

FINANCIAL PERFORMANCE ANALYSIS OF BANKS ON THE BASIS OF PRE AND POST MERGER PERSPECTIVE

Anand Kumar

Professor

Kedarnath Aggarwal Institute of Management, Charkhi Dadri (Hr.)

Gitanjali Jindal

Associate Professor

Kedarnath Aggarwal Institute of Management, Charkhi Dadri (Hr.)

Ankur Sabharwal

Associate Professor

Panipat Institute of Engineering and Technology

ABSTRACT

The purpose of the present paper is to find out the impact of merger on the financial performance of merged banks on the basis of financial parameters like Net Operating Profit per share, Net Profit Margin%, Return on long term funds %, Equity share capital, Deposits and Capital Adequacy ratio. The current study is based on the secondary data collected from the banks websites and central Bank of India (www.rbi.org.in). In this study two sample banks Canara Bank which acquired Syndicate and Indian Bank which acquired Allahabad Bank have been taken for the study. The results show that the post merger banks have been positively impacted by merger.

Keywords: Profitability, operating performance, interest coverage ratio, current ratio, debt-equity ratio.

INTRODUCTION

This current scenario is based on competition. Companies come together in order to enjoy monopoly and prevent competition. The banking industry is being increasingly forced towards greater globalization by liberalization and innovation so that increase banks' operational flexibility, which is important in the fiercely competitive market in which banks operate. One must pursue growth and overcome obstacles if they want to maintain their composure in the globalised economy. Banks support economic progress and growth by providing capital for investments. Recent years have seen a lot of regulatory and globalization-related developments in the banking industry. This sector has been impacted by these changes both structurally and strategically. This industry has used a wide range of methods to remain effective and advance in the worldwide market in response to the changing environment. One of the most successful tactics has been the consolidation of banks. The most popular strategy used by banks to combine is one of several approaches to consolidate the banking sector. In the current environment, the idea of mergers and acquisitions is quite well-liked. More so, it has been a very popular idea since India began its LPG (Liberalization, Privatization, and Globalization) process in the 1990s. All areas of the Indian economy are being affected by LPG, but the industrial sector is where it is having the biggest influence. It made the market extremely competitive, prevented unhealthy competition, and exposed multinational corporations.

A merger is described as the combining of two or more businesses into a single

business, wherein one continues to operate and the others cease to do so. Legal jargon in India refers to mergers as amalgamations. Shareholders of the merging company often exchange their current shares in the target company for shares of the merged company. Consolidation or absorption may be involved in a merger.

MERGERS VS ACQUISITION

The terms "merger" and "acquisition," though sometimes used interchangeably, have slightly different meanings. An acquisition is a transaction in which one business formally replaces another as the new owner. In the strictest definition, when two businesses, frequently of comparable size, decide to merge rather than continue to be independently owned and run.

Mergers and acquisitions are becoming more popular worldwide as a strategy for gaining greater scale and more rapid growth in market share and reach in the current global economy. Only in the form of expanded scale and a better interest coverage ratio are the advantages of mergers apparent. After 1991 India's M&A movement has gained strength. M&A has become a key component of corporate in India's long-term business strategy as one of the most efficient means of such corporate restructuring. Following the reforms in 1991, the second notable trend since 1995 has been an increase in the activities of multinational corporations acquiring subsidiaries and integrating them into domestic markets under more lenient rules for foreign direct investment. Since 2002, there has been a third wave of mergers and acquisitions in India, with Indian businesses expanding abroad and buying up enterprises in industrialized nations to get access to the global market. In recent years, Indian businesses have been actively seeking acquisitions abroad. By comparing certain pre-merger and post-merger financial ratios of selected sample banks this paper seeks to understand the impact of mergers on the operating performance of acquiring corporation in various eras in Indian banking industry following the introduction of industrial reforms. An acquisition may be impacted by: a) An agreement with the individuals who control the majority of the company's management, major shareholders who hold the majority of the voting power; b) The purchase of shares on the open market; c) Making a takeover offer to the entire shareholder base; d) The acquisition of new shares by private treaty; and e) The acquisition of share capital through the use of cash, the issuance of loan capital, or insurance of share capital.

REVIEW OF LITERATURE

Using several important financial ratios for the years 1988 to 1993, Vennet (1996) investigated the effects of mergers on the efficiency of the European Union banking industry and discovered that mergers increase the efficiency of banks. Akhavein et al. (1997) evaluated cost and efficiency impact of mergers on the US and discovered 3. Banks had greater levels of profit efficiency following merger. Synergy were highlighted by Muslumov Alovzat (2002) as one of the driving forces behind mergers. He employed a non-parametric test, which was the most appropriate technique for evaluating post-merger performance, to examine 56 mergers in US business. Improvement in operational cash flows is brought on by more efficient asset utilization and higher sales. The post-merger period adds value and demonstrates the bidding firm's increase in price to book ratio. In their analysis of the efficiency benefits from Indian bank mergers from 1991–1992 to 2004–2005, Gourlay et al. (2006) found that the merging banks' efficiency increased as a result of the merger. The same results are drawn by R.B.I. (2008), who discovered that during the post-merger period, public sector banks were able to achieve a better degree of efficiency than private sector banks. Mantravadi Pramod & Reddy A. Vidyadhar (2007) assessed the impact

of mergers on the operating performance of acquiring firms in various industries.

They chose all mergers that affected publicly listed and public limited enterprises in India between 1991 and 2003, and they discovered that there was no heterogeneity in the effects of mergers on operating performance. The banking and financial sector, in particular, had a somewhat negative effect on operational performance while having a marginally beneficial influence on the profitability of the pharmaceutical, textile, and electrical equipment sectors in India. After the merger, several of the industries experienced a large reduction in assets, return on investment, and profitability. Punjab National Bank and New Bank of India, ICICI Bank and Bank of Madras, ICICI Ltd. and ICICI Bank, Global Trust Bank and Oriental Bank of Commerce, and Centurion Bank and Bank of Punjab were the five Indian bank mergers that Murthy (2007) examined. The author came to the conclusion that consolidation is required because of the better operational and financial framework, the increased resources, the extensive customer base, the extensive branch network, the technology advantage, the concentration on the priority sector, and the penetration of the rural market. Furthermore, managing human resources, controlling the clientele, acculturation, and stress among bank personnel were noted as obstacles in the aforementioned mergers. Anand Manoj and Singh Jagandeep (2008) investigated how the wealth of the Indian Banking Sector was affected by the merger announcements of five banks. These mergers included the Times Bank joining HDFC Bank, the Bank of Madurai joining ICICI Bank, ICICI Ltd joining ICICI Bank, Global Trust Bank joining Oriental Bank of Commerce, and Bank of Punjab joining Centurion Bank. The Bank merger announcement significantly and favorably impacted the wealth of the shareholders. Hijzen Alexander et al. (2008) examined industry data from 23 countries from 1990 to 2001 to study the effects of cross-border merger and acquisitions (M&As) and analyse the function of trade costs in a number of cross-border M&As. The findings revealed that while total trade costs have a negative influence on cross-border merger activity, their effects on horizontal and non-horizontal mergers varied significantly. A company is "selected" into the control group if it is sufficiently similar to acquired U.S. firms on the basis of the key determinants of the acquisition decision, according to Chen et al. (2009) in their study on "Foreign Ownership and Firm Performance: Emerging-Market Acquisitions in the United States". Therefore, it follows that the actual use of control group-based effect evaluation will be greatly impacted by the primary acquisition choice variables, which are not frequently made apparent. The valuation practices and sufficiency of the swap ratio determined in voluntary amalgamation in the Indian banking sector were the topic of Kuriakose Sony et al.'s (2009) study. They employed the swap ratio to value banks, although in the majority of cases, the final swap ratio is not supported by their financials. According to R. Srivassan et al. (2009), mergers and acquisitions (M&As) have financial ramifications and problems. They also highlight consolidation cases and discuss synergy-based mergers, which emphasise that while mergers increase a company's size, there is no assurance that the combined company will be profitable in the long run. Additionally, there is always a chance that performance will improve after a merger. Cascio (2010) examined the lessons learned by HR experts from the union of Australia's second-largest health insurer, Medical Benefits Fund Group, with health insurer Bupa Australia. It was said that Bupa Australia is the only health insurer in Australia to have long maintained premium hikes below the sector average. In addition, it states that Bupa Australia, a privately managed business, reinvests any financial surpluses for the benefit of its clients. Here, the transferor's bank personnel must be given certain stimulants to raise their morale and they should be protected from various pressures, according to the merger lessons for the banking sector. Chen and Lin (2011) looked at the efficiency and efficacy of new product development (NPD)

performance. They used 251 respondents as their sample size. They discovered a strong positive correlation between outward and internal integration. Internal integration does not positively correlate with new product competitive advantage (NPCA), however external integration does. Additionally, there is a favorable correlation between NPCA and NPD performance as well as NPCA and product vision. This research also offers a framework for handling post-M&A integration, and it concludes with a discussion of the theoretical and practical consequences of the findings.

RESEARCH GAP

Numerous researches on the effects of bank mergers and acquisitions have been published in the past. In industrialized economies like the US, a lot of studies on this topic, but in emerging economies like India and other Asian nations, there is a very few studies on the same. According to the literature, there is conflicting empirical data about how mergers and acquisitions affect banks' productivity and performance.

NEED FOR THE STUDY

It is clear that the majority of research has focused on trends, regulations, and their framework, whereas mergers' profitability and financial analyses have not received the attention they deserve. The goal of the current study is to determine how merger and acquisitions (M&A) have an influence on the Indian banking industry. The analysis is based on how banks performed before and after mergers. On the basis of the financial performance of the Indian banking sector, an attempt has been made to forecast the future of the ongoing merger and acquisitions (M&A).

OBJECTIVES OF THE STUDY

The major objective of this study is to measure the impact of mergers and acquisitions on financial performance of selected Banks under study. Sub-objective of the study are

- a. To study the banks performance in terms of Net and Operating profitability.
- b. To study the performance of banks post merger in terms of Return on long term fund.
- c. To study the impact of merger on company's Capital adequacy ratio and Deposits.
- d. To analysis the impacts of merger on Equity share capital.

RESEARCH HYPOTHESIS

The following hypothesis have been formulated and tested to draw the conclusions.

H₀- There is no significant difference in financial performance of selected Banks, before and after merger and acquisition ($H_0 = \mu_1 = \mu_0$).

H₁- There is a significant difference in financial performance of selected Banks, before and after merger and acquisition ($H_1 = \mu_1 \neq \mu_0$).

RESEARCH METHODOLOGY

This study is descriptive and exploratory. It is based on the secondary data. Based on methodology of comparing the pre and post performances of banks after Merger and Acquisitions (M&As) has been adopted, by using following financial parameters such as Net Operating Profit per share, Net Profit Margin %, Return on long term funds %, Equity share capital, Deposits and Capital Adequacy ratio. Two cases of Merger and Acquisitions (M&As) have been chosen on the basis of convince, from public sector bank in order to

evaluate the impact of M&A. In this study two sample banks Canara Bank which acquired Syndicate Bank and Indian Bank which acquired Allahabad Bank have been taken for the study. The financial ratios of these banks in the pre merger (3years prior) and post merger (after 3 year) period have been compared. Paired t- test technique is used in this study to know the statistical significance of the variations in different returns. The year of merger was considered as a base year and denoted as 0 and it is excluded from the evaluation. For the pre (3 years before) merger the combined ratios of both banks are considered and for the post merger (after 3 year) the ratios of acquiring bank have been used.

DATA COLLECTION

Present study is depends on descriptive data. The financial data of banks has been collected from banks annual reports. Data on working overall performance for three years earlier than and three years after the yr of merger for every obtaining financial institution had been acquired from Prowess database of the Centre for Monitoring Indian Economy (CMIE). Data has additionally been amassed from the web sites like Indian Banks Association (IBA), Mumbai, Money control, RBI websites, journals, commercial enterprise magazines and news papers.

INTRODUCTION OF THE SAMPLE MERGER CASE

Canara Bank acquired Syndicate Bank

A.S. Rao Pai created the public sector bank Canara Bank in Mangalore in 1906. The bank went nationalized in 1969. The bank operates headquarters in New York, Dubai, and London. Canara Bank built a branch in Shanghai in 2008–2009, becoming its third foreign business. Later, Canara Bank opened branches in Bahrain and Leicester. Canara Bank announced credit support for COVID-19-affected borrowers on May 23, 2020, in order to allow them to utilize the approved facilities fully and expand their businesses. Canara Bank stated on July 19, 2020 that it will issue up to Rs 8,000 crore in equity capital in the fiscal year 2021. At its AGM in August 2020, the Bank will ask shareholders for their approval of the same.

Finding / Data Analysis

Table1: The financial results of Canara Bank and Syndicate bank during pre and post merger period.

Ratios	Pre Merger Period								PostMerger Period			
	Canara Bank				Syndicate bank							
	2017	2018	2019	Avg	2017	2018	2019	Avg	2021	2022	2023	Avg
Net Operating Profit per Share	694.08	563.87	636.59	631.5133	254.31	153.65	87.32	165.0933	426.37	389.24	389.24	407.805
Net Profit Margin %	3.27	-9.55	1.25	-1.6766667	2.24	-14.28	-11.61	-7.8833333	4.11	8.67	8.67	6.39
Return on long term funds %	140.34	99.11	128.46	122.63667	147.6	90.81	95.77	111.39333	133.96	123.38	123.38	128.67
Equity share	597.	733.	753.	694.	904.	141	248	1602	164	181	181	175

Capital	29	24	23	5866	54	7.27	7.17	.993	6.74	4.13	4.13	8.33
				7				3				33
	495	524	599	5396	260	272	259	2644	101	108	117	109
	275.	771.	033.	93.4	560.	776.	896.	11.3	087	640	921	216
	24	86	27	6	86	11	96	1	4.6	9.3	8.6	7.5
Deposits												
Capital Adequacy ratio	12.8	13.2		12.6				12.6			16.6	14.9
	6	2	11.9	6	12	12	14	6666	13.1		8	2
								7	8	14.9		

Source: Published financial Statements of Banks retrieved from <http://www.moneycontrol.com/stocksmarketsindia/>

Table 2: Mean and Standard Deviation of Pre-merger and Post-merger Ratios of combined Banks

Canara Bank and Syndicate bank		Mean	SD	t-value	Sig
Net Operating Profit per share	pre	631.5	92.1	0.00	Significant
	post	407.8	26.3		
Net Profit Margin %	pre	-1.7	9.1	0.00	Significant
	post	6.4	3.2		
Return on long term funds %	pre	122.6	29.2	0.00	Significant
	post	128.7	7.5		
Equity share capital	pre	694.6	84.9	7.5	NS
	post	1758.3	96.6		
Deposits	pre	539693.5	53464.0	1.118	NS
	post	1092167.5	84319.0		
Capital Adequacy ratio	pre	12.7	0.7	4.97	NS
	post	14.9	1.75		

Source: compilation based on table 1 at 5% level of significance Canara Bank and syndicate bank

The Table 1 presents data of financial ratios of Canara Bank. The status of Canara Bank and Syndicate Bank prior to and following the merger is shown in the table. The mean and standard deviation of the banks' pre-merger and post-merger ratios are shown in Table 2. Canara Bank purchased Syndicate Bank, boosting Canara Bank's share value to new heights and fortifying the

acquiring bank. In the first instance, it is discovered that the average Net Operating Profit per Share has reduced (631.5 Rs.cr vs. 407.8 Rs.cr), and the t-value is 0.000, indicating that the merger has had an impact and that the change is statistically significant. Nevertheless, the NP Ratio statistically confirmed highly significant with mean value (-1.7 percent Vs 6.4 percent) and t-value 0.00, the mean of NP Ratio improved post merger so that performance of the bank has improved in post merger. Similarly, the mean value of Return on Long-Term Fund shows significant increase in the mean (122.6 Rs.cr Vs 128.7 percent) and t-value 0.000 which indicates that it has effect after and statistically it is significant, results also

shows the mean difference on Deposits (539693.5 Rs.cr Vs 1092167.5 Rs.cr) and t-value 1.118 which indicates that it has no effect after the merger and statistically it is not significant, while lastly capital adequacy Ratio shows no significant with mean value (12.7 percent Vs 14.9 percent) and t-value

4.97 So according to analysis almost all ratio indicates no effect but Net Profit ratio shows the positive effect and increased the performance of bank after the merger.

RESULTS

The outcome shows that Canara Bank's performance has improved in terms of Net Profit Ratio since acquiring Syndicate Bank, with a t-value of 0.000 indicating that the difference is statistically significant. Accordingly, the H1 (Alternative Hypothesis) is accepted, which states that there is a significant difference between the pre- and post-merger Net Profit margin. After the merger, mean net operating profit per share fell, yet this change is statistically significant since it has a calculated value of 0.000. As a result, the alternate hypothesis is accepted, and this results in the finding that operating profitability before and after the merger differs. The Return on long term fund also shows change after the merger with t- value 0.000 which is statistically significant therefore alternate Hypothesis is accepted which implies that there is significant difference between pre and post merger. Equity share capital has also depicted and increased but it is statistically insignificant as in this case calculated value 7.5 is therefore Null Hypothesis is accepted. Deposits also show no change after the merger with t- value 1.118 which is statistically insignificant therefore Null Hypothesis is accepted. Thus we can conclude that there is no significant difference between pre and post merger deposits. So far is the capital adequacy ratio is concerned it increase after the merger but this is statistically insignificant as its as its calculated value 4.97 therefore Null Hypothesis is accepted.

INDIAN BANK ACQUIRED ALLAHABAD BANK

Indian Bank is a public sector bank with its main offices in Chennai and was founded in 1907. With 5,814 locations, 4,929 ATMs, and 41,645 workers, it provides service to over 100 million consumers. As of the end of March 2023, the bank's total business reached Rs. 1,094,752 crore.. The bank has been owned by the Indian government since 1969. According to the declaration made by the Indian Finance Minister Nirmala Sitharaman on August 30, 2019, Indian Bank and Allahabad Bank will merge as of April 1, 2020. Important Dates 1907- The bank was established as "Indian Bank Limited" on 5 March 1907 under the Indian Companies Act of 1882. On 15 August 1907, activities began. The Bank established a branch in Colombo in 1932. The Bank established a branch in Singapore in 1941. The Royalaseema Bank, the Bank of Alagapuri, the Salem Bank, the Mannargudi Bank, and the Trichy United Bank were all bought by the Bank in 1962. The Bank was nationalised in 1969. In 1970, the bank's head office was moved into a separate facility. Sri Venkateswara Grameena Bank, the first regional rural bank sponsored by the Bank, was established in 1981. 1989 saw the incorporation of Indbank Merchant Banking Services as a Bank subsidiary. 1990 saw the merger of 157 branches of Bank of Thanjavur Limited. Ind Bank Housing Limited was established as a subsidiary in 1991. 1994 saw the establishment of Indfund Management Limited to oversee Indian Bank Mutual Fund operations. In 2006–2007, the Bank formed a strategic partnership with Corporation Bank and Oriental Bank of Commerce. 2012 - Plan of amalgamation between Indian Bank and M/s. Indfund Management Limited, a fully owned subsidiary of the Bank. 2020 - The Indian Bank and Allahabad Bank merged on April 1, 2020. The country's oldest joint stock bank, Allahabad Bank, was established on April 24, 1865, in Allahabad, by a group of European immigrants, at a time when organized

industry.

Table 3: showing the financial results of Indian Bank and Allahabad Bank during pre and post merger period.

Ratios	Pre Merger Period								Post Merger Period			
	Indian Bank				Allahabad Bank							
	2017	2018	2019	Avg	2017	2018	2019	Avg	2021	2022	2023	Avg
Net Operating Profit per Share	356.35	356.35	399.38	377.865	237.93	194.28	80.67	170.96	346.28	312.03	312.03	329.155
Net Profit	7.65	7.65	1.9	4.80	-	-	-	-	8.05	10.5	10.5	9.32
Margin %			65	5	1.57	27.89	49.99	26.4833		9	9	
Return on long term funds %	113.55	113.55	86.51	100.03	102.31	94.9	54.42	83.8766	97.6	86.54	86.54	92.07
Equity share capital	480.29	480.29	480.29	480.29	743.69	844.04	2096.84	1228.19	1129.37	1245.44	1245.44	1206.75
Deposits	208294.2	208294.2	242076	225185.1	201870.2	213603.8	214334.1	209936	538071.1	593617.8	621165.8	584284.9
Capital Adequacy ratio	12.55	12.55	13.21	12.88	11	9	13	11	15.71	16.53	16.49	16.2433

Source: Published financial Statements of Banks retrieved from <http://www.moneycontrol.com/stocksmarketsindia/>

Table 4: Mean and Standard Deviation of Pre-merger and Post-merger Ratios of combined Banks

Indian Bank		Mean	SD	t-value	Sig
Net Operating Profit per share	pre	377.8	30.4	0.00	Significant
	post	329.5	24.2		
Net Profit Margin %	pre	4.8	4.0	0.00	Significant
	post	9.3	1.8		
Return on long term funds %	pre	100.0	19.1	0.00	Significant
	post	92.1	7.8		

Equity share capital	pre	480.2	0.0	0.00	Significant
	post	1187.4	82.1		
Deposits	pre	225185.1	23887.3	0.00	Significant
	post	565844.4	39277.4		
Capital Adequacy ratio	pre	12.8	0.5	0.00	Significant
Indian Bank		Mean	SD	t-value	Sig
	post	16.1	0.57		

Source: compilation based on table 3 at 5% level of significance

Table 3 shows that financial results of Indian Bank and Allahabad Bank during pre and post merger period, Table 4 showing the financial results of Indian Bank after the merger up to 2023 and Table 4 shows Mean and Standard Deviation of Pre-merger and Post-merger Ratios of combined banks. It is found that the mean value of NOP per share (377.8 Rs. Cr Vs 329.5 Rs. Cr) has decreased with t-value 0.000 that represent the positive improvement in the Net Operating Profit per share due to merger and statistically it is significant, however the Net Profit Ratio statistically confirmed highly significant with mean value (4.8 percent Vs 9.3 percent) and t-value 0.000 the mean of Net Profit Ratio increased after the merger so that performance of the bank has improved in post merger, similarly the mean value of Return on long term fund shows significant decline in the mean (100.0 percent Vs 92.1 percent) and t-value 0.000 that shows no effect after merger and statistically it is significant, the mean value of Equity share capital of bank has been increased after the merger (480.2 Rs. Cr Vs 1187.4 Rs. Cr) and t-value 0.000 which indicates that it has effects after the merger and statistically it is significant, results also shows the mean difference on Deposits (225185.1 Rs. Cr Vs 565844.4 Rs. Cr) and t-value 0.000 which indicates that it has effect of the merger and statistically it is significant, while lastly capital adequacy Ratio shows no significant with mean value (12.8 percent Vs 16.1 percent) and t-value 0.000. So according to analysis almost all ratios indicate effect which showed the positive effect of merger increased in performance of bank after the merger.

RESULTS

The result reveal that the performance of the Indian Bank after acquiring Allahabad Bank has improved in terms of Net Profit ratio with t-value 0.000 which leads to the conclusion that the difference is statistically significant therefore, the H1 (Alternative Hypothesis) is accepted. Similarly in the case of the Net Operating Profit per share with t-value 0.000 it can be concluded that the difference is statistically significant therefore, the H1 (Alternative Hypothesis) is accepted. The Return on long term fund also shows change after the merger with t-value 0.000 which is statistically significant therefore alternate Hypothesis is accepted which implies that there is significant difference between pre and post merger. Equity Share capital has also depicted and increased but it is statistically significant as in this case calculated value is 0.000 therefore alternate Hypothesis is accepted which indicates that there is significant difference between pre and post merger earning per share. The Deposits also shows change after the merger with t-value 0.000 which is statistically significant therefore alternate Hypothesis is accepted. Thus so far is the Capital Adequacy Ratio is concerned it increase after the merger but this decline is statistically significant as it's as its calculated value 0.000 is therefore alternate Hypothesis is accepted which also leads to the conclusion that there is significant difference between pre and post merger Capital Adequacy Ratio.

After the merger it is found that all ratios of both the banks have improved in both.

CONCLUSION

Across the past 20 years, there have been significant developments in banking all across the world. Deregulation, technological progress, privatization, globalization, and the financial crisis have all altered the financial environment. The current keywords are competition, consolidation, and convergence. The reasons for consolidation have varied depending on company attributes like size or organizational structure between segments, or even within lines of business within a segment. While market forces mostly drive M&As in affluent nations, governments frequently promote these transactions in many emerging market economies (EMEs) in order to rebuild their banking systems following crises. Results from the merger of the Indian Bank and Allahabad Bank, as well as the status of Canara Bank and Syndicate Bank, are shown above.

After the merger, Canara Bank's net profit ratio grew. The ratios have significantly improved following the merger in the instance of the Indian Bank and Allahabad Bank, as seen by the rise in Net Operating Profit per Share and Net Profit Ratio. In both instances, the return on long-term investments decreased, but statistically speaking, it was still a substantial change. Both cases had an increase in equity share capital following the merger, but an analysis of the data revealed that the difference in the Indian bank example was statistically significant. A statistically significant variation in the capital adequacy ratio has also been observed. This demonstrates unequivocally that the merger is a success. Therefore, we draw the conclusion that while certain ratios show no influence, profit ratios did.

LIMITATIONS AND SCOPE FOR FURTHER RESEARCH

The study is based on secondary data. Study can also be carried with the help of primary data. This study has covered only two banks and a few financial parameters are compared so further research can be done covering more banks and various other financial parameters and other measures of performance.

REFERENCES

1. Akhavein, J.D., Berger, A.N and Humphrey, D.B (1997) "The Effects of Bank Mergers on Efficiency and Prices: Evidence from the Profit Function", *Review of Industrial Organization*, 12, 95-139.
2. Aharon David Y, Gavious Ilanit & Yosefa Rami (2010), "Stock Market Bubble Effects on Mergers and Acquisitions", *The Quarterly Review Of Economics and Finance*, 50, 456–470.
3. Anand Manoj & Singh Jagandeep (2008), "Impact of Merger Announcements on Shareholder's Wealth Evidence from Indian Private Sector Banks", *Vikalpa*, 331 January - March.
4. Berger, A.N. and D.B Humphrey (1997) "Efficiency of Financial Institutions: International Survey and Directions for Future Research", *European Journal of Operational Research*, 98(2), 175-212.
5. Das, A. (1997) "Measurement of Productive Efficiency and its decomposition in Indian banking firms", *Asian Economic Review*, 39 (3), 422-39.
6. Gorlay, Ravishankar and Weyman-Jones, Tom (2005) "Non-Parametric Analysis of Efficiency Gains from Bank Mergers in India", Working paper 2006-17, Department of Economics, Loughborough University.
7. Hijzen Alexander, Gorg Holger & Manchin Miriam (2008), "Cross-Border Mergers and Acquisitions and The Role Of Trade Costs", *European Economic Review*, 52, 849–866.
8. Kuriakose Sony, Raju M.S. Senam & Narasimham N V. (2009), "Voluntary Amalgamations in Indian Banking Sector: Valuation Practices and Adequacy of Swap Ratios".

9. Mantravadi Pramod & Reddy A Vidyadhar. (2007), “Relative Size in Mergers And Operating Performance: Indian Experience”, Economic and Political Weekly, September 29.
10. Mehta Jay & Kakani Ram Kumar. (2006), “Motives for Mergers and Acquisitions in the Indian Banking Sector–A Note on Opportunities & Imperatives”, SPJCM Working Paper, 06-13.
11. Muslumov Alovst. (2002), “The Financial Analysis of Post merger Performance of Surviving Firms”, Yapi Kredi Economic Review, 13(1).
12. Srivassan, Chattopadhyay Gaurav & Sharma Arvind (2009), “Merger and Acquisition in the Indian Banking Sector-Strategic and Financial Implications”, IIMB Management Review, October.
13. <http://www.money control.com>
 - <http://www.money rediff.com>
 - <http://www.investopedia.com>
 - <http://www.wikipedia.com>