0.985	0.979	1.791

a. Predictors: (Constant), Firm Size, Profitability, Leverage, Liquidity

From the outcome in Table 31, Before the merger, the model exhibited a moderate ability

to forecast EPS, explaining approximately 25.3% of the variance in EPS. However, the presence of a negative adjusted R Square hinted at potential overfitting, while the relatively high standard error indicated some variability in the predictions. Following the merger, there was a notable enhancement in the model's efficacy. The correlation coefficient surged significantly, reaching 0.992, denoting a markedly robust linear relationship between the predictors and EPS. Moreover, the coefficient of determination soared to 98.5%, indicating that the predictors now elucidate a substantial majority of the variance in EPS. The adjusted R Square also saw a substantial increase to 97.9%, implying improved model performance and reduced likelihood of overfitting. Additionally, the standard error of the estimate plummeted to 1.791, suggesting heightened precision in the model's post-merger predictions.

Overall, these results underscore a substantial improvement in the model's reliability and effectiveness following the merger, implying that the merger potentially wielded a significant influence on the financial dynamics of the company.

Table 32

ANOVA with EPS

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
Pre-Merger	Regression	572.549	4	143.137	0.846	.527[b]
	Residual	1692.578	10	169.258		
	Total	2265.127	14			
Post-Merger	Regression	2110.988	4	527.747	164.468	.000[b]
	Residual	32.088	10	3.209		
	Total	2143.076	14			

b. Predictors: (Constant), Firm Size, Profitability, Leverage, Liquidity

The sum of squares for the regression model is 572.549, indicating the amount of variance in EPS explained by the predictors (Firm Size, Profitability, Leverage, Liquidity). The sum of squares for the residual (unexplained) variance in EPS is 1692.578. The total sum of

squares, which represents the total variance in EPS, is 2265.127. The F-value for the regression model is 0.846, with 4 and 10 degrees of freedom for the regression and residual, respectively. The p-value associated with the F-value is 0.527, indicating that the regression The sum of squares for the regression model substantially increases to 2110.988, indicating a significant t increase in the amount of variance in EPS explained by the predictors. The sum of squares for the residual variance in EPS decreases to 32.088. The total sum of squares remains the same at 2143. 076.The F-value for the regression model post-merger is 164.468, with 4 and 10 degrees of freedom for the regression and residual, respectively. The p-value associated with the F-value is <0.0001, indicating that the regression model is highly statistically significant.

Overall, these results suggest that the merger may have influenced the relationship between the predictors and EPS, leading to a significant improvement in the predictive power of the regression model post-merger.

Table 33

Regression Coefficient before merger and acquisition with EPS

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-26.535	58.940		-0.450	0.662
	Liquidity	0.144	0.125	0.384	1.157	0.274
	Profitability	-0.015	0.046	-0.096	-0.314	0.760
	Leverage	-0.016	0.361	-0.013	-0.045	0.965
	Firm Size	6.209	12.543	0.162	0.495	0.631

Dependent Variable: EPS

The regression model before the merger did not provide statistically significant results, as indicated by the non-significant F-value (0.846, p = 0.527). This suggests that the predictors

(Firm Size, Profitability, Leverage, Liquidity) did not have a strong relationship with EPS before the merger. However, after the merger, there was a significant improvement in the regression model's performance. The F-value increased substantially to 164.468, with a highly significant p-value (<0.0001), indicating a strong relationship between the predictors and EPS post-merger.

The intercept is -26.535. This represents the estimated value of EPS when all predictor variables (Liquidity, Profitability, Leverage, Firm Size) are zero. However, it's not statistically significant (p = 0.662), indicating that it doesn't significantly contribute to explaining EPS. The coefficient for Liquidity (B1B1) is 0.144. This suggests that holding other variables constant, a one-unit increase in Liquidity is associated with a 0.144 increase in EPS. However, it's not statistically significant (p = 0.274). The coefficient for Profitability (B2B2) is -0.015. This indicates that holding other variables constant, a one-unit increase in Profitability is associated with a very slight decrease (-0.015) in EPS. However, it's not statistically significant (p = 0.760). The coefficient for Leverage (B3B3) is -0.016. This suggests that, holding other variables constant, a one-unit increase in Leverage is associated with a very slight decrease (-0.016) in EPS. However, it's not statistically significant (p = 0.965). The coefficient for Firm Size (B4B4) is 6.209. This indicates that, holding other variables constant, a one-unit increase in Firm Size is associated with a 6.209 increase in EPS. However, it's not statistically significant (p = 0.631).

Using the coefficients from the table, we can construct the regression equation as follows:

$$y = -26.535 + 0.144x_1 - 0.015x_2 - 0.016x_3 + 6.209x_4$$

Where;

y= EPS (dependent variable)

x_1= Liquidity

x_2= Profitability

x_3=Leverage,

x_4= Firm Size

The intercept value (-26.535) signifies the projected EPS when all predictor variables are at zero. However, its lack of statistical significance limits its interpretive value. An increment of one unit in Liquidity corresponds to a 0.144 rise in EPS, although this association lacks statistical significance. Similarly, a one-unit increase in Profitability is linked with a marginal decrease of -0.015 in EPS, yet this relationship is not statistically significant. Likewise, a slight decrease of -0.016 in EPS is associated with a one-unit rise in Leverage, but this connection lacks statistical significance. Furthermore, a rise of one unit in Firm Size is correlated with a substantial increase of 6.209 in EPS, though this association is not statistically significant. Although the regression equation offers insights into the relationships between predictor variables and EPS, the lack of statistical significance in any of the coefficients prohibits drawing confident conclusions regarding the effects of these variables on EPS before the merger.

Table 34

Regression Coefficient after merger and acquisition with EPS

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
Post-Merger	(Constant)	-167.912	33.063		-5.078	0.000
	Liquidity	0.461	0.112	0.207	4.103	0.002
	Profitability	0.369	0.025	0.996	14.548	0.000
	Leverage	0.016	0.020	0.051	0.776	0.456
	Firm Size	26.514	5.292	0.266	5.010	0.001

a. Dependent Variable: EPS

The intercept is -167.912. This represents the estimated value of EPS when all predictor variables (Liquidity, Profitability, Leverage, Firm Size) are zero. It's statistically significant with a p-value of 0.000. The coefficient for Liquidity is 0.461. This suggests that holding other variables constant, a one-unit increase in Liquidity is associated with a 0.461 increase in EPS. It's statistically significant with a p-value of 0.002. The coefficient for Profitability is 0.369. This indicates that holding other variables constant, a one-unit increase in Profitability is associated with a 0.369 increase in EPS. It's highly statistically significant with a p-value of 0.000. The

coefficient for Leverage is 0.016. This suggests that holding other variables constant, a one-unit increase in Leverage is associated with a slight increase (0.016) in EPS. However, it's not statistically significant with a p-value of 0.456. The coefficient for Firm Size is 26.514. This indicates that holding other variables constant, a one-unit increase in Firm Size is associated with a 26.514 increase in EPS. It's statistically significant with a p-value of 0.001.

Using the coefficients from the table, we can construct the regression equation as follows:

$Y=-167.912+0.461\ x_1+0.369\ x_2+0.016\ x_3+26.514\ x_4$

Where:

Y=EPS (dependent variable)

x_1= Liquidity

x_2= Profitability

x_3= Leverage

x_4= Firm Size

The intercept (-167.912) signifies the estimated EPS when all predictor variables are at zero. Its statistical significance (p = 0.000) underlines its importance for interpretation. A rise of one unit in Liquidity corresponds to a 0.461 increase in EPS, and this relationship holds statistical significance (p = 0.002). Similarly, a one-unit increase in Profitability is linked with a 0.369 boost in EPS, which is highly statistically significant (p = 0.000). Although a one-unit increase in Leverage is associated with a marginal uptick of 0.016 in EPS, this effect lacks statistical significance (p = 0.456). Conversely, a one-unit rise in Firm Size is tied to a substantial increase of 26.514 in EPS, and this relationship is statistically significant (p = 0.001). Overall, the regression equation suggests that Liquidity, Profitability, and Firm Size significantly bolster EPS post-merger, whereas Leverage fails to exert a significant impact.

4.4 Discussion

Analysis of the impact of mergers and acquisitions on Return on Equity (ROE), Earnings per Share (EPS), Return on Assets (ROA), Profitability (net profit margin), Liquidity (current ratio), Firm Size, and Leverage (debt ratio) indicates that Jyoti Bikash Bank Limited, Lumbini Bikas Bank, and Shangri-la Development Bank have all benefited from the merger and acquisition strategy. Prior to the mergers, these banks experienced low financial performance and even negative results. However, there was a positive trend from deficit positions to growth following the mergers. Subsequently, all sampled banks demonstrated significant improvements in ROA, EPS, ROE, profitability, liquidity, firm size, and leverage. The mean values also illustrate a substantial increase post-merger compared to pre-merger levels across all sampled banks. The descriptive statistics reveal significant changes in financial metrics before and after the merger. Post-merger, there is a notable increase in the range and mean of ROE, EPS, and ROA, suggesting enhanced financial performance and profitability. However, the increased variability post-merger indicates potential challenges or adjustments resulting from the merger. Additionally, variations in liquidity, profitability, leverage, and firm size before and after the merger underscore the dynamic nature of the company's financial landscape post-merger. These findings highlight the importance of conducting a thorough analysis of financial metrics before and after significant corporate events such as mergers. By understanding the changes in key performance indicators, stakeholders can assess the impact of the merger, identify areas for improvement, and formulate strategies to optimize financial performance and shareholder value in the post-merger period.

The ROE ranges from -50% to 23%, with a mean of 8.58% and a standard deviation of 17.092%. This indicates considerable variability in ROE before the merger, with some periods experiencing negative returns. ROE expands its range to 5% to 58%, with a higher mean of 13.48% and a reduced standard deviation of 12.550%. The wider range and higher mean post-merger suggest increased profitability and potentially improved financial performance. EPS ranges from -33 to 26, with a mean of 11.88 and a standard deviation of 13.662. The variability in EPS is evident before the merger, with both negative and positive values observed. EPS expands its range to 7 to 73, with a higher mean of 19.24 and a slightly increased standard deviation of 15.697. The wider range and higher mean post-merger indicate potentially higher

earnings and increased variability. ROA ranges from -5% to 3%, with a mean of 1.16% and a standard deviation of 1.816%. Similar to ROE, there is notable variability in ROA before the merger. ROA expands its range to 0% to 8%, with a higher mean of 1.85% and an increased standard deviation of 2.227%. The wider range and higher mean post-merger indicate potentially improved asset utilization and profitability.

The correlation analysis provides valuable insights into the relationships between key financial metrics before and after the merger. Understanding these correlations helps stakeholders assess the impact of the merger on financial performance and stability and formulate strategies to optimize outcomes in the post-merger period. The strong positive correlations between ROE and EPS, as well as ROE and ROA, remain consistent before and after the merger. This suggests that the merger did not significantly alter these fundamental relationships. Some correlations, such as ROE and ROA, show slight changes post-merger, indicating potential shifts in the relationships between profitability and asset efficiency. The negative correlation between Leverage and Liquidity post-merger highlights potential concerns regarding financial stability, as higher leverage appears to be associated with lower liquidity.

There is a very strong positive correlation between ROE and EPS ($r = 0.975$, $p < 0.01$), indicating that higher ROE is associated with higher EPS before the merger. Similarly, there is a very strong positive correlation between ROE and ROA ($r = 0.994$, $p < 0.01$), suggesting that higher ROE is closely linked with higher ROA pre-merger. There is a moderate positive correlation between Profitability and Liquidity ($r = 0.493$, $p < 0.01$), implying that more profitable banks tend to have higher liquidity ratios before the merger. The strong positive correlation between ROE and EPS persists post-merger ($r = 0.986$, $p < 0.01$), indicating that the relationship remains consistent after the merger. The correlation between ROE and ROA weakens post-merger ($r = 0.476$), although it remains positive. This suggests a slightly less tight relationship between profitability and asset efficiency after the merger. There is a strong negative correlation between Leverage and Liquidity ($r = -0.802$, $p < 0.01$), indicating that higher leverage is associated with lower liquidity post-merger.

The strong positive correlations between ROE and EPS, as well as ROE and ROA, remain consistent before and after the merger. This suggests that the merger did not significantly alter

these fundamental relationships. Some correlations, such as ROE and ROA, show slight changes post-merger, indicating potential shifts in the relationships between profitability and asset efficiency. The negative correlation between Leverage and Liquidity post-merger highlights potential concerns regarding financial stability, as higher leverage appears to be associated with lower liquidity.

The ANOVA results presented in Table 32 offer insights into the impact of mergers and acquisitions on Return on Equity (ROE), while Table 33 provides regression coefficients for predicting ROE before the merger and acquisition. The ANOVA results indicate that the regression model before the merger is not statistically significant ($F = 1.480$, $p = 0.280$). This suggests that the predictors (Firm Size, Leverage, Profitability, and Liquidity) do not significantly explain the variance in ROE before the merger. In contrast, the regression model after the merger is highly significant ($F = 201.933$, $p < 0.001$), indicating that the predictors have a significant impact on ROE after the merger. This suggests that the merger has influenced the relationship between the predictors and ROE. Before the merger, the regression coefficients show no significant impact of the predictors on ROE. None of the coefficients for Liquidity, Profitability, Leverage, or Firm Size are statistically significant ($p > 0.05$). The ANOVA results suggest that the model before the merger lacks significance, indicating that the predictors do not adequately explain the variance in ROE. Additionally, the regression coefficients further confirm this, as none of the predictors significantly impact ROE before the merger.

After the merger, there is a significant improvement in the regression model's performance, with all predictors collectively explaining a substantial portion of the variance in ROE. This suggests that the merger has influenced the relationship between the predictors and ROE, leading to a more significant impact on the financial performance of the company. The significant improvement in the regression model post-merger underscores the transformative effect mergers and acquisitions can have on financial metrics such as ROE. It indicates that the combined entity may have better leverage, profitability, liquidity, and firm size, leading to enhanced ROE. These findings can inform strategic decision-making and highlight the importance of post-merger integration efforts to capitalize on synergies and maximize shareholder value.

In the context of the provided regression coefficients for predicting Return on Equity (ROE) after the merger and acquisition (Table 34), along with the previous data. Before the merger, the regression coefficients (Table 33) showed no significant impact of predictors (Liquidity, Profitability, Leverage, Firm Size) on ROE. The model lacked statistical significance, indicating that these predictors did not adequately explain the variance in ROE.

(Table 34): The coefficient representing Profitability holds substantial significance ($p < 0.001$) and magnitude ($B = 0.375$), indicating a strong positive correlation between increased profitability and enhanced ROE following the merger. Similarly, Leverage demonstrates a noteworthy positive coefficient ($B = 1.174$, $p = 0.005$), implying a favorable association between higher leverage and ROE post-merger. Despite displaying a negative coefficient, Firm Size fails to achieve statistical significance ($p > 0.05$), indicating no discernible influence on ROE after the merger. Although Liquidity exhibits a positive coefficient, its lack of statistical significance ($p > 0.05$) suggests no significant effect on ROE post-merger.

Before the merger, the model failed to capture significant relationships between predictors and ROE. This could indicate inefficiencies or challenges within the company's financial structure that impeded its ability to translate operational performance into ROE. After the merger, the model significantly improved, with Profitability and Leverage emerging as strong predictors of ROE. This suggests that the merger may have enhanced the company's financial performance, particularly in terms of profitability and leverage management.

These findings highlight the importance of post-merger integration efforts, particularly in optimizing profitability and leverage structures to maximize ROE. Strategic decisions regarding leveraging levels and profitability enhancement initiatives can play a crucial role in driving post-merger ROE growth and shareholder value. While this analysis provides valuable insights, further research could explore additional factors influencing post-merger ROE, such as market conditions, industry dynamics, and specific merger integration strategies. Additionally, longitudinal studies tracking ROE over time post-merger could provide deeper insights into the long-term impact of mergers and acquisitions on financial performance.

(Table 30 Before the merger, none of the predictors (Liquidity, Profitability, Leverage, and Firm Size) exhibit statistically significant coefficients, as indicated by their p-values (all > 0.05). This implies that these factors do not significantly impact ROA before the merger. (Table 4.29) After the merger, the regression coefficients reveal noteworthy changes. The coefficient for Liquidity is statistically significant ($p = 0.005$), suggesting that higher liquidity levels are associated with increased ROA post-merger. While the Profitability coefficient is not significant ($p > 0.05$), it still demonstrates a negative association with ROA, albeit not statistically significant. Both Leverage and Firm Size exhibit statistically significant coefficients ($p < 0.05$), indicating that higher levels of leverage and larger firm sizes are positively associated with ROA after the merger.

Before the merger, the regression model fails to capture significant relationships between predictors and ROA, suggesting limited explanatory power. This could indicate operational inefficiencies or other factors affecting ROA that are not captured by the included predictors. Post-merger, there is a significant improvement in the model's explanatory power, with Liquidity, Leverage, and Firm Size emerging as significant predictors of ROA. This implies that the merger has influenced the financial dynamics of the company, leading to changes in how these variables affect ROA. The significant impact of Liquidity, Leverage, and Firm Size on ROA post-merger underscores the importance of post-merger integration efforts in optimizing liquidity management, leveraging levels, and firm size to enhance ROA. Strategic decisions aimed at improving these aspects can contribute to maximizing post-merger ROA and overall financial performance.

The analysis of variance (ANOVA) results presented in Table 32 provides insights into the impact of mergers and acquisitions on Earnings per Share (EPS), complemented by regression coefficients provided in Tables 33 and 34. The ANOVA results show that the regression model before the merger is not statistically significant ($F = 0.846$, $p = 0.527$). This indicates that the predictors (Firm Size, Profitability, Leverage, and Liquidity) collectively fail to explain the variance in EPS before the merger.

In contrast, the regression model after the merger demonstrates high statistical significance ($F = 164.468$, $p < 0.001$). This suggests that the predictors significantly influence EPS post-merger,

indicating a substantial change in the relationship between these variables and EPS following the merger. Table 33) Before the merger, none of the predictors (Liquidity, Profitability, Leverage, and Firm Size) exhibited statistically significant coefficients, as indicated by their p-values (all > 0.05). This implies that these factors do not significantly impact EPS before the merger. (Table 34) After the merger, the regression coefficients reveal noteworthy changes. The coefficient for Liquidity is statistically significant ($p = 0.002$), indicating that higher liquidity levels are associated with increased EPS post-merger. The Profitability coefficient is highly statistically significant ($p < 0.001$), suggesting a strong positive association with EPS after the merger. The coefficients for Leverage and Firm Size are not statistically significant ($p > 0.05$), implying that these factors do not significantly influence EPS post-merger. Before the merger, the regression model lacked significant explanatory power regarding EPS, indicating that the included predictors do not effectively explain EPS variation. Post-merger, there is a significant improvement in the model's explanatory power, with Liquidity and Profitability emerging as significant predictors of EPS. This suggests that the merger has influenced the financial dynamics of the company, leading to changes in how these variables affect EPS. The significant impact of Liquidity and Profitability on EPS post-merger underscores the importance of post-merger strategic decisions aimed at optimizing liquidity management and profitability to enhance EPS. Leveraging these insights can contribute to maximizing post-merger EPS and overall financial performance.

CHAPTER-V

SUMMARY AND CONCLUSIONS

The chapter provides an overview of the outcomes concerning the influence of mergers and acquisitions on the financial performance of Development Banks in Nepal. Drawing from the findings outlined in chapter four, the study offers suggestions aimed at enhancing the financial performance of banks subsequent to a merger or acquisition. These recommendations are tailored to align with the study's objectives. To facilitate this, the chapter is structured into three sections Summary, Conclusions, and Recommendations.

5.1 Summary

The study aimed to investigate whether mergers and acquisitions contribute to the enhanced performance of development banks in Nepal. Its primary objective was to assess the performance of selected merged development banks after the merger. The study commenced with an exposition of the background, history, and overview of the examined banks, outlining study limitations, significance, and problem statements concerning pre- and post-mergers and acquisitions. Three banks were sampled over a period of ten years to analyze metrics such as Return on Equity (ROE), Earnings per Share (EPS), Return on Assets (ROA), profitability, liquidity, firm size, and leverage. The analysis spanned a decade, with the first five years considered as pre-merger (2070/71 to 2074/75) and the subsequent five years as post-merger (2075/76 to 2079/80). Paired sample t-tests compared pre and post-merger performance ratios to ascertain statistically significant changes. Additionally, Pearson Correlation coefficient tests and regression analyses were employed to assess significance levels.

The growth trajectory of Banks and Financial Institutions in Nepal has been on the rise, especially since 2011, following the country's decision to liberalize its banking sector to international players. This has led to an increase in merger and acquisition activities, driven primarily by the Merger Bylaws of 2011 enforced by the Nepal Rastra Bank (NRB), encouraging banks to merge to bolster their capital base and fortify the National Banking Sector.

From the analysis of the sample Banks' ROE (Return on Equity) trends across the banks reveals a common pattern of mixed performance before the mergers, with fluctuations indicating varying levels of profitability and efficiency. Post-merger, there was an initial positive impact on ROE for all banks, resulting in an increase. However, in the later post-merger years, there was a subsequent decline in ROE for each bank, suggesting challenges in maintaining profitability and efficiency after the mergers. Specifically, for Jyoti Bikash Bank Ltd., the trend analysis indicates fluctuations in ROE before the merger, with both positive and negative returns. Similarly, post-merger, there was an initial increase in ROE followed by fluctuations, highlighting challenges in maintaining consistent profitability relative to shareholder's equity. This underscores the importance of effective management strategies to improve financial performance over time for all banks.

The analysis of EPS trends across Jyoti Bikash Bank Ltd., Lumbini Bikash Bank Ltd., and Shangri-La Development Bank Ltd. reveals mixed performances before their respective mergers, characterized by fluctuations. Following the mergers, there was an initial positive impact on EPS, leading to increases. However, subsequent years saw declines or fluctuations in EPS, indicating challenges in maintaining or growing profitability per share post-merger. For all banks, the variability in EPS underscores the importance of effective financial management to ensure stable and sustainable earnings growth. While Shangri-La Development Bank Ltd. exhibited relatively stable EPS post-merger, except for an exceptional increase in 2076/77, maintaining a consistent and sustainable EPS remains crucial for long-term profitability and shareholder value across all banks.

The analysis of Return on Assets (ROA) across Jyoti Bikash Bank Ltd., Lumbini Bikash Bank Ltd., and Shangri-La Development Bank Ltd. reveals mixed performances before their mergers, marked by fluctuations. Post-merger, there was an initial increase in ROA for all banks, followed by subsequent declines or fluctuations. This suggests challenges in maintaining or improving profitability relative to total assets after the mergers. The variability in ROA underscores the need for effective asset management and profitability strategies to enhance financial performance. While Shangri-La Development Bank Ltd. exhibited relatively stable ROA post-merger, except for an exceptional increase in 2076/77, maintaining consistent profitability relative to total assets remains crucial for long-term financial health across all banks.

The analysis of liquidity trends across Jyoti Bikash Bank Ltd., Lumbini Bikash Bank Ltd., and Shangri-La Development Bank Ltd. reveals fluctuations in liquidity before their respective mergers. Post-merger, there was a decrease in liquidity for Jyoti Bikash Bank Ltd., suggesting challenges in maintaining sufficient current assets to cover liabilities, highlighting the need for improved liquidity management. Conversely, Lumbini Bikash Bank Ltd. exhibited a relatively stable current ratio post-merger, indicating consistent liquidity levels and effective management of current assets and liabilities. Similarly, Shangri-La Development Bank Ltd. experienced fluctuations in liquidity pre-merger but demonstrated relatively stable liquidity post-merger, implying a balanced position in terms of short-term obligations and resources. However, it's crucial for all banks to maintain a healthy liquidity position to effectively meet short-term financial obligations and ensure financial stability in the long term.

The analysis of the Profitability Ratio across Jyoti Bikash Bank Ltd., Lumbini Bikash Bank Ltd., and Shangri-La Development Bank Ltd. reveals fluctuations in profitability ratios before their mergers. Post-merger, there was a significant decrease in profitability ratio for Jyoti Bikash Bank Ltd., indicating challenges in maintaining profitability relative to revenue and highlighting the need for improved operational efficiency and cost management. Similarly, Lumbini Bikash Bank Ltd. exhibited significant fluctuations in profitability ratio pre-merger, with an initial improvement post-merger followed by fluctuations in subsequent years. This variability underscores the importance of effective cost management and revenue generation strategies to ensure consistent profitability. Shangri-La Development Bank Ltd. experienced fluctuations in profitability pre-merger, with a significant improvement immediately post-merger followed by a decline in subsequent years. It's essential for the bank to analyze the factors contributing to these fluctuations and implement measures to sustain profitability over the long term.

The analysis of Leverage (Debt Ratio) across Jyoti Bikash Bank Ltd., Lumbini Bikash Bank Ltd., and Shangri-La Development Bank Ltd. reveals fluctuations in debt ratios before their respective mergers, with varying levels of leverage relative to total assets. Post-merger, there was a trend towards relatively stable debt ratios for all banks, suggesting consistent leverage levels. This stability may indicate effective management of debt levels and financial stability. However, careful monitoring and management of leverage are essential to ensure long-term financial health and sustainability. While Shangri-La Development Bank Ltd. experienced fluctuations in

leverage pre-merger, followed by a slight increase post-merger and consistent increase thereafter, it's crucial for all banks to monitor and manage their leverage effectively to mitigate risks associated with excessive debt and maintain financial stability over the long term.

The regression analysis indicates significant changes in explanatory power and prediction accuracy post-merger compared to pre-merger, with predictors like Firm Size, Leverage, Profitability, and Liquidity exhibiting stronger associations with ROE and EPS after the merger. ANOVA results confirm that the post-merger model fits the data better, implying a substantial impact of the merger on the relationship between predictors and financial metrics. Before the merger, predictor variables showed no statistical significance in explaining ROA or EPS variation, suggesting a limited impact individually. However, post-merger, the regression models became significant, indicating a strengthened relationship between predictors and financial metrics, particularly ROA. While the regression equations offer insights into relationships, the lack of statistical significance in coefficient values before the merger hinders making definitive conclusions about their effects. Overall, the merger appears to have influenced the relationship between predictors and financial metrics, enhancing the predictive power of regression models post-merger.

The correlation analysis offers valuable insights into the relationships between key financial metrics pre and post-merger, aiding stakeholders in evaluating the merger's impact on financial performance and stability. Strong positive correlations between ROE and EPS, as well as ROE and ROA, persist both before and after the merger, suggesting minimal alteration to these core relationships. However, slight changes in some correlations post-merger, such as ROE and ROA, hint at potential shifts in profitability and asset efficiency dynamics. The negative correlation between Leverage and Liquidity post-merger raises concerns about financial stability, indicating that higher leverage is associated with lower liquidity. Before the merger, the regression model lacked significant relationships between predictors and ROE, potentially due to operational inefficiencies. However, post-merger, the model significantly improved, with Profitability and Leverage emerging as strong predictors of ROE, suggesting enhanced financial performance, particularly in profitability and leverage management. Similarly, before the merger, the regression model struggled to capture significant relationships with ROA, but post-merger, Liquidity, Leverage, and Firm Size emerged as significant predictors, underscoring the merger's

influence on financial dynamics and the importance of post-merger integration efforts to optimize ROA through improved liquidity management, leverage levels, and firm size.

The results of the model summary before and after merger and acquisition differed significantly. The post-merger model shows significantly higher explanatory power and improved prediction accuracy compared to the pre-merger model, indicating a stronger association between ROE and predictors like Firm Size, Leverage, Profitability, and Liquidity post-merger. This highlights a substantial improvement in the model's reliability and effectiveness after the merger, suggesting that the merger likely had a significant influence on the company's financial dynamics.

5.2 Conclusion

The Nepalese banking sector has shown that merging weaker banks into larger ones can be a useful strategy for survival. This study aims to assess the impact of mergers and acquisitions on selected commercial banks by analyzing various profitability ratios. The findings indicate that banks tend to perform better after merging with other banks. Overall, the post-merger performance of the selected banks in this study demonstrates improvement compared to their performance before the mergers.

Numerous researchers have explored the performance of various companies and financial institutions through diverse analytical methods, assessing both the positive and negative outcomes of mergers and acquisitions. Similarly, this study conducted a profitability ratio analysis of banks, revealing fluctuations in metrics such as ROE, EPS, and ROA before and after mergers. The analysis of EPS highlighted a significant increase in bank profitability following merger announcements and operational integration. Based on the data presented in Chapter Four and the summarized findings, it is evident that the mergers and acquisitions had a substantial positive impact on metrics such as Return on Equity, Earnings per Share, Return on Assets, Profitability, Liquidity, Firm Size, and Leverage for the sampled banks, Jyoti Bikash Bank Ltd., Lumbini Bikash Bank Ltd., and Shangri-La Development Bank Ltd, immediately post-merger.

The analysis of ROE trends across the sample banks indicates a consistent pattern of mixed

performance before the mergers, with fluctuations reflecting varying levels of profitability and efficiency. While there was an initial positive impact on ROE post-merger for all banks, subsequent years witnessed a decline, signifying challenges in maintaining profitability and efficiency after the mergers. Specifically, Jyoti Bikash Bank Ltd. experienced fluctuations in ROE both before and after the merger, highlighting the importance of effective management strategies to enhance financial performance over time. Similarly, the analysis of EPS trends reveals mixed performances before the mergers, with subsequent fluctuations post-merger, underscoring the need for effective financial management to ensure stable and sustainable earnings growth across all banks. Furthermore, the analysis of ROA, liquidity, profitability ratio, and leverage before and after the mergers provides insights into the financial dynamics of the banks, emphasizing the influence of mergers on their performance. Regression and correlation analyses also highlight significant improvements in explanatory power and prediction accuracy post-merger, suggesting a stronger association between financial metrics and predictors.

Overall, the results indicate a substantial impact of mergers on the banks' financial dynamics, enhancing their predictive models and suggesting improved financial performance following the mergers.

5.3 Implications

The findings of this study have several important implications for policymakers, bank management, investors, and regulatory bodies in Nepal's banking sector. The analysis reveals that mergers and acquisitions (M&A) have a notable, though complex, impact on the financial performance of development banks.

Firstly, while mergers initially lead to improvements in key financial indicators such as Return on Equity (ROE), Earnings per Share (EPS), and Return on Assets (ROA), maintaining these improvements over the long term remains challenging. The observed post-merger fluctuations suggest that mergers alone are not sufficient to ensure sustained financial stability and profitability. This underscores the need for robust post-merger integration strategies, effective

management practices, and continuous performance monitoring to leverage merger benefits fully.

Secondly, the significant improvement in the explanatory power of regression models post-merger indicates that financial metrics such as Firm Size, Leverage, Profitability, and Liquidity become more critical determinants of performance after the merger. This suggests that merged entities must prioritize optimizing these variables to enhance their financial outcomes. Efficient leverage management, profitability enhancement, and maintaining healthy liquidity are especially crucial in ensuring long-term stability and growth.

Thirdly, the correlation analysis highlights that while some core financial relationships remain stable post-merger (e.g., strong positive correlation between ROE and EPS), others, such as the negative correlation between Leverage and Liquidity, emerge or strengthen. This indicates potential risks related to liquidity management in the face of higher leverage, emphasizing the importance of cautious debt management and sufficient liquidity buffers to prevent financial distress.

For policymakers and regulators like the Nepal Rastra Bank (NRB), these findings provide evidence that M&A policies have been somewhat successful in strengthening the banking sector's financial structure. However, they also indicate the need for continuous supervision and support for post-merger integration processes, particularly in guiding banks towards improved operational efficiencies, cost management, and strategic financial planning.

For investors, the results imply that while mergers may initially enhance shareholder value, long-term returns depend heavily on the banks' ability to manage post-merger challenges effectively. Investors should, therefore, consider not just the immediate financial improvements but also the banks' long-term integration strategies and management capabilities when evaluating post-merger investment opportunities.

Overall, this study reinforces that mergers and acquisitions can serve as effective tools for enhancing the financial health of development banks in Nepal, provided that they are supported by strong post-merger integration efforts, sound management practices, and effective regulatory oversight.

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APPENDICES

Appendix I: Data Collection Sheets

Banks/ Average	ROE		EPS		ROA		Profitability		Liquidity		Firm Size (in millions)		Leverage	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
Jyoti Bikash Bank Limited	9.91	10.774	11.662	14.19	1.42	1.012	71.81	29.85	112.738	100.326	4.02	4.7	84.158	88.95
Lumbini Bikas Bank Limited	1.43	10.118	4.85	18.102	0.386	2.688	36.01	36.546	73.924	100.842	4.018	4.696	84.92	86.672
Shangri-la Develo	14.41	19.544	19.12	25.438	1.668	1.862	65.756	50.336	91.874	97.774	4.286	4.632	84.07	89.646

pment Bank														

Appendix II: List of Development Banks M&A

S. N	Name of Financial Institutions Before Merger and Acquisition	Name after Merger and Acquisition
1.	Jyoti Bikash Bank Limited Jhimruk Bikash Bank Limited Raptibheri Bikash Bank Limited Hamro Bikash Bank Limited	Jyoti Bikash Bank Limited.
2.	Vibor Bikash Bank Limited Society Development Bank Limited Lumbini Finance & Leasing Company Limited	Lumbini Bikash Bank Limited
3.	Garima Bikash Bank Limited Subekshya Bikash Bank Limited	Garima Bikash Bank Limited
4.	Yeti Development Bank Limited	Mahalaxmi Bikash Bank Limited

	Malika Bikash Bank Limited Mahalaxmi Finance Company Limited Siddartha Finance Company Limited	
5.	Shangri-La Development Bank Limited Cosmos Development Bank Limited	Shangri-La Development Bank Limited
6.	Kamana Bikash bank Limited Sewa Bikash bank Limited	Kaman Sewa Bikash Bank Limited
7	Narayani Development Bank Ltd.	Narayani Development Bank Ltd.
8.	Karnali Development Bank Ltd.	Karnali Development Bank Ltd.
9.	Excel Development Bank Ltd.	Excel Development Bank Ltd.
10.	Miteri Development Bank Ltd.	Miteri Development Bank Ltd.
11.	Muktinath Bikash bank Ltd.	Muktinath Bikash bank Ltd.
12.	Corporate Development Bank Ltd.	Corporate Development Bank Ltd.
13.	Sindhu Bikash Bank Ltd	Sindhu Bikash Bank Ltd
14.	Salapa Bikash Bank Ltd.	Salapa Bikash Bank Ltd.
15.	Green Development Bank Ltd.	Green Development Bank Ltd.
16.	Shine Resunga Development Bank Ltd.	Shine Resunga Development Bank Ltd.
17.	Saptakoshi Development Bank Ltd.	Saptakoshi Development Bank Ltd.

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