COMPARISON OF SUCCESS OF MERGER AND ACQUISITION (M&A) IN MANUFACTURING SECTOR AND SERVICES SECTOR IN PAKISTAN WITH RESPECT TO CLASSIFICATION OF M&As

BY

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DEDICATION

To

My Loving Parents

&

Respected Teachers

LIST OF ABBREVIATIONS

CR	Current Ratio
DER	Debt to Equity Ratio
EPS	Earning Per Share
FS	Financial Slack
ICR	Interest Coverage Ratio
KSX	Karachi Stock Exchange
M&A	Merger & Acquisition
NPM	Net Profit Margin
PSX	Pakistan Stock Exchange
ROA	Return on Assets
ROE	Return on Equity
SBP	State Bank of Pakistan
SECP	Security & Exchange Commission of Pakistan

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ABSTRACT

The study has been conducted on comparison of effect of merger and acquisition (M&A) in manufacturing sector and services sector of Pakistan with respect to classification of M&As. The study is based on Tobin Q-theory of investment which says that a firm's investment rate should rise with its Q. The study is also based on the efficiency theory of merger which states that mergers only occur when it is expected to generate enough realizable synergies to make the deal beneficial to both the parties. The study is event based and merger of a company is considered as a point of event. The objective of this study is to evaluate the effect of merger & acquisition on post-merger financial performance of the company and compare its impact on classification of Merger & Acquisition and sector of the company. Literature review provides theoretical base for the previous relationship between success and type of merger. The study examines the post-merger financial performance of all mergers, took place in Pakistan during the period 1995-2018, listed on Pakistan Stock Exchange (PSX).A convenience sampling technique is used however it has been ensured that all types of merger from both the sectors are included proportionately. The study analyzed total 14 mergers (8 from manufacturing sector & 6 from service sector) listed on Pakistan Stock Exchange (PSX). Sample of the study consist 5 horizontal mergers, 3 vertical mergers, 2 conglomerate mergers and 4 congeneric mergers. The ratio analysis is used to compute the performance of merger alliance. Paired Sample t-test, is used to compare post merger performance the company with the pre-merger performance of the same company. Independent Sample t-test is used to compare the post-merger performance of manufacturing sector and services sector in Pakistan. The findings of the study showed that the horizontal mergers had insignificant positive effect on post-merger performance of merged companies in Pakistan with respect to classification of merger. The vertical mergers indicate mix effect of merger on post merger financial position of merged/acquirer. The conglomerate and congernic merger indicate insignificant negative effect of merger on financial performance of the company in Pakistan. The merger in manufacturing sector indicated slightly positive effect and better performance as compared to services sector in Pakistan. The difference of post merger performance between manufacturing sector and services sector is partially significant. The acquirer predicts the improved profitability in the industry sector, while the target predicts improved synergy only in the services sector. The findings indicate that different factors affect merger differently. The merger & acquisition has a versatile effect and the success depends upon the overall management of the company during and after the merger.

CHAPTER 01

INTRODUCTION

In the modern age, the forms and types of business have changed as compared to the previous enterprises due to the innovation in every field of life. The nature of doing business is continuously changing with the passage of time (Lodorfos & Boateng, 2006). The three basic forms of business, such as, Sole proprietorship, Partnership and company are now converting in new forms. In this scenario, Merger and Acquisition are the new forms of doing business with new trends and transformation. The merger and acquisition started much earlier, but their mature form came into being in the 21st century. The purpose, structure and management of merged business are different from the other types of businesses (Germeraad, 2010).

The objective of every business is to grow, expand, and improve performance. Companies exist to maximize their value and to generate continuous growth. There are two ways that companies follow in order to grow and become more competitive than their competitors. The first way is the internal growth implying a less risky but a lengthy and time-consuming strategy to attain growth by improving its own business operations and gaining more market-share by relying on its own resources (Schwenker & Botzel, 2007). The second way is called external or inorganic growth and is considered a very high-risk strategy aiming to attain growth in a shorter time by incorporating another company through a merger (Gaghan, 2011).

Mergers and acquisitions are considered more convenient method to gain growth than the organic approach; at the same time they pose high risks to both the companies intend to merge. The organizations use Merger and Acquisition as an operative method to deal with the vibrant business environment. Big firms and industrial groups now understand that Merger &Acquisition contracts are now in the best interest of all business groups (Zahid & Shah, 2011). Merger improves not only short term profitability but also long term financial position of the firms (Ramaswamy & Waegelin, 2003). On the other hand, Rashid & Naeem, (2017) conclude that merger agreement does not pay any relevant impacts to the leverage ratios, profitability ratios and liquidity ratios. The findings of empirical studies show that merger alliances have negative effects on the performance of merged corporations and firms. Therefore, it may be concluded that merger and acquisition has versatile affect on post merger performance of the merged companies depending upon the overall management of merger & acquisition process.

Although the objective of every business is to grow, expand and improve performance, but empirical studies indicated that majority of the merger cases do not meet their projected objectives. The results of empirical studies on mergers indicate that majority of the merger do not meet their projected objectives / fail. Some of the previous studies show that the merger not only improves the profitability but also improves long term performance. On the other hand, the results of some studies indicate negative effect of merger on the performance of merged companies. The high failure rate of the merger and acquisition (M&A) strategy and inconsistency in the findings of empirical studies support further investigation in the field. The study explores success of all the types of M&A and compares one sector with another sector in Pakistan.

The study is based on the Q-theory of investment says that a firm's investment rate should rise with its Q. Q represents the equilibrium and if the Q is greater than 1, additional investment in the firm would make sense because the profit generated would exceed the cost of firm's assets. This theory also explains why some firms buy other firms. It is found that a firm's merger and acquisition (M&A) investment responds to its Q more than its direct investment because M&A investment is a high fixed cost and a low marginal adjustment cost activity. The Efficiency Theory of merger & acquisition also provides base for the study. According to efficiency theory, the merger occurs when they are expected to generate enough realizable synergies to make the deal beneficial to both parties. It is the symmetric expectations of gains which results in a 'friendly' merger being proposed and accepted. The Merger waves of 1900 and the 1920's, `80s, and `90s were a response to profitable reallocation opportunities (Jovanovic & Rousseau, 2002).

The study is event based and merger is considered an event and three years pre and three years post merger performance of the company is measured excluding the year of merger. The study analyses the pre and post-merger financial performance of 14 mergers of listed companies in Pakistan Stock Exchange (PSX) during the period 1995-2018. To findings of the study are generalized to the all mergers & acquisitions took placed in Pakistan. A convenience sampling technique is used however it has been ensured that all types of merger from both the sectors are included proportionately. The ratio analysis is used to compute the financial performance of merger alliance. The comparison between pre & post-merger performance of the company is measure through paired sample t-test. Comparison of post-merger performance between manufacturing sector and services sector is made through Independent sample t-test.

1.1 Merger and Acquisition

Combining the business for the purpose of expansion of commercial activities is a popular phenomenon in the business world. Some enterprises which are going in loss, they adopt different strategy to cope with bad business situations. In this situation merger and acquisition is one of the famous, modern and feasible deals through which different owner collaborate with one another for common objectives (Jemison & Sitkin, 1986). The category and kind of business collaboration depend on many factors, such as, state laws and regulations, present market environment, pattern and investment chances of growth and development. Moreover, in different states there are different corporate culture and environment in which acquisition and merger deals occur (Yu, Engleman, & Van De Ven, 2005).

Practically Merger and Acquisition deals are performed when two or more than two business entities, whether they belong to manufacturing sector or service sector get together and plan for common business. In merger alliances two corporations of same sector or different sector collaborate together and do business collectively. The management and ownership are shared collectively as well as the responsibilities. But the level of ownership is shared according to assets and capital contributed in merger deal (Martynova & Renneboog, 2006). Acquisition is another form of business deal in which one firm acquire the ownership of another firm. When a corporation enters in the phase of bankruptcy, then financially strong corporations buy the ownership of those economically and financially weak firms. So, this is another form of business which is good for the development of a country as well as for commercial activities. Moreover, there are many types of acquisition like merger. Merger and acquisition have a positive impact on commercial activities. These deals enhance the capacities of corporations and wealth of the shareholders. So, a firm which acquires the majority of shares or entire ownership of any other firm is the acquirer firm. Merger & acquisition are changes in control of corporation where acquirer becomes controlling interests affecting the strategic and operational decision of target whether merging into present or existing as a distinct entity. Similarly, Mergers and acquisition are used interchangeably by commercial and financial managers. Both are viewed as the similar because the net outcome is often the identical. Two corporations that had distinct possession are now working under the identical roof, typically to obtain some tactical or fiscal objectives (Sudarsanam & Mahate, 2003).

The growth of economy depends upon the level of business and commercial activities. The countries which have high level of commercial activities are the developed nations of the world. For example, the United States of America is one of the world most developed state of the world due to its commercial activities and existence of huge and number of corporations. In this concern Merger and acquisition enhance the capacity and level of business activities. In service sector when two firms collaborate together for common interest the level of better services enhanced. Mergers are supposed to enhance the revenue and profitability economies of sales and scale. The companies seek economies of scale, competences and improved market perceptibility through merger & acquisition. Merger and acquisition deals or alliances are good for the betterment of corporate world because the economy of a company depends mostly on the commercial activities (Altunbas & Marques-Ibanez, 2008). Although, there are different factors for which Merger and Acquisition deals are performed, but the basic purpose of all merger and acquisition deals is to maximize the profit and earnings of the shareholders (Sudarsanam & Mahate, 2003).

1.2 Waves of Merger

1.2.1 First Wave of Merger

The first wave of merger covered the time period from the year 1897 to the year 1904. In this time period total 301 merger deals were performed. More, over the peak period of this first wave was the year 1899 in which almost 1050 firms were merged. Most of mergers taken place in first merger wave were horizontal merger. In this time period the privileges obtained were as, economies of scale. Due to horizontal merger per unit cost decline and drawbacks were the dominion problem as due to firm market control after the deal of merger. Many experts have faith in that period of first merger wave could be deferred if First World War was not started (Nelson, 1959).

1.2.2 Second Wave of Merger

The second wave of merger remained active from the period 1916 to the year 1929. The reason to start of second wave of merger was the economic boom in America. The merger alliances of second wave can be categorized into as improved business attentiveness. But in reality the second wave of merger was vertical merger wave. In this time period the automobile companies merged. This second merger wave reaches at end because of the 1929 fall down and the unbelievable sadness (Nelson, 1959).

1.2.3 Third Wave of Merger

The time period of third wave of merger consisted upon the time period between the year 1965 and 1969. The kinds of merger deals belong to third merger wave were the conglomerate merger deals. It was the first time when firms take care of merger deals and started receiving the results of merger alliances of unrelated business.

1.2.4 Fourth Merger Wave

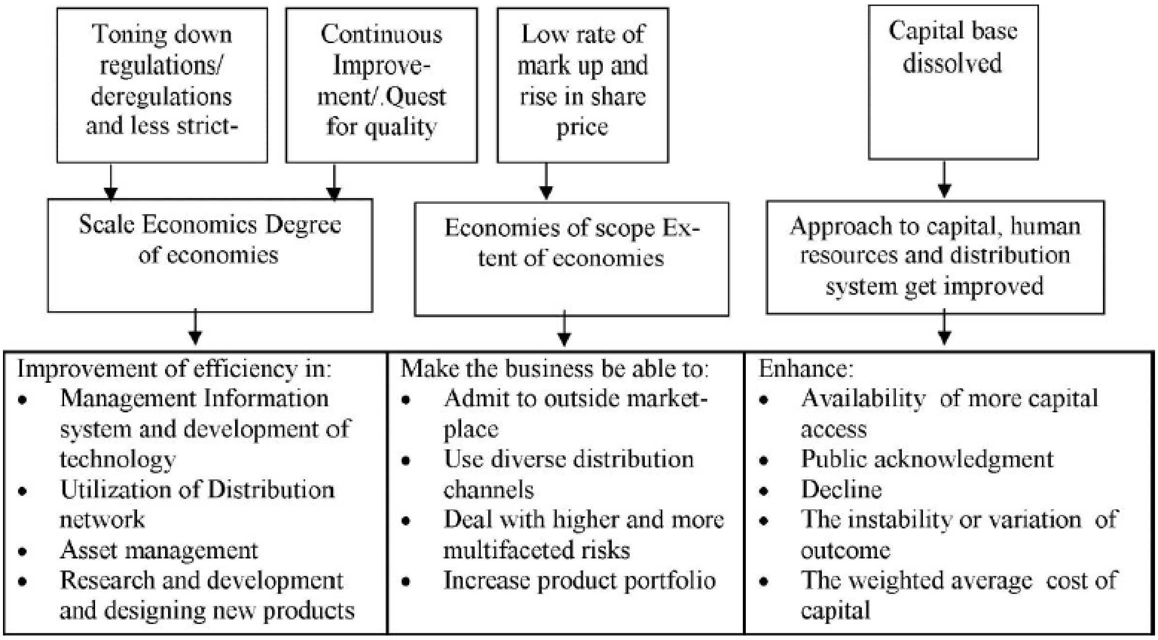
The fourth wave is known internationally due to takeovers. The merger deals of this very period were the most expensive from the previous merger alliances as billions of dollars were involved in them. This merger wave remained active from the year 1981 to the year 1989. The famous features of this wave were dangerous takeover, dealing with bankrupt firms etc. The fourth wave was also joined with a great deal of difficulties e.g. bargaining hitches between firms (Rajan, Servaes, & Zingales, 2007).

1.2.5 Fifth Merger Wave

The fifth merger wave was one of the famous time period with respect to merger deal in its nature. The fifth merger wave was popular because of mega merger transactions. The fundamental feature of fifth merger wave was its size which is more than all the other waves. Majority of the merger deals were international and across the borders. So, it can be described as the international or global wave of merger and acquisition.

1.3 Merger and Acquisition process

Merger & Acquisition process starts when an organization plans to sale or purchase all or part of assets of a business entity. The process of merger & acquisition is completed when the target company accepts or rejects the proposal. Merger and acquisitions transaction process all the time begins with the seller's plan to sell and/or the purchaser intention to buy and finalize with either accepting a proposal or refusing it (Lee & Colman, 1981). There may be different objectives behind the plan of sale or purchase of the assets of a business entity depending upon the nature of business, class of merger and sector of the company. Most commonly, the following may be the objectives behind the proposal of merger & acquisition as explained below:



1.4 Problem Statement

According to Efficiency Theory of Merger & Acquisition, merger only occurs when it expected to generate reliable synergies to make it beneficial for the both companies. The objective of every business is to grow, expand and improve performance. Some of the empirical studies like Mantravadi & Reddy, (2008) indicate that the merger not only improves the profitability but also improves long term performance. On the other hand, Rashid & Naeem, (2017) conclude that merger agreement does not pay any relevant impacts to the leverage ratios, profitability ratios and liquidity ratios. Empirical studies on mergers like Cartwright & Schoenberg, (2006) conducted in different industries, indicated that majority of the merger cases investigated do not meet their projected objectives. Most mergers and acquisitions fail to meet the expectations of the purchasers (Venema, 2015). The high failure rate of the merger and acquisition (M&A) strategy and inconsistency in the findings of empirical studies support further investigation in the field. Moreover, Rozen Bakher, (2017) also emphasized the need for future studies with the aim of understanding the inconsistent results of the existing studies in relation to post-merger performance of horizontal mergers. The findings of previous studies support this study to conduct further investigations to solve the problem of difference between theory and practical experiences. The study is designed to investigate whether the theories of synergy effect of merger & acquisition on the performance of merged/acquirer companies are failing or otherwise.

1.5 Research Gap

There are studies in the existing literature that explore the influence of merger and acquisition contracts on financial presentation of merged/acquirer firms in one sector or sub sector of the industry. However most of the studies examine the success of the M&A along with the related and unrelated classification but the existing literature neglected the importance of comparison of M&A success between the two main sector i.e manufacturing sector and service sector in Pakistan. Abbas, Hunjra, Azam, Ijaz, & Zahid, (2014) conclude that the study is only limited to the banking sector of Pakistan while there are so many sectors available to research in this area. The existing literature which is available on the topic of comparing and contrast the merger of service sector and manufacture sector firms not sufficient (Bakher, 2017). Therefore this study is conducted to fill the research gap of comparison of post-merger performance between manufacturing sector and services sector in Pakistan.

1.6 Research Questions

Exploration of all the types of M&A and its comparison of one sector with another sector can give a deeper understanding regarding the influence of the types of M&A on its success. In the light of arguments outlined above, the study raises following important research questions as follows:

- **(i)** Do merger & acquisition significantly affects post-merger profitability of a manufacturing company in Pakistan?
- **(ii)** Do merger & acquisition significantly affects post-merger profitability of a services company in Pakistan?
- **(iii)** Is there a significant difference in impact of merger & acquisition on post-merger profitability between manufacturing company and services company in Pakistan?
- **(iv)** Do merger & acquisition significantly affects post-merger liquidity of a manufacturing company in Pakistan?
- **(v)** Do merger & acquisition significantly affects post-merger liquidity of a services company in Pakistan?
- **(vi)** Is there a significant difference in impact of merger & acquisition on post-merger liquidity between manufacturing company and services company in Pakistan?

(vii) Do merger & acquisition significantly affects post-merger leverage of a manufacturing company in Pakistan?

(viii) Do merger & acquisition significantly affects post-merger leverage of a services company in Pakistan?

(ix) Is there a significant difference in impact of merger & acquisition on post-merger leverage between manufacturing company and services company in Pakistan?

1.7 Research Objectives

The study compared the post-merger financial performance of Pakistani firms between manufacturing sector and service sector with respect to classification of M&A. The study measured the financial performance of merged/ acquirer firm by three dimensions i.e profitability (ROA, ROE, NPM, EPS), liquidity (CR, FS) and leverage (DE, ICR). The study helps to better understand the post-merger performance of the company along with comparison to other sectors in Pakistan. The objectives of this study are as follows:

(i) To measure the affect of merger & acquisition on the post-merger profitability of a manufacturing company in Pakistan.

(ii) To measure the effect of merger & acquisition on the post-merger profitability of a services company in Pakistan.

(iii) To compare the effects of merger & acquisition on post-merger profitability between manufacturing company and service company in Pakistan.

(iv) To measure the effect of merger & acquisition on the post-merger liquidity of a manufacturing company in Pakistan.

(v) To measure the effect of merger & acquisition on the post-merger liquidity of a services company in Pakistan.

(vi) To compare the effects of merger & acquisition on post-merger liquidity between manufacturing company and service company in Pakistan.

(vii) To measure the effect of merger & acquisition on the post-merger leverage of a manufacturing company in Pakistan.

(viii) To measure the effect of merger & acquisition on the post-merger leverage of a services company in Pakistan.

(ix) To compare the effects of merger & acquisition on post-merger leverage between manufacturing company and service company in Pakistan.

1.8 Significance of the study

According to the knowledge of researcher this type of study has not been conducted specially in Pakistan perspective. The existing literature neglected the importance of comparative study to compare the post M&A performance between the two main sectors namely Manufacturing Sector and Services Sector in Pakistan. The empirical studies like Abbas, Khattak, & Khan, (2016) take into account Pakistani Textile Sector. Abbas, Hunjra, Azam, Ijaz, & Zahid, (2014) analyses only post-merger performance of banking sector in Pakistan. Ahmed & Ahmed, (2014) examines the financial performance of manufacturing companies of Pakistan. Ashfaq, Usman, Hanif, & Yousaf, (2014) investigate the Non-financial sector of Pakistan and recommends the relative examination of post-merger presentation (absolute & relative) of monetary and non-financial subdivision. This study explores all the types of M&A and compares the pre and post-merger performance of merged/ acquirer. The significance of the study lies that it compares the post-merger performance of manufacturing sector with services sector. The findings of the study give deeper understanding regarding the influence of the types of M&A on its success not only for the organizations inclined towards Merger & Acquisition in Pakistan but also for the potential investors and managers.

1.9 Hypotheses of the study

Keeping in view of objectives of this study and the findings of the previous empirical studies, following hypotheses of the study have been formulated:

Hypothesis 1:

Merger &Acquisition (M&A) significantly affects the profitability of merged/acquirer company in Pakistan.

Hypothesis 1a:

Merger &Acquisition (M&A) significantly affects the profitability of manufacturing companies in Pakistan.

Hypothesis 1b:

Merger &Acquisition (M&A) significantly affects the profitability of services companies in Pakistan.

Hypothesis 2:

Merger &Acquisition (M&A) significantly affects the liquidity of merged/acquirer company in Pakistan.

Hypothesis 2a:

Merger &Acquisition (M&A) significantly affects the liquidity of manufacturing companies in Pakistan.

Hypothesis 2b:

Merger &Acquisition (M&A) significantly affects the liquidity of services companies in Pakistan.

Hypothesis 3:

Merger &Acquisition (M&A) significantly affects the leverage of merged/acquirer company in Pakistan.

Hypothesis 3a:

Merger &Acquisition (M&A) significantly affects the leverage of manufacturing companies in Pakistan.

Hypothesis 3b:

Merger &Acquisition (M&A) significantly affects the leverage of services companies in Pakistan.

Hypothesis 4:

Significant difference exists between Post-Merger financial performance of manufacturing companies and services companies in Pakistan.

CHAPTER 02

LITERATURE REVIEW

This section of the study deals with the earlier literature which is quite relevant to this research work. The purpose of literature review is assuring oneself that one is not reinventing the wheel. The literature review supports the objectives of the study.

The world has become a global village. The businesses in the world are interconnected; therefore, the nature of doing business has also been changed. Now the corporation of one country is running its business in many other states with the permission of those particular countries. And these corporations are known as the multi-national corporations. Hence, Merger and Acquisition is a world phenomenon. There are numbers of perks and privileges which are attached with Merger and Acquisition of the corporations. Even the developing states have witnessed the Merger and Acquisition of service sector and manufacturing sector firms (Shakoor I. , Nawaz, Asab, & Khan, 2014)

The purpose of all types of organizations, corporations, manufacturing units and services companies is to maximize their profits and to expand the business operations not only at local level but also at the international level. So, development and growth is the fundamental motive of all type of profit making organizations. Among such organizations, some firms use the technique of organic growth for example product development, reduction of cost, market expansion, economies of scales and customer satisfactions tactics. On the other side, such organizations and entrepreneurs which lack financial resources and human resources follow the technique of acquisition and merger to make prosperity and to enhance their profitability ratios (Abbas, Hunjra, Azam, Ijaz, & Zahid, 2014). Method of merger and acquisition for the maximization of profit is common among all types of organization, either they belong to manufacturing units or they belong to the services sector. Moreover, this method is also followed by the financial as well as non-financial corporate sector. In the past, many researchers examined the impacts of Merger and Acquisition in services sector and manufacturing sectors. The culture of Merger and Acquisition is common in the developed countries like America, Canada, England and France where the industries developed centuries before. But on the other side, this culture of doing business collectively is not common in the developing states due to newly introduction of industry and large scale manufacturing units. In fact, the development of business and industry in the developing states is its initial stages.

2.1 Merger & Acquisition

Merger and Acquisition term firstly introduced in the western developed economies; which are the birth places of the modern business firms. In the developed western economies these terms are used interchangeably. These terms are used for the purpose of buying and selling of shares and ownership as well as assets of other firms for the purpose of expanding the nature of commercial activities and to promote growth in different ways. One main purpose of Merger and Acquisition is to protect the firms from the threat of insolvency. When the management or ownership of a firm sees that their firms are going in loss, they can easily enter into merger or acquisition agreement to another firm to protect their capital. But merger and Acquisition have different legal and practical points. At international level merger and acquisitions are concerned with the selling and buying of corporations and businesses. The terms & conditions include all types of joint ventures, marginal equity acquisitions, organizations buy outs and classical merger and acquisition.

In this current global competitive scenario, the level of competition among small and large scale manufacturing units as well as other sectors of economies, such as service sector is intensified. Large scale service sector and manufacturing units have huge assets and equity, therefore small corporations cannot compete them in different fields. Large scale manufacturing firms are doing their business in different states and earning billions of dollars revenue. But on the other side, small firms are doing their business at small scale and earn minimum revenue. In this scenario, small firms get together for their common interests and form different nature of businesses. In this type of business few firms collectively do business and try to compete the larger organizations (Coyle, 2000)

2.2 Impact of Merger and Acquisition on performance

Mergers and acquisitions (M&A) are interchangeably used for consolidation of companies. A merger is the combination of two companies to form one for common objectives, while Acquisitions occurs when a company takes part or all of assets of another company. M&A is one of the major aspects of corporate finance world. The reasoning behind M&A generally given is that two separate companies together create more value compared to being on an individual stand. With the objective of wealth maximization, companies keep evaluating different opportunities through the route of merger or acquisition.

Merger and Acquisition have mixed impacts on the financial and operational performance of corporations. Previous empirical studies showed the firms witnessed heavy losses due to many factors after merger. The nature of business changes but majority of the management follow the pre-merger rules and regulations. Due to negligence of management, inability of new ownership, financial condition of country and international economic situation newly merged firms may face bad financial situations (Julian, Tom, & E. Kevin, 1996). Merger and Acquisition agreements have also confirmatory influences on the post-merger fiscal performance of corporations. More capable brain collaborates with one another for a common objective. Therefore, resultantly the level of operational activities increase and output of firms enhance. The success and failure of firms depends on the overall management of corporations after their merger and acquisition deals (Cartwright & Cooper, 1993).

In the current world the level of technologies has enhanced. So, it is presumed that merger and acquisition deals can lead to progress and development of merged firms. Many previous studies show the improvement in the financial performance of companies which merged with one another in manufacturing and service sector. Many of merger and acquisitions alliances result in better performance and high growth as compared to their previous performance (Kang & Johansson, 2000). Hence, merger and acquisition deals most of the time give positive results. The performance of merger and acquisition deals mostly depends on the capabilities of management. The more capable management a firm have the more financially strong firm will be in future. Therefore, merger and acquisition deals have versatile impacts on the performance of company (Lehto & Bokerman, 2008). The aim and long term purpose of Merger and Acquisition depend upon the type of Merger & Acquisition Mer. All types of corporations have their own objectives behind Merger & Acquisition.

2.3 Horizontal Merger

A merger occurring between companies in the same industry is called horizontal merger. Horizontal merger is a business consolidation that occurs between firms which operate in the same space, often as competitors offering the same good or service. For instance, horizontal merger is can be defined as two different firms or businesses which are doing the same type of business and they decide to do the work under the same management and under the control of a single management. Horizontal merger is occurred when two firms of same fields or sector get together and do business collectively (Liczynski & wilson, 2004). This type of alliance is also known as parallel combination (Irshad, 2005).Horizontal mergers are common in industries with fewer firms, as competition tends to be higher and the synergies and potential gains in market share are much greater for merging firms in such an industry. There are assumptions that Horizontal mergers results in attaining competence and higher level of economies of scale. There are evidences that Horizontal Merge is not only significant to firm's profitability but also increases firm's overall financial efficiency (Mantravadi & Reddy, 2008).

The effect of mergers on the financial position of pharmaceutical companies of India was investigated by Ghatak (2012) taking 52 listed pharmaceutical and drug companies as a sample. He observed the financial data of these companies during the years 2005 to 2010. After analyzing the financial data of all these pharmaceutical and drug firms, he concluded that exports, size of the firms, selling efforts and import intensifies after the merger alliance of these companies. Furthermore, it was also found that after the merger the profitability index and overall financial performance of the company improved due to changing size of business by merging with different firms. Similarly, the overall solvency condition of the pharmaceutical firms also enhanced. Many other researchers have found that merger and acquisition of the same type of pharmaceutical firms is in the best interests of the firms which want to enhance their solvency as well as profitability conditions. Because doing business by managing alliances improve the financial activities of the firms. So, horizontal merger is good for almost any type of firms in different sector of economy. It brings positive change in financial performance of companies.

The monetary situation of mutually merged corporations of manufacturing field of Pakistan was evaluated by Usman, Mehboob, Ullah, & Farooq, (2010). They implied the quantitative research method to judge the before merger and after merger financial ratios of industrial firms. For the motive of investigating the performance pre and post-merger performance of firms he used the financial and statistical data of more than 14 firms as a sample and implied t-test to investigate the primary changes occurred in their financial conditions and economic stability. The results of the firms show an immaterial change occurred after the merger deals. The financial ratios of the firms which entered in merge deal show a downward trend just after they entered into merge alliance. So, it proved that merger deals do not all the time result in getting higher profit and favorable financial ratios. It is quite clear that Horizontal Merger do not always results in positive or negative impact of merger on the profitability, liquidity and leverage. The success of Merger & Acquisition depends upon the situations and results differently from case to case.

2.4 Vertical Merger

Vertical mergers involve a combination of firms that have a buyer–seller relationship (Tremblay & Tremblay, 2012). Vertical merger occurs when all the units of same type or different phases collect together to do the business collectively, such as from the start of raw material and its processing to the end of the process, for instance the final product or consumer product. A merger between two companies producing different goods or services for one specific finished product is called Vertical Merger. A vertical merger occurs when two or more firms, operating at different levels within an industry's supply chain, merge operations. This may be a backward integration or forward integration. Most often the logic behind the merger is to increase synergies created by merging firms that would be more efficient operating as one. This type of merger results in the providing the goods at very low cost along with provision of quality products to the consumer. Vertical merger contract also results in removal of distributor's cost since both are fragment of the same entity (Babu, 2005). Vertical merger deal takes place when versatile and many industrial units of same type of industry came below single organization. Under this strategy, the basic units' join up all the phases of production from buying of raw substantial to its final product (Irshad, 2005). In the modern era vertical merger is very much useful for the consumer markets (Bhuyan, 2005). In such type of markets, there is need of cooperation of more than one firms and manufacturers.

The effects of vertical merger on the post-merger profitability of specific 43 foods manufacturing corporations in United States were investigated. After collecting the data of relevant firms and investigating the financial results of the firms the scholar reached at the point where he concluded that vertical merger deals result in low profit earning and failing in creating differential advantages, for instance, cost saves for integrated corporations. Vertical merger deals are in its own nature a different way of doing business. But like many other types of Merger and Acquisition it has its own benefits and losses. The basic thing which is key to note in merger deals is the nature of business as well as the structure of firms which are going to engage in merger alliance.

Analysis of 394 firms (197 Target & 197 Acquirer) listed on Nasdaq Stock Market and New York Stock Exchange involved in merger & acquisition activities, performed by Bakher, (2017). Sample of the study was equally distributed as 99 firms were taken from industry sector and 98 from service sector. Three years pre and post merger data was analyzed and data was collected from the annual reports of the firms. Data was analyzed on two stages, first stage was comparison of types of M&As and the second stage was multiple linear regression analysis. The results showed that Vertical M&As lead to a success only in relation to synergy in the services sector.

2.5 Conglomerate Merger

Conglomerate merger contains two characteristically irrelevant companies from dissimilar industries merge composed. The main objective of this type of combination is the alteration of commercial risk by having a gathering of independent trades (Coyle, 2000). A merger between firms that are involved in totally unrelated business activities is called Conglomerate Merger. There are two types of conglomerate mergers: pure and mixed. Pure conglomerate mergers involve firms with nothing in common, while mixed conglomerate mergers involve firms that are looking for product extensions or market extensions. The integration stage is supposed to be more complicated and prone to failure compared to related merger & acquisitions due to negligible relatedness in terms of products or services. The stark differences in a conglomerate Merger regarding the markets, products and geographic locations, may cause more problems during the integration stage, which may harm the Mergers' ability to realize the synergy potential. In addition, it is more difficult to consolidate operations, human resources and physical assets in conglomerate merger & acquisitions due to the diversity aspect. This, in turn, limits the ability to reduce the overall operating costs, resulting in a lower profitable. Horizontal and vertical Mergers potentially can produce economic gains but the economic case of conglomerate merger is somewhat less clear. Much of the traditional analysis relating to the possible creation of economies of scale in production, distribution and management is not relevant purely to the pure conglomerate merger. It can be concluded that in a perfect capital market, an economic advantage cannot be achieved by a purely conglomerate merger (Levy & Sarnat, 1970). The profitability is lower in unrelated acquisitions compared to related acquisitions. On the other hand, a conglomerate M&A has a higher synergy potential because of the ability to increase the market value of the combined firms. This can be attributed to the expansion into different markets (Tremblay & Tremblay, 2012),

2.6 Congeneric Merger

Congeneric merger & acquisition can be well-defined as the obtaining of a company that is in the same industry but is neither in the same line of business nor a supplier or a customer (Gitman, Juchau, & Flanagan, 2009).A congeneric merger is a type of merger where two companies are in the same or related industries but do not offer the same products. In a congeneric merger, the companies may share similar distribution channels, providing synergies for the merger. The acquirer and the target may have overlapping technology or production systems, making for easy integration of the two entities. The acquirer may see the target as an opportunity to expand their product line or eat up new market share.

2.7 Impact of M&A on Manufacturing Sector

Merger and Acquisition have dissimilar effects in manufacturing and service sector on the financial and economic performance of companies. As everyone knows that service sector and manufacturing sector both have their own structure and nature of management; therefore, both of them need different strategies to deal with Merger and Acquisition. The profitability ratio, solvency ratio, liquidity ratio and cost of the products affect a lot after the merger deals. It is not necessary that all Merger and Acquisition deals remain successful and get profit after their occurrence. Sometime the buying and acquired firms have to face the downward trend in their profitability index after the merger deals. So Merger and Acquisition have mixed effects on the post-performance of the firms. Some firms fail in maintaining their financial position which is prevailing before the merger deals.

The merger deals of textile firms in Pakistan was investigated byUsman, Khan, Wajid, & Malik, (2008) by checking the financial and economic performance of five merger events during the time period of 2001 to the year 2005. A combined mean for three years pre and combined mean for three years post-merger period was then calculated. The difference between the mean performance measure of the pre- and post-merger years was then worked out. To verify the results and significant differences in the performances between pre and post-merger performance of the company, the researcher used Paired sample t-test. The paired sample t-test was used to get any significant differences between the mean of projected years with the mean of pre-merger years. The financial indicators revealed that mergers in the textile sector of Pakistan during (2001-2005) did not achieve any significant improvement during their three years post-merger period. It gives an impression that profit is not effectively generated through the available combined resources. The actual post merger profitability variables (ROA, ROE) show decreasing trend except for NPM that records insignificant increase. Whereas, the three profitability ratios (ROA, ROE, NPM) for projected three years post merger period records insignificant increasing trend over the pre merger three years results. The leverage ratios reveal that the merged companies' owners' equity has not been significantly used to finance their needs. Rather, the companies relied more on debt financing after mergers that resulted in the increase of fixed costs and reduced profitability.

The financial as well operating performance of the merged textile firms of Pakistan was investigated and analyzed by Abbas, Khattak, & Khan, (2016). The study was carried out to evaluate the impact of merger on firm's profitability in Pakistani textile sector. For this purpose paired sample t-test was applied. A total fourteen mergers taken place between 1995 and 2018 were taken into account. The findings of the study are in line with the studies conducted with the rest of the world. However, in majority of cases the impact of merger on firm's profitability is negative but insignificant. This negative impact may be due to the fact that many of the mergers took place with the firms which were declared as sick units and hence negatively affected the profitability. The profitability, solvency standpoint and leverage value decreased drastically after merger. So, the results indicate negative effect of merger and acquisition deals on the post-merger financial performance of textile industry in Pakistan.

Drees, (2014) Analyzed 204 firms to assess the corporate strategies, for that objective they took acquisition, joint venture and merger. After the studying the financial data of all these techniques of business, he concluded that merger and joint venture as well as acquisition increase fundamental performance. Moreover, they concluded that merger contracts can place optimistic impressions on the market base and accounting based performance as compared to the other joint venture alliances. Because there is lot of difference in management and doing business in all these three form of alliances. Management as well as doing the business in different ways affects the overall growth of firms. So, it is concluded here that merger and acquisition are more reliable as compared to the joint venture alliance.

The impact of merger on fiscal presentation of the merged Jordanian Industrial firms was investigated by Al-Hroot, (2016). The study investigated the sample of almost 7 merged businesses from the year 2000 to the year 2014. The study implied paired sample t-test analysis, to measure the liquidity, profitability and solvency ratios. The results show that post-merger profitability, efficiency, leverage & liquidity insignificantly improves Jordanian industry sector. Merger has positive impact of pharmaceutical and medical industry in Jordan. Merger has mixed (positive & negative) impact on engineering and construction industry. Tobacco & Cigarette industry after merger profitability & market prospect performance indicators improve insignificantly while liquidity and leverage deteriorated insignificantly. Moreover, it is found that different industries showed different results for impact of merger deals.

2.8 Impact of M&A on Services Sector

Merger and Acquisition alliances or deals in manufacturing and service sector have different effects on the financial and economic performance of companies. As everyone knows that service sector and manufacturing sector both have their own structure and nature of management. Both of them need different strategies before Merger and Acquisition deals and alliances, as well as after the Merger and Acquisition deals. The profitability ratio, solvency ratio, liquidity ratio and cost of the products affect a lot before the merger deals and after the merger deals.

The financial and economic situation of the firms which got supernormal earnings and profits for almost 26 target and 171 buying firms in the service sector i.e. restaurants merger alliances was evaluated by (Chatfield, Dalbor, Ramdeen, & Harrah, 2011). The pragmatic results of these restaurants show that target entities in restaurant enjoyed positive significant improvements. These results show that these improvements in profits and overall economic performance of the firms were observed due to the cohesiveness factor. When a company works individually, its profitability rate is different and when it works in merger alliance the profitability of that specific firm changes accordingly. So, in the case of these restaurants, the synergy factor improves the long term profitability and financial condition of the companies.

Figueira & Nellis, (2009) investigated and found that banks (during 1998-20044) which are involved in merger alliances and deals perform better as compared to the banks which are not involved in merger deals and results can be observed from the pre and post-merger financial positions of these banks. They examined the efficiency of the banks involved in the merger and acquisitions (M&A) activity to determine whether their performance improved as a result of M&A decisions. The performance of these banks was compared with that of other large banks, which have chosen alternative routes of development. The findings suggested that banks involved in M&A activity are more efficient after the M&A when compared with other large banks. Country-specific characteristics appear to play an important role in explaining the results.

The fiscal influence of merger alliances in transport sector was assessed by (Andreou, Louca, & Panayides, 2012) during period (1981-2008) on sample of 60 merger and acquisition alliances. This study originate that mergers deals can crate cohesiveness. Transportation merger create lots of benefits for the firms which are involved in this alliance and it is very useful for the transportation industry. According to some of the researcher, merger alliance in transportation can give highest level of return to owners of the business due to the nature of transportation business. Furthermore, they have also concluded that vertical merger alliances have better chances of prosperity and development as compared to the horizontal merger deals. In vertical merger deals the two or more than two firms have almost the same type of management and structure.

Abbas, Hunjra, Azam, Ijaz, & Zahid, (2014) investigated the financial performance of Banks after merger in Pakistan. The financial accounts of 10 banks were taken from the financial statement of merging banks. Profitability, efficiency, leverage & liquidity ratios were used to measure the Financial Performance where pre and post ratio analysis was done. The results of the study show that there is no positive improvement in the financial performance of banks in Pakistan after Merger & Acquisition.

2.9 Comparison of Post-Merger Success between Two Sectors.

The sector of the firm also influences the M&A success. However, the M&A literature lacks studies that compare the three dimensions of M&A success between the industry sector and the services sector. There are studies in the literature that examine one of the dimensions of M&A success in specific sectors of the industry sector or the services sector such as the integration success (Schwenker & Botzel, 2007) or the profitability success (Kemal, 2011), but these studies did not make a comparison to other sectors. Considering the above, the existing literature does not provide clear understanding regarding the differences between the industry sector and the services sector in relation to M&A success. However the rare comparative studies conducted in the field proved huge difference between post-merger financial performance of manufacturing sector and services sector. Bakher (2017) confirms this argument. The study shows that foreign direct investment lead to employment shifts from the industry sector to the services sector in advanced countries (Bakher, 2017). Therefore, the integration process in the industry sector is supposed to lead to more elimination of jobs compared to the services sector (Lehto & Bokerman, 2008), resulting in a higher success of the integration process in the industry sector. Besides, the downsizing of jobs during the integration process is supposed to contribute to the improvement in profitability. However, the synergy is supposed to be more successful in the services sector compared to the industry sector because of the growth of the services sector. Thus, the potential for expansion of the firm market and realizing the synergy potential is higher in the services sector compared to the industry sector. In the light of the above, the industry sector is supposed to lead to more elimination of duplicate jobs and overlapping operations during the integration process, resulting in integration success and profitability success. However, the services sector is more motivated by market expansion, which is supposed to lead to synergy success.

2.10 Positive impact of Merger &Acquisition

Numerous research works have been conducted on the topic of Merger and Acquisition which have found that merger & acquisition have very optimistic and important impacts on the liquidity, leverage and profitability of specific firms. Studies have proved that profitability and solvency ratios of firms have changed after they move from doing business individually towards doing business collectively. Proper valuation of the business assets and other resources is necessary for proper negotiation of Merger and Acquisition and success of merger deal is hidden in it.

The financial position of 162 merged firms and industry adjusted cash flow returns was examined by Ramaswamy & Waegelin, (2003) taking 5-year pre and 5 years post-merger performance. They found that after merger, performance was negatively related with size of target firm and have positive relationship with long-term motivation recompense plans. Firms that were in different industries also showed improvement in financial performance. They used regression analysis to conclude whether there was any improvement in post-merger performance as compare to the financial performance before merger. They found improvement in post- merger operating and financial position calculated by industry-adjusted return on assets for selected sample.

The performance of merger companies from the year 2002-2005 was evaluated by Gunasekaran, Selvam, & Babu, (2011) by taking per-merger and post-merger data. They found a clear change in financial performance and level of financial activities of merged firms. They also concluded that during the years or process of merger the economic condition of the firms started improving due to change in the trust of the people as well as shareholders. They analyzed both target companies and purchasing organizations by taking the data for last 3 years prior to merger and post-merger. They applied ratio analysis and paired sample t-test. The researchers found that the wealth of stockholders enhanced after merger.

The financial position of manufacturing companies involved in the process of merger (during 2000-2009) in Pakistan was investigated by Ahmed & Ahmed, (2014). The purpose of the study was to get the effect of mergers upon financial performance of acquiring firms in a variety of manufacturing industries of Pakistan. Sample of the study consist twelve manufacturing firms involved in merger in Pakistan. Three years before and after-merger data was used to test the significance of study. Paired sample t-test statistics was applied on accounting ratios with the help of statistical software SPSS. The results of this study showed that Pakistani companies are not different than the companies in other parts of the world. On the basis of findings, it was concluded that overall financial performance of acquiring manufacturing corporations insignificantly improved after merger. The liquidity, profitability and capital position insignificantly improved while the efficiency deteriorated after- merger. It was finally concluded that merger impact on different industries of manufacturing sector differently.

Lipson & Mortal, (2007) found that different factors can affect the liquidity and profitability performance of the firms by connecting different aspects of the firms during the merger process. Different firms need versatile strategies to follow for better performance in financial performance. Some firms cannot get success even after merger deals because of poor management of Merger and Acquisition process. On the other side, some companies which are running in loss, get success after merger alliance when they follow the rules of business and manage the things professionally. The researchers took the sample of 1400 firms throughout the period which started from 1992 and ended in 2004. By doing regression investigation they originate that incomes of the firms deteriorated. In the same, they also concluded that firm size, increased volume and decreased instability are linked with the enhancement of growth.

2.11 Negative impacts of Merger &Acquisition

Merger and Acquisition have two sided story. Contrary to the studies and research work which cited above and which showed a positive effects of Merger and Acquisition in different manufacturing and service sector of economy. The merger and acquisition has negative impacts on the overall performance of business in the short run as well as in the long run. The empirical studies also show that some companies witnessed weak financial performances after merger.

Rashid & Naeem, (2017) applied regression analysis to check the impact of merger deals on profitability, liquidity, and leverage position of nonfinancial companies of Pakistan. They took 25 merged and acquirer of non-financial firms listed on Pakistan Stock Exchange during the period from 1995 to 2012. They used 3-year pre and post merger average of financial ratios in their empirical analysis. The results suggest that merger deals do not have any significant impact on the profitability, liquidity, and leverage position of the firms. However, the estimates suggest that the merger deals have a negative and statistically significant impact on the quick ratio of merged/acquirer firms.

The post merger performance of metal industry was investigated and analyzed by Sharma,(2013). The study took nine metal companies from India for the period 2009–2010. She applied paired sample t-test for the comparison of pre and post merger performance. Her findings showed minor but insignificant improvement in liquidity and leverage position of metal industry after merger. Profitability in this study declined significantly in terms of RONW and ROA. She suggested that synergy through mergers is possible to generate in the long run with efficient use of resources.

Mantravadi & Reddy, (2008) analyze 118 firms chosen as all mergers involving public limited and traded companies in India between 1991 and 2003.The post-merger performance was compared with the pre-merger performance and tested for significant differences, using paired “t” test. The study was aimed to evaluate the impact of mergers on the operating performance of acquiring corporations in different industries, by examining some pre- merger and post-merger financial ratios, with the sample of firms. The results suggest that there are minor variations in terms of impact on operating performance following mergers, in different industries in India. In particular, mergers seem to have had a slightly positive impact on profitability of firms in the banking and finance industry, the pharmaceuticals, textiles and electrical equipment sectors saw a marginal negative impact on operating performance (in terms of profitability and returns on investment). For the Chemicals and Agri-products sectors, mergers had caused a significant decline, both in terms of profitability margins and returns on investment and assets.

Kumar & Bansal (2008) found that improvement in profits of the firms is not only possible due to the fact the firms enter in merger deals, it is a matter of long term partnership and synergy due to which the profitability and solvency of the firms enhanced to a long run. By doing the ratio analysis of 76 merger deals (during 2000 to 2006), the researcher found that the synergy among the buying firms and targeted firms. So, it results in creating improvement for longer run

2.12 Merger and Acquisition in the Developed Economies

Merger and Acquisition were common in the European states as well as in the United States of America. The Merger and Acquisition are one of the common commercial or business practices which are adopting by the small and even large scale firm to maximize their profits and to expand their businesses as well as to compete in market, for growth and sustain the business. Merger and Acquisition is a common practice now days in the developed economies. It is because almost all type of business and manufacturing activities have developed from the developed states, such as United Kingdom, France, Germany and United States of America etc. Therefore, in these states nature of business used to change according to the need of the hour and according to the demands of the customer. The current nature of corporations and the way they are working is completely different from the ways they used to work in the past. The market of corporate economy was born in the United States of America and a lot of research work has been done there for the expansion and growth of corporate world. Still all types of businesses are passing from their development stages. So, Merger and Acquisition are some kinds of development of business which originated from the developed world and now transferring it to the developing states. Increase profit margin, protect the firm from solvency and enhance the liquidity status of the firms are some primary objectives of Merger and Acquisition deals. Among all these studies and research works which were conducted to investigate the affects of post-merger deals on financial performance of versatile corporations show that firms often face negative trend in their financial performances after. Empirical studies also found positive cash flows of the firms after merger

The long-run financial performance of 4288 merged firms for the period from 1990 to the year 2007 was analyzed by Chan & Tsai, (2013) in United Sates of America. The impact of merger deals in banking sector of United States was investigated by Berger, Hancock, & Humphrey,(1993) by taking the sample of around 4500 bank merger deal. It was found that banks were keen to enter in the acquisition and merger deals to boost-up their liquidity and profitability indexes. So, first time in the history of America the banking sector enter into the merger & acquisition deals for the welfare of workers and for the progress of banking sector. Both input and output inefficiencies are derived from a profit function for US banks. Most inefficiency are from deficient output revenues, rather than excessive input costs. Larger banks are found to be more efficient than smaller banks, which may offset scale diseconomies found elsewhere. Tests of a new concept, 'optimal scope economies', suggest that joint production is optimal for most banks, but that specialization is optimal for others. Studies have proved that profitability and solvency ratios of firms which have adopted the trajectory of Merger and Acquisition in the past changed after they move from doing business individually towards doing business collectively.

Tsung-Ming & Hoshino, (2002) investigated the impacts of Merger and Acquisition on the wealth of the stockholders and financial performance of companies after the occurrence of merger in Taiwan. For the purpose of measuring the performance of the firms, their financial index, such as, profitability, cost reduction and solvency ratios were analyzed. The sample of 46 corporations merged during the time span of 1987 to the year 1992 was taken. It was found that the merging firms gain modestly positive abnormal returns around the time of the press report of the merger proposals, but larger and statistically significant returns over longer event periods. The evidence suggests that, on average, mergers and acquisitions are favored by the market, thus increasing shareholder wealth. This is consistent with the previous empirical studies.

Lipson & Mortal, (2009) a U.S based researchers, found that different aspects can touch the profitability and liquidity performance of the firms during the period of merger alliance. Different firms need versatile strategies to follow for better financial performance after merger. Some firms cannot get success even after merger deals because of poor management of process of Merger and Acquisition. On the other side, companies which are running in loss get success after merger alliance when they follow the rules of business and manage the things professionally.

Powel & Stark, (2005) found that operating financial performance improves after merger/ takeover. The results suggest that takeovers completed in the UK over the period 1985 to 1993 results in modest improvements in operating performance. The findings reveal larger improvements in operating performance, ranging from 0.80% to a statistically significant 3.1%. While there is some evidence that factors such as industrial relatedness and the removal of the target CEO have an impact on post-takeover performance, method of payment is found to have an insignificant impact.

2.13 Merger and Acquisition in the Developing Economies

In the Asian history, most of the Merger and Acquisition deals were occurred just after the Asian financial crises of 1997. Merger and Acquisition are some kinds of development of business which originated from the developed world and now transferring it to the developing states. Merger and Acquisition have different outputs in different countries. There are different financial and economic factors which are responsible for success and failure of Merger and Acquisition in these countries. The nature of business and scale of operational activities are different in both advance economies and backward economies. So, behind the success and failure of merger and acquisition in developing and the developed countries there are multiple and versatile elements which are responsible for the success and failure of firms after their Merger and Acquisition deals.

The four year (2006–2009) post merger financial statements of Royal Bank of Scotland (RBS) and ABN AMRO Bank in Pakistan were evaluated by Kemal, (2011) taking 20 fundamental ratios. Financial data from Balance Sheets, Profit and Loss Accounts and Cash Flow Statements of the two companies for four years (2006-2009) have been used to analyze the accounting ratios which is also known as performance indicators. The result showed that merger deal did not improve the financial position of RBS in terms of profitability, liquidity, cash flows, and asset management after merger.

The pre-merger and post-merger operating performance of merged companies of India was compared by Singh & Mogla, (2010) taking sample of 153 companies merged during the years of 1994 and 2002. Quantitative research method was used for empirical analysis. The results exposed that the profitability has significantly decreased after the mergers and the profitability of matching firms also showed a significant decrease over the same time period. It is concluded that the decreases in profitability couldn't be credited to mergers alone. The regression equation was also used for same data and found that the current ratio, the debt equity ratio, and firm size were negatively associated to profitability, and the positive impact of interest coverage ratio and the age of firms on profitability. Firms working in groups performed better as compared to those working individually.

The effects of merger on post-merger financial performance of manufacturing companies of India were examined by Leepsa & Mishra,(2012). The study observed the long term changes in post merger performance of these companies. The study considered 4 year data using accounting based approach and using three different financial parameters that are liquidity, profitability and leverage. Mean of pre and post-merger financial ratios were compared to examine if there is any significant change in financial performance due to the merger, using paired sample t-tests. The liquidity position of the firms showed improvement Profitability position of the companies showed significant increase in terms of return on capital employed and decreased in terms of return on net worth. The financial performance of the companies' improved after merger in terms of current ratio, quick ratio, return on capital employed, interest coverage ratio. But this improvement is statistically insignificant.

Vanitha & Selvam, (2011) evaluated the financial performance of more than 17 merged objects out of entire 58 industrial businesses in India during the years 2000 and 2002 by considering the t-test and ratio analysis. They concluded that firms which are in better financial position and earning a smooth profit from the past many years can enter in a better merger deal, as compared to the firms which are facing financial crisis for the year very close to the merger deal. So, it proved the fact that merger alliance is the best option for the firms which are already in good financial condition and performing well. Likewise Pawaskar, (2001) has evaluated the financial position of firms using data for 36 merger deals. He compared the state of operating performance before and after merger of the companies. Significant changes in the financial performance of the firms involved in merger activity were seen. According to his findings, the mergers seemed to lead to financial synergies and a one-time growth only

The financial performance of 33 merged Indian companies (during 2009 to 2010) was evaluated by Indian researchers Poornima & Subhashini, (2013). The study inspected the leverage ratio, liquidity ratio and profitability ratio to discover the effects of merger. It was found that there was insignificant improvement after the merger deals. Like many other researchers it shows that Merger and Acquisition alliance can be in profit as well as in loss.

CHAPTER 03

RESEARCH DESIGN &METHODOLOGY

Research design is framework of methods and techniques to combine various components of research in a logical manner. Research problem determines the research design to solve the problem. There are four key characteristics of research design. First of all the results projected in the research design should be free from bias and neutral. Second the research design should be reliable. The valid measuring tools which help a researcher in gauging results according to the objective of research and nothing else. The outcome of research design should be applicable the whole population for generalization. Research design is comprised upon series of process and by passing through these processes one can reach at the conclusion. Research methodology or research design is a technique which is used by the researcher in the process of conducting the research work through which the researcher combines the different components of research work. In fact, research design is the backbone of a study. Research design is needed because it facilitates the smooth sailing of the various research operations, yielding maximum information with minimal expenditure of effort, time and money. Research design stands for advance planning of the methods to be adopted for collecting the relevant data and techniques to be used in their analysis, keeping in view of the objective of the research and availability of staff, time and money (Kothari, 2004).

The research design is the framework of the study. Everything from beginning to end even before the start of study is included in the research design. It helps narrow down your study (are you doing descriptive study, experimental or review study). The hypotheses are drawn for further investigation. Then it is decide whether it will be a qualitative or quantitative research. Research Design also allows you spot early mistakes and improve your research. The selection of research methodology before start of research work is most important because research design is comprised upon the entire process of research work(Blessing & Chakrabarti, 2009).This section of the study deals with the population of the study, sample frame, sample size, collection of data, formation of data, analysis of data and interpretation of the results. This is most important section of the research because any negligence may lead to a terrible mistake in whole research work. Before start of the study, the design and methodology of the research work should be decided carefully, keeping in mind of the main objectives of the study. The research design plays an important role to achieve the objectives of the study successfully.

3.1 Research Design

There are three main methods for micro-performance evaluation in M&A studies. The very first is the event base study method. This method considers M&A as a single event that determines the date of a merger announcement as the centre of the ‘event period’. The event studies examine the impact of a merger announcement on the price fluctuations of the stock market. Second method is the respondents’ self estimated rating method. This method is used to assess the success of M&A through questionnaires given to managers. This method also has a limitation because its reliance on managers’ subjective perceptions which may be biased for reasons like managers’ need to report successful achievement or a lack of information of the managers. It is difficult to compare the performances of the pre-M&A period with that of the post-M&A period as managers will not be available during the research period. However, this method is preferred in studies that explore the behaviours and attitudes of the managers and employees during the M&A process. This method mainly focus on financial statements and accounting data to compare the change in performance between the pre-M&A and post-M&A periods (Changjun & Qiaoyue, 2014). The study is event based and merger is event point. It examines the effect of merger on the post merger financial performance of the company as compared to pre merger performance. The study adopts quantitative approach which is one in which the investigator primarily uses post positivist claims for developing knowledge (i.e cause and effect, specific variables and hypotheses, use of measurement and observation, and the test of theories), employs strategies of inquiry and collects data on predetermined instruments that yield statistical data. The researcher tests a theory by specifying narrow hypotheses and the collection of data to support or refute the hypotheses. The study is based on the accounting research method, which is viewed as the preferred method to assess business performances during the M&A process. The study uses the secondary data, which is considered, the most reliable source of information. Therefore, the analysis of the study is based on the annual reports of the public firms included in the sample.Three years pre merger and post merger financial data of merging firms has been collected excluding the year of merger and the results of pre and post merger performance has been compared. Convenience sampling technique is used however all the classifications of merger and sectors of the companies are proportionally included in the sample. The data is collected on an instrument that measures attitudes, and the information collected is analyzed using statistical procedures and hypothesis testing. It is also the best approach to use to test a theory or explanation (Creswell, 2003).

3.2 Population

The study examines the success of Merger & Acquisitions of listed companies on the Pakistan Stock Exchange (PSX) in Pakistan. The population of the study includes all 133 Mergers and Acquisitions (Annexed) which took place in Pakistan during the period 1995-2018 of listed companies on Pakistan Stock Exchange (PSX). The study compares the impact of classification of Merger & Acquisition on the post-merger performance of the company. The study also compares the success rate of manufacturing sector with that of the service sector in Pakistan. This study evaluates the success of merger & acquisition (M&A) in three dimensions profitability, liquidity and leverage situation of merged/acquirer firms in Pakistan.

3.3 Sample frame

A sample frame is the source material or device from which a sample is drawn. It is a list of all those within a population which can be sampled, and may include individuals, households or institutions. Sample should to be representative of the population. The sample also should be free from bias. Unfortunately, in most cases we do not have access to the entire population of things that we are trying to sample. Perhaps the population is too large to access directly or some elements of the population are more difficult to locate and sample, there are numerous pragmatic problems that arise in sampling populations. In such cases we must use a sampling frame. In many practical situations, the sample frame is a matter of choice to the researcher. Four classifications of Merger & Acquisitions (Horizontal, Vertical, Conglomerate & Congeneric) from the both sectors i.e manufacturing and service sector are included in the sample frame of the study. This study evaluates success of merger & acquisition (M&A) in three dimensions Profitability, liquidity and leverage position of merged/acquirer in Pakistan. The post merger success in manufacturing sector is compared to that of service sector in Pakistan.

3.4 Sampling Technique

Sampling technique is one of the most important factors which determine the accuracy of your research/survey result. Anything went wrong with your sample, would be directly reflected in the final result. The researchers use different techniques to collect sample depending upon the need and situation. If the sampling technique is not appropriate to the study, it will not be possible to collect relevant data. In the current study, the convenience sampling technique is used to choose the companies among the population of the study. A convenience sample is a type of non-probability sampling method where the sample is taken from a group of people easy to contact or to reach. However it has been make sure that sample may include all the classification of Merger & Acquisitions from both the sectors i.e manufacturing & service sector in Pakistan.

3.5 Sample Size and Description

Sample size determination is the act of choosing the number of observations or replicates to include in a statistical sample. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. In practice, the sample size used in a study is usually determined based on the cost, time, or convenience of collecting the data, and the need for it to offer sufficient statistical power. A sample data set contains a part, or a subset, of a population. The size of a sample is always less than the size of the population from which it is taken. The sample size should be sufficient enough to represent the population of interest.

The sample size selected by Reddy, Nangia, & Agrawal, (2013) was too small as only 4 M&A's were selected as sample. This was also one of the important limitations of the study. This study enhances the sample size by four times to generalize the findings. The study analysis the data of total 14 (8 from manufacturing sector & 6 from service sector) merged companies in Pakistan during the period (1995-2018) listed in Pakistan Stock Exchange (PSX) (Annexed). Out of total 14 mergers of interest 5 are Horizontal mergers, 3 are Vertical Mergers, 2 are Conglomerate Mergers and 4 are Congeneric Mergers. The study database has been collected from 3 years before and 3 year after merger annual reports of the firms excluding the year of merger. These annual reports have been collected from the websites of the public firms and by a request to the public firms. Some of the data has been collected from Archives of SECP and some from library of State Bank of Pakistan. Convenience data sampling technique has been used. However, this study targets the mixture of all kinds of acquisition and merger, such as conglomerate merger, congeneric merger, horizontal merger and vertical merger from manufacturing sector and service sector in Pakistan. The study evaluates the success of merger in three dimensions 1. Profitability, 2.Liquidity 3.leverage. The study compares the impact of classification i.e Horizontal Merger, Vertical Merger, Conglomerate Merger and Congeneric Merger on its success. The study also compares the success rate of manufacturing sector with that of the service sector in Pakistan.

3.6 Data Assumptions

The common data assumptions i.e: random samples, normality, equal variance, stability, and accurate and precise measurement system is has been followed by the study. The data has been collected randomly to avoid the bias in data collection. The data has been taken from the normal data to generalize the results to the whole population. The data is collected through convenience sampling technique however it has been ensured that all the classifications of mergers and sector of the companies are included proportionately in the sample. The data has been collected from normal population to have stable results with the previous empirical studies. The most reliable and authentic parametric test i.e paired sample t-test is used to compare the pre- merger performance of the company with post-merger performance of the same company.

3.7 Data Collection

Data collection is systematic approach to collect, store and measure information from a variety of sources to get a complete and accurate picture of an area of interest. It is a process of collecting information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes. The study is basically a quantitative research which is viewed as the preferred method to assess business performances during the M&A process. This method mainly focuses on financial statements and accounting data to compare the change in performance between the pre and post-M&A periods (Changjun & Qiaoyue, 2014). Secondary data is used to evaluate the post-merger success of corporations in Pakistan. Annual Report gives a comprehensive summary of a company's financial performance, and it is considered a reliable source for information about financial performances and firm characteristics. This report allows comparison among many firms because the SECP demands the same main financial measures from all public companies. Therefore, the analysis of the study is based on the annual reports of the public firms included in the sample. The Annual reports has been collected from website of SECP, some from Head Office of the concerned organizations, some from the Archives of SECP after paying fee while remaining from library of State Bank of Pakistan.

3.8 Measures

The study is based on accounting research method and ratio analysis is used to measures the success of Merger & Acquisition (M&A).Ratio analysis is very powerful analytical tool useful for measuring performance of an organization. Financial analysts use the accounting ratios to diagnose the financial health of an enterprise. Ratio analysis is the comparison of line items in the financial statement of business. It is used to evaluate a number of issues with an entity, such as its liquidity, efficiency of operations and profitability. It enables the user to get better understanding of financial statements. The study compares the pre merger performance of merged company with that of post merger performance. Paired sample t-test is used to compare the post-merger performance of a company with pre-merger performance of the same company. A paired sample t-test is used to compare two population means where you have two samples in which observation in one sample can be paired with observation in the other sample. The study adopts paired sample t-test to find out the impact of merger on profitability (Return on Assets, Return on Equity, Net Profit Margin, Earning Per share) liquidity (Current ratio, Financial Slack) and leverage position (Debt to Equity, Interest Coverage Ratio) The study uses independent sample t-test to compare the post-merger performance of manufacturing sector with services sector in Pakistan. Independent sample t-test is used when the comparison between two independent variables is made.

3.9 Impact of Mergers on Profitability

In order to analyze the effect of merger on profitability of merged/acquiring firms in term of Return on Assets, Return on Equity, Net Profit Margin and Earning per Share, the study estimates four models where profitability will be used as dependent variable. The study checks the effects of M&As on effectiveness through dummy variable considering it 0 for pre-merger period and 1 for after the merger period, while liquidity (CR, FS) and leverage (DE, ICR) are used as control variables.

Return on Assets (ROA) is calculated as net income divided by total assets. (Earnings before taxes/Total assets) *100. It is a measure of how efficiently a firm utilizes its assets. A high ratio means that the company is able to efficiently generate earnings using its assets.

Return on Equity (ROE) measures net income available for common stockholders against total stockholder’s equity. (Profit after taxes/Shareholders equity) *100. This ratio measures the level of income attributed to shareholders against the investment that shareholders put into the firm.

Net Profit Margin (NPM) This ratio is calculated by dividing net income, by net revenue. (Profit after taxes/Net sales) *100. It calculates a firm's capability to interpret sales into remunerations for stockholders.

Earnings per Share (EPS) measures net income earned on each share of a company's common stock. **(**Net Profit after tax/ No. of Ordinary Shares). The company's analysts divide its net income by the weighted average number of common shares outstanding during the year.

3.10 Impact of merger on liquidity

In order to examine the impact of merger deals on liquidity of merged/acquiring firms in term of current ratio (CR) and financial slack (FS), the study estimates two models where liquidity is used as dependent variable. The study checks the effects of M&As on effectiveness through dummy variable considering it 0 for before merger period and 1 for post-merger period, while profitability (ROA, ROE, NPM, EPS) and leverage (DE, ICR) is used as control variables.

Current Ratio (CR) measures a company's current assets against its current liabilities (Current assets/ Current liabilities). The current ratio indicates if the company can pay off its short-term liabilities in an emergency by liquidating its current assets.

Financial Slack (FS) refers to the extra money that a corporation has existing in case of a recession in sales, income, or turnover. Financial slack could help a concern to make it through a problematic era (Most liquid assets / Total assets). It is the equal of a business's reserves. Basically, it reflects a company's ability to borrow.

3.11 Impact of merger on leverage

For the purpose to observe the influence of merger on leverage place of merged/acquiring companies in term of debt to equity ratio and interest coverage ratio (ICR), the study estimates two models where leverage is used as dependent variable. The study checks the effects of M&A's on productivity through dummy variable considering it 0 for pre-merger period and 1 for after the merger period, although profitability (ROA, ROE, NPM, EPS) and liquidity (CR, FS) are used as control variables.

Debt-to-equity ratio (DE) measures the amount of debt capital a firm uses compared to the amount of equity capital it uses **(**Long term debt/Total assets). A ratio of 1.00x indicates that the firm uses the same amount of debt as equity and means that creditors have claim to all assets, leaving nothing for shareholders in the event of a theoretical liquidation.

Interest coverage ratio (ICR) processes a concern's cash flows generated likened to its interest expenditures. The ratio is designed by dividing earnings before interest and tax by interest payments. A high figure means that a company is generating strong earnings compared to its interest obligations.

3.12 Data Analysis

Data analysis is a process of inspecting, cleansing and transforming data into useful information for conclusions and decision-making. Data analysis has multiple approaches, and is used in different business and social science domains. In this era, data analysis plays a role indecision making in a scientific way and to manage business operation effectively. Data Analysis refers to breaking a whole into its separate components for individual examination. Data analysis is a process for obtaining raw data and converting it into information useful for decision-making by users. Data are collected and analyzed to answer questions, test hypotheses or disprove theories. In this study, data initially obtained is to be processed or organized for analysis. For example the data is placed into rows and columns in a table format such as within a spreadsheet or statistical software. Once the data is processed or organized in spreadsheet, it can compare the performance of merging firms before and after merger.

CHAPTER 04

DATA ANALYSIS AND INTERPRETATION

This part of the study deals with the data analysis and its interpretation according to the estimation of models. This is the most important section of the study. After the completion of this section of research work, the researcher is able enough to find out the cause and effects of success or failure of Merger & Acquisitions. The study is based on The Tobin Q-theory of investment which says that a firm's investment rate should rise with its Q. We argue here that this theory also explains why some firms buy other firms. (Jovanovic & Rousseau, 2002). The study furthers expands the efficiency theories of merger states that mergers will only occur when they are expected to generate enough realizable synergies to make the deal beneficial to both parties. It is the symmetric expectations of gains which results in a 'friendly' merger being proposed and accepted. In the current study the data is in the form of numeric and financial ratios. By considering the financial ratios and numbers in a professional manner the researcher is able to find out the answer of the questions raised in the initial part of this research work that whether the Merger and Acquisition in service sector and manufacturing sector is viable and profitable for the firms in Pakistan or not. Chronologically, each and every ratio of all the corporations is analyzed by comparing and contrasting the pre and post-merger financial ratios of merged firms. For this purpose three years pre and post merger financial record is taken to analyze the situation. However the data during the year of merger has been excluded from the analysis. Moreover, in this part of the study the researcher is able enough to prove the validity of hypothesis which is developed at the start of the research work. But the main work of this part of research is to answer to the research questions, such as, Do merger & acquisition significantly affects post-merger profitability of a company in Pakistan?, Do merger & acquisition significantly affects post-merger liquidity of a company in Pakistan?, Do merger & acquisition significantly affects post-merger leverage of a company in Pakistan?, is there significant difference between post-merger performance of a manufacturing company and services company in Pakistan?. In this way, this section of research work contains much importance for not only the researcher but also for the rest of the stockholders. Because this part directly deals with the findings of the study for which this long process of research work is conducted. The students, researchers and management as well as shareholders of the company are primarily interested in this section of research because this chapter provides the whole picture of the phenomenon. This chapter helps the management and shareholders to better decide to enter into merger & acquisition or otherwise as the case maybe.

4.1 Horizontal Merger

4.1.1 Merger of KASB Bank with Bank Islami Ltd

Table 1

Comparison between pre and post-merger performance of Bank Islami Ltd

Paired sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	4.7968	1.3547	0.7821	.130	.903
	After	3	4.5718	2.6801	1.5473		
ROE	**Before**	3	5.0884	1.3739	0.7932	-.552	.610
	After	3	7.4270	7.2055	4.1601		
NPM	**Before**	3	4.0282	1.0910	0.6299	-.746	.497
	After	3	7.1019	7.0568	4.0742		
EPS	**Before**	3	0.4949	0.1336	0.0771	-.576	.595
	After	3	0.7369	0.7149	0.4127		
CR	**Before**	3	0.6618	0.0527	0.0304	-2.390	.075
	After	3	0.7524	0.0391	0.0226		
FS	**Before**	3	0.5984	0.0467	0.0270	-2.230	.090
	After	3	0.6792	0.0420	0.0242		
DE	**Before**	3	0.0259	0.0058	0.0034	-.994	.376
	After	3	0.0314	0.0076	0.0044		
ICR	**Before**	3	0.8255	0.0603	0.0348	-9.378	.001
	After	3	1.1827	0.0267	0.0154		

KASB Bank merged with Bank Islami during the year 2011. It was a horizontal merger in service sector. The financial statements of KASB before merger show thatAll the profitability ratios including Return on Asset, Return on Equity, Net Profit margin and Earning Per Share show a negative value or downward trend during three years before merger which means that the resources/ assets of the company were not managed efficiently to generate profit. Similarly, the liquidity of the firm measured through current ratio and Financial Slack Shows that the current assets are not enough to meet the current liabilities which mean that the liquidity condition of the company was poor before merger. Lastly, the leverage position of the firm determined through the debt to equity ratio and interest coverage ratio also show very poor financial condition of the company before Merger. It means that the financial operations of KASB were not running in a good position and financial performance of the company was very bad before the merger.

The financial statements of Bank Islami show that the financial condition of the Bank was quite good before merger. All the profitability ratios including ROA, ROE, NPM, & EPS show positive and upward trend. The liquidity ratios and leverage ratios also indicate quite good financial condition of bank Islami before Merger with KASB. It means that the financial operations of Bank Islami were operating efficiently and the financial condition of the bank was very well before merger.

The profitability ratios of Bank Islami show negative trend affect of merger on the post merger financial performance of the company. All the profitability ratios except ROA show positive insignificant effect while the ROA has negative insignificant effect after merger. The liquidity ratios like current ratios and financial slack show positive insignificant effect after merger. However, leverage position of Bank Islami shows mix effect of merger. DE ratio shows some increase which is not good, while ICR shows a positive significant effect of merger on the financial condition of Bank Islami after Merger. The results show merger has positive effect on post merger financial performance of Bank Islami Ltd. The p-value of all ratios except ICR is greater than α= 0.05 so it is concluded that effect of Merger on Profitability, Liquidity and Leverage of on Bank islami is insignificant. Therefore, it may be concluded that the Merger had an insignificant positive effect on the post-merger financial condition of the company. Hypotheses 1 & 2 are rejected. Leverage position measured through interest coverage ratio (ICR) indicates that merger had a significant positive effect and Hypothesis No. 3 is accepted.

4.1.2 Merger of Atlas Bank & My Bank with Summit Bank Ltd

Table 2

Comparison between pre &post-merger performance of Summit Bank Ltd

Paired sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	-4.6743	2.9901	1.7263	-2.030	.112
	After	3	-0.9972	0.9495	0.5482		

ROE	**Before**	3	-3.9201	0.2123	0.1226	-2.234	.089
	After	3	-0.7013	2.4864	1.4355		
NPM	**Before**	3	-5.8245	1.7654	1.0192	-2.703	.054
	After	3	-0.7735	2.7128	1.5663		
EPS	**Before**	3	-2.7717	2.0782	1.1998	-.988	.379
	After	3	-1.3398	1.4088	0.8134		
CR	**Before**	3	0.8169	0.1841	0.1063	1.287	.267
	After	3	0.6694	0.0743	0.0429		
FS	**Before**	3	0.0601	0.0028	0.0016	-1.813	.144
	After	3	0.1253	0.0622	0.0359		
DE	**Before**	3	0.0847	0.0164	0.0095	-.460	.670
	After	3	0.1174	0.1221	0.0705		
ICR	**Before**	3	0.2808	0.2413	0.1393	.794	.472
	After	3	0.1474	0.1625	0.0938		

Atlas Bank & My Bank merged with Summit Bank during the year 2011. It was a horizontal merger in service sector. The financial statements show that all the profitability ratios, like ROA, ROE, NPM & EPS of My Bank have negative values before merger. Similarly, liquidity condition of the firm as measured through CR and FS was also not good. In the same way leverage condition of My Bank was very poor before merger with the Summit Bank. This means that the operations of the bank were not managed effetely to generate the profit for the shareholders by using resources. The overall financial condition of my bank before merger was very bad

The Financial condition of Atlas Bank as shown in the financial statements was not admirable. All the Profitability ratios, like ROA, ROE, NPM & EPS show negative value and downward trend. Liquidity ratios of Atlas Bank like CR & FS before merger were not good. Leverage ratios also show that there were not sufficient resources to meet or cover the interest expense. It can be said that Atlas Bank was a failed organization before merger.

In the same way, all the profitability ratios of Summit Bank indicate negative values and downward trend. Current ratio of the bank was quite good but with negative trend and the financial slack showed that the most liquid assets were not sufficient to meet unforeseen. Debt to equity ratio was quite good but with deteriorating condition and the interest coverage ratio was also not good before merger of the Bank.

The analysis shows that Profitability condition of Summit Bank, measured through ROA, ROE, NPM & EPS of Summit Bank started improving day by day after merger. Liquidity condition of Summit Bank also show mix trend effect as CR shows decrease while FS shows increase after merger. Debt equity ratio and Interest Coverage Ratio of summit Bank show negative effect of merger of post merger financial performance of Summit Bank. The p-value of all ratios are greater than α= 0.05, so it is concluded that effect of Merger on Profitability, Liquidity and Leverage of the Summit Bank after merger is statistically insignificant. We may say that the merger of Atlas Bank & My Bank with Summit Bank proved successful but this success is insignificant. Therefore all 3 hypotheses are rejected.

4.1.3 Merger of RBS Bank with Faysal Bank Ltd

Table 3

Comparison between pre & post-merger performance of Faysal Bank Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	3.8613	3.0195	1.7433	-.557	.607
	After	3	5.4611	3.9551	2.2835		
ROE	**Before**	3	6.0534	3.7721	2.1778	-.777	.481
	After	3	9.2393	6.0191	3.4751		
NPM	**Before**	3	7.1423	1.1412	.6589	-.518	.632
	After	3	7.5180	.5231	.3020		
EPS	**Before**	3	1.8100	.1709	.0987	-.064	.952
	After	3	1.8300	.5126	.2960		
CR	**Before**	3	.8223	.0463	.0267	3.005	.040
	After	3	.4981	.1811	.1045		
FS	**Before**	3	.0642	.0198	.0114	-.430	.690
	After	3	.0699	.0121	.0070		
DE	**Before**	3	.1930	.0459	.0265	1.787	.148
	After	3	.1021	.0752	.0434		
ICR	**Before**	3	.4699	.0998	.0576	-1.496	.209
	After	3	.9873	.5907	.3410		

The Royal Bank of Scotland (RBS) Pakistan merged with the Faysal Bank Ltd during the Year 2011. It is a Horizontal Merger in service sector. All the profitability ratios like ROA, ROE, NPM, & EPS of Royal Bank of Scotland (RBS) Pakistan show negative values at the end of financial years before merger. Current ratio is quite good but the financial slack ratio indicates bad liquidity condition of the company before merger. Leverage position of the bank show a mix trend before merger. Debt to equity ratio show a huge difference between long term debt and equity paid by the shareholders which means that the bank mostly relied on the long term debts which is not good sign. On the other hand, the interest coverage ratio show a good position which means that the bank was earning enough to pay the interest and save some for the shareholders before merger. In this way one can say that all the financial ratios indicate poor financial condition of the bank before its merger with Faysal Bank.

The financial statements of Faysal Bank Show that the bank was performing quite well in profitability as measured through ROA, ROE, NPM& EPS. But all these profitability ratios show a downward trend before merger which means that the profitability performance of the bank was deteriorating gradually. Current ratio of the bank show that the bank had enough current assets but the financial slack of the company show that it was not maintaining high level of most liquid assets level to meet the unforeseen expenses before merger. On the other hand, the financial slack and current ratios although show a quite suitable position of the firm. But these are not enough to run the firm in a long run. Lastly, the debt to equity ratio also showed decrease with the passage of time. The interest coverage ratio shows a positive trend at the end of financial year before merger. The financial ratios of Faisal bank show that the business of the bank was not running in a very good position before merger.

The analysis indicates a positive effect on the profitability ratios like return on asset, return on equity, net profit margin and earnings per share of the Faysal Bank after merger. The liquidity position shows mix effect as Current ratio indicates negative effect while financial slack indicate a positive effect of merger on post-merger performance of Faysal Bank. Leverage Position of Faysal Bank shows a positive effect as Debt equity ratio indicate a decrease which is good and Interest Coverage ratio indicates increase which is a good sign. The p-value is of all ratios except CR is greater than $\alpha = 0.05$, therefore it can be concluded that merger effects of Profitability, Liquidity and Leverage of Faysal Bank insignificantly. Therefore hypothesis no 1 & 3 are rejected. Only the p-value of Current Ratio showed that there is significant difference between pre and merger financial performance of Faysal Bank. Therefore Hypothesis no. 2 is accepted.

4.1.4 Merger of Ghandhara Nishan Diesel with Ghandhara Nissan Ltd

Table 4

Comparison between pre post-merger performance of Ghandhara Nissan Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	-15.8956	26.0482	15.0390	-1.849	.138
	After	3	11.9733	1.6635	0.9604		
ROE	**Before**	3	-7.4973	28.8347	16.6477	-1.974	.120
	After	3	28.7012	13.3155	7.6877		
NPM	**Before**	3	-17.2968	33.3660	19.2639	-1.192	.299
	After	3	5.7211	2.4459	1.4121		
EPS	**Before**	3	-6.4177	7.9271	4.5767	-2.314	.082
	After	3	4.3700	1.5358	0.8867		
CR	**Before**	3	0.2422	0.1107	0.0639	-14.135	.000
	After	3	1.2911	0.0653	0.0377		
FS	**Before**	3	0.0044	0.0018	0.0010	-4.800	.009
	After	3	0.0162	0.0039	0.0022		
DE	**Before**	3	0.4875	0.1106	0.0638	4.443	.011
	After	3	0.1851	0.0408	0.0236		
ICR	**Before**	3	-0.4602	0.6332	0.3656	-2.850	.046
	After	3	3.8670	2.5521	1.4735		

Financial statements of Ghandhara Nissan Diesel Limited show very bad financial condition of the company before merger. The profitability ratios show negative values and even downward trend. The liquidity condition of Ghandhara Nissan Diesel Limited was not quite good as CR was better but FS position show that the company failed to maintain a level of current assets as compared to the whole assets. However leverage ratios measured through DER & ICR indicate good position of the company before merger.

On the other side, the financial condition of Ghandhara Nissan limited was also bad before merger. The profitability ratios indicate negative values with upward trend during the 2001 & 2002 but all of sudden these ratios improve dramatically in year 2003, one year prior to the Merger. The same is the case with liquidity ratios which indicate bad financial position of the company but improve dramatically during the year 2003. In this way, the liquidity position of the company was also poor but suddenly improved one year prior to the merger. On the whole we may say the financial position of Ghandhara Nissan ltd was very poor before merger with the upward trend during the last year.

The above analysis shows insignificant positive effect in all profitability ratios of Ghandhara Nissan Ltd after merger. It also indicates significant positive effect on liquidity position measured through FS & CR of Ghandhara Nissan Ltd after merger. In the same way, the leverage position of the company also showed significant improvements after merger. On the basis of above analysis, it can be concluded that this merger remained successful and resulted betterment of the company. The p-value of profitability ratios is greater than $\alpha= 0.05$, therefore it is concluded that merger affects the Profitability of Ghandhara Nissan Ltd insgnificantly. The p-value of Liquidity ratios and Leverage ratios showed that there is significant difference between pre and post merger financial performance of Ghandhara Nissan Ltd. In this way, hypothesis no1 is rejected while two hypotheses no 2 & 3 are accepted.

4.1.5 Merger of PEL with Pak Elektron Ltd

Table 5

Comparison between pre & post-merger performance of Pak Elektron Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	2.5917	0.5029	0.2903	-1.535	.200
	After	3	4.4684	2.0571	1.1876		
ROE	**Before**	3	5.0922	1.9188	1.1078	.461	.669
	After	3	4.5130	1.0306	0.5950		
NPM	**Before**	3	3.7311	1.4025	0.8097	-.427	.691
	After	3	4.0863	0.3325	0.1919		
EPS	**Before**	3	5.0933	1.9200	1.1085	-.896	.421
	After	3	6.3067	1.3482	0.7784		
CR	**Before**	3	1.0996	0.0759	0.0438	.074	.945
	After	3	1.0898	0.2176	0.1256		
FS	**Before**	3	0.0610	0.0253	0.0146	2.627	.058

	After	3	0.0218	0.0053	0.0030		
DE	**Before**	3	0.2547	0.1161	0.0670	1.335	.253
	After	3	0.1549	0.0574	0.0331		
ICR	**Before**	3	1.7061	0.3059	0.1766	-4.199	.014
	After	3	2.6082	0.2120	0.1224		

The financial statements of PEL show very bad profitability ratios measured through ROA, ROE, NPM & EPS with negative values and even downward trend before merger. This shows that the assets of the company were not used effectively to generate profit for the shareholders even the shareholders were bearing heavy losses. In the same way, the liquidity and leverage ratios also indicate pathetic financial condition of PEL before merger. Therefore it can be concluded that PEL was financially sick company and going to bankruptcy, therefore management decided about merger of the company.

On the other hand, the financial position of Pak Elektron was quite well and stable before merger. The profitability ratios indicate good position meaning thereby that the assets of the company were used efficiently to generate profit for shareholders. The liquidity ratios measured through CR & FS also indicate good financial health of the company before merger. In the same way the leverage position measured through DER & ICR indicate good position with the upward trend. In this way one may say that Pak Elektron was running their business quite efficiently & successfully before merger.

The above analysis shows a mix trend in the financial condition of Pak Elektron after merger. After the merger all the profitability ratios except ROE show some improvement in financial condition of the company. But this positive effect is statistically insignificant. The magnitude of operational activities enhanced due to which the revenues and shareholders' profit also enhanced. The liquidity position of Pak Elektron indicates insignificant negative effect of merger on the financial condition of the company. The leverage position measured through DE & ICR also indicates positive effect of merger on the post merger financial performance of Pak Electron Ltd. The p-value of all ratios except ICR is greater than $\alpha = 0.05$, therefore it can be concluded that merger had insignificant effect on Profitability, Liquidity and Leverage of the company Pak Elektron Ltd. Only Interest Coverage Ratio shows significant positive effect of merger while remaining all ratios indicate insignificant effect. Therefore it is concluded hypotheses no. 1 &2 are rejected. Leverage position measured through ICR indicate significant positive effect, therefore Hypothesis No.3 is accepted.

4.2 Vertical Mergers

4.2.1 Merger of Azam Textile with Saritow Spinning Mills Ltd

Table 6

Comparison between pre post-merger performance of Saritow Spinning Mills Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	10.6801	2.0181	1.1652	1.965	.121
	After	3	3.7370	5.7773	3.3355		
ROE	**Before**	3	27.4943	43.3639	25.0362	.398	.711
	After	3	16.2070	23.1963	13.3924		
NPM	**Before**	3	1.8323	6.4718	3.7365	-.078	.941
	After	3	2.1578	3.1327	1.8087		
EPS	**Before**	3	2.7494	4.3364	2.5036	.398	.711
	After	3	1.6207	2.3196	1.3392		
CR	**Before**	3	0.8366	0.1122	0.0648	-1.228	.287
	After	3	1.0910	0.3409	0.1968		
FS	**Before**	3	0.0175	0.0061	0.0035	1.073	.344
	After	3	0.0136	0.0020	0.0011		
DE	**Before**	3	0.2213	0.0303	0.0175	-1.912	.129
	After	3	0.3205	0.0846	0.0489		
ICR	**Before**	3	2.3801	0.3435	0.1983	-.377	.725
	After	3	2.6974	1.4175	0.8184		

The financial statements of Azam Textile Mills Limited show very bad financial condition along with negative values and downward trend before merger. Azam Textile Mills show low profitability and weak liquidity and leverage position before merger. In this situation, it became very difficult for the corporation to run the operations of business for longer period. This situation forced the management to move forward towards merger with Saritow Spinning in the year 2012.

The Financial data of Saritow spinning mills show the financial condition of the company before merger. The profitability ratios except ROA show better position with upward trend. The liquidity position of the company was not also good before merger. On the other hand, the Leverage position of Saritow spinning mills was quite good as measured through DER & ICR.

The above analysis shows that all the profitability ratios Except NPM of Saritow Spinning Mills Ltd started deteriorating resulting negative values after two years of merger after merger. The liquidity position of Saritow Spinning Mills showed mix trend effect as CR shows improvement while FS shows decrease after merger. In the same way the leverage position of Saritow Spinning also shows mix effects, as DE ratio increases which is not a good sign while ICR show some insignificant improvement after merger. The p-value of all ratios is greater than α= 0.05, so it can be concluded that Merger affected Profitability, Liquidity and Leverage of Saritow Spinning Mills insignificantly. Therefore it can be concluded that this merger did not remained successful. All three hypotheses are rejected.

4.2.2 Merger of Shaheen Cotton with Shahzad Textile Mills Ltd

Table 7

Comparison between pre & post-merger performance of Shahzad Textile Mills

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	.3407	3.1875	1.8403	-3.998	.016
	After	3	9.1348	2.0864	1.2046		
ROE	**Before**	3	-.0942	6.3592	3.6715	-4.577	.010
	After	3	21.9489	5.3990	3.1171		
NPM	**Before**	3	-.0149	2.4081	1.3903	-2.293	.084
	After	3	3.7061	1.4485	.8363		
EPS	**Before**	3	.7484	1.5100	.8718	-3.158	.034
	After	3	9.5930	4.6101	2.6617		
CR	**Before**	3	.8918	.1821	.1051	-1.455	.219
	After	3	1.0625	.0903	.0521		
FS	**Before**	3	.0145	.0182	.0105	-.365	.733
	After	3	.0184	.0043	.0025		
DE	**Before**	3	.2085	.0665	.0384	3.421	.027
	After	3	.0622	.0327	.0189		

ICR	**Before**	3	1.9521	1.4352	.8286	-3.704	.021
	After	3	5.5236	.8540	.4931		

The shehzad Cotton & Shaheen Textile merged during the year 2010. It was Vertical merger in manufacturing sector. The financial statements of Shaheen Cotton show the very poor performance of the corporation before merger. The profitability ratios indicate negative values and downward trend. The leverage and liquidity position of the company was very bad. One may say that Shehzad Cotton was financially sick company going to be bankruptcy before merger.

The financial condition of Shehzad Textile was not quite good before merger. The profitability ratios indicated negative values but showed some improvement in the last year before merger. The liquidity condition of the company was also not good. But the leverage position of Shehzad Textile was comparatively better but not quite good before merger.

The above analysis indicates that the profitability indexes moved upward dramatically after merger due to the collaboration of both manufacturing units. Similarly, liquidity position of Shaheen Textile also improved with the passage of time after the merger. In the same way the Leverage position of the company also strengthen after merger. On the basis of analysis one may say that the merger of Shaheen Cotton with Shehzad Textile remained successful and benefitted to the shareholders. Contrary to the results of other vertical mergers in manufacturing sector, this merger stands successful in all the dimensions of profitability, liquidity and leverage position of the company. A number of factors may contribute towards the success of this merger but according to researcher, main role lies with the effective management of merger process. The p-value of all profitability ratios except NPM and leverage ratios is lesser than $\alpha = 0.05$ so it is concluded that the merger affected post-merger Profitability & Leverage of Shehzad Textile Mills significantly. Only the p-value of liquidity ratio showed that the difference between pre and post merger performance of Shehzad Textile Ltd is not significant. In this way, hypotheses No1 & 3are accepted while hypothesis No.2is rejected.

4.2.3 Merger of Umer Fabrics with Nishat (Chunian) Ltd

Table 8

Comparison between pre & post-merger performance of Nishat (Chunian) Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	16.0755	4.0001	2.3095	4.467	.011
	After	3	3.7171	2.6379	1.5230		
ROE	**Before**	3	11.0162	3.4802	2.0093	2.212	.091
	After	3	3.3521	4.8876	2.8218		
NPM	**Before**	3	9.9689	2.3418	1.3520	4.711	.009
	After	3	1.3866	2.1151	1.2211		
EPS	**Before**	3	11.3933	3.5953	2.0758	4.364	.012
	After	3	1.2400	1.8193	1.0504		
CR	**Before**	3	1.1181	0.1185	0.0684	4.943	.008
	After	3	0.7789	0.0086	0.0050		
FS	**Before**	3	0.3512	0.0095	0.0055	61.016	.000
	After	3	0.0033	0.0026	0.0015		
DE	**Before**	3	0.2532	0.0592	0.0342	-1.808	.145
	After	3	0.3235	0.0322	0.0186		
ICR	**Before**	3	6.1096	2.2964	1.3258	3.193	.033
	After	3	1.7723	0.5135	0.2965		

Umer Fabrics Ltd and Nishat Chunnian Ltd merged during the year 2005. It was a vertical merger in the manufacturing sector of Pakistan. The financial statements of Umer Fabrics show a very good financial position of the company just before the merger. The profitability ratios measured through Return on Assets, Return on Equity, Net Profit Margin and Earnings Per Share show a very good position and increasing trend which means the shareholders were earning quite well from the capital they invested in business. In the same way the liquidity position in shape of current ratio was quite stable before merger of the company. The leverage position measured through Debt equity ratio and interest coverage ratio was very good before merger. One may say that overall financial condition of Umer Fabrics was quite good and stable before merger.

The financial and economic performance of Nishat Chunian before the merger was at its peak. The financial ratios of the firm show a very good and strong position in the market. All the profitability ratios show high values and good position of the company. In the same way, the liquidity and leverage position of Nishat Chunnian was very good and stable before merger of the company.

The analysis shows a dramatic decrease in the financial condition of Nishat Chunnian after merger. All the profitability ratios like ROA, ROE, NPM& EPS show a downward trend even negative values after 3 years of merger. Similarly the liquidity position of the company measured through CR & FS also indicate negative effect of merger. In the same way the leverage position of Nishat Chunnian also deteriorated after merger. The p-value of all ratios except DE is lesser than α= 0.05, which means that the merger had a significant negative effect on the post merger financial performance of Nishat Chunnian Ltd and Hypothesis no.2 is accepted. It indicates pathetic post-merger financial condition of Nishat Chunnian Ltd, which was earning higher profit and revenues before merger. In this way hypothesis No1 & 3 are completely accepted.

4.3 Conglomerate Mergers

4.3.1. Merger of Kohinoor Genertek Ltd with Kohinoor Weaving Mills Ltd

Table 9

Comparison between pre & post-merger performance of Kohinoor Weaving Mills Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	10.7593	6.0280	3.4803	2.929	.043
	After	3	-0.1748	2.3374	1.3495		
ROE	**Before**	3	23.6567	11.0975	6.4071	3.400	.027
	After	3	-3.4766	8.2425	4.7588		
NPM	**Before**	3	7.7913	3.8335	2.2133	3.095	.036
	After	3	-1.6559	3.6420	2.1027		
EPS	**Before**	3	8.9833	2.4929	1.4393	3.548	.024
	After	3	-1.2833	4.3477	2.5101		
CR	**Before**	3	0.9052	0.0335	0.0194	1.188	.301
	After	3	0.8571	0.0616	0.0356		

FS	**Before**	3	0.0329	0.0028	0.0016	4.811	.009
	After	3	0.0196	0.0039	0.0023		
DE	**Before**	3	0.1794	0.1042	0.0602	-.326	.761
	After	3	0.2040	0.0785	0.0453		
ICR	**Before**	3	2.2736	0.3955	0.2284	1.126	.323
	After	3	1.8985	0.4199	0.2424		

Kohinoor Genertek Ltd merged with the Kohinoor Weaving mills ltd during the year 2004. It was a Conglomerate merger in manufacturing sector of Pakistan. The financial statements of Kohinoor Genertek Limited show very good financial position prior to the merger with Kohinoor Weaving mills in the year 2004. The profitability ratios of Kohinoor Genertek Limited for the year 2001 and 2002 show a very good financial and economic position in term of return on asset, return on equity, net profit margin and earnings per share for the year 2001 & 2002, it started decline in the year 2003 one year prior to merger. In the same way liquidity and leverage position of Kohinoor Genertek also indicate a good financial position of the company before merger but with the declining trend in the last year before merger.

The financial data of Kohinoor Weaving mills ltd also indicate the financial strength of the company before merger. The company was performing very well and generating profit and revenues for the shareholders of the company before merger. All the profitability ratios indicate a good and stable financial strength of the company. The liquidity and leverage position of the company was also good before merger. But these ratios started declining just one year prior to the merger.

The analysis shows that the post-merger financial position of Kohinoor Weaving Mills started deteriorating in the year 2004. All the profitability ratios, leverage ratios and liquidity ratios show the downward trend. But in the third year of merger the financial condition of Kohinoor Weaving Mills started improving. The above analysis indicate dramatic decline in financial condition of Kohinoor Weaving Mills after merger. All the profitability ratios of the company show negative values soon after merger which also show gradual improvement. It indicates significant negative effect of merger on the financial position of the company. The liquidity position of Kohinoor Weaving Mills ltd also shows negative effect of merger with the negative values. In the same way the leverage position of the company also started declining after merger. After 2 years of merger, the financial condition of Kohinoor Weaving Mills started improving. The p-value of all profitability ratios is lesser than α= 0.05 so it is concluded that there is significant negative effect of Merger on post-merger Profitability. Liquidity position measured through FS indicates significant negative effect of merger on post merger performance of Kohinoor Weaving Mills ltd, therefore Hypothesis No.2 is accepted. Only the p-value of Leverage position showed that the difference between pre and post merger financial condition of Kohinoor weaving Mills Ltd is statistically insignificant. On the basis of these results, it is concluded that the merger had a significant negative effect on the post-merger financial condition of the Kohinoor Weaving Mills. In this way hypothesis 1 is completely accepted, while hypothesis no.3 is rejected.

4.3.2 Merger of DG Khan Electric with DG Khan Cement Ltd

Table 10

Comparison between pre & post-merger performance of D.G Khan Cement

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	-2.0162	4.0140	2.3175	-.746	.497
	After	3	0.7101	4.8964	2.8269		
ROE	**Before**	3	-14.2809	26.0614	15.0466	-.826	.455
	After	3	4.3512	29.1288	16.8175		
NPM	**Before**	3	-8.3612	15.8128	9.1296	-.825	.456
	After	3	3.0192	17.9249	10.3489		
EPS	**Before**	3	-1.4281	2.6061	1.5047	-.849	.444
	After	3	0.5333	3.0389	1.7545		
CR	**Before**	3	0.6190	0.3616	0.2088	-1.433	.225
	After	3	1.0288	0.3384	0.1954		
FS	**Before**	3	0.0062	0.0045	0.0026	-.285	.790
	After	3	0.0069	0.0010	0.0006		
DE	**Before**	3	0.3323	0.0487	0.0281	-1.240	.283
	After	3	0.3909	0.0658	0.0380		
ICR	**Before**	3	4.0277	5.4184	3.1283	.814	.461
	After	3	1.4762	0.3522	0.2033		

D.G Khan Electric & D.G Khan Cement consolidated during the year 2000. It was a Conglomerate Merger in manufacturing sector of Pakistan. Financial statements of DG Khan Electric show very good financial position of the company before merger. The profitability ratios of DG Khan Electric show a good and sound financial position of the company. In the same way, the liquidity and leverage ratios also show good economic and financial position of the firm. Al these financial ratios show that the DG Khan Electric was in s quite sound financial position before merger. One may say that company was well managed and generating revenues and profit for shareholders.

Financial statements of DG Khan Cement indicate the poor financial position of the firm before merger. All the profitability ratios show negative values with downward trend. The financial position of DG Khan Cement was not quite good and showing negative performance before merger the in the year 2000. In the same way the liquidity position of the company measured through CR & FS also indicate bad position of the company before merger. The leverage position of DG Khan Cement was not different from the overall poor performance of the company before merger.

The above analysis indicates that the financial position of DG Khan Cement did not show any improvement soon after merger but it showed some improvements gradually. Therefore all the profitability ratios and liquidity ratios of D.G Khan Cement are better during the year 2003; indicate insignificant positive effect of merger after three years. The liquidity position of DG khan Cement also indicates insignificant positive effect. The leverage position measured through DE also indicates increase which is not good and ICR indicate insignificant negative effect of merger. The negative financial indexes of DG Khan Cement turned into positive figure which means that this conglomerate merger in manufacturing sector of Pakistan remained successful in the long run. The p-value of all profitability, liquidity and leverage ratios is greater than $\alpha = 0.05$ so it can be concluded that the effect of Merger on post-merger Profitability, Liquidity and Leverage of D.G Khan Cement is insignificantly. In view of what has been discussed above, all 3 hypotheses are rejected.

4.4. Congeneric Mergers

4.4.1 Merger of Askari Leasing with Askari BankLtd

Table 11

Comparison between pre & post-merger performance of Askari Bank Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	3.3298	5.0189	2.8976	1.198	.297
	After	3	-0.3049	1.5639	0.9029		
ROE	**Before**	3	13.5281	7.1954	4.1543	.706	.519
	After	3	-1.4020	35.9377	20.7486		
NPM	**Before**	3	8.2308	8.3219	4.8047	1.266	.274
	After	3	-3.4629	13.6662	7.8902		
EPS	**Before**	3	3.2467	2.9770	1.7187	1.240	.283
	After	3	0.7867	1.7186	0.9923		
CR	**Before**	3	2.8670	3.5345	2.0406	1.115	.327
	After	3	0.5918	0.0272	0.0157		
FS	**Before**	3	0.0995	0.0086	0.0050	1.321	.257
	After	3	0.0926	0.0030	0.0017		
DE	**Before**	3	0.3570	0.4181	0.2414	1.138	.319
	After	3	0.0820	0.0153	0.0088		
ICR	**Before**	3	0.7111	0.0426	0.0246	10.281	.001
	After	3	0.4328	0.0194	0.0112		

Askari Leasing &Askari Bank consolidated during the year 2010. It was a congeneric merger in financial companies of service sector in Pakistan. The financial statements show the stable position of Askari Leasing before merger. But the financial performance of Askari Leasing Limited started deteriorating during the year 2009 just one year prior to merger. The liquidity position measured through CR & FS also indicate stable position before merger but with downward trend. On the other hand, the leverage position measured through DER and ICR indicate a poor financial position of Askari Leasing before merger. All these financial ratios expose the truth regarding the profitability of index of Askari Leasing Limited before the merger. The current ratio of the firm shows a significant decreasing trend for the last three years which means that company had not enough assets and resources to run the affairs of business. So, company was not in a position to pay its liabilities in a short period of time. Lastly the interest coverage ratio also shows that company was not in a position to pay the interest on its extended debts.

The financial statements indicate bad financial position of Askari Bank before merger with downward trend. The profitability position of Askari Bank also indicates poor performance of the bank before merger. The liquidity and leverage ratios also show weak financial position of AskarI Bank before merger. It means the operations of bank were not running efficiently to generate profit for the shareholders.

The above analysis show that the financial position of Askari Bank further deteriorated after merger. The profitability ratios show weaker financial position with negative values after three years of merger with Askari Leasing ltd. All the profitability ratios indicate insignificant negative effect of merger. The liquidity position of Askari Bank measured through CR & FS also show insignificant negative effect of Merger. In the same way the leverage position also indicate weaker financial position of the bank after merger. The p-value of all ratios except ICR is greater than $\alpha = 0.05$ which means that Merger affected post-merger Profitability and Liquidity of the Askari Bank Ltd insignificantly, therefore Hypothesis No.3 is accepted. Only the p-value of Interest Converge Ratio showed that there is significant difference between pre and post-merger condition of Askari Bank Ltd. On the basis of this analysis, it can be concluded that the merger of Askari Leasing with Askari Bank did not remain successful. Hypotheses No.1 &2 are rejected.

4.4.2 Merger of PICIC Corporation & PICIC Bank with NIB Bank Ltd

Table 12

Comparison between pre & post-merger performance of NIB Bank Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	-.0682	.2211	.1276	1.330	.254
	After	3	-3.2062	4.0798	2.3555		
ROE	**Before**	3	1.7471	2.9106	1.6804	1.249	.280

	After	3	-.9253	2.2959	1.3255		
NPM	**Before**	3	1.5450	5.8053	3.3517	1.143	.317
	After	3	-5.5674	9.0787	5.2416		
EPS	**Before**	3	.1667	.4234	.2444	1.237	.284
	After	3	-.8900	1.4174	.8184		
CR	**Before**	3	1.0205	.2015	.1163	.977	.384
	After	3	.8920	.1064	.0614		
FS	**Before**	3	.0951	.0302	.0174	1.728	.159
	After	3	.0643	.0064	.0037		
DE	**Before**	3	.1913	.0668	.0386	-3.441	.026
	After	3	.3317	.0231	.0133		
ICR	**Before**	3	.4542	.0707	.0408	2.136	.100
	After	3	.2694	.1321	.0763		

The PICIC Corporation & PICIC Bank merged with NIB Bank during the year 2008. It is a congeneric merger of financial institutions in service sector. The financial statements show very good condition of PICIC Corporation before merger. The firm earned a very good return on its assets during the year 2005 and 2006. In the same way, the percentage of return on equity was also remained high during the year 2005 and 2006. Furthermore, the earning per share and net profit margin of PICIC also shows a very good financial condition of during the year 2005 & 2006. The liquidity & leverage condition of the company was also quite good during these two years. But there is downward trend in all financial ratios during the year 2007, one year prior to the merger. This sudden decline in financial position of PICIC Corporation one year prior to merger indicate that this forced the management to think about merger or this may be the effect of decision of merger already made by the management.

In the same way, financial statements of PICIC Bank shows good profitability ratios for the year ended 2005 and 2006.The liquidity measured through Current ratio also show good financial condition but financial slack was not quite good before merger of PICIC bank. Leverage position of the company measured through DER & interest coverage ratios show a quite healthy leverage position of the company. But like PICIC Corporation, all of sudden, all the financial ratios show a downward trend and started deteriorating just one year prior to merger.

All the profitability ratios of NIB were not quite good as shown in the financial statements but it further deteriorated during the last year before merger and indicates negative values. In the same way the liquidity ratios of NIB bank also indicate poor condition of the bank before merger. The leverage position of the bank was not different from the other financial condition of the bank before merger. Therefore, it can be concluded that the operations of the NIB Bank were not running in a successful way before merger.

The above analysis shows negative effect on the post-merger financial condition of NIB Bank. All the profitability ratios measured through ROA & ROE, NPM & EPS indicate negative insignificant effect of merger on the financial condition of NIB bank after merger. The Liquidity position of the bank also shows a negative insignificant effect of merger on the financial condition. There is a significant positive effect on the DER which is not good on the other hand there is also a negative insignificant effect on the interest coverage ratio of the bank after merger. The p-value of all ratios except DER is greater than α= 0.05, so can be concluded that effect of Merger had insignificant negative effect on post-merger Profitability, Liquidity and Leverage of NIB Bank. Only the p-value of Debt Equity Ratio showed that there is significant difference between pre and post-merger leverage position of NIB Bank, therefore Hypothesis No.3 is accepted. In this way, it can be concluded that that the merger had an insignificant negative effect on the post-merger financial condition of NIB Bank. In this way, hypotheses No 1 & 2 are rejected.

4.4.3 Merger of Orix Investment Bank with Orix Leasing Ltd

Table 13

Comparison between pre & post-merger performance of Orix Leasing Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	1.5877	0.3640	0.2101	2.163	.097
	After	3	0.9395	0.3702	0.2137		
ROE	**Before**	3	4.7833	0.9286	0.5361	4.631	.010
	After	3	1.8322	0.5964	0.3443		
NPM	**Before**	3	2.8481	0.4304	0.2485	-2.831	.047
	After	3	4.8986	1.1786	0.6804		
EPS	**Before**	3	4.7667	0.9504	0.5487	4.530	.011

	After	3	1.8300	0.5981	0.3453		
CR	**Before**	3	1.5262	0.7315	0.4223	.756	.492
	After	3	1.2021	0.1263	0.0729		
FS	**Before**	3	0.0043	0.0029	0.0017	-1.912	.128
	After	3	0.0106	0.0049	0.0028		
DE	**Before**	3	0.5366	0.2001	0.1155	.241	.821
	After	3	0.5082	0.0372	0.0215		
ICR	**Before**	3	1.5858	0.1011	0.0584	-1.537	.199
	After	3	1.7278	0.1240	0.0716		

The Orix Investment Bank consolidated with Orix Leasing during the year 2009. It was a congeneric merger of service sector in Pakistan. Financial statements of Orix Investment Bank show that the pre-merger financial performance of Orix Investment Bank limited was very poor. The financial condition show negative values during the last three years just before the merger deal. The operations of the firm remained good for the years 2006 and 2007, but later in 2008 one year prior to merger, the financial performance of firms started declining due to poor operation. The profitability ratios show poor performance of the company during year 2008.The liquidity & leverage ratios of Orix Investment Bank also show a downward trend in the earnings and ability to pay the long & short term liabilities along with interest accrued.

The financial statements of Orix Leasing also indicate that the financial condition of the company was not different from that of Orix Investment before merger. The Orix Leasing was performing well but with a downward trend in the year 2008, one year prior to merger. The profitability ratios indicate that the operations of company were running successfully and company was generating profit for shareholders. The liquidity and leverage position was stable before merger of.

The above analysis shows that the merger of Orix Investment Bank with Orix leasing had mix trend effect. Results show a significant negative effect of merger on all the profitability ratios except Net Profit Margin which is one of most important financial ratios to measure the financial position of a company. The liquidity position also show mix results the current ratio of firm show negative effect but financial slack indicate some improvements after merger. On the other hand leverage ratios show improvement in the financial position of the company as debt to Equity ratio decreases while interest coverage ratio increases which is good sign. The p-value of all profitability ratios except ROA is greater than α= 0.05, so it can be concluded that Merger had a significant effect on the post-merger profitability of Orix Leasing Ltd. The p-value of liquidity and leverage ratios showed that there is insignificant difference between pre and post-merger performance of ORIX Leasing Ltd. Therefore, hypotheses No 1 is accepted and Hypotheses No2 & 3 are rejected.

4.4.4 Merger of Suzuki Motorcycles with Pak Suzuki Motors Ltd

Table 14

Comparison between pre & post-merger performance of Pak Suzuki Motor Co. Ltd

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	**Before**	3	10.9680	2.6035	1.5032	3.889	.018
	After	3	3.9149	1.7568	1.0143		
ROE	**Before**	3	6.8400	5.8241	3.3626	.732	.505
	After	3	4.0334	3.1957	1.8450		
NPM	**Before**	3	9.1834	5.4690	3.1575	2.575	.062
	After	3	1.0143	0.5411	0.3124		
EPS	**Before**	3	4.3983	1.6860	0.9734	-.012	.991
	After	3	4.4200	2.7581	1.5924		
CR	**Before**	3	3.1400	3.0311	1.7500	-.329	.759
	After	3	3.7308	0.7157	0.4132		
FS	**Before**	3	2.5562	0.4773	0.2756	1.638	.177
	After	3	1.4208	1.1014	0.6359		
DE	**Before**	3	1.2933	0.2386	0.1378	3.185	.033
	After	3	0.3050	0.4816	0.2780		
ICR	**Before**	3	3.3947	1.7286	0.9980	-.032	.976
	After	3	3.4443	2.0322	1.1733		

Suzuki Motorcycle merged with Pak Suzuki Motors Ltd during the year 2007.It was a conglomerate merger in manufacturing sector of Pakistan. The financial statements of Suzuki Motorcycles show a negative trend in the financial performance just before the merger with Pak Suzuki Motors. The profitability ratios of Suzuki motorcycles were not quite good and stable before merger. In the same way, liquidity and leverage position of Suzuki motorcycles was deteriorating just before merger with Pak Suzuki Motors.

The Financial statements of Pak Suzuki Motor Co indicate a quite good financial condition of the company generating high returns for the shareholders. The profitability position of the company y was very strong. In the same way, the liquidity and leverage position of Pak Suzuki motor co was very good and stable just before merger.

The above analysis indicates that financial position of Pak Suzuki Motor co started deteriorating the higher level of commercial activities of the company. The profitability index of Pak Suzuki Motor co started declining after merger. All the profitability ratios except EPS had a negative effect while EPS shows slightly positive effect on the post-merger financial position of the company. However the liquidity position of the company showed mix trend effect CR Shows positive effect while FS indicates negative effect on post-merger performance of the company. On the other hand leverage position showed some improvements in post-merger performance. Thus the merger of Suzuki Motorcycles with Pak Suzuki Motor co showed a mix trend result on the success of the merged company. The p-value of all ratios except ROA and DE is greater than α= 0.05 so it is concluded that the merger had insignificant effect on post-merger financial performance of the company. The p-value of ROA & DE showed that there is significant difference between pre and post-merger performance of Pak Suzuki Motor Co. Therefore, hypotheses No 1 & 3 are accepted, and hypothesis No 2 is completely rejected.

4.5 Post-Merger Performance of 5 Horizontal Merger

Merger of KASB Bank Ltd with Bank Islami Ltd
Merger of My Bank & Atlas Bank with Summit Bank Ltd
Merger of RBS Bank with Faysal Bank Ltd
Merger of Ghandhara Nissan Diesel with Ghandhara Nissan Ltd
Merger of PEL Appliances Ltd with Pak Elektron Ltd

Table 15

Comparison between pre& post merger performance of 5-Horizontal Mergers

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	Before	3	-1.8640	4.9972	2.8851	-2.349	.079
	After	3	5.0955	1.1671	0.6738		

ROE	Before	3	0.9633	5.8180	3.3590	-2.453	.070
	After	3	9.8359	2.3258	1.3428		
NPM	Before	3	-1.6440	6.9908	4.0361	-1.569	.192
	After	3	4.7308	0.7988	0.4612		
EPS	Before	3	-0.3582	1.6025	0.9252	-2.853	.046
	After	3	2.3807	0.4436	0.2561		
CR	Before	3	0.7286	0.0638	0.0368	-1.784	.149
	After	3	0.8602	0.1107	0.0639		
FS	Before	3	0.1576	0.0157	0.0090	-1.839	.140
	After	3	0.1825	0.0175	0.0101		
DE	Before	3	0.2092	0.0361	0.0209	3.567	.023
	After	3	0.1182	0.0254	0.0147		
ICR	Before	3	0.5644	0.1726	0.0997	-3.019	.039
	After	3	1.7585	0.6631	0.3828		

The data of all 5 Horizontal Mergers was added and mean of the data was taken to have data for the above shown table. The data was used for sample paired t-test. The results indicate positive effect of merger on post merger performance of companies in Pakistan. All the profitability ratios, except EPS, show insignificant positive effect of merger on the financial condition of the company after merger. Earnings per share indicate significant positive effect of merger on the post-merger performance of companies in horizontal mergers. The liquidity position of the company also has an insignificant positive effect of merger. The leverage position also indicate significant positive effect of merger as DE shows decrease after merger which is a good sign while a dramatic increase is shown in ICR which is highly appreciable. On the basis of findings, one may say the Horizontal Merger had insignificant positive effect on profitability & leverage of merged companies in Pakistan. It has significant positive effect on the liquidity of merged companies. The p-value of profitability ratios except EPS is greater than α= 0.05 so we concluded that Horizontal Merger affects the profitability insignificantly in Pakistan, therefore Hypothesis No.1 is accepted. The p-value of leverage ratios is lesser than α= 0.05 so Horizontal Merger affects the leverage significantly in Pakistan. In this way, it is concluded that Hypothesis No. 2 is rejected and hypothesis no 3 is accepted.

4.6 Post-Merger performance of 3-Vertical Mergers

Merger of Azam Textile Mills with Saritow Spinning Mills Ltd

Merger of Shaheen Cotton Mills with Shehzad Textile Mills Ltd

Merger of Umer fabrics Ltd with Nishat (Chunnian) Ltd

Table 16

Comparison between pre & Post-merger performance of 3-Vertical Mergers

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	Before	3	9.0321	0.6282	0.3627	2.602	.060
	After	3	5.5296	2.2452	1.2963		
ROE	Before	3	12.8054	16.9101	9.7631	-.093	.930
	After	3	13.8360	8.8813	5.1276		
NPM	Before	3	3.9287	2.1291	1.2292	1.017	.367
	After	3	2.4168	1.4475	0.8357		
EPS	Before	3	4.9637	2.4557	1.4178	.510	.637
	After	3	4.1512	1.2623	0.7288		
CR	Before	3	0.9488	0.1107	0.0639	-.294	.783
	After	3	0.9775	0.1276	0.0737		
FS	Before	3	0.1277	0.0057	0.0033	32.496	.000
	After	3	0.0118	0.0024	0.0014		
DE	Before	3	0.2277	0.0384	0.0221	-.336	.754
	After	3	0.2354	0.0106	0.0061		
ICR	Before	3	3.4806	1.2477	0.7203	.193	.856
	After	3	3.3311	0.4936	0.2850		

The data of all 3 Vertical Mergers was added and mean of the data was taken to have data for the above shown table. The data was used for sample paired t-test. The results show insignificant negative effect of merger on financial health of the merged companies. All the profitability ratios, except ROE, show insignificant negative effect of merger on the financial condition of the company after merger. The liquidity position of the company show Mix trend effect as CR has a slightly insignificant positive effect while FS has a significant negative effect of merger. The leverage position show increase in DE which is not a good sign while ICR indicate decrease. On the basis of these results, we may conclude that the Merger had insignificant negative effect on Vertical Mergers in Pakistan. The p-value of all ratios except FS is greater than α= 0.05 so we concluded that the effect of Merger on post-merger profitability& Leverage of the Vertical Mergers in Pakistan is insignificant. In this way, it is concluded that Hypotheses No1 & 3 are rejected. When liquidity is measured through FS then Hypothesis No2 is accepted.

4.7 Post-Merger Performance of 2-Conglomerate Mergers

Merger of Kohinoor Genertek Ltd with Kohinoor Weaving Mills Ltd
Merger of D.G. Khan Electric with D.G. Khan Cement Ltd

Table 17

Comparison of pre & Post-merger performance of 2-Conglomerate Mergers

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	Before	3	4.3715	4.9142	2.8372	1.172	.306
	After	3	0.2676	3.5537	2.0518		
ROE	Before	3	4.6879	18.4225	10.6362	.282	.792
	After	3	0.4373	18.4401	10.6464		
NPM	Before	3	-0.2850	9.7503	5.6293	-.115	.914
	After	3	0.6817	10.7636	6.2144		
EPS	Before	3	3.7776	2.5495	1.4719	1.620	.180
	After	3	-0.3750	3.6339	2.0980		
CR	Before	3	0.7621	0.1679	0.0970	-1.271	.273
	After	3	0.9430	0.1803	0.1041		
FS	Before	3	0.0195	0.0033	0.0019	2.715	.053
	After	3	0.0132	0.0023	0.0013		
DE	Before	3	0.2558	0.0278	0.0160	-1.014	.368
	After	3	0.2974	0.0654	0.0377		
ICR	Before	3	3.1507	2.8769	1.6610	.876	.430
	After	3	1.6874	0.3014	0.1740		

The data of all 2 Conglomerate Mergers was added and mean of the data was taken to have data for the above shown table. The data was used for sample paired t-test. The results show insignificant negative effect of merger on financial health of the company. All the profitability ratios, except NPM, show insignificant negative effect of merger on the financial condition of the company after merger. The liquidity position of the company show Mix trend effect as CR has a slightly positive effect while FS has a negative effect of merger. Both of these effects are statistically insignificant. The leverage position shows slightly increase in DE and ICR indicate decrease which is not a good sign. On the basis of these results, we may conclude that the Merger had insignificant negative effect on Conglomerate Mergers in Pakistan. The p-value of all ratios is greater than α= 0.05 so we conclude that the effect of Merger on profitability, Liquidity & Leverage of the Conglomerate Mergers in Pakistan is statistically insignificant. In this way, it is concluded hypotheses No1, 2 and 3 are rejected.

4.8 Post-Merger Performance of 4-Congeneric Mergers

Merger of Askari Leasing with Askari Bank Ltd

Merger of PICIC Corporation & PICIC Bank with NIB Bank Ltd

Merger of Orix Investment Bank with Orix Leasing Ltd

Merger of Suzuki Motorcycles with Pak Suzuki Motor Co. Ltd

Table 18

Comparison between pre & Post Merger Performance of 4-Congeneric Mergers

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	Before	3	3.9543	1.1085	0.6400	3.501	.025
	After	3	0.3358	1.4060	0.8118		
ROE	Before	3	6.7246	2.3251	1.3424	1.005	.372
	After	3	0.8846	9.7970	5.6563		
NPM	Before	3	5.4518	2.4118	1.3925	1.842	.139
	After	3	-0.7793	5.3405	3.0834		
EPS	Before	3	3.1446	0.6876	0.3970	2.207	.092
	After	3	1.5367	1.0584	0.6111		
CR	Before	3	2.1384	0.8666	0.5004	1.030	.361
	After	3	1.6042	0.2384	0.1376		

FS	Before	3	0.6888	0.1239	0.0715	1.672	.170
	After	3	0.3971	0.2757	0.1591		
DE	Before	3	0.5945	0.1058	0.0611	2.935	.043
	After	3	0.3067	0.1328	0.0767		
ICR	Before	3	1.5364	0.4353	0.2513	.187	.861
	After	3	1.4686	0.4527	0.2614		

The data of all 4 Congeneric Mergers was added and mean of the data was taken to have data for the above shown table. The data was used for sample paired t-test. The results show insignificant negative effect of merger on financial health of the company. All the profitability ratios show negative effect of merger on the financial condition of the company after merger. The profitability ratios measured through ROA has significant negative effect while all other ratios indicate insignificant negative effect. The liquidity position of the company also shows negative effect of merger on post-merger performance of company. The leverage position measured through ICR indicates insignificant negative effect of merger on the post-merger financial health of the company. On the basis of these results, we may conclude that the Merger had insignificant negative effect on Profitability, liquidity and leverage of Congeneric Mergers in Pakistan. The p-value of all ratios except ROA is greater than $\alpha = 0.05$ so we concluded that there is partially significant effect of Merger on post-merger profitability of Congeneric Mergers in Pakistan, therefore Hypothesis No.1 is accepted. Hypothesis No. 2is rejected. Leverage measured through DE indicate significant effect therefore Hypothesis No.3 is accepted.

4.9 Post-Merger Performance of 8- Manufacturing Sector Mergers

Merger of Azam Textile Mills with Saritow Spinning Mills during Year 2012

Merger of Shaheen Cotton Mills with Shehzad Textile Mills during Year 2010

Merger of Suzuki Motorcycles with Pak Suzuki Motor Co. during Year 2007

Merger of Umer fabrics Ltd with Nishat (Chunnian) Ltd during Year 2005

Merger of Ghandhara Nissan Diesel with Ghandhara Nissan Ltd during Year 2004

Merger of Kohinoor Genertek Ltd with Kohinoor Weaving Mills during Year 2004

Merger of PEL Appliances Ltd with Pak Elektron Ltd during Year 2003

Merger of D.G. Khan Electric with D.G. Khan Cement during Year 2000

Table 19

Comparison between Pre & Post-Merger Performance of 8-Manufacturing Sector Mergers

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	Before	3	4.1880	2.5843	1.4921	-.325	.761
	After	3	4.6851	0.5747	0.3318		
ROE	Before	3	6.5284	4.6871	2.7061	-1.124	.324
	After	3	9.9538	2.4232	1.3990		
NPM	Before	3	0.8542	3.2438	1.8728	-.716	.513
	After	3	2.4295	1.9981	1.1536		
EPS	Before	3	3.1900	1.6871	0.9740	-.144	.892
	After	3	3.3500	0.9240	0.5335		
CR	Before	3	1.1066	0.3925	0.2266	-1.135	.320
	After	3	1.3663	0.0539	0.0311		
FS	Before	3	0.3805	0.0560	0.0323	2.210	.092
	After	3	0.1901	0.1383	0.0798		
DE	Before	3	0.4038	0.0449	0.0259	3.097	.036
	After	3	0.2433	0.0778	0.0449		
ICR	Before	3	2.6730	0.5914	0.3414	-.540	.618
	After	3	2.9109	0.4825	0.2785		

The data of all 8 Manufacturing Sector Mergers was added and mean of the data was taken to have data for the above shown table. The data was used for sample paired t-test. The results show insignificant positive effect of merger on financial health of manufacturing companies in Pakistan. All the profitability ratios show insignificant positive effect of merger on the post-merger performance of manufacturing companies in Pakistan. The liquidity position of the company shows mix trend effect as CR has an insignificant positive effect while FS has insignificant negative effect of merger. However leverage position measured through DE and ICR indicate insignificant positive effect. On the basis of these results, we may conclude that the Merger had insignificant positive effect on Profitability, liquidity and leverage position of manufacturing companies in Pakistan. The p-value of all ratios except DE is greater than $\alpha = 0.05$ so we concluded that the effect of Merger on profitability, Liquidity & Leverage of Mergers in manufacturing companies of Pakistan is statistically insignificant. The Hypothesis No.1a&2a are rejected while hypothesis No. 3a is accepted.

4.10 Post-Merger Performance of 6-Services Sector Mergers

Merger of KASB Bank Ltd with Bank Islami Ltd during the year 2011
Merger of My Bank & Atlas Bank with Summit Bank during the year 2011
Merger of RBS Bank with Faysal Bank during the year 2011
Merger of Askari Leasing with Askari Bank during the Year 2010
Merger of PICIC Corporation & PICIC Bank with NIB Bank during Year 2008
Merger of Orix Investment Bank with Orix Leasing during the Year 2009

Table 20

Comparison between pre & Post merger performance of 6-Services Sector Mergers

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
ROA	Before	3	1.4722	1.2261	0.7079	.419	.697
	After	3	1.0773	1.0759	0.6212		
ROE	Before	3	4.5467	0.8322	0.4805	.460	.669
	After	3	2.5783	7.3666	4.2531		
NPM	Before	3	2.9950	2.1736	1.2549	.556	.608
	After	3	1.6191	3.6906	2.1308		
EPS	Before	3	1.2855	1.0221	0.5901	1.336	.253
	After	3	0.4923	0.1150	0.0664		
CR	Before	3	1.2858	0.5757	0.3324	1.556	.195
	After	3	0.7676	0.0341	0.0197		
FS	Before	3	0.1536	0.0086	0.0050	-2.105	.103
	After	3	0.1737	0.0141	0.0081		
DE	Before	3	0.2314	0.0344	0.0199	1.550	.196
	After	3	0.1955	0.0206	0.0119		
ICR	Before	3	0.7212	0.0535	0.0309	-1.228	.287
	After	3	0.7913	0.0830	0.0479		

The data of all 6 Services Sector Mergers was added and mean of the data was taken to have data for the above shown table. The data was used for sample paired t-test. The results show Mix trend effect of merger on financial health of the company. The profitability ratios indicate insignificant negative effect of merger on the post-merger financial condition of the services company in Pakistan. The liquidity position of the company measured through CR & FS also shows mix trend effect of merger as CR indicate insignificant negative effect while FS show insignificant positive effect of merger. However leverage position measured through DE & ICR show insignificant positive effect of merger on the financial health of the company. On the basis of these results, we may conclude that the Merger had Mix trend effect as post-merger Profitability of company is negatively affected and liquidity position is negatively affected while leverage position is positively effected in the Services companies in Pakistan. The p-value of all ratios is greater than α= 0.05 so we concluded that the effect of Merger on profitability, Liquidity & Leverage of post-mergers performance in Services companies of Pakistan, is statistically insignificant. Therefore it is concluded that Hypothesis No1b, 2b & 3b are rejected.

4.11 Post-Merger Performance of all 14-Mergers

Table 21

Comparison between Pre & Post-merger performance of 14 Mergers

Paired Sample t-test

Variable	Merger	N	Mean	Std. Deviation	Std. Error Mean	t-values	p-values
ROA	**Before**	3	3.02407	1.30475	0.75330	-.151	.887
	After	3	3.13893	0.19777	0.11418		
ROE	**Before**	3	5.67910	3.00375	1.73422	-.519	.631
	After	3	6.79287	2.19253	1.26586		
NPM	**Before**	3	1.77170	1.15101	0.66453	-.345	.747
	After	3	2.08217	1.04928	0.60580		
EPS	**Before**	3	2.37383	0.67354	0.38887	.486	.652
	After	3	2.12527	0.57404	0.33142		
CR	**Before**	3	1.18337	0.29691	0.17142	.428	.691
	After	3	1.10970	0.02908	0.01679		
FS	**Before**	3	0.28323	0.02859	0.01651	2.190	.094

	After	3	0.18303	0.07391	0.04267		
DE	**Before**	3	0.32993	0.04013	0.02317	2.788	.049
	After	3	0.22277	0.05312	0.03067		
ICR	**Before**	3	1.83647	0.35922	0.20740	-.616	.571
	After	3	2.00250	0.29828	0.17221		

The data of all 14 Mergers was added and mean of the data was taken to have data for the above shown table. The data was used for sample paired t-test. The results show Mix trend effect of merger on financial health of the company. All the profitability ratios, except EPS, show positive effect of merger on the financial condition of the company after merger. However this effect is statistically insignificant. The liquidity position of the company indicates insignificant negative effect of merger on the post merger performance of company in Pakistan. However leverage position measured through DE & ICR show positive effect of merger on the financial health of the company. The effect of DE is statistically significant while the effect of ICR is statistically insignificant. On the basis of these results, we may conclude that the Merger had Mix trend effect as Profitability and leverage position is positively affected while liquidity is negatively affected when the information of all 14 mergers is clubbed and mean is taken. The p-value of all variables except DE is greater than $\alpha = 0.05$ so we concluded that the effect of Merger on profitability, Liquidity & Leverage of Mergers in Pakistan is statistically insignificant. It is therefore concluded that hypotheses no1 & 2 are rejected while hypothesis no.3 is accepted to the extent of Debt Equity Ratio (DE).

4.12 Comparison of Post-Merger Performance between Two Sectors.

Table 22

Comparison of post-merger performance between manufacturing & Services companies

Independent Sample t-test

Variable	Groups	N	Mean	Std. Deviation	Std. Error Mean	t-values	p-values
ROA	**Manufacturing**	3	4.6851	0.5747	0.3318	5.123	.007
	Services	3	1.0773	1.0759	0.6212		

ROE	**Manufacturing**	3	9.9538	2.4232	1.3990	1.647	.175
	Services	3	2.5784	7.3666	4.2531		
NPM	**Manufacturing**	3	2.4295	1.9981	1.1536	.334	.755
	Services	3	1.6191	3.6906	2.1308		
EPS	**Manufacturing**	3	3.3500	0.9240	0.5335	5.316	.006
	Services	3	0.4923	0.1150	0.0664		
CR	**Manufacturing**	3	1.3663	0.0539	0.0311	16.255	.000
	Services	3	0.7676	0.0341	0.0197		
FS	**Manufacturing**	3	0.1901	0.1383	0.0798	.205	.848
	Services	3	0.1737	0.0141	0.0081		
DE	**Manufacturing**	3	0.2433	0.0778	0.0449	1.029	.362
	Services	3	0.1955	0.0206	0.0119		
ICR	**Manufacturing**	3	2.9109	0.4825	0.2785	7.500	.002
	Services	3	0.7913	0.0830	0.0479		

The 3-years Post-Merger data of all 6 Services Sector was added and then of the data was taken to have uniform data for comparative analysis through independent sample data. The data of 8 Manufacturing Sector Mergers was added and then mean of same was also taken to s have data in the uniform shape. Independent sample t-test was applied to compare the post merger performance of manufacturing companies with that of the services companies in Pakistan. Independent sample t-test is preferred to compare the findings/results of two different independent variables. The results of comparative analysis through all profitability ratios show that the post merger performance manufacturing companies is better than the services companies in Pakistan. The difference between the post-merger performances of manufacturing sector and services sector measured through ROA & EPS is statistically significant. The post-merger liquidity performance measured through CR& FS shows that success rate of manufacturing sector is greater than services sector. However the difference between post merger performances of liquidity measured through CR is statistically significant while the same measured through FS is statistically insignificant. On the basis of these results, it may be conclude that the Acquirer had more positive effect of merger on synergy and Profitability in manufacturing sector as compared to services sector in Pakistan. But this effect is statistically significant. Post-merger leverage position of manufacturing sector had positive effect as compared to Services Sector Mergers in Pakistan. But this difference of post merger performance between manufacturing sector and services sector is statistically insignificant The p-value is of ROA, EPS, CR & ICR is lesser than α= 0.05

which indicate significant difference between post-merger performance of manufacturing companies and services companies of Pakistan. The P-value of all remaining variables is greater than $\alpha = 0.05$, which indicate insignificant difference between post-merger success of manufacturing companies and services companies in Pakistan. Therefore, it is concluded that hypothesis 4 is accepted to the extent of ROA, EPS, CR & ICR.

4.13 Summary

Merger and Acquisition in service and manufacturing sector is a world phenomenon. In the case of Pakistan there are lots of merger deals have been executed in the past. In the current study 14 merger & acquisition of listed companies during the year 1995 to 2018 from manufacturing and service in Pakistan have been studied and their year ended financial data has analyzed. Out of total 14 mergers, 8 are from manufacturing sector while remaining 6 are from service sector. According to classification of merger 5 are horizontal mergers 3 are vertical mergers 2 are conglomerate merger and 4 are congeneric mergers.

The findings of analysis of Horizontal Mergers indicate that Horizontal Merger had insignificant positive effect on Post-mergers performance of companies in Pakistan. All the profitability ratios, except EPS, show insignificant positive effect of merger on post-merger performance of the company in Pakistan. Earnings Per Share indicate significant positive effect of merger. The liquidity position of the company indicates insignificant positive effect of merger. The leverage position shows significant positive effect of merger. On the basis of these findings, it may be concluded that the Horizontal Merger had insignificant positive effect on profitability & leverage of merged companies in Pakistan. It also has significant positive effect on the liquidity of merged companies in Pakistan.

The results of analysis of vertical mergers indicate insignificant negative effect of vertical merger on post-merger performance of merged companies. All the profitability ratios, except ROE, show insignificant negative effect of merger on the financial performance of the company after merger while ROE indicates insignificant positive effect of merger on the merged companies in Pakistan. The liquidity position of the company indicates Mix trend effect as CR has a slightly insignificant positive effect while FS has a significant negative effect of merger. The leverage position show insignificant negative effect of merger on post merger performance of the company. On the basis of these results, we may conclude that vertical Merger had insignificant negative effect on merged companies in Pakistan.

The results of analysis of Conglomerate merger show insignificant negative effect of merger on the post-merger financial performance of the company. All the profitability ratios, except NPM, show insignificant negative effect of merger on the financial performance of the company after merger while NPM indicate insignificant positive effect of merger on the merged companies in Pakistan. The liquidity position of the company show Mix trend effect as CR has a slightly positive effect while FS has insignificant negative effect of merger. The leverage position shows slightly increase in DE and ICR indicate decrease which is not a good sign. On the basis of these results, we may conclude that the Conglomerate Merger had insignificant negative effect on merged companies in Pakistan.

The results of analysis of congeneric merger show insignificant negative effect of merger on financial performance of the company after merger. All the profitability ratios show negative effect of merger on the financial performance of the company after merger. The profitability ratios measured through ROA has significant negative effect. The liquidity position of the company also shows negative effect of merger on post-merger performance of company. The leverage position measured through DE and ICR indicate insignificant negative effect of congeneric merger on the post-merger financial performance of the company. On the basis of these results, it may be concluded that the congeneric merger had insignificant negative effect on Profitability, liquidity and leverage of mergers companies in Pakistan.

The results of analysis of manufacturing companies show insignificant positive effect of merger on financial health of merged companies in Pakistan. All the profitability ratios show insignificant positive effect of merger on the post-merger performance of manufacturing companies in Pakistan. The liquidity position of the company shows mix trend effect as CR has an insignificant positive effect while FS has insignificant negative effect of merger. However leverage position measured through DE and ICR indicate insignificant positive effect. On the basis of these results, it can be concluded that the Merger had insignificant positive effect on Profitability, liquidity and leverage position of manufacturing companies in Pakistan.

The results of analysis of services merger show Mix trend effect of merger on the post merger financial performance of the company. The profitability ratios indicate insignificant negative effect of merger on the post-merger financial performance of the services company in Pakistan. The liquidity position of the company measured through CR & FS also shows mix trend effect of merger as CR indicate insignificant negative effect while FS show insignificant positive effect of merger. However leverage position measured through DE & ICR show insignificant positive effect of merger on the financial health of the company. On the basis of these results, it can be concluded that the Merger had Mix trend effect on services companies as post-merger Profitability and liquidity of company is negatively affected and while leverage position is positively affected.

The results of analysis of all 14 mergers in Pakistan show Mix trend effect of merger on post-merger financial performance of the company. All the profitability ratios, except EPS, show insignificant positive effect of merger on the financial performance of the company after merger while EPS indicate insignificant negative effect of merger on the merged companies in Pakistan. The liquidity position of the company indicates insignificant negative effect of merger on the post merger performance of company in Pakistan. However leverage position measured through DE & ICR show slightly positive effect of merger on the post-merger financial performance of the company. On the basis of these results, it can be concluded that the Merger had Mix trend effect as Profitability and leverage position is positively affected while liquidity is negatively affected when pre-merger performance of all 14 mergers is compared with the post-merger performance of these companies in Pakistan.

The results of comparative analysis show that the post merger performance manufacturing companies is better than the services companies in Pakistan. All the profitability ratios indicate insignificant positive effect of merger in manufacturing companies as compared to services companies in Pakistan. The post-merger liquidity performance measured through CR & FS shows that success rate of manufacturing sector is insignificantly greater than services sector. Post-merger leverage position of manufacturing sector also had positive effect as compared to Services Sector Mergers in Pakistan. On the basis of these results, it may be conclude that the Acquirer had more positive effect of merger on synergy and Profitability in manufacturing sector as compared to services sector in Pakistan.

After the careful and professional analysis, it can be concluded that the success and failure of mergers depends on multiple factors which prevail inside and outside the firms during merger process. These factors put serious impacts on the financial performance of the merged firms. Merger affects the financial performance of the merged firms in positive as well as in negative way depending on these factors/ variables. The success of the post merger financial performance also depends on the eligibility of management who completed the process of merger & acquisition. Therefore financial analysis revealed that merger had mix effect on the financial and economic performance of the merged firms. In some cases a firm was running under huge loss or generating very low profit, but it performed very well after merger. On the other hand, some of the well performing organizations showed pathetic performance and disappointed the management as well as shareholders of the company.

CHAPTER NO 05

DISCUSSION

This part of the study deals with the findings of the study and comparison/discussion of its findings with the findings of previous empirical studies. It discusses the similarities and contrasts in findings of two different studies so that one can judge the achievements of the study. On the basis of this discussion, one will be able to judge who successfully the study has achieved its objectives.

The culture of Merger and Acquisition is common in the developed countries like America, Canada, England and France where the industries developed centuries before. But on the other side, this culture of doing business collectively is not common in the developing states due to newly introduction of industry and manufacturing units. Merger and Acquisition are some kinds of development of business which originated from the developed world and now transferring it to the developing states. In fact, the development of business and industry in the developing states in its initial stages (Abbas, Hunjra, Azam, Ijaz, & Zahid, 2014). In this modern era, the world has become a global village. Countries are engaged in commercial and political activities with one another and the neighboring countries cannot separate itself from the effects of ups and downs in the economy of other states.

Method of merger and acquisition for the maximization of profit is common among all types of organization; either they belong to manufacturing sector or services sector. Moreover, this method is also followed by the financial as well as non-financial corporate sector. The objective of merger is to increase profitability to maximize the shareholder’s wealth but the study found that merger and acquisition deals mostly do not meet these objectives of the purchasers. Merger and acquisition deal remain profitable in certain situation. The merger and acquisition success depends on local as well as international circumstances. In this modern era, the world has become a global village. The selected Indian mergers show superior performance during the post-merger period for both manufacturing and services sectors, and observe a balance sheet improvement in the long-run(Reddy, Nangia, & Agrawal, 2013).Merger and acquisition deals often fail due to bad management of merged firms. The firms which are involved in Merger and Acquisition deals often neglect the dynamics of post-merger scenario; therefore, they failed in getting the higher profitability ratios. Good management of process is closely concern with the success of merger and acquisition. If there is long sighted management then the merger deals resulted in higher level of profitability index. On the other side, if the management is of narrow minded then the merger alliance will end at more and more loss.

The analysis of post-merger financial performance of the merged firms in the service sector of Pakistan showed that merger does not give any benefit to the firms to a large extent. It is concluded that mergers and acquisitions don't have impact on firm performance in the short time period but it might be possible that merger has impact on the firm performance in the long run (Shakoor M. I., Nawaz, Asab, & Khan, 2014).The calculated results reveal insignificant decrease in the operating performance of merged firms during the post-merger three years period. Moreover, the projected performance is calculated through ordinary least square method. The findings of study are in alignment with the previous research i.e. inconclusive towards this end. However, in majority of cases the impact of merger on firm's profitability is negative but this negative effect is statistically insignificant. This negative impact may be due to the fact that many of the mergers took place with the firms which were declared as sick units and hence negatively affected the profitability (abbas, Khattak, & Khan, 2016).

Merger and acquisition deals often put their effects on business differently. Sometime merger deals give positive results in few parts of business while other remains in loss. Similarly, situation was prevailing in the case of current merger deals in the field of service sector. The profitability ratios, such as, earning per share, return on assets, return on equity and net profit margin showed no improvement even these ratios turn into negative values. However, leverage ratios and liquidity ratios showed some improvement due to one or another reasons. In the past the researcher has found that merger and acquisition improve different financial ratios in versatile ways. On the basis of findings, it is concluded that overall financial performance of acquiring manufacturing corporations insignificantly improved after merger. The profitability, liquidity, and leverage position insignificantly improved while the efficiency deteriorated after- merger. It is finally concluded that merger impact on different industries of manufacturing sector differently (Ahmed & Ahmed, 2014).

5.1 Post-Merger Performance of Horizontal Mergers

The results of analysis of merger of KASB Bank with Bank Islami show slightly positive effect of merger on the financial condition of Bank Islami after merger but majority of the ratios indicate statistically insignificant effect. Therefore, it may be concluded that the

Merger remained successful. The results of merger of Atlas Bank & My Bank with Summit Bank show that Profitability condition of Summit Bank started improving gradually. Post-merger Liquidity & Leverage condition of Summit Bank shows negative effect of merger. All ratios indicate statistically insignificant effect. The analysis of merger of RBS Pakistan with Faysal Bank indicates a positive effect on all the profitability ratios of the Faysal Bank after merger but this effect is statistically insignificant. The post merger liquidity & Leverage position measured also indicate a positive significant of merger on Faysal Bank. The results of merger of Ghandhara Nissan Diesel ltd with Ghandhara Nissan Ltd show insignificant positive effect of merger on all post merger profitability ratios of Ghandhara Nissan Ltd. It also indicates significant positive effect on liquidity & leverage position of Ghandhara Nissan Ltd after merger. The results of merger of PEL with Pak Elektron Ltd show a mix trend in the post merger financial condition of Pak Elektron Ltd. All the profitability ratios except ROE show improvement in financial condition of the company. The liquidity position of Pak Elektron Ltd indicates insignificant negative effect of merger on the company. However the post merger leverage position of the company showed improvements.

The results of analysis of Horizontal Mergers show that Merger had insignificant positive effect on Post-mergers performance of horizontally merged companies in Pakistan. All the profitability ratios show insignificant positive effect of merger on post-merger performance of the company in Pakistan. The liquidity of the company indicates insignificant positive effect of merger. The leverage position indicates significant positive effect of merger. On the basis of these findings, it is concluded that Horizontal Merger affects the profitability & leverage of merged companies in Pakistan insignificantly. It has significant positive effect on the liquidity of merged companies in Pakistan. These results are in line with Mantravadi & Reddy, (2008) who studied the impact of mergers on the operating performance of acquiring corporate in different industries, by examining some pre- merger and post-merger financial ratios, with the sample of firms chosen as all mergers involving public limited and traded companies in India between 1991 and 2003. The results suggest that there are minor variations in terms of impact on operating performance following mergers, in different industries in India. In particular, mergers seem to have had a slightly positive impact on profitability of firms in the banking and finance industry, the pharmaceuticals, textiles and electrical equipment sectors saw a marginal negative impact on operating performance.

5.2 Post-Merger Performance of Vertical Mergers

The results of merger between Azam Textile and Saritow Spinning Mills ltd show that, all the post merger profitability ratios Except NPM of Saritow Spinning Mills Ltd started decreasing. The liquidity position of Saritow spinning Mills showed mix results as FS indicates insignificant negative effect while CR shows insignificant positive effect of merger. In the same way the leverage position of Saritow spinning also deteriorated after merger. Contrary to this, the merger between Shaheen Cotton and Shehzad Textile remained successful as the post merger profitability indexes moved upward dramatically and this effect is statistically significant. Similarly, liquidity position of Shaheen Textile shows insignificant positive effect & leverage position of also indicate significant positive effect of merger. The results show that the merger of Shaheen Cotton with Shehzad Textile remained successful and benefitted to the shareholders. The results of merger of Umer Fabrics with Nishat Chunnian indicate pathetic post merger financial condition of Nishat Chunnian which was earning higher profit and revenues before the merger. There is a dramatic decrease in the financial condition of Nishat Chunnian after merger. All the post merger profitability, liquidity & leverage ratios of Nishat Chunnian show a downward trend and even negative values. This effect measured through all variables except DE is statistically insignificant.

The results of analysis of vertical mergers indicate insignificant negative effect of merger on post-merger performance of vertically merged companies in Pakistan. All the profitability ratios show insignificant negative effect of merger on the post-merger financial performance of the merged company. The liquidity position of the company indicates Mix trend effect as CR has a slightly insignificant positive effect while FS has a significant negative effect of merger. The leverage position show insignificant negative effect of merger on post merger performance of the company. On the basis of these results, it is concluded that Merger has insignificant negative effect on the post-merger performance of vertically merged companies in Pakistan. These findings are in line with R. & Parsad, (2012) who analyzed the performance of Indian Airline Companies after the consolidation of Airline sector in year 2007-08 and concluded that in general, Airline Companies merger in India does not bring significance difference on the financial performance after the merger. The finding of this study shows that there is no improvement in surviving Company’s return on equity, net profit margin, interest coverage, earning per share and dividend per share post-merger & acquisition. The results are also in line with Usman, Mehboob, Ullah, & Farooq, (2010) who analyzes the operating & financial performance of merged companies in the textile sector of

Pakistan during the period 2001 to 2005. For analysis three years pre- and post-merger financial statements of the sampled companies were used. The hypotheses are tested through paired sample t-test. The calculated results reveal insignificant decrease in the operating performance of merged firms during the post-merger three years period. Moreover, the projected performance is calculated through ordinary least square method. The results show insignificant increase during the post merger three years period with respect to pre-merger three years performance. The findings of projected scenario demonstrate that these companies could have performed insignificantly well in comparison to their actual performance after mergers.

5.3 Post-Merger Performance of Conglomerate Mergers

The results of merger of Kohinoor Genertek with Kohinoor Weaving Mills show that the post merger financial position Kohinoor Weaving Mills started deteriorating after merger. All the profitability ratios show the downward movement and significant negative effect. The liquidity position of Kohinoor Weaving Mills measured through CR indicates insignificant negative effect while FS shows significant negative effect of Merger. The post-merger leverage position also indicates insignificant negative effect of Merger. The results of merger of DG khan Electric with DG khan Cement indicate that the post merger financial position of DG Khan Cement did not show any immediate improvement but it showed some improvements gradually. However the negative financial indexes of DG Khan Cement turned into positive figure which means that this conglomerate merger had some positive effect but this effect is statistically insignificant. The post-merger leverage position indicates insignificant negative effect of merger on financial performance of DG Khan Cement Ltd after merger.

The findings of analysis of Conglomerate merger indicate that merger affects the post-merger financial performance of conglomerate merged companies, negatively. All the profitability ratios show insignificant negative effect of merger on the financial performance of the company after merger. The liquidity position of the company show Mix trend effect as CR has a slightly positive effect while FS has insignificant negative effect of merger. The leverage position shows slightly increase in DE and decrease in ICR which indicates negative effect of merger. On the basis of these results, it can be conclude that the Conglomerate Merger had insignificant negative effect on merged companies in Pakistan. These findings are in line with Bakher, (2017) who concluded that conglomerate M&As lead to integration success and synergy success in the both sectors, but without success in relation to the profitability in the both sectors. The Conglomerate merger may lead to elimination of repeated jobs to bring the synergy but in majority cases it fails to achieve the projected results. The conglomerate merger fails to have positive effect on the post merger financial performance of merged companies.

5.4 Post-Merger Performance of Congeneric Mergers

The results of merger of Askari Leasing with Askari Bank show that the post merger financial position of Askari Bank further deteriorated. All the profitability & liquidity ratios indicate insignificant negative effect of merger. However, the post-merger leverage position indicates insignificant positive effect of merger. The results of merger of PICIC Corporation and PICIC Bank with NIB Bank show insignificant negative effect on the post merger financial condition of NIB Bank. All the profitability, liquidity & leverage ratios indicate insignificant effect of merger on the financial condition of NIB bank after merger. The results of merger of Orix Investment Bank with Orix Leasing Ltd show mix trend effect. All the profitability ratios, except NPM, show negative effect of merger. The liquidity position also show mix results the current ratio of firm show negative effect but financial slack indicate slightly positive after merger. The leverage ratio shows insignificant positive effect of merger on the financial position of the company. The results of merger of Suzuki Motorcycles with Pak Suzuki Motor Co indicate that post merger financial position of Pak Suzuki Motor co started deteriorating the higher level of commercial activities of the company. The profitability index of Pak Suzuki Motor co started declining after merger. However the liquidity position of the company showed mix trend effect as CR shows insignificant positive effect while FS indicates insignificant negative effect. The post-merger leverage position showed slightly insignificant positive effect of merger. Thus the merger of Suzuki Motorcycles with Pak Suzuki Motor co showed a mix trend result on the post-merger financial performance of the merged company.

The results of analysis of congeneric merger show negative effect of merger on financial performance of the company after merger. However this negative effect is statistically insignificant. All the profitability ratios show negative effect of merger on the financial performance of the company after merger. The profitability ratios measured through ROA has significant negative effect. The liquidity position of the company also shows negative effect of merger on post-merger performance of company. The post-merger leverage position indicates mix results as DE shows significant positive effect while ICR indicate insignificant negative effect of merger on the post-merger financial performance of the company. On the basis of these results, it is concluded that the congeneric merger affects Profitability, liquidity and leverage of mergers companies in Pakistan negatively insignificantly. The congeneric merger does not bring positive effect in the post merger performance of congeneric merged companies in Pakistan. These results are in line with Rashid & Naeem, (2017), who studied the impact of merger deals on profitability, liquidity, and leverage position of nonfinancial companies of Pakistan. The study investigated 25 merged and acquired non-financial firms listed on Pakistan Stock Exchange (PSX) during the period from 1995 to 2012. They used 3-year pre and post merger average of financial ratios in their empirical analysis. The results suggest that merger deals do not have any significant impact on the profitability, liquidity, and leverage position of the firms. However, the estimates suggest that the merger deals have a negative and statistically significant impact on the quick ratio of merged/acquirer firms.

5.5 Post-Merger Performance of Manufacturing Sector

The results of Mergers in Manufacturing Sector of Pakistan show mix trend effect of merger on financial health of the company. All the profitability ratios measured through ROA, ROE, NPM & EPS show insignificant positive effect of merger on the post-merger financial performance of the manufacturing merged companies in Pakistan. The liquidity position of the company also shows mix trend effect as CR has an insignificant positive effect while FS has insignificant negative effect of merger. However leverage position measured through DE & ICR show positive effect as DE shows decrease in value which is good and has significant positive effect while ICR indicate increase and insignificant positive effect of merger. On the basis of these results, it may be conclude that the merger in manufacturing sector of Pakistan had insignificant positive effect on Profitability, liquidity and leverage position of merged manufacturing companies in Pakistan after merger. The post merger performance of the companies show that merger in the field of manufacturing sector is beneficial to the merged company in Pakistan. These results are in line Al-Hroot, (2016) who investigated the impact of merger on fiscal presentation of the merged Jordanian Industrial firms. The study investigated the sample of almost 7 merged businesses from the year 2000 to the year 2014. The study implied paired sample t-test analysis. For this purpose of analysis the liquidity, profitability and solvency ratios were used. The results show that post-merger profitability, efficiency, leverage & liquidity insignificantly improves Jordanian industry sector. A merger has positive impact of pharmaceutical and medical industry in Jordan. Improving the liquidity ratios is not the real goal of merger alliance. A collective improvement in the matters of business is the real goal merger. Previous empirical studies proved that merger alliance in manufacturing is very beneficial for the merged firms. Moreover, when more than two firms merged with one another then it results in more economic prosperity and success in the financial records of corporations.

5.6 Post-Merger Performance of Service Sector

The results of Mergers in Services Sector of Pakistan show mix trend effect of merger on financial health of the company. All the profitability ratios show negative effect of merger on the post merger financial performance of the merged services companies in Pakistan. However this negative effect of merger is statistically insignificant. The liquidity position of the company shows mix trend effect as CR shows insignificant negative effect while FS shows insignificant positive effect of merger on the post merger performance of the company. However leverage position measured through DE & ICR shows slightly insignificant positive effect of merger on the financial performance of the company. On the basis of these results, it may be concluded that merger in Services Sector of Pakistan had mix trend effect as Profitability is negatively affected while leverage position is positively affected and liquidity shows mix effect of merger. One of the reasons of failure of merger deals in the case of Pakistan service sector is the economic condition of country. When the economic condition is deteriorating the business firm faces bad impacts on their financial performance. So, economy and performance of corporations have association with one another. Moreover, it is also observed that after merger, the merged firms give high performances but with the passage of time, the financial performance start declining. In the previous studies the research scholars have found that the financial performance of merged firms improved due to collaboration of assets and capital of both of the firms, but with the passage of time, the economic and financial condition started deteriorating. The merger of service sector is completely different from the merger of manufacturing sector. There are different parameters for the merger alliance of manufacturing and service sector.. These results are in line with Ashfaq, Usman, Hanif, & Yousaf, (2014) who studied the impact of merger & acquisition on post merger financial performance of companies engaged in the non-financial sector of Pakistan. There are total 16 companies selected which were engaged in the merger &

acquisition during the period 2000-2009 listed on the Karachi Stock Exchange (KSX). Three ratios ROA, ROE and EPS were used to measure the post merger financial performance. Paired sample t-test was used to analyze whether relative post-merger performance was improved or otherwise. The results indicate that post-merger absolute performance on average was deteriorated. The results of paired sample t test also indicate that post-merger relative performance was also deteriorated at significant level.

5.7 Post-Merger Performance of Overall Mergers

The results of analysis of all 14 mergers in Pakistan show Mix trend effect of merger on post-merger financial performance of the company. All the profitability ratios except EPS show slightly positive effect of merger on the post-merger financial performance of the merged companies in Pakistan. However this positive effect is statistically insignificant. The post-merger liquidity position of the merged company indicates insignificant negative effect of merger on the financial performance of merged companies in Pakistan. However leverage position measured through DE & ICR show positive effect of merger on the financial performance of the company after merger. This positive effect measured through DE is statistically significant while measured through ICR is statistically insignificant. On the basis of these results, it can be concluded that Merger overall had Mix trend effect as Profitability and leverage position is positively affected while liquidity is negatively affected when pre-merger performance of all 14 mergers is compared with the post-merger performance of these companies in Pakistan. The post-merger managerial and operational activities of firms changes after merger. It is observed that leverage ratios and liquidity ratios show some improvements but profitability ratios shows negative effect of merger. The previous empirical studies proved that the real success of merger is in improving the profitability indexes. According to the majority of the empirical studies, bringing change in liquidity and leverage ratios is not a success because they think that merged firms have lots of assets and resources. So, collecting the resources and assets of both firms is not the test of efficiency of two or more than two firms. The real test of success can be checked by judging the performance of entire firm. In the same way, partial improvement in the financial and economic performance of the company is not a success. Altogether success is required to get the fruit of merged alliance (Mantravadi & Reddy, 2008).

5.8 Comparison of Post-Merger Performance between Two Sectors.

The results of comparative analysis show that post-merger financial performance of manufacturing companies is better as compared to service companies in Pakistan. All the profitability ratios measured through ROA, ROE, NPM & EPS show that the success rate of merged in manufacturing companies is greater than in the service companies in Pakistan. The difference between successes of two main sectors is statistically partially significant as the difference between ROA & EPS is significant while the difference between ROE & NPM is insignificant. The post-merger liquidity position of manufacturing sector is better than that of service sector in Pakistan. The difference between CR is statistically significant while the difference between FS is statistically insignificant. The post-merger leverage position indicate mix results as DE of services sector is better than manufacturing sector and effect is insignificant while ICR of manufacturing sector is better than services sector and the effect is statistically significant. The results are in line with Bakher, (2017)who concluded that the acquirer predicts the outcomes of the integration, synergy and profitability only in the industry sector, while the target predict the outcomes of the integration and synergy only in the services sector.

5.9 Conclusion

In this modern era, the techniques and methods of doing business have been changed. Now entrepreneurs are looking for new dynamics of business. Under the shadow of this system two firms or corporations of same nature come close and merger their business to start a new business collectively. As industrial and commercial activities first started in the Western States, therefore, merger and acquisition culture was introduced first in those developed states. But now this culture is also prevailing in the developing eastern states. Pakistan is one of the developing states and merger and acquisition culture is now common in Pakistan. The study furthers expands the efficiency theory of merger which states that mergers will only occur when they are expected to generate enough realizable synergies to make the deal beneficial to both parties it is the symmetric expectations of gains which results in a 'friendly' merger being proposed and accepted. Corporations which want to expand their business and face shortage of resources or are facing losses in their commercial activities mostly come forward to merger deals. Expansion of business or increase in Profitability may be a motive behind merger deals. But majority of merger and acquisition deals do not meet their objective ends. This study is based on The Q-theory of investment which says that a firm's investment rate should rise with its Q. We argue here that this theory also explains why some firms buy other firms (Jovanovic & Rousseau, 2002). The study aimed to evaluate the success rate of Merger & Acquisition in Pakistan. The study evaluated the selected 14 mergers& acquisition of listed companies during the year 1995 to 2018 from manufacturing and service sector in Pakistan. Out of total 14 mergers, 8 are from manufacturing sector while remaining 6 are from service sector. According to classification of merger 5 are horizontal mergers 3 are vertical mergers 2 are conglomerate merger and 4 are congeneric mergers. The 6 (3 pre-merger years and 3 Year post-merger) fiscal data of the mutually merged firms was collected and observed. Paired sample t-test has been applied to analysis the difference between pre and post-merger performance of the same company. Independent Sample t-test is applied to evaluate the difference between post-merger performance of manufacturing companies and services companies in Pakistan.

The results of analysis of all mergers in Pakistan show Mix trend effect of merger on post-merger financial performance of the company. All the profitability ratios except EPS show slightly insignificant positive effect of merger on the post-merger financial performance of the merged companies in Pakistan. The post-merger liquidity position of the merged company indicates insignificant negative effect of merger on the financial performance of merged companies in Pakistan. Post-merger leverage position shows positive effect of merger on the financial performance of the company after merger. On the basis of these results, it can be concluded that Merger overall had Mix trend effect as Profitability and leverage position is positively affected while liquidity is negatively affected These findings are in line with Kumar R. (2009) who concluded that the post-merger profitability, assets turnover and solvency of the acquiring companies, on average, show no improvement when compared with pre-merger values. So it seems that, contrary to common beliefs and expectations, mergers usually do not lead to improve the acquirer's financial performance. It shows that merger and acquisition deals have different impacts on the financial and economic performance of the firms. The national and international commercial, political, social and business environment also affect the post-merger performance of the company. Therefore, it can be concluded that the findings are in line with Lehto & Bokerman, (2008) who found that merger and acquisition deals have versatile impacts on the performance of company. The success and failure of firms depends on the overall management of corporations after their merger and acquisition deals (Cartwright & Cooper, 1993).

5.10 Recommendations

The recommendations of the study on the basis of findings are as follows:

- The merger has insignificant positive effect on post-merger performance of Horizontal Mergers in Pakistan.
- The merger has insignificant negative effect on post-merger performance of Vertical, Conglomerate & Congeneric Mergers in Pakistan.
- The merger has slightly positive effect on post-merger performance of manufacturing companies in Pakistan.
- The merger has insignificant negative effect on profitability & liquidity but it has slightly positive effect on leverage position of service companies in Pakistan.
- There is a huge difference between post-merger performance of manufacturing companies and services companies in Pakistan.
- The acquirer predicts profitability improvement in manufacturing sector.
- The target predicts improvement in integration and synergy in the services sector.

5.11 Implications of the study

The study fulfils the gap of empirical studies in this field as Abbas, Hunjra, Azam, Ijaz, & Zahid, (2014) studied the post merger financial performance of 10 Banks in Pakistan and concluded that the study is limited to banking sector only. Ashfaq, Usman, Hanif, & Yousaf, (2014) studied the impact of Merger on 16 Non Financial companies in Pakistan and recommended that the financial sector companies should also be taken into account in future research. Beside this, on the basis of this study, comparative analysis of post merger performance of financial & non-financial sector can be made. The study not only fulfils the gap of empirical studies but also is a new milestone in empirical studies. This is first time in Pakistan that the study not only measures post merger performance of the companies but also compares it with other sectors and classifications of merger. The findings of the study support the previous findings of the empirical studies. The study will help the students, researchers and scholars to explore the research in new ways. It will open doors of new phenomenon of research in future. The findings of the study will also be helpful for the management as well as to the shareholders to decide whether enter into Merger & Acquisition or otherwise. It will also help the management to better manage the merger & acquisition process.

5.12 Limitations of the Research

The limitation of the study is that it takes into account only the financial performance of corporations after merger in Pakistan. It measures the success of a company through financial achievement of the company. The study compares effect of classification on the success rate of merger and compares one sector with another. The study analysis the financial data of 14 merged firms during year 1995 to 2018. The study does not consider the qualitative objectives of a corporation behind the merger. The study is based on the 6 years financial data (3 years before merger and 3 years after merger) of merged corporation. The study implies comparison ratio analysis and sample paired t-test analysis. The study does not identify the main factors which set the direction for merger & acquisition success or failure.

5.13 Future Directions

The study fulfills the gap of previous research and covers the main objectives of research, however there is always a scope for further future studies.

- The achievement of qualitative objectives of merger may be taken into account in Future Research
- The span of financial data may be extended up to 10 years (5 Year Pre Merger and 5 Year Post Merger) in the future research.
- The main factors influencing the direction of merger and acquisition success may be evaluated in Future Research.
- Other analysis methods like Regression Analysis, Balanced Score Method, and OLIS method may be used in future research.

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