FINANCIAL PERFORMANCE OF BANKS IN PAKISTAN AFTER MERGER AND ACQUISITION

By

KAMRAN AHMED

22569

A thesis presented to the Department of Management Sciences, Bahria University Karachi Campus, in partial fulfillment of the requirements of MBA degree.

SPRING, 2016

Bahria University Karachi Campus

2nd Half-Semester Progress Report

Declaration of Authentication

I, hereby, declare that no portion of the work referred to in this thesis has been submitted in support of any application for another degree or qualification of this university or any other institution of education.

Signatures: ________________________

Name: ____________________________ **Date: _________________________**

First Page of Plagiarism Test Report

Acknowledgement

First of all I would like to thank Almighty Allah who gave me strength to complete my research work. Also I would like to thank my parents for the prayers and financing my studies and my teachers who helped me during my dissertation specially Dean/HOD Management Science Bahria University Karachi Dr. Farooq-e-Azam Cheema who helped us all in our introductory course of dissertation.

Further I would also like to thank my thesis supervisor Mr. M. Akbar Saeed who helped me throughout the preparation of my research work.

I would also like to thank a good friend of mine Muhammed Azhar Khan who gave me guidance at each and every step of this thesis preparation with his knowledge and constantly motivated me to maintain the timeline.

Abstract

Purpose

The aim of this research is to identify the impact of merger and acquisition on a bank's profitability and to find out that whether that merger and acquisition was a good decision or not and its impact on shareholders wealth. The main objective of this research is to know that what which ratios were positive for banks in its pre and post merger period. In today's global market where competition is high, organizations have many choices to move forward at the current pace or to make some strategic decision to become the leader in their respective sector. Financial ratios like Liquidity, Profitability, Investment and Solvency are the key predictor of banks performance.

In order to make a strategy successful it must be forecasted by organization that what resources they have and what decisions they need to make to make that strategy successful.

Methodology

Research is cause & effect explanatory study. By reviewing the literature of previous researchers a theoretical framework is designed and then secondary data was collected from financial statements of banks and Pakistan Stock Exchange. After collecting the data results are calculated using financial ratios. Data is collected from sample of 4 Banks. Financial Ratios is used to analyze the relationship between merger and acquisition and banks profitability.

Findings

The results suggest that positive relation exist between merger and acquisition and banks profitability. This study reveals that merger and acquisition is very helpful for a company to increase its financial performance if that strategy is well structured and properly implemented.

Practical Implications

The results of this research will help corporate bodies, investors, shareholders, bankers, insurance companies, government and individuals about the possible effect of merger and acquisition on banks profitability.

Keywords: Merger and Acquisition, Financial Ratios, Profitability.

List of Tables

LIST OF ABBREVIATIONS

M&A	**Merger and Acquisitions**
DTA	**Deposits To Total Assets**
ADR	**Advance To Deposits Ratio**
CTA	**Cash To Total Assets**
ROE	**Return On Equity**
ROA	**Return On Assets**
NPM	**Net Profit Margin**
ROI	**Return On Investment**
EPS	**Earnings Per Share**
P/E	**Price To Earnings Ratio**
D/E	**Debt To Equity Ratio**
IC	**Interest Coverage**
D/A	**Deposits To Total Assets**

Table of contents

Chapter 1

INTRODUCTION

1.1 Problem Background

Financial sector is a backbone of a country. This sector is very important to promote Economic Prosperity, Gross Domestic Product, Gross National Product and Imports & Exports. Financial sector of Pakistan comprises of four basic structures such as commercial banks, Development institutions, Micro financing institutions (MFI) and other financial institutions or non banking institutions. These 3 basic structures work under the authority of the SBP (state bank of Pakistan) and other financial institutions or non banking institutions follow the rules and regulations designed by SECP (security exchange commission of Pakistan).

1.1.1 The basic role of financial sector is described as follow:

Financial sector of a country is responsible for increasing country's foreign direct investment by providing appropriate policies to foreign investor. It also helps local traders by providing those subsidies that can promote imports and exports of a country. The main institution in financial sector is state bank that is responsible for making monitory policies to achieve their target funds objects. It is responsible for correctly formulating money in an economy and to create a balance supply of money. It provide loans to various institutions or banks of country and the banks then provide finance to different entities to meet their daily or business requirements. It provides financial advisory services to various stakeholders like banks, exporters, shareholders and government.

1.1.2 How mergers and acquisitions are defined?

Merger and Acquisitions are corporate strategic decisions to compete in this era of globalization against the market giants and to capture a larger part of sector or industry. Merger is basically a deal or a partnership of 2 or more companies that combine together to work as a single entity with the same name or a different name. A merger deal is completed by a dialogue or a negotiation process in which terms of contract are discussed and if agreed then they work as a single entity. The contract should be on the basis of mutual understanding and cash amount is offered to the merged company in terms of their stock or equity. This basically means that merged company has to liquidate their stock and new stocks are being offered.

Acquisition happens when one organization buy the entire stake or equity of the other organization. It has a buyer and the target company. The buyer buys the entire equity of the target company. Companies can undergo a friendly acquisition or a non friendly acquisition. In a friendly acquisition the management of Target Company enters into a dialogue process and wants the firm to get sold. In unfriendly acquisition the buyer buys entire stock from exchange or there is no dialogue process because the management of Target Company not in favor of acquisition.

1.1.3 Why companies indulge in M&A's deals

Many reasons are being considered for mergers and acquisitions due to which organization wants to merge or acquire the stakes of another company. Some of the possible reason of mergers and acquisitions are following.

Strategic Level Rationales:

- Through mergers and acquisitions organizations are able to compete in the market by making strategic decisions because of increase in resources.
- They can interpret accurate analysis stock prices because it has increase in personnel's, resources and vast amount of information because of Mergers and acquisitions.

Companies can enter into a merger and acquisition deal because of management failure and the only way to re stable is to have a new management which can replace old incompetent management. One way is to appoint a new management or to get merged with a successful company. Companies may need some funds or to fulfill their financial necessities which can be done through a merger and acquisition deal. Sometimes a company has some political advantages or some political or personal scenarios that can push them towards merger and acquisition deals.

Tactical Level Rationales/Drivers

- Company needs skilled management to efficiently utilize resources, necessary funds to run business which can make them to go for merger and acquisition deal.
- Companies always willing to exploit new markets not only local but international market to capture larger market share and to have their presence in other countries too.
- Company must have a continuous supply of products to its customer or bank must always be granting loan to corporation or individuals. Stability in its production is very necessary bit sometimes companies cannot meet certain demands of customer due to inefficient production so they opt out for merger and acquisition deal.
- Company always looks for skilled employees and wants to have an effective management so by having an employee of different culture after a deal can help them achieve its objectives.

The concept of merger and acquisition has been considered by many organizations and has become an important phenomenon in last 2 or 3 decades. Organization underwent into these deals to make themselves more efficient. Developed countries have more M&A deals such as U.K and USA as compared to developing countries. In U.K the total amount of mergers transactions was 2532 million pounds and later it jumped up to 32600 million pounds that showed how much corporation favored these deals

After State Bank the next important institution of country is its commercial bank. Commercial banks are responsible for fulfilling the financial need of different sectors of country. Properly structured and competitive banking system with its transparent policies is very necessary for a country to meets its financial goals and to achieve economic prosperity. Pakistan has a well established banking system. Due to financial reforms banking sector of Pakistan has really performed well and witnessed a gradual increase in their performance. International banks showed great interest and starts their banking network in Pakistan. There are many examples of merger and acquisitions deals in banking sector of Pakistan but these transaction in corporate sector is relatively low and not popular as compared to banking sector.

Organization uses merger and acquisition as a strategic tool to compete against the profitable organization and to capture larger market share in this century of globalization. Merger and acquisition deal are occurring regularly in baking sectors. Organizations came onto the point that in order to keep their business running it is beneficial for them to have this kind of strategic deals.

1.2 Problem Statement

The aim of this research is identify the impact of merger and acquisition of banks profitability. As discussed in previous part that merger and acquisition transactions are relatively low in corporate sector than banking sector is just because of Nationalization. Government interference in various corporations hinders these types of strategic deals. According to Pakistan stock exchange there were only 121 merger deals in 17 years and 70 were related to financial sector. According to a survey there were 201 acquisition deals in Pakistan from 2007 to 2011 and 148 were related to financial sector. Financial sector of Pakistan has been into large merger and acquisition deals than any other sector.

State Bank of Pakistan was half owned by government and some private institutions but later due to some government financial requirements it was being declared to be a government institution with no control by private parties. Pakistan banking sector is relatively more profitable than other sector. The main reason is because of financial needs of a country, well structured polices, economic and technological changes. There are many researches on banking sectors merger and acquisition but they are for a shorter period of time usually 1 or 2 years post so that's why there is a need to study their post merger performance in depth. Performance of a bank can be measured by many principles but this research will measure the pre and post performance of M&A using the financial ratios such as Profitability, Liquidity, Solvency and Investment ratio.

Operations of businesses are witnessing new economic and technological changes and their competition against their rivalries is also increasing at a maximum pace and organizations are facing challenges every day. Companies have to take some serious strategic decisions to be in this competition and no one wants to get ruled out. Merger is acquisition is one of the strategies that a company can make to compete in this environment. There are many analyses, conclusions on merger and acquisition and different researchers have demonstrated how a company can implement this strategic decision in their current business. The results that company gets are positive after entering into these deals. Companies become efficient because of large increase in employees and other resources if correct decisions are taken. It must be kept in mind that deals will always be successful if acquired or target companies management also play their role in effective strategy making, proper usage of resources and full commitment not just the acquirer firms management.

Banking sector faced many obstacles and even some serious challenges in 1970s due to many economic, technological, personal and political reasons. Afterward they emerged as a strong institution in terms of their and credibility. This research will conduct an analysis on merger and acquisition deals based on their financial performance.

1.3 Aim of the study

- To identify the financial performance of banks in Pakistan after merger and acquisition that whether they have positive impact or negative.
- To help various shareholders, investors, corporate entities and different sectors like manufacturing and insurance about possible outcome of merger and acquisition.
- To provide a good amount of information and knowledge to the reader and researcher.

1.4 Scope of study

The research is about analyzing the possible outcome of merger and acquisition in Pakistan's banking sector. In this study, the banks selected for study is Faysal Bank, Summit Bank, Standard Chartered and NIB. This research will analyze the impact between dependent variable profitability of bank and independent variable merger and acquisition. The performance or the profitability of banks would be compared by its pre to post merger period. The research type is cause and effect explanatory study. The sample size is 4 banks non probability sampling technique is used.

1.5 Research Question(s)/Hypothesis

Ho: There is no positive relationship between Merger and Acquisition and Financial Performance of Bank.

H1: There is a positive relationship between Merger and Acquisition and financial performance of Bank.

1.6 Organization of the study

This research paper includes six chapters. First Chapter Introduction includes problem background and aim of the study, problem statement, objectives of the study, scope of the research, and research methodology. Second chapter consist of the research work, some related research are reviewed and some important factors of merger and acquisition are identified. In chapter three research methodologies is discussed. Chapter four is all about data collection, data analysis through profitability ratios. In chapter five results are discussed with explanation. Chapter six is the last chapter that consist conclusions and recommendations.

1.7 Benefits of this study

The purpose of this research is to provide a proper in depth analysis to individuals, employees of banks, shareholders, investors, corporations and different sector of economy like banking, insurance, pension funds about the outcomes of mergers and acquisitions in Pakistan’s banking sector. This research will also be very useful for people who are involved in analysis of banking history or day to day banking transactions. It will also be useful for students of universities who are stepping into corporate world and starting their professional career. It will be very useful and will provide great knowledge to proprietors, government institutions, retail and institutional investors that trade in Stock exchange can also find this very useful.

1.8 Limitation of this study:

Limitation for this research collection of data before 2006 as it is difficult to find out the annuals of a bank before 2006. Predicting the results of merger and acquisition on some year’s performance is also very challenging because the result sometimes increases and sometimes decreases and vast amount of ratios calculation is also very challenging due to amount of information available. This research can only be used for developing countries which have some financial sector stability but it cannot be applied for developed country.

Chapter 2

Literature Review

2.1 Introduction

In this chapter, the related literature, articles and research papers are reviewed. The focus was to indentify the findings by the researchers in order to know about the impact of merger and acquisition on financial performance of banks. By the help of previous researches a theoretical framework is designed and on the basis of this theoretical framework hypothesis is developed.

2.2 Review of literature

In this world of intense competition and era of globalization the concept of mergers and acquisitions is attracting many institutions. Merger happens when two companies with their common vision join together to do business as a single entity. They may work under same name or different name. In acquisition the target works under the acquirer's company name. Organizations all over the world are engaged in these deals. Lot of question arises that why organizations do mergers, acquisitions? There are several important reasons behind merger and acquisition deals that are gaining larger control of market, achieving cost benefits, target profits, working in teams and risk mitigation so merger and acquisition can have a positive impact on their profitability.

(Weingberg 2007) concluded that after merger many organizations experience an increase in their earnings. Acquiring corporation's operating profits graph shifted upwards due to acquisitions. Merger and acquisitions can lead to a reduction in their operating expenses and overall cost that can fluctuates an upward trend in a firm's profitability. These changes are very crucial for the sector and for the economy. The primary purpose of merger and acquisitions is to capture a larger market share. Due to some issues with suppliers or to decrease their cost organizations want to become their own suppliers and distributors which as known as vertical expansion which can be achieved by merger and acquisition deals. It should also be noted that merger and acquisition every time will not be profitable and may not make up to the organizations forecasted performance. Sometime it may have a negative impact on firm's profitability.

Some studies suggested that there is lot of reason of failures after merger and acquisition that can be improperly managing their size of company, less minimization of risk from relevant departments, cultural clash and rules and regulation made after merger and acquisition. (Hubbard 2001) stated that through merger and acquisitions deals foreign investors can explore new market and can invest more in a different country. Mergers and acquisitions is a key factor which is very helpful in terms of growth and survival.

According to researchers, the aim of merger and acquisition is to make efficient use of available resources for the aim of increasing profit and shareholder wealth. Mergers and acquisitions are engaged in continuous cost reduction, expansion of local and international markets by improving the performance (Soludo, 2004). Various studies have shown that merger and acquisition have positive impact on banks operations in terms of increasing their efficiency and reducing their overall cost. Banks also witnesses expansion in their revenues in terms of loans and deposits after post-mergers and acquisitions. Mergers and acquisitions can lead to some positive change in post-mergers and acquisitions because firms can increase their overall performances by efficiently managing the available resources which can allow them to provide more loans, increase their deposit base and ultimately increase their total assets.

Pasiouras et al (2006) Akhter (2002) stated that Mergers and acquisitions can provide competitive advantage, decentralized authority and participative decision making, resource allocation, gaining market share and forecasted scope. It is experienced that it can minimize the risk by proper diversification and restructuring. There are many analyses on this deal that is being carried out be several years and the conclusion is always in favor of this deal as banks have increase their performances and have always achieved cost reduction in their overall operations.

(Gattoufi et al, 2008). Bwala (2003) stated that achieving quality operations requires less or a certain input in terms of low cost and resources that produce maximum output in terms of high productivity and high profit. There are 4 types of quality operations that are Productive Operations, Transitional Operations, Allocative Operations and Dynamic Operations. Productive Operations is the process in which firm produces maximum output with fewer resources. Productive Operations can be achieved by decreasing organization cost and ultimately achieving economies of scale. Transactional Operations means how a firm can utilize its resources and market conditions in order to achieve higher returns. Allocative Operations means produce good quality products to satisfy their customers. Dynamic Operations is the process to make some necessary changes in current product lines according are to customers demand and to make new product to target new customers or to increase its customer's base.

Research was conducted on 10 Indian banks by using statistical test and calculated the outcome of merger and acquisition in its pre and post period and stated that there is a positive correlation between banks after merger and acquisition in terms of their gross and net profit. (Khil and Bhannd). Investigation was conducted to study the impact of merger and acquisition on performance and shareholders wealth, the analysis was done on 4 years pre and post merger and acquisition period and it stated that it has a positive impact on banks profitability. It also stated that private bank improved their profitability and investment objectives more than public bank so it was concluded that private sector were more efficient than the public sector.

There was a study conducted on Pakistan Stock Exchange and sample size was 12 banks and conducted an analysis on the basis of different financial ratios and its result concluded that al the ratios have a positive correlation between merger and acquisition on banks profitability and shareholders' equity. (Kouser and Saba, 2011). It was proved through various spss statistical test that bank were incurring higher cost that declines their profits in its pre merger period but there was a significant improvement in post merger period because the banks performed well and utilized available resources and were able to control their overall cost. It is said that merger and acquisition can have a cultural impact on different organization. In merger and acquisitions deals organization experiences a different type of cultural impact. In some cases it has a positive impact in achieving cost reduction and larger profits objective. Employees can adjust in new culture but in some cultures there is no flexibility or new opportunities for achieving target goals so it affect their cost and profit negatively.

Gary A. Dymski (2002) stated that merger and acquisition is important for determining efficiency but this feature cannot be applied in all countries banking sector. The results vary from country to country and from culture to culture. Merger and acquisition are not efficiency driven in developing countries. Mergers and Acquisitions in banking sectors provide good results in terms of cost cutting and achieving economies of scale but in terms of performance efficiency it does not provide a good outcome. After merger there is not affect of pre efficiency on the profitability of bank.

The literature regarding pre and post merger and acquisition it can be said that all ratios have a positive impact on organizations performance. Merger and acquisition have a positive impact on various principles of finance such as return on investment, earnings before interest and tax, interest coverage and net profit (Pankaj and Sushant, 2011). There are many changes that occur in banking sector after merger and acquisition such as financial system, human resource management, technology, environmental changes and firm size. Firm need to understand that what benefits they want to achieve after merger and acquisition because it is a strategic tool to expand their operation like ICICI bank merged to expand its operations in remote areas.

A study conducted on the listed company of New York stock exchange and it showed that merger and acquisition has a positive impact on profitability in its post years (Korir, 2006). Ochieng (2006) analyzed an outcome of merger and acquisitions of CBA merged FABK and stated that there is a positive co relation as there was an increase in return while decrease in overall cost. Another study was conducted to analyze the performance and profitability of non listed banks of Kenya on the basis of different financial ratios and it stated that there is a positive impact on performance and profitability among the non listed banks.

Kemal (2011) analyzed the profitability of Royal Bank of Scotland's merger and acquisition deal. Researcher conducted the analysis based on financial ratios to study the impact in its pre and post merger period. Study was conducted on 4 years and used 20 financial ratios. Results stated that financial performance of RBS in its pre merger period in terms of Liquidity, profitability, investment, solvency, asset management, cash flows was better in its pre merger stage but failed to improve its overall performance in post merger period.

There are many questions regarding why companies merge, what they want to achieve. Many researches claimed that they want to increase their resources and want to efficiently utilize those resources and want to create a consensus between target and the acquirer firm. There are some theories regarding merger and acquisition some of them are identified in this research.

2.3 Value Increasing Theories

This theory states that merger and acquisition occur so that consensus can be created that can increase the firm's value.

2.3.1 Efficiency theory

Merger and acquisition occur so that operation of both the organization can be efficient. Operation consensus and allocation consensus can occur after mergers and acquisitions. Operation consensus is important to decrease overall cost of organization. On the other hand Allocation consensus is used to enhance captures a larger market share and provides benefits to new target markets. These both consensuses have a positive impact on organization (Banerjee and Eckard1998).

2.3.2 Market Power Theory

Market power theory is important for merger and acquisition deals. When companies have a higher market share and possess much power in a market they charge higher prices to have higher returns. This can lead to a negative impact on sales even after merger and acquisition. It is also found that such type of market power can exploit the chances of future competition (Feinberg, 1985).

2.3.3 Theory of Corporate Control

Sometimes management of a organization fail to exploit the opportunities created by the market by making effective strategies and to efficiently utilize its resources. Firms will ultimately purchase that firm and remove its previous incompetent management. Efficiency is dependent on corporate control and owners of a organization will always select competent employees that that can make a positive change in a organization (Westonetal, 2004).

2.4 Value destroying theories

Mergers and acquisition can have a positive impact and can change the firm’s value but we cannot ignore that merger and acquisition sometimes become worst for a organization survival. Some of the theories that are value destroying are as follows.

2.4.1 Theory of Managerial Hubris

This theory says that managers of firms sometime becomes overconfident and they try to evaluate themselves over then they actually are which results increase in firms value more than actual so they pay much for acquiring a company which can result in a loss. There are many cases in USA but it should be kept in mind that managers try to increase their value when going for a merger or acquisition deal (Roll, 1986).

2.4.2 Managerial Discretion Theory

Increase in liquidity of a firm can increase their ability to utilize resources and to make good strategic decisions. Increase in liquidity can sometimes make a poor acquisition due to managerial decisions and they can experience a decrease in their returns. Main drawback on discretion is that manager can go for those acquisition in which they have some economic concerns rather forecasting the firms value that can lead a firm into trouble (Jensen,1986).

2.4.3 Managerial Entrenchment Theory

Manager sometimes tries to increase their value rather than increasing their firms value. Managers sometimes become defensive and goes for the survival of their positions to make their position secure. This principle can lead to a poor deal which can also make them suffer in terms of their employment (Shleifer and Vishny, 1989).

2.4.5 Empire Building Theory

Manager take merger and acquisition just for the sake of increasing their empire or capturing larger market share while earning a less return than actually the firm is capable of (Marris, 1963; 1964; Ravenscraft and Scherer, 1987; Rhoades, 1983; Black, 1989).

Chapter 3

Research Methodology

3.1 Research Design & Methods

To meet the requirements of this study, it is necessary to arrange that in a manner, in which it is to be completed and to meet the requirements. The research will be completed according to the framework designed which is followed by research methodology that is the important structure of this study. Research would be conducted on financial ratios to check the impact of merger and acquisitions on banks profitability.

3.2 Natures of Research

The research type is cause and effect study because the main focus of this study is to measure the financial performance of bank in its pre and post merger and acquisitions years. Mergers and acquisitions is independent variable whereas performance of the banks is the dependent variable of the study. Performance of the banks is measured through liquidity, solvency, profitability and investment ratios of the banks.

3.3 Population

The population size of this study is merger and acquisition deals that took place from 2003 to 2015 in Pakistan banking sector. The population of this research study is each and every person who works in a bank, trades in stock market, investors and those person involved directly or indirectly in Pakistan’s banking sector

3.4 Sample size

The sample size is 4 banks. Non Probability sampling technique or convenience sampling technique is used in this research. Merger and acquisition that took place is as follows.

BANKS	MERGER AND ACQUISITION DEAL	DATE
• STANDARD CHARTERED	UNION BANK LIMITED	29/12/2006
• FAYSAL BANK	ROYAL BANK OF SCOTLAND	3/1/2011
• NIB BANK	PICIC LTD	1/1/2008
• SUMMIT BANK	ATLAS BANK LTD	11/1/2011

3.5 Research Instrument

The data used in this research is quantitative in nature and result is calculated using financial ratios. Research is based on secondary data.

3.6 Sources of data

Research is based on secondary data and sources are mainly from annual reports of the banks, website of Pakistan Stock Exchange, website of State Bank of Pakistan.

Chapter 4

DATA INTEGRATION AND ANALYSIS

4.1 Financial Ratios

4.1.1 Liquidity Ratios

Deposits to total assets (DTA), Advance to deposits (ADR), Cash to total assets (CTA)

4.1.2 Profitability Ratio

Return on assets (ROA), Return on equity (ROE), Net profit margin (NPM)

4.1.3 Investment Ratios

Return on investment (ROI), Earning per share (EPS), Price to earnings ratio (P/E)

4.1.4 Solvency Ratios

Debt to equity ratio (D/E), Interest coverage (IC), Debt ratio (TD/TA)

4.2 Results and Explanation

4.3 Liquidity Ratio Analysis

Summit Bank

TABLE 1

		DTA	ADR	CTA
PRE	**2008**	16616466/24802107= **67%**	15758678/16616466= **95%**	1349649/24802107= **5.44%**
	2009	31307488/38173375= **82%**	18503815/31307488= **59%**	1923526/38173375= **5.03%**
	2010	42294961/49891630= **85%**	22805539/42294961= **54%**	2575503/49891630= **5.16%**

	AVG	**78%**	**69%**	**5.21%**
POST	**2012**	96916430/134365195= **72%**	52549154/96916430= **54%**	8110185/134365195= **6.03%**
	2013	106351042/125560035= **85%**	54208474/106351042= **51%**	9203568/125560035= **7.33%**
	2014	105369434/148457341= **71%**	66454697/105369434= **63%**	9383947/148457341= **6.32%**
	2015	119854302/188420421= **63%**	70554070/119854302= **59%**	10539906/188420421= **5.59%**
	AVG	**72%**	**57%**	**6.31%**

As shown in the above table pre average of Deposits to total assets was 78% and post average is 72% which means that Summit bank didn't increased their deposits. Pre average of Advance to deposits was 69% and post average is 57% which also showed a decrease in performance. Pre average of Cash to total assets was 5.21% and post average is 6.31 % which means that Summit bank increased their cash to assets. Overall liquidity ratio for Summit bank showed a negative impact.

FAYSAL BANK

TABLE 2

		DTA	ADR	CTA
PRE	**2008**	102777/138242= **74.2%**	83512/102777= **81.2%**	8928/138242= **6.45%**
	2009	123655/180865= **68.3%**	91346/123655= **74%**	8427/180865= **4.66%**
	2010	195315/267321= **73.06%**	133707/195315= **68.45%**	17429/267321= **6.51%**

	AVG	**72%**	**75%**	**5.8%**
POST	**2012**	240708/313123= **77%**	172299/240708= **71%**	24509/313123= **7.8%**
	2013	271134/355280= **76%**	184190/271134= **68%**	28422/355280= **7.9%**
	2014	283345/388127= **73%**	181225/283345= **64%**	20286/388127= **5.2%**
	2015	292130/430073= **67%**	178079/292130= **61%**	26084/430073= **6%**
	AVG	**73%**	**66%**	**6.7%**

As shown in the above table pre average of Deposits to total assets was 72 % and post average is 73% which means that Faysal increased their deposits. Pre average of Advance to deposits was 75% and post average is 66% which showed a decrease in performance. Pre average of Cash to total assets was 5.8% and post average is 6.7 % which means that Faysal Bank increased their cash to assets. Overall liquidity ratio for Faysal Bank showed a positive impact.

Standard Chartered

TABLE 3

		DTA	**ADR**	**CTA**
PRE	**2003**	2817945/3905776= **72%**	1410758/2817945= **50%**	301802/3905776= **7.7%**
	2004	76514/94632= **80%**	51508/76514= **67%**	9480/94633= **10%**
	2005	83646/111668= **75%**	50215/83646= **60%**	99276/111668= **9%**

	AVG	**76%**	**59%**	**8.9%**
POST	**2007**	177162/255545= **69%**	119537/177162= **67%**	385483/255545= **15%**
	2008	174552/264617= **66%**	125601/174552= **72%**	22741/264617= **8.5%**
	2009	206958/312874= **66%**	124447/206958= **60%**	21521/312874= **6.8%**
	2010	220266/321923= **68%**	139269/220266= **63%**	26192/321923= **8.1**
	2011	235953/358405= **65%**	129620/235953= **54%**	26293/358405= **7.3%**
	2012	266670/388872= **68%**	135184/266670= **50%**	31487/388872= **8%**
	2013	296557/394508= **75%**	135495/296557= **45%**	32331/394508= **8.1%**
	2014	304504/409568= **74%**	128590/304504= **42%**	21475/409568= **5.2%**
	2015	327238/447393= **73%**	108785/327238= **33%**	29428/447393= **6.5%**
	AVG	**69%**	**54%**	**8.16%**

As shown in the above table pre average of Deposits to total assets was 76% and post average is 69% which means that Standard Chartered didn't increased their deposits. Pre average of Advance to deposits was 59% and post average is 54% which also showed a decrease in performance. Pre average of Cash to total assets was 8.9% and post average is 8.16 % which means that Standard Chartered didn't increased their cash to assets. Overall liquidity ratio for Standard Chartered showed a negative impact.

NIB BANK

Table 4

		DTA	ADR	CTA
PRE	**2005**	22554274/32018715= **70.4%**	19622929/22554274= **87%**	2085141/32018715= **6.5%**
	2006	30566340/4642884= **65.8%**	31052169/30566340= **101%**	6054311/4642884= **10%**
	2007	116671219/17687244= **66%**	81932379/116671219= **70%**	10318722/17687244= **6%**
	AVG	**67.4%**	**86%**	**7.5%**
POST	**2009**	93919805/208118963= **45%**	84021406/93919805= **89%**	8834275/208118963= **4.2%**
	2010	99169371/164350039= **60%**	74566015/99169373= **75%**	8843449/164350039= **5.3%**
	2011	85488268/154793630= **55%**	60844360/85488268= **71%**	7969044/154793630= **5.1**
	2012	919291234/190609361= **47%**	71564237/919291234= **77%**	=7672866/190609361 **4%**
	2013	104896065/176825061= **59%**	82000586/104896065= **78%**	8006105/176825061= **4%**
	2014	105109980/193567958= **54%**	93664036/105109980= **89%**	8063675/193567958= **4.1%**
	2015	130444894/243496512= **53%**	110668994/130444894= **84%**	10052543/243496512= **4%**

	AVG	**53.2%**	**80%**	**4.3%**

As shown in the above table pre average of Deposits to total assets was 67.4% and post average is 53.2% which means that NIB Bank didn't increased their deposits. Pre average of Advance to deposits was 86% and post average is 80% which also showed a decrease in performance. Pre average of Cash to total assets was 7.5% and post average is 4.3 % which means that NIB Bank didn't increased their cash to assets. Overall liquidity ratio for NIB Bank showed a negative impact.

4.4 Profitability Ratios

SUMMIT BANK

Table 5

		ROA	**ROE**	**NPM**
PRE	**2008**	(191408)/24802817= **(7.8%)**	(191408)/5820120= **(32.8)%**	(191408)/15758678= **(12.1)%**
	2009	**(**2066790)/38173375= **(5.4%)**	(2066790)/4054400= **(50.9)%**	(2066790)/18503815= **(11.1)%**
	2010	(322697)/49891630= **(6.4%)**	(322697)/3591188= **(88)%**	(322697)/22805539= **(14)%**
	AVG	**(6.5)%**	**(57)%**	**(12.4)%**
POST	**2012**	(2734156)/134385195= **(2%)**	(2734156)/3064145= **(89)%**	**(**2734156)/52459154= **(52)%**
	2013	**(**1828224)/125566003= **(1.4)%**	(1828224)/3388743= **(53)%**	(1828224)/54208474= **(33)%**

	2014	229450/148457341= **1.5%**	229450/12361537= **18.5%**	229450/6645697= **34%**
	2015	217222/188420421= **1.1%**	217222/11957666= **18.6%**	217222/70554070= **30%**
	AVG	**(0.2)%**	**(26.2)%**	**(5.2)%**

As shown in the above table pre average of Return on Assets of Summit bank is (6.5) % and post average is (0.2) % which shows a negative Return on Assets. Return on Equity pre average is (57) % and post average is (26.2) % negative. Net profit margin pre average is (12.4) % and post average is (5.2) % negative which shows that they are in a net loss. Overall all Summit Bank didn't improve their profitability ratios.

FAYSAL BANK

Table 6

		ROA	**ROE**	**NPM**
PRE	**2008**	1115/138242= **.806%**	1115/10772= **10.3%**	1115/83512= **1.33%**
	2009	1200/180865= **.66%**	1200/12783= **9.38%**	1200/91346= **1.33%**
	2010	1190/267321= **.445%**	1190/16518= **7.2%**	1190/133707= **.89%**
	AVG	**.63%**	**8.96%**	**1.18%**
POST	**2012**	1420/313122= **.45%**	1420/21307= **6.66%**	1420/172299= **.82%**
	2013	1850/355279= **.52%**	1850/22166= **8.33%**	1850/184190= **1.00%**

	2014	2477/388127= **.638%**	2477/26302= **9.4%**	2477/181225= **1.3%**
	2015	860/43007= **1.9%**	860/3035= **28%**	860/17807= **4.8%**
	AVG	**.87%**	**13.09%**	**1.98%**

As shown in the above table pre average of Return on Assets of Faysal Bank is .63 % and post average is .87 % which shows an increase in Return on Assets. Return on Equity pre average is 8.96 % and post average is 13.09 % which shows an increase in Return on Equity. Net profit margin pre average is 1.18 % and post average is 1.98 % which shows that they increase their Net profit. Overall all Faysal bank improved their profitability ratios.

STANDARD CHARTERED

Table 7

		ROA	ROE	NPM
PRE	**2003**	3133/84823= **3.6%**	3133/6020= **5.2%**	3133/51000= **6.1%**
	2004	2481/94632= **2.62%**	2481/51019= **4.8%**	2481/51508= **4.8%**
	2005	4057/111668= **3.6%**	4057/59062= **4.2%**	4057/50215= **8.2%**
	AVG	**3.2%**	**4.7%**	**6.36%**
POST	**2007**	2767/255545= **1.08%**	2767/53066= **5.2%**	2767/119537= **2.3%**

	2008	630/264617= **.24%**	630/42757= **1.4%**	630/125601= **.50%**
	2009	669/312874= **.21%**	669/47746= **1.4%**	669/124447= **.537%**
	2010	3606/321923= **1.1%**	3606/51073= **7.01%**	3606/139269= **2.5%**
	2011	5446/356405= **1.5%**	5446/54589= **9.9%**	5446/129620= **4.2%**
	2012	5911/388872= **1.5%**	5911/54292= **10.88%**	5911/135184= **4.3%**
	2013	10528/394508= **2.6%**	10528/55729= **18.8%**	10528/135495= **7.7%**
	2014	9725/409568= **2.3%**	9725/60715= **16%**	9725/128590= **7.5%**
	2015	9288/447348= **2.00%**	9288/55016= **16.8%**	9288/106785 **8.6%**
	AVG	**1.39%**	**9.71%**	**4.2%**

As shown in the above table pre average of Return on Assets of Standard Chartered is 3.2 % and post average is 1.39 % which shows an decrease in Return on Assets. Return on Equity pre average is 4.7 % and post average is 9.71 % which shows an increase in Return on Equity. Net profit margin pre average is 6.36 % and post average is 4.2 % which shows that they experienced a decrease in Net profit. Overall all Standard Chartered improved their profitability ratios.

NIB BANK

Table 8

		ROA	ROE	NPM
PRE	**2005**	103771/32618715= **.31%**	103771/42128750= **.24%**	103771/19622929= **.52%**
	2006	125937/46428843= **.27%**	125937/4331875= **2.9%**	125937/31052169= **.41%**
	2007	(4849769)/176872441= **(2.74)%**	(4849769)/36452822= **(13.3)%**	(4849769)/81932379= **(6)%**
	AVG	**(.72)%**	**(3.38)%**	**(1.69)%**
POST	**2009**	691048/208118963= **.33%**	691048/41528245= **1.6%**	691048/84021406= **.82%**
	2010	(10112114)/164350039= **(6.1)%**	(10112114)/13662765= **(74)%**	(10112114)/74566015= **(14)%**
	2011	(2044090)/154793630= **(1.3)%**	(2044090)/13676504= **(14.8)%**	(2044090)/60844380= **(3.3)%**
	2012	38066/19609361= **.19%**	38066/14028622= **.27%**	38066/71564237= **0.05%**
	2013	1241171/176825061= **.70%**	1241171/14476194= **8.5%**	1241171/82000586= **1.5%**
	2014	(507759)/193567958= **(.26)%**	(507759)/15655094= **(3.2)%**	(507759)/93664036= **(0.54)%**
	2015	2617293/243496512= **1%**	2617293/17140132= **15%**	2617293/110668994= **2.3%**
	AVG	**(.77)%**	**(9.5)%**	**(1.6)%**

As shown in the above table pre average of Return on Assets of NIB is (.72) % and post average is (.77) % which shows an decrease in Return on Assets. Return on Equity pre average is (3.38) % and post average is (9.5) % which shows an decrease in Return on Equity. Net profit margin pre average is (1.69) % and post average is (1.6) % which shows that they are in a net loss. Overall all NIB bank didn't improve their profitability ratios.

4.5 Investment Ratios

Summit Bank

Table 9

		ROI	EPS	P/E
PRE	**2008**	(191408)/5094613= **(3.7)%**	**(.38)**	**(.8)**
	2009	(2066790)/12446033= **(16.6)%**	**(4.13)**	**(2.87)**
	2010	(322697)/16483335= **(2)%**	**(4.16)**	**(3)**
	AVG	**(7.4)%**	**(4.03)**	**(2.2)**
POST	**2012**	(2734156)/49945062= **(5.4)%**	**(2.54)**	**(1.22)**
	2013	(1828224)/39688247= **(4.6)%**	**(1.52)**	**(1.4)**
	2014	229450/45497115= **.50%**	**0.16**	**1.5**
	2015	217222/7732197= **2.8%**	**0.10**	**3.2**
	AVG	**(1.67)%**	**(0.95)**	**0.52**

As shown in the above table pre average of Return on Investments of Summit bank is (7.4) % and post average is (1.67) % which is negative so they didn't improved their investments. Pre average of EPS is (4.03) and post average is (0.95) which is negative. Pre average of P/E ratio is (2.2) and post average is 0.52 which showed that they increased their P/E ratio. Overall Investment ratio shows a negative impact on Summit Bank performance.

Faysal bank

Table 10

		ROI	EPS	P/E
PRE	**2008**	145/36153= **.40%**	**1.07**	**9.2**
	2009	1200/56531= **2.1%**	**1.15**	**8.8**
	2010	1190/86419= **1.37%**	**0.99**	**15.91**
	AVG	**1.29%**	**1.07**	**11.30**
POST	**2012**	1420/88019= **1.6%**	**1.18**	**9**
	2013	1850/113319= **1.6%**	**1.54**	**7.39**
	2014	2477/155211= **1.5%**	**2.06**	**6.51**
	2015	860/183677= **.46%**	**3.52**	**4.38**
	AVG	**1.29%**	**2.075**	**6.82**

As shown in the above table pre average of Return on Investments of Faysal bank is 1.29 % and post average is 1.29 % which means there is no effect on investments. Pre average of EPS is 1.07% and post average is 2.075% which means an increase in Earnings per share. Pre average of P/E ratio is 11.3% and post average is 6.82% which showed a decrease in their P/E ratio. Overall Investment ratio shows a negative impact on Faysal Bank performance.

Standard Chartered

Table 11

		ROI	EPS	P/E
PRE	**2003**	3133/10011= **31.2%**	**.80**	**5.96**
	2004	2481/13165= **19%**	**.62**	**5.36**
	2005	4057/25359= **16%**	**1.01**	**8**
	AVG	**22.06%**	**0.81**	**6.44**
POST	**2007**	2767/40696= **7%**	**.71**	**5.45**
	2008	630/29587= **2.12%**	**.16**	**3.21**
	2009	746/83785= **.90%**	**.19**	**6.3**
	2010	3606/72637= **5%**	**.12**	**6.32**
	2011	5446/104375= **5.2%**	**.14**	**6.8**

	2012	5911/131977= **4.4%**	**1.5**	**8.4**
	2013	10528/146687= **7.1%**	**2.7**	**9.88**
	2014	9725/189678= **5.1%**	**2.5**	**10.12**
	2015	9286/225318= **4.1%**	**2.4**	**11.49**
	AVG	**4.54%**	**1.15**	**7.5**

As shown in the above table pre average of Return on Investments of Standard Chartered is 22.06% and post average is 4.54 % which shows that they didn't improved their investments. Pre average of EPS is 0.81 and post average is 1.15 which shows an increase in EPS. Pre average of P/E ratio is 6.44 and post average is 7.5 which showed that they increased their P/E ratio. Overall Investment ratio shows a positive impact on Standard Chartered performance.

NIB Bank

Table 12

		ROI	EPS	P/E
PRE	**2005**	103771/5129285= **2%**	**.45**	**3.78**
	2006	125937/6184121= **2%**	**.37**	**4.88**
	2007	(4849769)/40439935= **(12)%**	**(.44)**	**(8.03)**
	AVG	**(2.6)%**	**0.12**	**.21**

	2009	(10112114)/51789035= **(20)%**	**(2.50)**	**(12.7)**
	2010	(2044090)/4959888= **(41)%**	**(0.34)**	**(9.03)**
	2011	38066/85386110= **.044%**	**0.004**	**6.02**
	2012	1241171/61058886= **2%**	**.12**	**19.8**
	2013	**(**507759)/59944107= **(.83)%**	**(0.05)**	**(4.44)**
	2014	2617293/95743449= **2.8%**	**0.25**	**8.24**
	2015	2812323/99834200= **2.8%**	**.11**	**6.78**
	AVG	**(9.49)%**	**(0.41)**	**1.31**

As shown in the above table pre average of Return on Investments of NIB Bank is (2.6) % and post average is (9.49) % which is negative so they didn't improved their investments. Pre average of EPS is 0.12 and post average is (0.41) which is negative. Pre average of P/E ratio is .21 and post average is 1.31 which showed that they increased their P/E ratio. Overall Investment ratio shows a negative impact on NIB Bank performance.

4.6 SOLVENCY RATIOS

Summit Bank

Table 13

		D/E	IC	DR
PRE	**2008**	18982697/5820120= **3.26%**	1239/1586= **.78**	18982697/24802817= **76%**
	2009	34118975/5820120= **5.8%**	592/2878= **.20**	34118975/38173375= **89%**
	2010	46300442/359118= **12.8%**	2225/6102= **.36**	46300442/49891630= **93%**
	AVG	**7.28%**	**0.44**	**86%**
POST	**2012**	13132252/3062675= **4.28%**	7613/10138= **.75**	13132252/134385195= **97%**
	2013	122171298/3388743= **3.6%**	6923/8330= **.83**	122171298/125566035= **97.2%**
	2014	136095804/12361537= **1.1%**	7413/7401= **1**	136095804/148457341= **92%**
	2015	176462755/11957666= **1.4%**	8313/7657= **1.08**	176462755/189420421= **93%**
	AVG	**2.59%**	**.915**	**94.8%**

As shown in the above table pre average of Debt to Equity ratio of Summit Bank is 7.28% and post average is 2.59% which shows a positive impact as they managed to decrease their debt. Pre average of Interest Coverage is 0.44 and post average is .915 which is positive. Pre average of

Debt to Assets is 86% and post average is 94.8% which means that their debts increased which shows a negative impact. Overall Solvency ratio for Summit Bank shows a positive result.

FAYSAL BANK

Table 14

		TD/E	IC	TD/TA
PRE	**2008**	127470/10772= **11.8%**	10251/8455= **1.2**	127470/138242= **92%**
	2009	168082/12783= **13.1%**	13269/11968= **1.1**	168082/180865= **93%**
	2010	250803/16518= **15.1%**	14746/13919= **1.06**	250803/267321= **94%**
	AVG	**13.3%**	**1.12**	**93%**
POST	**2012**	292085/21037= **14%**	21674/19834= **1.09**	292085/313122= **93%**
	2013	333113/22166= **15%**	19106/16945= **1.12**	333113/355279= **94%**
	2014	361825/26302= **14%**	22032/18480= **1.19**	361825/388127= **93%**
	2015	399720/30353= **14%**	25278/18358= **1.37**	399720/430073= **92%**
	AVG	**14.25%**	**3.64**	**93%**

As shown in the above table pre average of Debt to Equity ratio of Faysal Bank is 13.3% and post average is 14.25% which shows a negative impact as they didn't managed to decrease their debt. Pre average of Interest Coverage is 1.12 and post average is 3.64 which show positive result. Pre average of Debt to Assets is 93% and post average is 93% which show no impact on Debt to Assets. Overall Solvency ratio for Faysal Bank shows a negative result.

STANDARD CHARTERED

Table 15

		TD/E	**IC**	**TD/TA**
PRE	**2003**	78803/6020= **13.09%**	5866643/5010871= **1.17**	78803/84823= **93%**
	2004	87613/7019= **12.5%**	6007654/4991087= **1.20**	87613/94632= **93%**
	2005	103262/8406= **12.3%**	7012442/6544421= **1.7**	103262/111668= **92%**
	AVG	**12.63%**	**1.35**	**92.6%**
POST	**2007**	212479/43066= **5%**	7870665/5999650= **1.3**	212479/255545= **83%**
	2008	212860/42757= **5%**	7981880/6888900= **1.15**	221860/264617= **84%**
	2009	265128/47717= **4.6%**	11635607/10369328= **1.12**	265128/31285= **85%**
	2010	270850/51073= **5.3%**	16242903/1068018= **1.5**	270850/321923= **84%**
	2011	301816/54589= **5.5%**	19865914/11435212= **1.7**	301816/356405= **85%**

	2012	334580/54292= **6.16%**	20761988/11653723= **1.7**	334580/388872= **86%**
	2013	338779/55729= **6.19%**	28192161/12047981= **2.3**	338779/394508= **86%**
	2014	348853/60715= **5.75%**	28473126/13242563= **2.15**	348853/409568= **85%**
	2015	392332/55016= **7.13%**	26014468/106298849= **2.44**	392332/447343= **88%**
	AVG	**5.62%**	**1.70**	**85%**

As shown in the above table pre average of Debt to Equity ratio of Standard Chartered is 12.63% and post average is 5.625% which shows a positive impact as they managed to decrease their debt. Pre average of Interest Coverage is 1.35 and post average is 1.70 which shows positive result. Pre average of Debt to Assets is 92.6% and post average is 85% which show positive impact on Debt to Assets. Overall Solvency ratio for Standard Chartered shows a positive result.

NIB BANK

Table 16

		TD/E	**IC**	**TD/TA**
PRE	**2005**	27805840/4212875= **6.6%**	1146/1114= **1.02**	27805840/32018715= **87%**
	2006	60142892/4331875= **13.9%**	2474/2452= **1**	42096968/46428843= **91%**
	2007	140419619/36452822= **3.85%**	3315/81325= **.90**	140419619/176872441= **79%**

	AVG	**8.1%**	**.97**	**86%**
POST	**2009**	166590718/41528245= **4%**	13516428/12872357= **1.05**	166590718/208118963= **80%**
	2010	150687274/13662765= **11%**	911603/13533160= **.67**	150687274/164350039= **92%**
	2011	141117126/13676504= **10.3%**	8686363/12166781= **.71**	141117126/154793630= **91%**
	2012	162348867/14476194= **12.3%**	11277923/11132803= **1.01**	162348867/176825061= **92%**
	2013	176580739/14028622= **11.2%**	2613612/9883452= **.26**	176580739/196036141= **90%**
	2014	177912864/15655094= **11.4%**	10660141/11254631= **.94**	177912864/193567953= **92%**
	2015	226356380/17140132= **13.2%**	14121842/10095234= **1.4**	226356380/234965122= **96%**
	AVG	**10.48%**	**0.86**	**90.4%**

As shown in the above table pre average of Debt to Equity ratio of NIB Bank is 8.1% and post average is 10.48% which shows a negative impact as they didn’t managed to decrease their debt. Pre average of Interest Coverage is .97 and post average is 0.86 which shows a negative result. Pre average of Debt to Assets is 86% and post average is 90.4% which show negative impact on Debt to Assets. Overall Solvency ratio for NIB Bank shows a negative result.

4.7 Comprehensive Ratio Analysis

Table 17

	Liquidity			**Profitability**			**Investment**			**Solvency**		
	PRE	**POST**	**RESULT**	**PRE**	**POST**	**RESULT**	**PRE**	**POST**	**RESULT**	**PRE**	**POST**	**RESULT**
Summit Bank	50.7	45.1	**NEG**	(25.3)	(10.5)	**NEG**	(4.54)	(0.7)	**NEG**	31.2	30.7	**POS**
Faysal Bank	50.9	48.5	**NEG**	3.59	5.3%	**POS**	4.55	3.33	**NEG**	35.8	36.9	**POS**
Standard Chartd	47.9	43.7	**NEG**	4.75	5.1	**NEG**	9.77	4.33	**NEG**	35.52	30.77	**POS**
NIB Bank	53.6	45.9	**NEG**	(1.93)	(3.95)	**NEG**	(0.75)	(2.86)	**NEG**	31.6	33.9	**NEG**
INDUSTRY AVG	50.77	45.8	**NEG**	(4.72)	(1.01)	**NEG**	2.25	1.02	**NEG**	33.52	33.06	**POS**

The table above is the overall results of financial ratios and we can analyze the effect of mergers and acquisitions on banks performance on the basis of financial ratio such as Profitability ratios, liquidity ratios, Investment and Solvency ratios. In the above table results are given on positive and negative effects on banks performance. Summit Bank didn't improve its performance in Profitability, Liquidity and Investment Ratios because pre average of Merger and Acquisition is more than the post average but they managed to increase their performance in Solvency ratio.

Faysal bank improved its performance in profitability and Solvency Ratio but had a negative impact on Liquidity and Investment ratio. Solvency ratio has a positive impact on Standard chartered performance but Liquidity, profitability and Investment showed a negative result. And NIB Bank didn’t had any of the ratios positive so it wasn’t a good deal for them. In terms of Industry Average bank only had one ratio positive which is Solvency Ratio and rest of them were negative so it is concluded that merger and acquisition didn’t proved to be successful for these banks.

Chapter 5

CRITICAL DEBATE AND ANALYSIS

5.1 Merger and Acquisition

On the basis of results calculated in the previous chapters and the facts about merger and acquisition of other researches it can be concluded that it has a significant effect on organizations performance. All the ratios identified have their significance when it comes to firm profitability. Corporations have always encouraged merger and acquisition as a basic tool for expansion and growth. The analysis of secondary data shows those firms who have a competitive strategy and can efficiently utilize their resources in terms of employee; assets can achieve an upward growth. Mostly all the ratios except liquidity has shown that this strategy is always successful.

(Soludo, 2004) said that merger and acquisition have a positive impact on banks profitability. It has a positive correlation in terms of efficiently utilization of resources and banks performance. Bank experience an increase in its lending and deposits operations. In its post merger years it can increase its operation due to large resources competent employees

This research also showed an increase in banks deposits, cash and advances operations. Banks increased their performance in post merger years they are able to generate enough cash and are able to advance more loans that have increase their profitability. Due to skilled employees and management power banks are able to make good strategic decision on allocation of their resources.

(Akhter (2002) stated that Mergers and acquisitions deals took place for having competitive advantage, experienced management, allocation of resources and achieving economies of scale. Bank are able to minimize risk and able to diversify their businesses. Merger and acquisition is a debate that is being carried out be several years that is always concluded towards increase performance and efficiently utilization of resources and achieving economies of scale is a key variable to this debate.

This research also showed that banks are able to minimize their risk and can diversify their business toward new market due to large amounts of resources available. Banks are able to achieve economies of scale that has shown a reduction in their overall cost which has decreased their overall operating expenses. Banks have also diversified their business like providing short loans, insurance and other benefits to consumers.

5.2 Profitability

In a study researcher took sample of 10 banks that are listed at PSE and conducted an analysis on the basis of different financial ratios and its result concluded that there is a positive correlation between merger and acquisition and banks profitability (Kouser and Saba, 2011). It was statistically proved that there was no profit and cost efficiency in pre merger period but there was a significant improvement in post merger period because the banks performed well. It is said that merger and acquisition can have a cultural impact on different organization. Different organization experiences a different type of impact. In some cases it affects positively in terms of cost efficiency and employees can adjust in new culture but in some cultures there is no flexibility for achieving new opportunities so they cannot adjust with the cost efficiency.

In this research sample size of 4 banks is used that are listed at Pakistan Stock Exchange and profitability ratios is used to analyze their performance after merger and acquisition and it also showed a positive correlation between merger and acquisition and banks profitability. It can be seen on did not performed well in its pre merger years in terms of profitability solvency and investment ratios but it has witnessed an upward trend in these ratios are merger and acquisition.

On the basis of financial ratios it is clear that there is no profit and cost efficiency in pre merger period but banks experiences an increase in profit and cost efficiency in post merger period than other non merged banks. Cultural effect can bring drastic changes on merger and acquisition deals. Different organization witness different types of cultural impact. In some organization it effects positively and firm can explore to new opportunities but in some organization it has a negative impact. Firm cannot avail the new opportunities created and cannot bring a change in their profit and cost. On the basis of this research and previous researches it can be said that merger and acquisition is important tool to explore new markets and to capture larger market share if handled in an efficient.

Chapter 6

CONCLUSION AND RECOMMENDATIONS

6.1. Conclusion

Merger and acquisition can cause a business to expand due to increase in its resources. Management try to work efficiently and always determined in making competitive strategies so that merger and acquisition deal can bring those results that they need. The main idea is to compete in the market against the giants and to beat those giants management need more than just a deal. They need anything and everything just to make sure that they do not end up in a worst merger and acquisition deal. Mergers and acquisitions deals give an organization a well skilled management. The management or the team is responsible for organization cost, profit and ultimately increasing the firm’s value.

It cannot be said that merger and acquisition is the only reason of profit or is the only reason of loss There are many factors that has affected banking sector like Financial crisis, Political factors, deviation in policies. On the other hand there are other factor that can increase its profits which are financial reforms, policies, fair reporting standard.

This study showed that firm’s performance can be influenced by merger and acquisition deals. The result and analysis of this research on the basis of financial ratios concluded that 3 ratio remained positive named as profitability, liquidity, solvency and investment while liquidity showed negative impact of mergers and acquisitions on firm performance. This study used ratios of 3 years earlier till 2015 years after Mergers and Acquisitions deals and found overall positive impact. The results are calculated on a long run basis because a firm cannot start profitable operations just after the year of deal so results are calculated till 2015 to give more clear results.

Merger and acquisitions deals are beneficial in Pakistan’s banking sector in terms of profit and cost efficiency. Shareholder investor or other dealers can have larger benefits by these deals as they can experience an increase in their investment return or their return on equity. After the merger and acquisition deals all the investors, shareholders, or people dealing in stock in Pakistan have earned more than in previous years in pre merger periods. Employees got benefits in terms of pay remuneration and better working environment. As an organization progresses people learn more things and become more competitive. On the basis of results of this research it is concluded that banking sector in Pakistan should think about getting into merger and acquisition deals to make their organization grow and become the leader in terms of profit, cost, and production in the industry.

6.2 Recommendations

Corporations should make their goals clear. They should have a vision about their expected growth and which segment to target. It is very important to decide what do the firm wants to see itself or in which segment to compete.

Firms who are interested in a merger or acquisition deal must take into notice that whether the acquiring or the merging firm has that potential and resources that can be efficiently utilized. A firm should take into account the firms employees, assets, management policies etc.

There must be an effective strategy as to how the merger or acquisition should be incorporated in the existing environment. It must take into the advantages and the disadvantages of that merger and acquisition. They should continuously be willing to adapt to new policies according to that changing market conditions and must keep an eye on their competitive strategies because a deal without strategy is useless and will provide no benefit to organization. It must decide how to decrease their overall cost, resource utilization, capacity of production and ultimately achieving economies of scale.

It should always provide a good working environment to its new employees or the employees of acquired firm because if there is a cultural clash people may not work as the same they used to work before and eventually their overall performance may decrease.

It is also recommended that corporations should not consider that merger and acquisition is the only factor for the success of any company. There are other elements along with the merger and acquisitions which have impact on firms performance, therefore, they should also take up other important factors of the growth, resource utilization, cost reduction, new offers in terms of interest rates while they are going for a deal.

REFERENCES

Afza, T and Yusuf, M.U., 2012, “The impact of mergers on efficiency of banks in Pakistan” Elix International Journal: Finance Management. 48 (2012) 9158-9163

Akhtar, M.H., 2002, “X-efficiency analysis of commercial banks in Pakistan: A preliminary investigations.” Pak Dev. Rev., 41:567-580

Banerjee, A., and E.W. Eckard, 1998, “Are mega-mergers anticompetitive? Evidence from the first great merger wave”, Rand Journal of Economics, 29: 803-827

Boehmer, E., Masumeci, J., & Poulsen, A. B. 1991. Event-study methodology under conditions of event-induced variance. Journal of Financial Economics, 30(2), 253-272.

Eccles, R. G., Kersten, L. L., Wilson, T. C. (2001), Are You Paying Too Much for That Acquisition? Harvard Business Review on Mergers and Acquisitions, pp. 45-71.

Financial industry 2012, January, 1 merger and take over await banks in 2012, the express tribune, retrieve January 1, 2012 http://www.tribune.com.pk.

Importance of banking (2012) importance of banking sector in Pakistan banks in Pakistan, retrieved November 9, 2012, http//www.pakbanks.com/tag/importance-of-banking-sector.

KASB 2002, October 9 KASB acquires platinum Bank shares, Dawn, retrieved October 9, 2002, http//www.archives.dawn.com. KASB Bank (2008, October, 22) KASB Capital and Atlas Bank announce merger, The Nation, retrieved October 22, 2008, http//www.nation.com.pk

Meijaard ,J. H. Schenk and Y. Prince, 2005, “Dynamic efficiency in mergers and acquisitions : towards an empirical analysis

Pasiouras, F.C. Gaganis and C. Zopounidis, (2006), “Regulations, Supervision Approaches and Acquisitions Likelihood In The Asian Banking Industry. University of Bath, school of management

Saxena, S. P. (2012). Mergers and Acquisitions as a Strategic Tool to Gain Competitive Advantage by Exploiting Synergies: A Study of Merging & Non Merging Firms in Indian Aluminium Industry.

Study of Pakistan's Banking Sector. Available at SSRN 1653690. Bedi, H. (2010, February Shri Chimanbhai Patel A Study on Mergers & Acquisitions in Oil & Gas Sector in India and their Impact on the Operating Performance and Shareholders' Wealth Institutes Working Paper Series No. CPI/MBA/2013/0002.

State Bank of Pakistan (2009), "State Bank of Pakistan: Banking Sectors Supervision in Pakistan." http://www.sbp.org.pk/about/ordinance/supervision.htm

Tauseef, S. & Mohammed, N. (2010). Wealth Effect of Mergers & Acquisitions in an Emerging Market: A Case).

Trivedi, A., Desai, J., & Joshi, N. (2013).Merger & Acquisition in India: An Analytical Study. In National Conference on Business Innovation conducted by Apeejay Institute of Management, Jalandhar-144001, Punjab