The EFFECT OF BANK'S MERGER ON SHAREHOLDER'S VALUES AND PERFORMANCE OF BANKS IN PAKISTAN.

By

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Acknowledgment

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Abstract

Merger has become a global strategy for business expansion with the passage of time. Organizations have been effectively associated with the merger at the domestic and global levels. The increasing rivalry in the worldwide financial and non-financial market has incited the entities to adopt a merger strategy for the business expansion (Kuchey and Jan 2017).

On the same pattern, the trend of mergers affected the economy of Pakistan, particularly in the last decade. While exploring the financial market there are almost eighteen (18) mergers in only banking sectors. The current study has investigated the effect of the merger on the performance of banks & the value of shareholders. Out of eighteen (18) merger deals, some cases of amalgamation have been taken which happened from 2011 to 2015.

To check the effect of pre and post-merger performance of banks nine (09) financial ratios have been used by the researcher simultaneously nine (09) financial indicators have been used to evaluate the impact of the merger on the value of shareholders. In this study secondary data has been used which consists of three years before & after the (+3,-3) merger. Data has been collected from the audited annual reports of consolidated banks. The current study has been employed the descriptive approach to statistically check which variables are significantly influenced by mergers.

Besides the financial ratios, the researcher has been used the paired sample t-test technique to analyze the performance of banks and the value of shareholders in pre & post-merger as well as difference and correlation.

The results of the study have indicated that merger does not show a significant impact on performance if proxied by cost to income (C-In), cost to asset (C-A), non-markup interest income to total asset (NMII-TA), earning asset to total asset (EA-TA), equity capital to total asset (EC-TA), interest margin to earning asset (IM-EA), deposit time to capital (DT-C) and loan to deposit (L-D) ratios but if the performance is measured through the proxy of net-markup interest income after provision to total asset (NMIIAP-T.A) then it is significant and shows reliable performance.

The statistical result of this research has revealed that the Value of shareholders does not significantly influence by merger if it is proxied by return on equity (ROE), return on asset (ROA), return on capital employed (ROCE), return on deposit (ROD), Spread ratio, earning per share (EPS) and interest ratios. Even the shareholder's value, if evaluate through net interest margin ratio

(NIMR) & non-markup interest expense to total income ratio (NMIE-T.In) then it is negatively significant.

Further, if the value of shareholders of merged banks is proxied by pre and post-merger non-markup interest expense to total income ratio (NMIE-T.In) then it is highly positive correlated but return on equity (ROE) has shown a weak positive correlation in pre & post-merger. Whereas the performance of combined banks is proxied by pre and post-merger deposit time to capital ratio (DT-C) then it is highly correlated but the equity capital to total asset (EC-TA) ratio has shown a strong negative correlation after & before combination.

The performance of merged banks has been significant and increased due to amalgamation but there is not much improvement in the value of shareholders. The study may be extended for other sectors as well as comparatively study with other economies.

Keywords: Merger, value of shareholders, performance of banks

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List of Abbreviation

Abbreviations	Full form
SBP	State Bank of Pakistan
CCP	Competition Commission of Pakistan
PSX	Pakistan stock Exchange
KSE	Karachi Stock Exchange
WTO	World Trade Organization
MCR	Minimum Capital Requirement
ROE	Return on Equity
ROA	Return on Asset
ROCE	Return on Capital Employed
EPS	Earnings per Share
NMIIn_T.A	Non-markup Interest Income to Total Asset
NMIIAP_T.A	Net markup Interest Income after Provision to Total Asset
NMIE_T.In	Non-markup Interest Expenses to Total Income
DT-CAP	Deposit time to capital
L-D	Loan to Deposit
ROD	Return on Deposit
NIMR	Net Interest Margin ratio
EA-TA	Earning Asset to Total Asset ratio
IM-EA	Interest Margin to Earning Asset ratio
EC-TA	Equity Capital to Total Asset ratio
C-In	Cost to Income ratio
C-A	Cost to Asset ratio
AR	Average Return
CAR	Cumulative Average Return
SPSS	Statistical Package for Social Science
MBV	Market Book Value
SECP	Securities and exchange commission of Pakistan
CAR	Capital Adequacy ratio
TIBL	Trust Investment Bank Limited
TCBL	Trust Commercial Bank Limited
USA	United State America
MCB	Muslim Commercial Bank
NIB	National Investment Bank
FDI	Foreign Direct Investment
ADB	Industrial Development Bank of Pakistan
IDBP	Agricultural Development Bank
UK	United Kingdom
DFI's	Development Financial Institutions
RBS	Royal Bank of Scotland
PICIC	Pakistan Industrial Credit and Investment Corporation Limited

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Chapter No. 1

Introduction

1.1 Back Ground of Study

The merger is an explore-able business phenomenon of any economy. According to the available compiled data merger was started in United States (US) in the 18th century. The basic purpose behind this concept is to increase the size of the organization and gain competitive advantages but with time, it has been spread all around the globe during the 19th century. Especially, emerging and developing countries are adopting this external resource increasingly for reducing the rivalry in the domestic and foreign markets because merger is considered the best source of producing, allocating and exchanging the assets, capitals energy etc (Malik, Khan and Ilyas, 2019)

According to Hussain, Khoso and Qureshi (2020), it is showed that organizations need capital because it is the basic requirement to run up the business operations as well as grow up the market share. It is possible to achieve this growth by introducing new products and services or to extend the business activities beyond the existing market. Organizations can achieve growth by using two kinds of resources, i.e. internal resources and external resources. Internal resources are consist of retaining earnings or reserves etc. Maximum organizations primarily use this source for business expansion. But in the case of limited internal resources, there is no other option for organizations to use the external resources. External resources are consist of the merger, partnership, acquisition, issuance of shares, or loan from banks. But for rapid growth and business restructuring, the merger is the most preferable technique out of these external resources in the corporate world. Approximately 4,000 merger transactions are recorded every year in the business world.

Earlier studies state various reasons for happening of amalgamation between organizations. Merged firms can achieve high synergy gain (one plus one more than two) than a single firm. Organizations can reduce the expenses, increase the value of shareholders, market shares & the number of customers by adopting the merger strategy (Rahman, Ali and Jebran, 2018).

In the present competitive world, banks are playing a significant role in any economy and critically analyze the stability in various financial sectors of the economy (Ghazavi and Bayraktar, 2018).

When two and more firms combined their all resources and liabilities with mutual understanding is called a merger. The bidder firm maintains its identity but the target firm loses its recognition.

The merger occurs when the majority of ordinary shareholders cast a vote in the favor of amalgamation (Kariri, 2013).

Pakistan is a developing country. Here, the banks are considering a very important source of funds for businesses and providing services for import and export, accounting settlement, the balance of payment, and monetary administration, etc (Kemal, 2011).

Kouser and Irum (2011) stated in their study that Pakistan and India were parted in 1947, Pakistani banking sectors were overcome by sub-divisions of British banks. The central bank of Pakistan was constituted in 1948, called the state bank of Pakistan. SBP was implicated in the administrative, financial, and all other rules of the State Bank of India. For the period of (60 to 70) s, many specialized Developmental Financial Institutions (DFIs), for instance, the Industrial Development Bank of Pakistan (IDBP) and the Agricultural Development Bank (ADB) had been developed. In 1974, all native commercial banks were taken into state-owned in the regime of Zulfiqar Ali Bhutto. Then Pakistan Banking Council (PBC) was composed/established, which hold the authority of the banking industry with some administrative obligations and powers. But that disintegrated soon.

The study of Kouser & Irum (2011) also explained that the then state bank of Pakistan held the power of all national commercial banks which was supposed to oversee and control all the banks as well as a fiscal institute in the country. Listed money-making banks in Pakistan which were taken into state-owned; must be following the principles of government and secluded banks are performing with conformity under the provision of the Banking Companies Ordinance, 1962. A direct glimpse at money-making banks that are functioning in Pakistan, has disclosed countless rising propensity. The State-owned Commercial Banks have been interested in extensive reformation plans. However, Secluded Banks have interested to merge economic affairs by increasing their reserves capital, the number of branches, and sub-branches network structures.

According to the Hassan, Bashir, and Shakir (2016). It is showed that in the present economic world, amalgamation is adopting as an essential tool for business development and expansion in all financial & non-financial sectors. The basic purpose behind this tool is to achieve operating

synergy by enhancing the performance of management, reducing the per-unit operational cost, and increasing the wealth of shareholders by gaining financial synergy.

In Pakistan, the unrivaled level of amalgamation is one the most incredible reforms influencing the banking industries over the first decade of this century because Basel Accord is emphasized the monetary restructuring of the bank. Basel accord was enforced to make sure the responsibilities of reserve funds and to deal with unanticipated losses. Because of this Basel accord, two bench-mark have been set about reserves funds of banks in Pakistan; the 1st one is called minimum capital requirement (MCR), and the 2nd one is called capital adequacy ratio (CAR) (Arshad, 2012).

It is mandatory for each bank in Pakistan to satisfy both requirements for their endurance, otherwise, their authorization could be dropped. Besides this State Bank of Pakistan (SBP) has requested every weak bank to converge with the solid bank to satisfy the reserve capital amount. The required amount of MCR was six billion in 2009, ten billion in 2010, and fifteen billion in 2011 according to the study of Haider, Shoaib, & Kanwal, (2015) but nineteen billion in 2012, twenty-three billion in 2013 and thirty-three billion in 2014 according to the report of Competition Commission of Pakistan, (2020).

Some early research highlights few reasons for the merger between banks to figure out whether it raises the shareholder's values and enhances the overall performance of banks. Experimental exploration has been revealed whether the impact of the Financial Disasters of 2007 became the cause of adopting a consolidation strategy that increased investor's capital and productivity (Li, 2016)**.**

In Pakistan, all the banks and financial organizations are supervised and regulated by the central bank i.e. state bank of Pakistan. Scheduled commercial banks including nationalized, foreign and private banks are performing functions under the provision of Banking Companies Ordinance, 1962 in Pakistan. According to the existing information, commercial banks are interested in different emerging trends for operating business activities. Different restructuring programs are underway for nationalized commercial banks (NCBs). By increasing their reserve capital and increasing division & subdivision structures, private banks are merging their position (Kouser and Irum, 2011).

The government took one more step towards monetary flourishing and turned to the merger of banks. According to the report of the Competition Commission of Pakistan about bank mergers, the Trust investment banks limited (TIBL) merged with Trust commercial bank limited (TCBL) on 13, March 2004. According to the report of the Competition Commission of Pakistan (2020), it was the first merger in Pakistan between banks. Now there are 22 Commercials banks in which 6 Public sector schedules banks, 1 Public sector non-schedule banks, 15 Private Banks. There are 4 specialized schedule banks, 05 Islamic banks, 04 Foreign banks, 10 Microfinance banks, 10 development finance institutions and 7 investment banks in Pakistan listed by state bank of Pakistan (State Bank of Pakistan, 2020).

The merger is also used to achieve cost-efficiency. Banks can reduce the cost by following some specific policies like; consolidated banks get entrance into cost decreasing mechanism advancements or raise their fixed expense over a greater base, which results in a decline in average costs because the cost-effectiveness impacts of consolidation may rely upon the kind of consolidation (Kaur and Kaur, 2010).

Joshua (2011) stated in his study that the amalgamation technique is increasingly adopting in the present globalized economy due to different advantages like organizations gain abundant resources, high market share, cost-effective technology, production efficiencies through automation, skilled and competent management and labor, etc through the merger. Now amalgamation has also become the worldwide business phenomenon of emerging and developing countries. Banks play an important role in booming the economy of every country, whose financial condition needs to be repositioned through a reform process that saves the banks from any financial distress. When banks need operational synergy and financial synergy, they go into the merger for economic scale and scope, diversification, increasing capital, reducing rivalry, and so on.

It has been acknowledged that through amalgamation organizations can achieve competitive advantage at the domestic and global level and thus the entire spectrum of industries are finding strategic amalgamation in the home country and abroad (Ishwarya, 2019).

Universally, it proclaimed that organizations expressed more than 44,000 mergers that produce synergy gain more than USD 4.5 trillion. In this way, the scientists spur to work more. In light of merger's philosophies, numerous researchers inspected the effects of the merger on the

performance of organizations. To start with, studies analyzed whether the merger is a value-generating or cost-effective strategy (Malik, Khan and Ilyas, 2019).

Every economy has two financial indicators; banks & stock exchange. Whereas banks provide a risk-free return on the capital of investors. Therefore most investors around the world prefer banks for investment. Bank deals trillions of investment efficiently. It has also been noticed that the trend of the merger between banks is increasing over the last two decades. So that according to this view, it has been essential to judge the performance of banks before and after the merger deal as well as to measure the impact of mergers on shareholder's values & performance of banks. Because of this amalgamation trend, the rate of amalgamated banks has increased. Small banks or under-develop banks are being involved quickly with large banks or develop banks through the merger. Total eighty-eight (88) mergers have been taken place from 2004 to 2019 in Pakistan. In which thirty-five (35) banks are undergone amalgamation according to report of Competition Commission of Pakistan & Karachi Stock Exchange (Karachi Stock Exchange, 2020) (Competition Commission of Pakistan, 2020).

The value of amalgamated firms is higher than the total value of two separate firms before the merger. Management achieves the operating and financial synergy gain through amalgamation. Efficiency theory supports the merger technique for gaining productive and monetary efficiency (Abdulazeez, Suleiman and Yahaya, 2016).

In the light of the above discussion, the current study concluded that it is quite difficult for banks to individually meet the requirement of increasing reserve capital that is issued by the State bank of Pakistan every year. So in this situation, banks mostly prefer to go into the merger for increasing the reserve capital but the main point is whether mergers improve and increase the performance of banks. Does the merger positively influence the value of shareholders of amalgamated banks? These are the basic purpose of conducting the current study, to check the impact of mergers on shareholder's value and performance of amalgamated banks.

1.2 Introduction:

Now merger technique has become a global requirement for the refurbishment of business because it is considered an easy and quick way, to penetrate the business activities into a new market & get access to abandon resources without heavy investment (Kiesel, Ries and Tielmann, 2017).

Merger strategy creates a unique way for entrepreneurs who wish to start their merchandising/trade at an international level by entering into a new market, and have the desire to earn desired profit by achieving their goals in an effective manner (Zahid and Shah, 2011).

Merger strategy is an influential & advanced policy for the development of all financial and non-financial sectors. Entrepreneurs especially adopt the amalgamation approach by keeping this goal in their mind to convert the local operations into the international operational set-up. Merger refers the combination of two or more legal entities with mutual understanding to run the business for the best interest of shareholders as well as stakeholders (Abbas, Imran, Saeed, Hassan and Ijaz, 2014)

Mergers especially took place to increase the value of shareholders and the organization. The deals of amalgamation have also positive effects in several circumstances as like managerial concern about extending the size of industry or markets and target firm get some other additional advantages. Furthermore, the shareholders of the target firm enjoy high returns in order of the high premium, paid by the bidder. But in this condition shareholders of the acquirer firm have to sacrifice desired profit due to announce the high bidding price. So that, maximum researches concluded that mergers significantly enhance the wealth of shareholders of the target firm (Bansal, Abdullah and Almalki, 2020).

Hubris model stated that amalgamation strategy cannot escalate the wealth of equity owners. Because it's just a baffle with controversial outcomes in which money or values transfer from the acquirer to target's firms. Whereas mergers play an important role in emerging and developing countries to boost the financial market. According to the Hubris model, the performance of firms and the value of shareholders depends upon good decisions, implementation strategies, and the well-planning of management authority. Hubris is very choosier about talented managers who are overconfident about their skills, technical knowledge related to the field. This model explained

that experienced and skilled managers can increase the value of shareholders and the performance of amalgamated banks (Richard, 1986).

Amalgamation is a deal of handshaking between two or more legal corporations. Many studies concluded that amalgamation enhanced the profit of the target firm but declined the performance. At the same time, it significantly enhanced the performance of the acquirer firm in order of reducing expenses but decrease the excessive gain because the managers of the acquirer firm announce the high premium for inducing the target firm to give up their shareholding (Glen, 2013).

Adegboyega and Dele (2014) stated that there are three types of amalgamation strategies; (i) Horizontal merger is defined as the merger among two or more organizations with the same nature of business line for synergy gain in terms of entry into a new market by capturing the large share and reduce the operational cost per unit. Through this strategy, companies gain competitive advantages and increase their revenues by controlling prices. For example, the most recent bank merger has been taking place in 2017 between Muslim Commercial Banks (MCB) and National Investment Banks (NIB).

(ii) Vertical amalgamation is defined as handshaking between two or more entities that serve the various function for producing a single product or service; involved with a logistic network. By opted this strategy corporations bring down production expenses by overcoming the power of suppliers and escalating productivity. Such as, eBay vertically merges with PayPal. Vertical amalgamation is further categorized into two more kinds; forward & backward amalgamation. When an organization merges with another organization that provides input material for manufacturing to Bidder Company is known as backward integration. While forward integration is defined as a handshake with distributors/customers.

(iii) Conglomerate amalgamation is defined as two or more corporation combines which are engaged in unrelated business to each other. For instance, Bahria Foundation (Bahria Town acquire the Escort Investment Bank in 2018), Nishat Group, Atlas Group, etc.

According to the study of Ahmed, Ahmed and Kanwal (2018) companies expand their businesses through amalgamation based on different reasons. Mr. Hopkins describes the four main objectives of amalgamation; strategic, market, economic and personal. Strategic motive is a key intention, connected with improving the strength of the company's technique, for instance, using a center

capability of a firm, making collaboration, furnishing the organization with reciprocal assets, qualities, items, and expanding market power.

Market motive is defined as, through amalgamation strategy organization can enter into a new market or increase the market share domestically & globally with low cost.it is a quick path for expansion. Economic objective concerned to reduce per-unit cost through the efficient operating process. By which companies gain operating synergy through economies of scale. Organizations achieve managerial synergy gain when they merged for personal causes. Such as, to get/share menagerie's skills & competencies to sort out the issues of agency's workers. It is called the merger for personal objectives (Hopkins, 1999).

The merger has been regarded for developed nations as a business discussion phenomenon (Dilshad, 2013). It spread everywhere in the world from 1992 to 2002. Amalgamation is the principal hotspot for asset creating and arranging between the under-developed and developed nations. Thus, amalgamation is the most contentious subject in recent times. Merger strategy is developing at the financial zone (Shakoor, Nawaz, Asab and Khan, 2014).

Malik, Ramakrishnan and Khan (2017) stated in their study that every businessman/entrepreneur has two choices to magnify their enterprise's activities; internal or external growth. In the case of internal growth, firms originate slowly and steadily by following or proceeding with the traditional code of conduct such as increase assets by purchasing or develop product lines.

Although external growth recommends the domestic & global merger of two or more firms through restructuring strategies (merger) to generate more return/profit over a short timeframe period. It has been essential to upgrade the procedures & functions of banking industries with time for sustainable growth of banks. A healthy economy is based on a well-sound banking system because banks deal with all requirements of balance of payment and foreign currencies at the international level.

From 1995 to 1996, the number of universal merger transactions was 450 billion pounds which contained 1527 merger deals. From 2009 to 2010, the trend of undergoing amalgamation would be increased with 580 billion pounds which contained 1814 merger deals. To efficiently compete in the market, the state bank of Pakistan has increased the requirement of reserves capital but underdeveloped banks with cheap dimensions and low capital cannot meet the requirement of

reserve capital fixed by the State Bank of Pakistan (SBP). They have no other chance except to go for merge with well-stable banks.

Most of the organization use amalgamation as a tool for achieving financial, operational and managerial synergies. Because it has been statistically proved that a merger is an effective tool in case of reduce expenses, escalate earnings & superabundant resources (Chen, Wanke and Tsionas, 2018).

In full systematic merger plans, the expectations of shareholders and superior must be increased about high synergy gain and well-functioning operations, wealth maximization, cost-cutting, achieve high market size, skilled and talented administration, and elimination of overlapping amenities (Grimbeek, Koch and Grimbeek, 2013).

The earlier investigation stated that there was no internal connection between wealth maximizations and operational performance because we generate a large amount of output by putting a small volume of input that shows the good performance of the operational department for instance hire employees at a cheap rate or move on towards automation. Value creation is the concept of building & turn up the repute of the company and its selling products. It rise the wealth of equity owners by focusing on per-share value (Akpan, Wanke, Chen and Antunes, 2020).

Most of the studies demonstrate that the synergy of bidding firms depends on various conditions such as what will be the payment system or expansion size? What kind of firm will be acquired as a target? What is the location of the target? Because these conditions perform a vital role in amalgamation deal & significantly affect the shareholder's values & performance of the entity after the merger (Rani, Yadav and Jain, 2015).

The prosperous economy of any country depends upon the well sound banking system it is an extreme requirement of liberal & global business-world to update and develop the working structure and process of banking industries from time to time, for efficiently run and compete for the global market. The need for the restructuring process is going to rapidly increase. Consequently, the trend of amalgamation is consistently emerging. Growth is necessary for the long-term survival of the company in the market. Firms can grow up through either external factors or internal factors. But options are always there under the right decision of management (Sharma, 2018).

The most useable and significant dynamic technique is known as "merger" with long-term sustainability. Mergers create opportunities for entities to globalize their business by penetration in domestic and cross-border countries and gain competitive advantages by efficiently competing with the local & foreign markets. Mergers create monopolization and grant the power to acquirer firms to control the market price according to their benefit. The study concluded that shareholder's values, stakeholders, rivals, the value of the company's stocks, technical operations, and profitability must be influenced by the amalgamation (Ganguli and Abdulwahab, 2017)**.**

Organizations of all around the world, aggressively prefer to opt the amalgamation because it is a unique & modern means of a partnership between the firms, for emerging at the international level or getting a direct approach to global customers with less effort & money (Khan, 2016)**.**

Ahmed and Nadeem (2015) stated in their study that Pakistan is a developing country but the condition of its financial sectors is quite satisfactory than other under-developed countries. Because financial sectors have performed a momentous role for the progressive economy of any country. All fiscal industries are registered under the Security Exchange Commission of Pakistan and the State Bank of Pakistan. The monetary sectors are functioning, controlling, proceeding, regulating & formulating the business activities according to the code of conducts which are implemented by the Security Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP).

Fiscal sectors make strengthen and grow up the economy as a spinal cord. So that, economists and analytical are paying more attention to the stability & development of financial industries. Organizations make their monetary departments more efficient and effective through quick & appropriate expansion deals. By opting for amalgamation firms can increase the production volume in a short period of time due to less expensive abundant of resources, operations efficiency, automation mechanism, or skilled/expert labor.

These are two main aspects of operational efficiency; first, it reduces per-unit cost by achieving economic scales, and second, it satisfies the need for a large share of the market through the economic scope. But in certain conditions, a business's expansion requires a "merger" between two or more legal entities. They work together & achieve the common goals of the merged entity by facing certain problems. For instance, regime issues, new government change rules and

regulations regarding domestic and cross-border trade or appear any certain or uncertain economic disasters, etc.

By opting for amalgamation, organizations enter into a new market with fewer constraints. These restrictions are enforced by the government for financial and non-financial sectors because merged firms enhance the sales volume and earn efficient gain by geographical expansion. Amalgamation was started in developed countries but with time, it has become a more popular technique in under-develop countries. Every sector either financial or non-financial opted for a merger strategy but how many of which are successful and how many of which is a failure is a separate issue.

The maximum observation indicated that a large number of amalgamation deals have occurred in banking industries. Countless observations have proved that mergers must affect the efficiency of organizations. But under the right decision that is taken at the right time by keeping the current situation of the country in mind. On the contrary, banking sectors have more significantly influenced by amalgamation strategy in developed countries in case of profitability, work efficiency and effectiveness (Ahmed and Nadeem, 2015)**.**

In this modern age, funds, knowledge and expertise have become easily transferable. Amalgamation is a demand of the liberal business world to access the suitable worldwide routes for trading & respond to the world in a flexible trading manner. World Trade Organization (WTO) also prefer the merger for business expansion (Njogo, Ayanwale and Nwankwo, 2016).

Organizations are continuously searching for a new market for offering their products and want to capture the large market share by creating potential competitions for domestic and foreign rivalries through amalgamation deals. Firms seek dynamic ways for extending the possessions of the entity as well as increase global communication. New technology makes continuous optimistic changes for advanced trading. Associations attempt to construct organic structure by embracing different outside methodologies such as merger acquisition takeover and diversification etc (Kuchey and Jan 2017)**.**

Market values and wealth of shareholders of amalgamated banks either decreased or finished because the price of stocks of acquired banks diminishes after the merger. According to the researcher's perspectives, this is a major challenge that is faced by shareholders and the company. In view of these miserable circumstances, shareholders and capitalists lose their interest in the

company due to low returns that negatively affect the growth & repute of the company (Bhatta, 2016).

The primary reason for emerging the trend of the merger is that to increase the value of shareholders through synergy gain and improve the performance of banks by operational synergy (Aamir, Kouser and Chaudhary, 2014)**.**

Akhter, Yousaf, Ain and Javed (2019) stated in their study that the administration of companies introduces various creativities with measurable values to analyze the performance of firms through the merger. Earlier studies demonstrated that merger negatively affects the performance of enterprises as an agency clashes are mostly occurred because of amalgamation. The researchers stated in their study that conflict arises among administration and stockholders due to controlling powers after amalgamation. Such as, majority shareholders take over a small number of shareholders. Despite rising the trend of merger deals, this fact is still anonymous whether amalgamation may escalate the wealth of shareholders or not. Some of the studies are conducted to evaluate the financial condition of the acquirer and target's enterprise. The results of earlier studies indicated that target firms earned desired profit after the merger while the bidding firm have to sacrifice fruitful profit due to the high bidding price paid to the target firm. Which was made risky the worth and fidelity of merged enterprise. On the contrary, some studies showed the weak impacts of mergers on the performance and growth of the establishment. The analysis of all the above literature showed controversial results.

The rate of the merger in banking sectors is greater than in other services sectors in Pakistan. According to the report of Karachi Stock Exchange, (2020) total of eighty-eight (88), mergers occurred in Pakistan from 2004 to 2019. During this period, twenty-eight (28) mergers occurred in the banking sectors. Eleven (11) banks are gone into merger from 2009 to 2015. The list of these banks are below:

1. Orix Investment Bank Limited (OIBL) merged into Orix Leasing Pakistan Limited (OLPL) in 2009.
2. Network Leasing Corporation Limited (NLCL) merged into KASB Bank Limited (KASBB) in 2009.
3. Al-Zamin Leasing Modaraba (AZLM) merged into Invest Capital Investment Bank Limited (ICIBL) in 2010.

4. **4.** Al-Zamin Leasing Corporation Limited (AZLCL) merged into Invest Capital Investment Bank Limited (ICIBL) in 2010.
5. **5.** Askari Leasing Limited (ASKL) merged into Askari Bank Limited (AKBL) in 2010.
6. **6.** The Royal Bank of Scotland Limited (RBS) Faysal Bank Limited - (FABL) in 2011.
7. **7.** Atlas Bank Limited (ATBL) merged into Summit Bank Limited (SMBL) in 2011.
8. **8.** My bank Limited (MYBL) merged into Summit Bank Limited (SMBL) in 2011.
9. **9.** KASB Bank Limited (KASBB) merged into Bank Islami Pakistan Limited (BIPL) in 2015.
10. **10.** NIB Bank Limited (NIB) merged into MCB Bank Limited (MCB) in 2017.
11. **11.** IGI Investment Bank Limited - (IGIBL) merged into IGI Insurance Limited - (IGIIL) in 2018.

According to the report of Competition Commission of Pakistan, (2020) total eighty-five (85) mergers occurred in Pakistan from 2007 to 2016. During this period, thirteen (13) mergers occurred in banking sectors. Eleven (11) banks are gone into merger from 2009 to 2015. The list of these banks are below:

1. Hong Kong and Shanghai Banking Corporation (all branches in Pakistan) merged into HSBC Bank Middle East Limited in 2009.
2. Orix Investment Bank Pakistan Limited merged into Orix leasing Pakistan Limited in 2009.
3. Al-Zamin Leasing Modaraba and Al-Zamin Leasing Corporation Limited merged into Invest Capital Investment Bank Limited in 2009.
4. Askari Leasing Limited merged into Askari Bank Limited in 2009.
5. Al Baraka Islamic Bank merged into Emirates Global Islamic Bank Limited in 2010.
6. Atlas Bank Limited merged into Summit Bank Limited in 2011.
7. Mybank Limited merged into Summit Bank Limited in 2011.
8. The merger of all the business, assets, rights, and liabilities of HSBC Bank Middle East Limited, Oman Branch into Oman International Bank S.A.O.G. Limited in 2012.
9. The merger of Pakistan Branch Operations of HSBC Bank Middle East Limited with Meezan Bank Limited in 2014.
10. The amalgamation of Pakistan business and operations of Barclay's Bank Plc into Habib Bank Limited in 2015.
11. The merger of Pakistan Operations of HSBC Oman with Meezan Bank Limited in 2015.

As per the above detail about mergers in banking sectors, the study analyzed that a total of seventeen (17) mergers occurred in the banking sector from 2009 to 2019. Banks are interested to be merged for satisfying the requirement of paid capital and other regulation which have been made applicable by state bank of Pakistan (Sharma, 2018). Therefore, it has been necessary for the long-run survival of banks to extend the business through amalgamation technique. The trend of the merger in the banking sector influences the interest of researchers to deeply study, investigate and evaluate the effects of the merger on bank's performance and values of shareholders in pre & post amalgamation.

The current study has been investigated the effect of amalgamation on the banks of Pakistan. In particular, this study has been measured/checked the effects of the merger on banks through two variables; the value of shareholders and performance of merged banks. These two variables have been selected based on efficiency theory. Trauiwein (1990) stated in his study that efficiency theory narrated that financial synergy and operational synergy can be achieve through amalgamation.

The population of the current study is seventeen (17) mergers that were occurred in the banking sector from 2009 to 2019. The researcher has selected sample of only five (5) local commercial banks in Pakistan due to unavailability of data as Chetri and Baral, (2018), Malik, Khan and Ramakrishnan, (2017), Bawani, Ghias and Ahmed, (2016), Ahmed and Nadeem, (2015) & Aamir, Kouser and Chaudhary, (2014) selected sample of five(5) banks to study the merger event. The sample has selected from the period of 2009 to 2015 by following the convenient sampling technique for the current study. The researcher could not include the mergers of 2017 and 2018 due to unavailability of data because the study has used data three years before and after (+3, -3) from the event of merger to check the effect of the merger on the value of shareholders and performance of banks.

The current study has been used secondary data from the period of 2009 to 2015 for measuring the value of shareholders & the performance of banks before and after the merger. The data has been collected through audited annual financial reports of merged banks. Data has been taken three years before and after (+3,-3) from the event of the merger. The secondary data has also been statistically analyzed by paired sample t-test on SPSS (Statistical Package for the Social Sciences).

The study has also been found the most reliable variable between shareholder's value & performance of banks. Which variable has effected more by the merger? The list of sample banks are following:

1. Askari Bank Limited merged Askari Leasing Limited in 22-Dec-2009
2. Faysal Bank Limited merged The Royal Bank of Scotland Limited in 3- Jan-2011
3. Summit Bank Limited merged Atlas Bank Limited in 11-Jan-2011
4. Summit Bank Limited merged My Bank Limited in 6-July-2011
5. Bank Islamic Pakistan limited-BIPL merged KASB Bank limited in 11-May-2015

These banks are listed in the Pakistan Stock Exchange (PSX) and State Bank of Pakistan (SBP).

The study has been used a causal approach for comparative analysis between above mentioned merged banks. The study has been analyzed the value of shareholders and performance of merged banks through eighteen financial ratios before and after the amalgamation. For this purpose, nine ratios have been used to measure the change in shareholder's value before and after the merger. These nine financial ratios are; Return on equity (ROE), Return on assets (ROA), Return on deposits (ROD), net interest margin ratio (NIMR), Earnings per share (EPS), Return on capital employed (ROCE), Spread ratio, Interest ratio and Non-markup interest expense to total income (NMIE-T.In).

To check the performance of sample merged-banks, these nine financial ratios; Earning assets to the total asset (EA-TA), Interest margin to earning assets (IM-EA), Equity capital to total assets (EC-TA), Deposit time to capital (DT-C), Loan to deposit (L-D), Cost to income ratio (C-In), Cost to assets ratio (C-A), Non-markup interest income to total assets (NMII-T.A) and Net markup interest income after provision to total assets (NMIIAP-T.A) have been used.

1.3 Problem Statement of Study:

Some studies revealed significant effects of the merger on bank operations and owner's equity. Establishments are being indulge in the amalgamation increasingly for achieving the competitive advantage which showed the prosperity for the entities **(**Ganguli and Abdulwahab, 2017)**,** (Kemal, 2011) and Wielgorka (2014).

According to some studies merger is proved an efficient strategy in order of increasing the value of shareholders (Bansal and Almalki, 2020), (Rani, Yadav and Jain, 2015) and (Gartner and Moraes Souza, 2017).

But on the contrary, some studies are demonstrated that merger is an effective strategy in case of enhancing the performance of banks due to teamwork & technical efficiency that reduce the sum of expenses (Bansal and Almalki, 2020), (Ahmed and Nadeem, 2015) & (Anderibom, 2015).

But at the same period, some studies were concluded that amalgamation does not affect the value of shareholders & performance of banks because all business get flourish based on good decisions that taken management authorities (Hassain, Khoso and Qureshi, 2020), (Ishwarya, 2019) (Chetri and Baral, 2018) & (Iram and Kouser, 2011).

Because of these controversies and a lot of variation in outcomes it has been essential to investigate the effects of the merger on banks more meticulously.

The main problem of the current study is to empirically identify that Merger's deals increases or decreases the performance of the banks and the value of shareholders. The study has also evaluated which variable is more sensible to take the effect of the merger because of the controversies in results, investors and firms have to face problems for investing that's why they do not decide which bank will be perfect for investing and give them desired return.

1.4 Research Objectives:

The objectives of this study are to:

1. Investigate the impact of the merger on shareholder's value.
2. Examine the impact of the merger on the performance of the bank.
3. Check whether the merger affects the performance of banks greater than shareholder's value.

1.5 Research Questions:

Q1. Does the merger affect the shareholder's value?

Q2. Does the merger affect the performance of the bank?

Q3. Does the merger affect the performance of a bank greater than the shareholder's value?

1.6 Hypothesis:

H_1: There is an effect of the merger on the shareholder's values.

H_2: There is an effect of mergers on performance of banks.

H_3: The effect of the merger on performance is greater than shareholder's values.

1.7 Significance and Scope of the Study:

To have economic growth, the banking sector plays an important role in any country. In Pakistan banking sector has shown tremendous growth from the first decades of this century. Mergers of banks are increasing concentration in the banking industry which ultimately negatively effecting perfect competition.

Pakistan is a developing country where the trend of mergers in banks is increasing day by day from the first decades of this century than other sectors because it is going to be difficult for banks to meet the requirement of reserve capital stated by the State Bank of Pakistan (SBP). But there are a lot of other reasons for a bank's merger such as synergy gain, geographical expansion at low cost, economic scale and scope, gain competitive advantages, monopolization, increased market share, technology advantages, etc.

That's why banks merge for satisfying the requirement of reserve capital & enjoying the other benefits through amalgamation deals for example MCB & NIB. It was the last bank-to-bank merger, occurred in 2017. NIB recently merge with MCB because of geographical expansion and synergy gain. Such merger deals and their reasons urge the researchers to meticulously investigate the effects of the event on financial and non-financial sectors.

There are so many theories like monopoly theory, raider theory, valuation theory, process theory, empire-building theory, and disturbance theory but efficiency theory narrated that mergers significantly affect the value of shareholders and performance of banks (Trauiwein, 1990). The study has checked the effect of the merger on banks whether it is a value-creating strategy and increases the performance of merged banks.

The significance and scope of the study is to help the management of banks to increase the performance of banks but under this particular ratio net markup interest income after provision to total assets (NMIIAP-T.A). The statistical result has indicated that mergers significantly improve

the performance of Provisions which are consist of bad debts, non-performing loans, and diminution in the value of investment & off-balance sheet obligation, etc, after the amalgamation.

The current study is helping the internal decision makers and financial institutions that merger is not efficient strategy to increase the value of shareholders as well as improve the performance of banks therefore, before going into merger they should review their own decisions then formulate, implement and execute the effective strategy to improve & increase the performance of banks.

The study helps future researchers and academicians because it has created evidence for value decreasing theory. The study helps the investors that merger is not a value increasing strategy because it does not increase their wealth.

Chapter No. 2

Literature View

Now Merger has become the global strategy which is mostly used in the financial and non-financial organizations for competing for the business at domestic & global level because last few decades, business competitions have crossed the geographical line due to different policies and strategies. Some researchers measured the abnormal returns of the stock price of bidder and target's banks while some other explorer decomposed the whole change in shareholder's values and performance of the banks by taking into account the different financial ratios after the amalgamation but they couldn't indicate any single factor that efficiently boosts the values of shareholders and value of merged bank in the long & short term. Consequently, many researchers revealed that amalgamation turns up the value of corporates but it provides maximum benefit to shareholders of acquirer and target's companies.

The primary purpose of that study, conducted by Bansal and Almalki (2020) was to find out the effects of amalgamations on the wealth of shareholders in the Bahrain banking sectors. The study used a descriptive technique to analyze the impact of amalgamation on the value of shareholders. The researcher collected quantitative data through electronic questionnaires which were solved by 27 managers of banking sectors. The data was statistically analyzed on SPSS software. The statistical results of the study indicated that merger has a significant impact on the value of shareholders and performance of amalgamated banks to increase the wealth of shareholders and reduce the operating cost but at the same year many other researchers studied the banks merger meticulously in national and foreign countries & experienced the different results like, Montgomery and Takahashi (2020) stated in their study that mergers positively influence the value of shareholders but in the case of different types of mergers or banks, the effects can be different on the wealth of shareholders. The researchers also indicated that the statistical results showed that the wealth of shareholders do not increase if the client firms are involved in mega-merger. The statistical analysis of this research also revealed that for long-term weak firms experienced losses if their main banks announced to go into the merger.

While, Hassain, Khoso and Qureshi (2020) conducted a study to investigate the impact of the merger on the wealth of shareholders in Telecom Company so the statistical results indicated that mergers negatively affect the value of shareholders within a short time period of 91 days

observations. But within a long time period respective 260-270 days observation the analysis found the same results (negative) as short period outcomes. So, the results of the study showed that the market didn't perform efficiently after the merger in both duration. There was no change in Shareholders' values due to amalgamation. Above consequences are suggested to management should adopt another strategies & policies to expand the business & make it profitable for owners instead of going into amalgamation because the results of this study are against the synergy theory in Pakistan regarding telecom company or might be possible it's due to some distinct circumstances based on nature of happening the merger**.**

Furthermore, Malik, Khan, and Ilyas (2019) empirically studied the bank merger and also checked the possible effects of amalgamation on the profitability of the bidding banks. Fifty-one (51) banks opted as a sample size from 2002 to 2013. The study was used a descriptive approach, z-test, and regression analysis techniques to statistically analyze the effects of the merger on sample banks. The statistical results showed worse and decline condition of bidding banks in case of negative profitability after the merger therefore, the conclusion of this study had recommended that organization needs appropriate and authentic planning, strategies and implementation process for reducing the probability of losses of capitalistic.

In the contrary, Akhtar, Yousaf, Ain and Javid (2019) analyzed the mergers in Pakistan concerning the offer price which has to pay to the target firm to execute the amalgamation deal. High bidding amount becomes the cause of low profit for acquirer firm. The researcher stated that the primary purpose of amalgamation is to achieve market scope rather than wealth expansion. The managers overestimate their self-assurance effort as well as their competencies to handle the target firm, which leads to high payment paid to the target. The study also analyzed that there are no agency clashes in non-monetary sectors whereas financial sectors have agency conflict. The statistical results of this study showed that payment deals related to the lower price rely on incomplete/wrong information about target firms and management.

Ishwarya (2019) conducted a research to analyze the rising tendency of amalgamation events as well as influences of mergers on the financial performance of banking fields in India which are listed in the state bank of India. The analysis of this study indicated that merger has no brought efficient change in the profitability of amalgamated banks and it also decreased the performance of banks. The experimental results also showed that mergers between weak and strong banks did

not increase the performance of amalgamated banks whereas this type of mergers succeeded to secure the interest of depositors of weak banks but the stakeholders of these banks do not get any gain after mergers.

Reddy, Qamar and Yahanpath (2019) conducted a study to check the effect of merger announcement on average abnormal return (AAR) and cumulative average abnormal return (CAAR) of acquirer's companies in India and china from 2004 to 2007. The study used three models to analyze the effect of merger announcement; Mean Adjusted Return Model (MARM) that is calculated by Abnormal Return (AR) and Cumulative Abnormal Return (CAR), Market Adjusted Return Model and OLS Adjusted Return Model. The results of MARM indicated that the value of Chinese companies significantly affected by amalgamation whereas the outcomes of the Market Adjusted Return Model and OLS Adjusted Return Model showed an insignificant impact of mergers on the value of Chinese companies. The study showed controversial results however, the researcher concluded that the value of Chinese companies decreased according to the results of the Market Adjusted Return Model and OLS-Adjusted Return Model because the Chinese companies go into mergers for increasing the resources & growth rather than to enhance the value of shareholders. The results of the three models also indicated that the value of shareholders decreased of Indian companies after the merger because these are family-owned listed companies. The owners have too concerned about their benefit than shareholders. So, the overall results indicated that a merger is not a value-creating strategy.

Due to increase in mergers trend in banking sector all around the world, urge the researchers to investigate its effects time to time and compare the consequences whether merger is a beneficial decision for the survival of banking sectos therefore, Chetri and Baral (2018) conducted research in Nepal to check whether merger announcement affects the value of shareholders and also increases or decreases the wealth of shareholders of acquirer & acquiring firms. The researchers used two models; the mean adjusted model and the market risk-adjusted model to examine the effect of the merger announcement. The results of the study showed that merger announcement did not affect the wealth of shareholders because pre and post-merger abnormal returns are not significant. The results also indicated that the involuntary amalgamation policy is not successful to attract the attention of capitalists because the capital market did not show any change due to the announcement of the amalgamation.

Furthermore, Ahmed, Ahmed and Kanwal (2018) empirically analyzed the mergers and granted the current evidence on amalgamation accomplishments in Pakistan, Sri Lanka and Vietnam from Jan 2007 - Dec 2016. The study noticed that amalgamation transactions and volume of the trades have also been grown up in three countries due to certain causes such as development & enhance the number of Foreign Direct Investment (FDI) projects, Economic progress in term of scale and scope, business expansion, diversification, increase the investment opportunities, consuming their natural assets excellently and proficiently. Overseas entities are continuously capitalizing in such countries where employments are less expensive and the size of local markets is very attractive /huge (Joshi, 2008). The observation of the study indicated that maximum merger transactions occurred to get financial synergy gain in Pakistan compare to Sri Lanka and Vietnam whereas the results of the study revealed that amalgamation is not showed momentous influences on the profitability of Pakistan entities.

Presenting all the previous results, Batool and Naeem (2018) also conducted a study to check the performance of national investment banks (NIB) after amalgamation in Pakistan. For this purpose, nine financial bank ratios are used. The results of these ratios indicated that return of equity (ROE) and return on assets (ROA) ratios are shown the negative value after the merger. The average of advances ratio showed that the volume of bank's advancing grown up after amalgamation which is a fruitful symbol for NIB but at the same time, the average rate of bank's borrowing is also increased after the merger which insecure the worth of bank that's why the spread volume is declined because of increasing in both financial ratios. The value of the Admin to deposit ratio is increased after amalgamation due to the administration's incompetency to handle the management expenses against its deposits. The cash to reserve ratio showed a decreasing value after the merger which revealed the worse/weak situation of the bank. This condition urges the management of NIB to increase the reserve capital over to ten percent of its current reserve funds by following the policy of CRR which is regulated by the state bank of Pakistan. So, the overall results of this study indicated that amalgamation isn't key to sort out all the difficulties or deficiencies related to the bank because, in various cultures and environments, banks behave or perform differently either it can show positive effects or can show a negative effect.

On the contrary, Sharma (2018) also investigated the banks merger with different area of interest. The researcher checked the effect of the merger on employees of merged banks in Nepal. For this

purpose, the researcher collected the primary data through questionnaires. The study also investigated the impact of the merger on the value of shareholders. The financial performance is analyzed through a causal approach which means that to compare the pre and post-merger values of selected variables. The researcher used the three cases of a bank merger. The outcomes of the research showed that employees and the wealth of shareholders are not positively influenced by mergers as few above studies showed.

Furthermore, Rehman, Ali and Jebran (2018) conducted a research to check the effect of the merger on the value of shares in the field of banks in Pakistan from the period of 2002-2012. The researchers used the event study technique to analyze the impact of amalgamation on the price of the share by calculating the value of abnormal return and cumulative abnormal return. The results of the study showed mixed influences on the value of the stock. The price of shares fluctuates independently & after the period of merger announcements. Maximum banking companies that are undertaken amalgamation experienced pessimistic results whereas minimum banking companies showed significant Abnormal Return (AR) and Cumulative Abnormal Return (CAR) after the merger. The general outcomes of the complete study analysis indicated that the market behaves non-positively due to amalgamation in the banking field of Pakistan.

Malik, Khan and Ramakrishnan (2017) conducted research to check the effect of the merger on the financial efficiency of banks in Pakistan. The researchers collected data three years before and after the event of amalgamation. The data was analyzed through CAMEL ratios. According to the results of the study, liquidity, resource allocation, management quality and capital adequacy ratios showed that merger has no significant impact on the financial performance of banks while asset and earning quality ratios showed a positive effect of amalgamation on the financial efficiency of banks. These results are further statistically analyzed through paired sample t-test technique. The statistical outcomes indicated that capital adequacy, earning quality, liquidity, management quality ratios revealed insignificant change while asset quality ratio showed significant positive change after amalgamation.

To find out more reliable results Gartner and Moraes Souza (2017) carried a research with 43 mergers between Brazilian banks and 26 asset management banks from the period of 2005-2015. The main objective of this study to investigate how did the share market fluctuates due to the bank's merger in Brazil? The researchers used the event study technique to analyze the effect of

the merger on the price of the stock and also used financial ratios to check the effect of the merger on the performance of merged banks. The data was measured through abnormal return and cumulative abnormal return. Data consisted on stock prices of 41 days. The results of financial ratios showed a positive performance of acquiring banks after the merger but event analysis indicated positive cumulative abnormal returns for target banks and zero returns for acquirer's banks. The study analyzed that positive CAR of the target firm is a possible cause of increasing ROE & ROA, good market concentration and size of acquiring banks The study also stated that this mechanism leads to produce short time profitability since the influence of the merger aren't analyzed. It is also perceived that the empirical outcomes of this study recommended that capitalist and financial analytical should evaluate bank mergers with more vigilance because somehow amalgamation can happen because of market tendencies and not value enhancement.

Abdulwahab and Ganguli (2017) conducted a study to investigate the effectiveness of mergers in the banking field in Bahrain. The objective of the study to check the impact of amalgamation on the profitability of banks. For this purpose, the researchers took four bank's mergers from the period of 2004 to 2015. The study used secondary data and data is collected from audited financial reports of banks. The data was analyzed through fifteen financial ratios, CAMEL ratios and paired sample t-test technique. The outcomes revealed that merger has no positive effect on the financial performance of the target bank except the bidder bank Bahraini Saudi Bank showed significant positive progress after the merger. The rest of the banks are not influenced by amalgamation.

The main purpose of this research, conducted by Kuchey and Jan (2017) to investigate the relationship between mergers and monetary efficiency. The results of the study indicated that there is no positive connection between amalgamation and financial performance because every sector showed different effects of the merger on financial efficiency even the foreign and national amalgamations showed controversial effects on financial performance.

Shah, Ahmed, and Maroof (2017) analyzed the effects of the Vertical merger Integration technique on monetary performance, with the purpose to examine the importance of Vertical mergers in the corporate sector of Pakistan. The study took seventeen vertical mergers from 2000 to 2010. Observations are taken three to five years before and after the event of vertical amalgamation. The pre and post-merger data was analyzed through financial ratios, paired sample t-test statistical technique & OLS regression method. The statistical outcomes showed that vertical amalgamation

significantly increased the financial efficiency of merged organizations, as well as the earning quality, productivity, resource allocation & solvency ratios, are showed positive value after the merger. The study concluded that the Vertical Incorporation scheme is very value able and beneficial for the corporate environment in Pakistani. It also suggested to the capitalist of multinational companies, consultative companies and commercial banks to adopt a vertical merger strategy in the future for increasing profitability. Furthermore, the study suggested to the ministry of Planning development of Pakistan must develop an accurate system for approving the right amalgamation policy after accurately examining the preceding tendencies and fiscal evidence in the companies.

2.1 Efficiency Theory:

According to the efficiency theory, organizations can increase the profitability and performance of the company by using mergers. Amalgamation increases the value of shareholders of the bidder firm and enhances the performance of the firm by reducing the total operational expenses. Monetary synergies bring about lower expenses of capital. One approach to accomplish this is by bringing down the systematic danger of an organization's speculation portfolio by putting resources into unrelated organizations.

Another way is expanding the organization's size, which may give it admittance to less expensive capital. A third way is building up an internal capital market. An internal market may work on predominant data and along these lines dispense capital all the more proficiently.

The internal financing market will function on a higher level of knowledge and thus distribute resources more effectively. Operational gain can achieve from amalgamation. It decreases per unit cost (economic scale) through sharing the information and new technology. Both kinds of operational synergies may bring down the expense of the elaborate units or may empower the organization to offer novel items and services (Porter, 1985).

The corporate can enhance the working efficiency by following two methodologies; to extend the number of business activities or make diversify their business nature through merger because it is a cost-effective approach (Soludo, 2004).

2.2 Value Decreasing Theory:

Value decreasing theory is defined with; managerial entrenchment hypothesis theory & managerial discretion theory.

2.2.1 Managerial Entrenchment Hypothesis Theory:

The managerial entrenchment can be characterized as an activity. For example, contributing corporate financial assets that are made by a supervisor to increase his/her apparent incentive as a worker, instead of increasing the profit for the organization as well as shareholders.

Administrative entrenchment happens when managers get excess of intensity that they can utilize the firm to additional their advantages instead of the interests of equity holders."

The administration entrenchment theory recommends that stockholders who are not taking an interest in the decision-making of corporate financial matters have less abundance. At the point when the board makes moves to deflect endeavors to assume responsibility for the organization. This idea expresses that corporate managers focus on the upkeep of their situations by utilizing dynamic and deterrent corporate safeguards. This hypothesis additionally declares that investor wealth decreases because of an association's stock reconsideration by the market (Farinha, 2002).

2.2.2 Managerial Discretion Theory:

The hypothesis of Managerial Utility Maximization was grown independently. It is otherwise called Managerial Discretion Theory. The theory depends on the idea that investors or proprietors of the firm and managers are two separate gatherings. The proprietors or the investors need high profits and keen on increasing benefits. While the administrators have various intentions other than financial synergy gain. When the administrators have accomplished a degree of revenue that will deliver agreeable profits to investors and still guarantee development (William , Migue and Belanger, 1974).

Chen N. (2016) analyzed whether a merger has a significant positive impact on the value of shares of bidder banks in China after the announcement of amalgamation. The main objective of conducting this research is to evaluate the change in the wealth of shareholders of banks after the merger. The data was analyzed through the event study method. The data consisted on prices of shares over forty-one (41) days. The change in the value of shareholders is calculated by cumulative average abnormal return. The statistical output of this study indicated that the value of

the stock is not significantly influenced by merger announcement because the value of the Cumulative Average Abnormal Return(CAAR) is not positive which showed that mergers are not increased the wealth of shareholders. The study also evaluated the effect of foreign and domestic mergers on the value of shareholders of banks. The results stated that foreign merger has a significant impact on the value of shares which increased the wealth of shareholders. Whereas the domestic amalgamation is not positively affected the value of stock which means that the wealth of shareholders is decreased after the merger**.**

Li (2016) checked the effect of the merger on the performance and value of shareholders in the banking industry. The statistical outcome of this study indicated that mergers enhanced the value of shareholders for bidder's bank but at the same time, the shareholders of acquiring banking company failed to get synergy gain due to new holding power. Management takes command and planned/runs the business according to their own will.

Yahaya, Suleiman and Abdulazeez (2016) checked the effect of the merger on the financial efficiency of Nigerian banks from 2002 to 2008. The study used secondary data collected from audited annual reports of merged banks. The study used paired sample t-test technique and two financial ratios; return on equity and return on asset to analyze the financial performance of banks before & after the merger. The results of the study indicated that mergers improved and increased the monetary efficiency of the bank.

Bhatta (2016) investigated whether mergers significantly increased the value of shareholders? For this purpose, the researcher used four financial ratios; return on equity, return on asset, reserve capita and cost efficiency as an independent variable. Earning per share ratio is used as a dependent variable. The study analyzed the effect of independent variables on dependent variables. Different statistical techniques like regression, correlation and average standard deviation are used to calculate the impact of the merger on the value of shareholders. The statistical outcomes of this study indicated that only one independent variable, return on asset showed a significant impact on EPS after the merger which means that return on assets is the influencing variable to increase the wealth of shareholders of merged banks. The study also stated that shareholders of superior banks aren't generated high returns what they expected or deserved but shareholders of inferior banks are generated returns more than they deserved after the amalgamation. It's also analyzed that these

external elements for instant, any natural disaster, state boundaries restrictions and government uncertainty extremely affect the wealth of shareholders.

Hassan, Shakir and Bashir (2016) stated in their study that the use of amalgamation in financial & non-financial sectors is increasing day by day in Pakistan. The main objective of conducting this research is to find out fundamental factors that stimulate the banks to go into the merger. For this purpose, the researcher used two bank-to-bank merger cases. First is Samba Bank merger with CCB in 2007 and the second is the Fysal Bank merger with the Royal Bank of Scotland in 2010. The study used five financial ratios and a statistical t-test technique to analyze the pre & post-merger performance of banks after the merger. The statistical output of the study indicated that mergers only improved and increased the performance of Samba & CCB banks. The risk of solvency also decreased in both cases (Samba & CCB and Fysal & RBS) after the merger but the value of shareholders is not significantly influenced by the merger. The results are not the same in both cases because these banks are not amalgamated in the same years and there are a large number of elements which depend on the time and some other aspects, for instant government affairs, ecological problems, legitimate matters, etc. So, the study concluded that if one variable is rejected in one case then it'll be accepted in another case because the state of affairs is kept the change.

Njogo, Ayanwale and Nwankwo (2016) analyzed the impact of amalgamation on the performance of the bank in Nigeria. For this purpose, the researchers took ten (10) banks from the period of 2001 to 2010. The data is analyzed through paired sample t-test technique and nine (9) financial measurements; ROE, ROA, EPS, debt-to-equity, debt-to-asset, asset utilization, equity multiplier, net profit margin, and leverage ratios to check the pre & post-merger performance of banks. The statistical outcomes of this study showed that merger has a positive significant impact on the performance of deposit money banks if the performance is measured through return on equity, return on assets and leverage ratio. The results of the remaining six ratios showed that the performance of banks is not significantly influenced by mergers.

Bawani, Ghias and Ahmed (2016) investigated whether mergers influence the performance of banks in Pakistan. For this purpose, the researchers used five bank mergers to analyze the pre and post-merger performance of banks. The study used the secondary data collected from the annual financial statement of banks. The data was analyzed through financial ratios and an independent sample t-test. The statistical outcomes of this study indicated that merger has no significant impact

on the performance of bank because the return on equity and return on asset showed negative value after the merger. The Study suggested to strategy developers to keep more attention on those factors that are rich related to merger event and to make it a successful strategy for establishment and economy.

Rizwan-ullah, Azam, Awais and Majeed (2015) stated in their study that banking sectors in Pakistan are not only developed in size but also amalgamated, grown, and diversified. The purpose of these basic changes, to develop a more updated, secure, and technical monetary structure where the probability of error will not exist. The Researchers studied the effectiveness of mergers in Pakistan. For this purpose, five cases of the bank to bank merger were taken to analyze whether the performance of banks increased or decreased after amalgamation. Data were analyzed through paired sample t-test statistical technique. The statistical outcomes of this study showed that only one case of merger (Mybank merged with Summit Bank) positively affected by amalgamation out of five cases because merger significantly improved and increased the performance of this bank (Mybank merged with Summit Bank) after amalgamation.

Ahmed and Nadeem (2015) stated in their study that merger becomes a global strategy now. The organizations raise their assets and enjoy the fruitful return because of amalgamation. Banks can work more efficiently and potentially under-skilled & talented teamwork, easy transformation flow of information and abundant resources, etc. It was perceived that amalgamation in advanced countries mostly produces positive outcomes due to professional employees who are skilled, experienced, energetic, passionate, efficient and having a depth of knowledge about job or project but the scenario is totally opposite in underdeveloped countries due to lack of knowledge, awareness and inappropriate analysis techniques. The researchers studied the five cases of mergers of the banking industry in Pakistan from the period of 2009 to 2012. The objective of the study is to check the impact of amalgamation on the monetary performance of banks whether mergers increased or decreased the financial efficiency of banks after amalgamation. The financial performance of banks is measured through profitability, resource allocation and debt ratios. The results of the study indicated that mergers significantly affected the financial efficiency of maximum sample banks because the asset and profitability of merged banks are increased while the ratio of debt is decreased after the merger. The study also suggested the shareholders of bidder'

banks pay more attention to each factor that becomes the cause of generating high returns and get complete information about the market & target banks then go into the merger.

Awan and Mahmood (2015) checked the effect of amalgamation on the performance of banks in Pakistan. The researchers took data from the annual financial statements of banks. The study collected data two years before and after the event of the merger. Data were analyzed through four accounting ratios. The results of the study indicated that mergers positively affected the performance of banks because the operating cost of merger banks effectively reduced after amalgamation. The study also stated that these positive effects of mergers are short time but it is possible to convert the short period benefits into the long period by gaining competitive advantages.

Rani, Yadav and Jain (2015) studied whether mergers increased the value of shareholders of Indian corporate after the merger. The researcher collected data from the stock market. Data were analyzed through the event window technique The output of the study showed that mergers significantly affected the wealth f shareholders because the value of the abnormal return is positively increased after amalgamation. The study also concluded that a merger is a value-creating strategy for organizations.

Haider, Shoaib and Kanwal (2015) studied the effects of the merger on the performance of bidder's banks in Pakistan. For this purpose, the researcher took six cases of mergers from 2006 to 2010. Data was collected three years before and after the event of amalgamation, from the audited annual financial statements of banks. The study analyzed the data through paired sample t-test technique and three financial ratios (resource allocation, debt and capital adequacy ratios). The statistical outcome of the study indicated that mergers did not perform a significant role to increase the performance of banks. The results of financial ratios also stated that the pre and post-merger efficiency of banks decreased after amalgamation.

Anderibom and Obute (2015) conducted a study to investigate the impact of amalgamation on the performance of Nigerian commercial banks from 2000 to 2010. The study used secondary data that was analyzed through CAMEL ratios and paired sample t-test technique to check the pre & post amalgamation performance of banks. The statistical outcomes of this study showed that the performance of amalgamated banks was significantly influenced by mergers. The results of CAMEL ratios also indicated that mergers positively increased the efficiency of banks.

Tiwari (2014) checked the effectiveness of banks after amalgamation. The researcher took five banks merger. The study used secondary data collected from the annual financial statement of banks. Data was taken four years before and after (+4, -4) the merger event. Data were analyzed through paired sample t-test technique. For evaluating the effectiveness of banks before and after the merger, the study analyzed the value of eleven variables; capital, interest expense, total assets, expenses & income, earning on interest, investment, deposits, loans, net profit and fixed assets. The statistical results of the study revealed that merger has a significant impact on only one case of amalgamation out of five cases which showed that all the banks are not positively influenced by a merger in the same way and same time.

Sinha and Gupta (2014) conducted research to investigate the effect of amalgamation on the monetary service sector in India. The researchers took eighty cases of merger which related to different field of service sector from the period of 1993 to 2010. The study separately and collectively analyzed each case. The results of the study indicated that mergers positively increased the profitability in maximum cases of amalgamation but it negatively affects the liquidity of the financial sector. Results of the study also stated that mergers improved the interest spread, reduced the expenses and systematic risk of the monetary sector.

Aamir, Kouser, and Chaudhary (2014) studied the effect of merger announcement on the price of shares in Pakistan. The statistical results of the study stated that merger has a negative impact on the stock price of firms at and after the merger announcement which means that the value of shareholders is decreased after amalgamation.

Wielgorka (2014) stated in his study that every entrepreneur has the ambition to spread out & develop the business affairs of his enterprise at an international level with less expensive means. They want to achieve competitive advantages, built strong status/esteem in the market as a monopolistic for controlling the prices of products or services that they offered to customers. These desires have become true easily by handshaking with another establishment through the merger. Healthy and sound banks can easily expand their business activities because they have rich capital. In the light of recent literature the researcher observed, these are the important factors that become the cause of undergoing amalgamation; to achieve the huge size & scope of the market.

The study also stated that large banks do work systematically than small banks. Large banks use a hierarchy system (top to lower level) superiors are participating in decision making; mutually set

and accomplish the goals with the best interest of the organization, shareholders & stakeholders. Large banks consistently observe the ups and down of local & foreign markets through a fast and powerful network system & get the benefits before blinking the eyes than small banks. The mature banks used amalgamation technique to sort out various kind of issues which had been already resolved at global level and showed satisfactory results. The main advantage to going into a merger is increasing the total resources and capital for the establishment, gain a tax benefit, reduce the cost by economic scale, increase the corporation size, number of customers and gain market power by economic scope, etc. The study concluded that corporations can develop a better communication system among branches, enhance the quality of work by teamwork in diversified environment, culture & demographics through the merger. Amalgamation protects the enterprise from local and foreign competitors. Enterprise competes efficiently through differentiation or product lines. Organizations adopt the automation mechanism by triggering new cost-effective technology and increase profits by using cheap but skilled labor.

Fatima and Shahzad (2014) studied ten cases of bank mergers from 2007 to 2010 in Pakistan to check whether the financial efficiency of banks was influenced by amalgamation. The study collected data three years before and after (+3, -3) the event of the merger. Data were statistically analyzed through paired sample g-test and six financial ratios (ROA, ROE, EPS, PAT, debt-to-equity and deposit-to-equity ratios). The result of the study indicated that only return on equity (ROE) is influenced by amalgamation. After analyzing the efficiency of target & bidder banks, the study also concluded that amalgamation produces worth but complete worth is gained by the bidder's bid and it is received by the shareholders of acquiring banks.

Tauseef and Nishat (2014) studied whether the merger is a value-creating strategy or not. The study focused on the banking sector of Pakistan from the period of 2003 to 2008. For this purpose, the researcher took stock prices of bidder and target banks which are consisted on sixty-one days before and after the merger. The study used the event window technique to check the impact of merger announcements on the value of shareholders. The results of the study indicated that the value of shareholders of bidder's banks significantly influenced by amalgamation because the value of Abnormal Return and Cumulative Abnormal Return is positively increased but the wealth of shareholders of target banks is not significantly influenced by merger because the value of AR & CAR is decreased after amalgamation.

Adegboyega and Dele (2014) conducted research to investigate whether the merger has a significant impact on the wealth of shareholders. The researcher took fifteen (15) cases of banks merger by following the stratified sampling technique. The study used primary data, collected from questionnaires that were solved by the staff of amalgamated banks. The results of the study indicated that the wealth of shareholders is positively influenced by mergers. The study also stated that banks achieved more advantages by going into mergers such as increased equity capital, assets, size of banks, and improved the business process.

Diaw (2014) stated in his study that there are two perspectives of merger that significantly affect the attention of researchers. The 1st point is how does the performance of merged banks influences by mergers? The study analyzed, when two firms combine, the efficiency of production increases through a skilled workforce or automation mechanism. Production efficiency decreases per unit cost which results in the earning per share of both banks increases. The focal point of 2nd perspective is how does the capital of shareholders increase & stabilize through the merger in a short period? The study has analyzed the effect of amalgamation on the wealth of shareholders by calculating the abnormal returns and cumulative abnormal returns. The result of the study indicated that merger significantly affects the performance of acquirer banks and increase the value of shareholders of target banks.

Abbas, Hunjra, Saeed, Hassan and Ijaz (2014) stated in their research that merger is closely associated to financial sector because it performs an important role for the business's growth and economic development of all countries. Banks are interested to go into the merger in Pakistan. The study observed that financial sectors are emerging as a strong competitor in Pakistan from the first decade of this century because of mergers in the banking fields. The researcher studied ten (10) cases of banks merger in Pakistan from 2002 to 2011 to check the effect of amalgamation on the financial performance of banks. The study used particular financial ratios; earning quality, efficiency, solvency & liquidity ratios to analyze the pre and post-effects of mergers on the monetary efficiency of banks. The study used secondary data. Data was collected from audited annual reports of amalgamated banks. The results of the study indicated that there wasn't an improvement in the capital structure of merged banks. All financial ratios showed negative results which means that the financial performance of banks is declined after amalgamation. So that, the

researcher suggested that a merger isn't a good decision for the Pakistani financial banking industry.

Abbas, Hunjra, Saeed, Hassan and Ijaz (2014) checked the effect of amalgamation on the profitability of banks in Pakistan. For this purpose, the researcher took 10 mergers of banks from the period of 2006 to 2011. The study used secondary data collected from annual financial reports of banks. Data were analyzed through financial ratios and paired sample t-test technique. The statistical outcomes of the study stated that there is no significant change in the efficiency of banks before and after amalgamation which means that the performance of banks isn't increased after the merger because earning quality, resource allocation, liquidity, and solvency ratios showed the negative value after amalgamation. The capitalisms are raised by banks to some other kind of trading or transactions.

Gattoufi and Muharrami (2014) conducted a study on banks merger. The main objective of this study was to check whether the operational performance of banks improved after the merger? The researcher took forty-two cases of banks merger from 2003 to 2007. Data were analyzed through seven financial ratios. The outcomes of the study indicated that the operational efficiency of banks is not positively influenced by amalgamation because the value of maximum ratios is decreased after the merger. The study also stated that merger is not a cost-effective strategy for banks regarding this analysis.

Sultan, Ali and Saeed (2013) studied the five cases of mergers of the banking industry in Pakistan. The main objective of this research is to analyze the effect of an amalgamation whether it increased or decreased the performance of banks. The researcher selected six variables of banks; total asset, net income, labor productivity, total branches, total loan, and non-performing loan to evaluate the effect of mergers on the performance of banks. The data of these variables were collected from the annual financial statements of banks. Data were analyzed through regression & data envelopment techniques and also find out the correlation between variables before and after the merger. The study also analyzed the performance of banks individually and collectively. The statistical outcomes of the study indicated that four banks showed significant positive performance after the merger out of five when they are separately analyzed but at the same time, mergers showed a significant effect on the efficiency of all banks when they are collectively analyzed.

Kariri (2013) stated in his study that merger is not a value-creating strategy for both target and acquiring firms because it decreases the wealth of shareholders. The study also stated that companies should take decisions carefully for transecting the amalgamation activity.

Shah and Deo (2013) investigated the impact of merger announcements on the stock prices of private and public sector banks. The main objective of this investigation to analyze the change in the value of shareholders of bidder and target banks before & after the announcement of amalgamation. For this purpose, the researcher took seventeen bank mergers. The study used the event window technique to evaluate the effect of merger announcements on stock prices. The study calculated the Abnormal Average Return (AAR) and Cumulative Average Abnormal Return (CAAR) of share prices. The results of the study stated that the value of shareholders of bidder banks is not significantly influenced by amalgamation announcement because the mean of Cumulative Abnormal Return (CAAR) and Abnormal Return (AR) are decreased but at the same time, merger announcement significantly affected the value of shareholders of target banks because the average Cumulative Abnormal Return and AR are increased after the amalgamation.

Arshad (2012) studied the merger between Union Bank Limited (UBL) and Standard Charted Bank (SCB) in Pakistan. Standard Charted Bank is rewarded for this amalgamation because UBL was the 8th largest bank of Pakistan. The main purpose of conducting this research to analyze the performance of both banks before and after the amalgamation. The researcher was taken data two years before and after (+2, -2) the event of amalgamation. The study collected data from the official website and audited financial reports of banks. Data were analyzed through eleven financial ratios, calculated on MS Excel software. The results of ratios showed that the performance of UBL(target bank) was 64% before the merger because seven ratios positively supported the UBL out of eleven but after the amalgamation, just four ratios are in favor of UBL so the performance is declined 36%. The outcomes also stated that the merger positively improved and increased the performance of SCB(bidder bank) after the merger. The study concluded that amalgamation proved beneficial for bidder banks more than target banks.

Gupta (2012) stated in his study that in the corporate world, amalgamations are regarded as one of the most strategic concepts for ensuring company growth. Merger significantly influences the target shareholder's values but falls down the value of the distribution list of acquirers (Sikarwar,

2012), (Chandra, 2012). Organizations go into mergers when there is an intention of producing or increasing the values of firms and shareholder's wealth (Erel, Liao, & Weisbach, 2012).

Afza and Nazir (2012) studied the relationship between the corporate governance profile of bidding firms and the change in operational efficiencies related to mergers in Pakistan. The statistical outcomes revealed that the operating performance of bidding firms are positively increased before and after the merger. Furthermore, the size of the board, duality of chief executive officers are negatively affected while independent board and external dominated boards are positively associated with changes in operating performance of bidding firms after the amalgamation.

Juma, Wawire, Byaruhanga, Okaka and Odera (2012) studied the five cases of banks merger from 2006 to 2010 to check that wealth of shareholders is increased after the merger. The study calculated return on equity, return on asset, and efficiency ratio to analyze the pre and post-merger values of shareholders. The output of the study stated that mergers positively increased the value of shareholders.

Kouser and Irum (2011) stated in their study that the trend of amalgamation is increasing in banking sectors in almost all countries around the globe. National and international banks and multinational organizations are interested to go into mergers for increasing growth by reducing cost and improving operational efficiencies. Financial institutions gain competitive advantages and enjoy monopolism by creating a monopoly market structure through mergers. The economy of scale can be achieved by eliminating replica departments that will lead to cost reductions after the merger. Amalgamation is a cheap means and quick way to enter into a new market with minimum cost. Banks are mostly involved in horizontal amalgamation in which both parties are engaged similar business activities. This kind of merger indicates that all types of restructuring can be easily achieved between banks because after combining, companies perform their task very efficiently and effectively rather they operate the business activities individually.

Both of her also indicated that mergers occur in six waves. The first wave appears from 1897 to 1904. During this period approximately 1999 mergers happened between manufacturing companies i.e. Railway Line, General Electricity, Navistar, Standard Oil, Du-Point, American Tobacco, etc. In this wave, almost 3000 companies disappeared through amalgamation. The nature

of this amalgamation was horizontal. It was created a monopolistic market structure and exploited the economies of scale. The mega-merger occurred between United States steel and Carnegie steel. It also amalgamated with 785 separate firms in which 75% of steel production of United States. The purpose of that amalgamation was the transformation of regional firms into national firms. But during this phase, most of the amalgamation deals were failed because companies could not achieve their desired goals. The first wave creates some problems as the stock market crashed in 1904 which's why banks were getting panic till 1907 and fraudulent financing etc. This wave was ended due to the start of World War I.

The second wave was started from 1916 to 1929. It was created an oligopoly industry structure. The nature of amalgamation between industries was vertical. The purpose behind that wave was to urge the firms to work together rather than compete. Most of the mergers occurred for technological and infrastructure development in railways and transport vehicles. . Those industries that were under-gone to amalgamation were the main producers of metals, foodstuffs, petroleum products, transport equipment, and chemicals. During this phase, investment banks are played an important role in facilitating merger transactions. The second wave comes to an end with the great depression when the stock market collapsed on October 29, 1929. Tax relief, which was granted, inspired the amalgamation in 1940.

The third wave of mergers occurred from 1965 to 1969. The nature of amalgamation was conglomerate. During this wave, the economy was booming by using a diversification strategy. Mergers were financed on an equity base because investment banks were not financed most of this merger. Management principles were applied in industries. Management graduates were employed to manage conglomerate amalgamation. There were approximately 6000 amalgamations that occurred which lead to 25000 firms disappeared. In this wave, many conglomerate mergers failed such as, Revlon cosmetic entered into health care and failed. The 3rd wave of amalgamation was over for the separation of conglomerates in 1968 because of the underprivileged development of conglomerates.

The fourth wave of amalgamation was begun in 1981 and ended in 1989. It was characterized by hostile or take-over mergers. During this phase, a merger occurred between the oil and gas industries, Drug & medical equipment industries, banking, and airline industries. Investment banks played an aggressive role in facilitating the hostile takeover mergers on behalf of their corporate

raiding clients. The fourth stage of amalgamation over anti absorption laws. The time duration of this wave is much larger than the third wave. This era was ended with the collapse of banks and capital structure due to aggressive lending activity to fund these types of transactions

The period of the fifth wave of mergers was 1992 to 2000. This wave was emphasized cross-border mergers and mega amalgamation deals. Most of the mergers were financed on equity-based rather than debt. The main objective of this amalgamation to achieve the long-term survival of firms instead of short period existence. During this period, mergers occurred between the banking, telecommunications entertainment, and media industries. It was brought deregulation and technological changes. This era emphasized an appetite for larger economies of scale and created multinational conglomerates of unprecedented sizes, under the assumption that competitive advantages were achieved through size. This wave comes to an end with the bursting of the millennium bubble and the great scandals of companies like Enron and WorldCom.

The six waves of merger started in 2003 and ended in 2008. It was characterized by globalization, private equity, and shareholder activism. Corporate companies emphasized the need to create a multinational reach.

Kouser and Irum (2011) also stated that at the beginning of the nineties, the merger was not executed but now it is considered the best & successful technique for business growth and development. From 1991 to 2018, approximately six hundred and forty-seven mergers had occurred in the banking and non-banking sectors of Pakistan. The merger is mostly used in non-banking sectors to get competitive benefits. While the changes in governance, systemization, policies, or strategies by the central banks urged the banks to go into a merger to enhance stability & non-cooperative edges. The researchers investigated the capital market of Pakistan before and after the merger through particular financial ratios. The results of the study stated that every ratio showed weak performance which means that amalgamation showed pessimistic effects on the capital market.

Shah and Zahid (2011) stated in their study that merger is a very beneficial access or mode for companies to penetrate in the new market. The mergers propose many non-negative preferences against their rivals as a form of Foreign Direct Investment (FDI). Ismail, Abdulati and Annis (2011) are researched firms and they analyzed that mergers indirectly affect the performance of the merged firms. According to Venkatesan and Govindarajan (2011) mergers between banks

positively increased the shareholder's values of acquirer firms and revealed the mixed impact on target firms.

Shah, (2011) studied 28 mergers that occurred in information technology organizations. The results of the study indicated that the value of shareholders of bidder firms did not change after amalgamation due to the high bidding voice for the merger deal. Whereas shareholders of the target organization generated efficient revenue from such offers.

Bashir, Sajid and Sheikh (2011) studied the merger cases of the banking industry from the period of 2004 to 2010 in Pakistan. The study was conducted to investigate the impact of amalgamation on the wealth of shareholders of bidder & target banks. Data consisted of stock prices of eleven days (+5, -5). The study used the event window technique to analyze the change in the value of shareholders before and after the merger. The outcome of the study indicated that merger has no significant impact on the wealth of shareholders of target and acquirer banks because abnormal returns and cumulative abnormal returns of banks are negatively decreased after amalgamation.

Kemal (2011) studied the merger case of the Royal Bank of Scotland (RBS) in Pakistan. The main objective of this research to investigate the financial efficiency of RBS before the amalgamation. The study collected data from the audited annual financial reports of the Royal Bank of Scotland. Data consisted of four years (2006-2009). Certain financial ratios; profitability, debt, management, liquidity, and asset ratios are used to analyze the data. The results of the study stated that RBS was performing very well before the merger because the value of each ratio showed quite satisfactory condition/performance of the bank but after amalgamation, RBS is failed to maintain and increase its existing financial performance. So, the study concluded that a merger is not a good option for the Royal Bank of Scotland.

Kouser and Irum (2011) researched to investigate whether merger increases the profitability of banks. For this purpose, the researcher took ten bank-merger from the period of 1999 to 2010 in Pakistan. Data were analyzed through six accounting ratios and paired t-test techniques. The outcomes of the study stated that merger has no significant effect on the profitability of banks because all six ratios showed a negative performance of banks after amalgamation. So, the study concluded that it is not compulsory, mergers always respond in some way, to positively improve or increase the performance of banks because it,s effects vary from sector to sector and country to country.

Joshua (2011) explained in his study that organizations are getting extreme efforts to meet the requirement of the advanced business world. They are trying hard to enhance as well as maintain the quality & effectiveness of their operational departments. Each company plans specific internal and external goals for growing up the business. Only one theory process behind every goal whether it is internal or external. How to increase the profitability and performance of the company? Profitability can be achieved both internally and externally for companies. Internal growth can be achieved either by launching new products in existing markets or increase sales by producing more existing products. The merger between business firms can bring external growth. Joshua studied the three cases of merger-related to the banking industry. Data were analyzed through financial ratios and t-test statistical technique. The results of the study stated that there is no significant difference exists between the pre and post-merger financial performance of the banks. The study also concluded that merger has mixed effect on the monetary performance of banks because gross earnings are significantly increased and net profit is extremely decreased after amalgamation while net assets are contributed well than before amalgamation.

Khan, Kayani and Javid (2011) studied the effect of amalgamation on market concentration and interest spread of the banking sector in Pakistan. The study concluded that merger negatively affects the profitability and net interest spread of amalgamated banks.

Kaur and Kaur (2010) stated in their study that merger is also used to achieve the cost-efficiency. Banks can reduce the cost by getting cost-effective technologies or diversified the fixed expenses on large scale through amalgamation which declines the average costs of banks. The cost-efficiency impacts of mergers may rely on the different types of amalgamation strategies. For this purpose, the researchers studied the relationship between amalgamation and cost-efficiency. The study took twenty cases of mergers of private and public banking sectors. The result of the study indicated that merger significantly affects the cost of amalgamated banks because public banks achieved cost efficiency over 73.4% and private banks achieved cost efficiency over 76.3% after mergers.

Some emerging state like China, Brazil and India is too much connected to amalgamation. Their financial analytics concluded from their research that mergers raise the efficiency of business operations or units (Kalimeris, 2010)**.**

Obaid-ullah and Ullah (2010) studied a case of a merger between Al-Faysal Investment Bank Ltd and Atlas investment Bank Limited (ATBL) in Pakistan to analyze the change in financial performance before and after the merger. The study collected data four years before and after (+4,-4) the event of amalgamation. Data were analyzed through three financial indicators (earning quality, risk, and leverage ratios). The results of the study indicated that the merger has no significant impact on the monetary performance of both banks because all ratios showed negative value after the amalgamation.

Selvam, Vanitha, Jayapal, Bennet and Sathish (2010) Studied 17 manufacturing organizations that are sustained mergers from the period of 2000-2002 but the study hadn't find out any momentous gain to the target companies.

Yeh and Hoshino (2002) studied the eighty-nine cases of domestic mergers in japan from the period of 1981 to 1998, to check that value of shareholders is influenced by amalgamation. Data was evaluated through the event window technique. The outcome of the research stated that the wealth of shareholders is decreased after the merger because cross-shareholding is not managed by the banks effectively.

2.3 Research Contribution:

The contribution of current study is that

1. The researcher has been used fresh data.
2. The researcher has been taken distinctive & more financial ratios to analyze the variables.
3. Statistically to check the effect of the merger on performance is greater than shareholder's values.
4. The researcher has been used the descriptive approach to test the third hypothesis.

2.4 Crucks of Literature:

According the above literature, approximately twenty-one studies showed that merger decrease the value of shareholders while the results of eleven earlier studies also stated that merger positively increase the value of shareholders after the amalgamation. The results of seven studies clearly indicated that the performance of banks negatively decreased after merger while sixteen old studies showed positive performance of banks due to amalgamation. Some studies also showed the mixed effects like merger increase the financial and operating performance of one bank but at

the same time it also decreases the financial and operating performance of other bank due to amalgamation. After the over view of literature, there is a lot of controversies in the previous studies which need to be addressed. It is also created a gap for further studies as well as create a opportunities for researchers to deeply analyze the effect of merger on bank's performance and value of shareholder by applying suitable statistical techniques and find out the authentic results.

2.5 Research Gap:

The above narrated situation demands a fresh study. The current data to conclude the outcome of merger on performance as well as value of shareholders. There are number of theories of merger therefore this study will also check the application of any particular theory on the merger of banks.

Chapter No. 3

Methodology

In this section, the researcher has been accomplished the goal of this research. The work has been completed in a successive order which illustrates data collection, research type, hypothesis, and plan of analysis.

3.1 Research Design and Methodology:

According to Gemeda (2010) numerical data has been analyzed in the methodology section by following these processes.

3.2 Research Design:

Research design is defined as logical research of a plan. A large number of researches have investigated the impact of the merger on shareholder's value & performance of amalgamated banks but no study has explored the most effective factor that is significantly affected by amalgamation. Therefore, the current study has been conducted to fill this gap by using a causal approach. The study has used quantitative data to find out the impact of the merger on shareholder's values & performance of banks after the merger by using a causal technique as earlier used by (Tajalli and Shehzad, 2014).

3.3 Source of Data:

Secondary data has been used in the current study. Banks merged during 2009 to 2015, listed in the Pakistan stock exchange are selected as the initial sample. Banks with missing financial variables are excluded. Banks with other missing data are also excluded. Fourteen (17) mergers took place from 2009 to 2015 but only five (5) banks have been selected and the remaining are dropped because of the unavailability of data.

3.4 Variables:

The current study has been checked the impact of the merger on shareholder's values & the performance of banks. The study has constructed a model of variables. There are only two variables; shareholder's value and the performance of banks. The study has checked the significant impact of the merger on shareholder's value and the performance of banks before & after the merger. The current study has been opted for the accounting ratios to analyze the effects of the

merger on shareholder's value & performance of banks. These financial ratios are considered the best financial key indicators to measure and compare the effects of any event regarding banks (Tajalli and Shehzad, 2014).

The researcher has used following ratios to measure value of shareholders before and after merger:

1. Return on equity (ROE)
2. Return on assets (ROA
3. Return on deposits (ROD)
4. Net interest margin ratio (NIMR)
5. Earnings per share (EPS)
6. Return on capital employed (ROCE)
7. Spread ratio
8. Interest ratio
9. Non-markup interest expense to total income (NMIE-T.In)

The researcher has used following ratios to measure the performance of banks before and after merger:

1. Earning assets to total asset (EA-TA)
2. Interest margin to average earning assets (IM-EA)
3. Equity capital to total assets (EC-TA)
4. Deposit time to capital (DT-C)
5. Loan to deposit (L-D)
6. Cost to income ratio (C-In)
7. Cost to assets ratio (C-A)

8. Non-markup interest income to total assets (NMII-T.A)
9. Net markup interest income after provision to total assets (NMIIAP-T.A)

As manufacturing business process is different from service business process as their accounting chart, data entries system & annual report statement format is quite different from each other. So that some particular banks ratios earning assets to total assets, Interest margin to average earning assets, Equity capital to total assets, Deposits times capital, Loans to deposits ratios, return on equity, return on asset & return on capital employed are considered most appropriate financial ratios for the analysis of bank's performance & shareholder's wealth (Charles, 2011)**.**

Kouser and Saba (2011) also used accounting ratios as the best tool to evaluate the impacts of amalgamation on the financial performance of merged banks after the merger in Pakistan. They used secondary data. Five financial ratios: return on equity, return on assets, earning per share, spread ratio and net interest margin are used to analyze the fiscal efficiency of opted banks before & after the merger.

Most of the researchers prefer the following financial ratios: return on equity, return on assets, returns on capital employed, return on deposits, net interest margin ratio & spread ratio to measure the profitability of financial institutions for future decision making. These ratios are also used to evaluate the correlation between different components of the fiscal statement. Financial ratios are considered the best tool to analyze the current financial & operating position of the organization based on the previous year's data. Secondary data consist of a balance sheet, income statement & statement of cash flow. Data is collected from audited annual reports. The main purpose of using these financial ratios to figure out such areas that require microscopic attention (Batool and Naeem, 2018), (Murthy , 2018), (Bhatta, 2016), (Hassan, Shakir and Bashir, 2016), (Ahmed and Nadeem, 2015) & (State Bank of Pakistan, 2020)**.**

3.5 Explanation of Variable:

3.5.1. Value of Shareholders:

This is the first variable of current study to figure out the change in value of shareholders after merger. Whether value of shareholders increase or decrease due to merger. The researcher analyzed the pre and post-merger value of shareholders through these nine (9) financial ratios which explanation are falling below.

3.5.1.1 Return on Equity:

Investors use the return on equity ratio to analyze the financial performance of organizations. A high value of this ratio indicates that owners are getting a high return on investment. The high percentage of return on equity ratio indicates that the organization may achieve synergy gain. It is measured by State Bank of Pakistan, (2020).

Return on equity=Net income/Total shareholder's equity*100

3.5.1.2 Return on Assets:

Return on assets is also an accounting key indicator to measure the profitability of organizations as like return on equity. It shows how much profit is earned on assets. It also shows how efficiently assets are used by a firm. A high volume of this ratio shows efficient utilization of assets the goodwill of the company. It is calculated by State Bank of Pakistan, (2020).

Return on Assets=Net income/Total Assets*100

3.5.1.3 Return on Deposits:

Return on deposit ratio is also used to analyze the financial performance of banks. This ratio provides information to investors & shareholders about return on deposits, how much interest income is earned from deposits. Because the high return on deposits positively affects the wealth of shareholders. It also indicates the management efficiencies to use the assets. It is measured by State Bank of Pakistan, (2020).

Return on deposits=Net income/Total deposits*100

3.5.1.4 Net Interest Margin Ratio:

NIMR is a financial key indicator to measure the earning ability of any bank. It gives insight to investors about the bank's number of depositors & lenders. Banks accept deposits from savers and pay back them at a specific rate of interest that is known as interest expenses of banks. But on the other side, banks use this deposit cash for lending with a return back at a specific rate of interest, known as interest income. The net interest margin ratio is the difference between these two interests.

Net interest margin ratio is considered a valuable approach for bank's foreign direct investment & microfinance banks. A positive value of this ratio shows that management efficiently used the

company's assets & earned over their expectation but negative outcomes revealed that funds & assets are not utilized effectively by management. In this case, the bank's expenses exceeded the earning that built the poor reputation of banks in the market. It is measured by State Bank of Pakistan, (2020).

Net Interest Margin ratio=Interest margin/total assets*100

Interest margin=Total interest income (mark-up interest earned)-Total interest expenses (mark-up interest expense)

3.5.1.5 Earnings Per Share:

The earnings per share ratio are used to measure the external financial performance of the organization & the value of shareholders in terms of the per-share price of total ordinary shares. The high value per share shows the goodwill of the company in the market & attracts domestic & foreign investors to put their funds in a company and enjoyed the desired profit. EPS is calculated by State Bank of Pakistan, (2020).

Earnings per share=Net income/number of ordinary shares.

3.5.1.6 Return on Capital Employed:

ROCE is one of the most significant tools to measure the financial performance of companies. Investors evaluate the profitability of any organization by calculating this ratio. It is similar to the return on invested capital. A high value of this ratio shows the strong financial performance of the organization. It is measured by State Bank of Pakistan, (2020).

Return on capital employed= Earnings before interest and tax/capital employed*100

Capital employed=Total assets –current liabilities

3.5.1.7 Spread Ratio:

Spread is defined as how the percentage of interest banks charge to lenders & how the percentage of interest banks pay to depositors. Profit margin is a difference between bank spread. A high value of spread ratio indicates a rich profit margin. It is calculated by State Bank of Pakistan, (2020).

Spread ratio= Net mark-up interest income/Mark-up interest earned*100

3.5.1.8 Interest Ratio:

Interest ratio describes the spread between interest paid & interest earned. A small value of the ratio shows the goodwill of the organization which means that the volume of interest expenses is lower than interest-earning. It also indicates that banks have fewer debt expenses. High earnings attract local & foreign investors. This financial ratio is beneficial for bank's direct foreign investments & microfinance banks. It is measured by State Bank of Pakistan, (2020).

Interest ratio=Markup interest expense/Markup interest earned*100

3.5.1.9 Non-Markup Interest Expense to Total Income:

State bank of Pakistan uses non-markup expenses to total income ratio to evaluate the sum of expenses against total assets. A low value of this ratio shows that management is very competent to utilize the bank's resources. It is calculated by State Bank of Pakistan, (2020).

Non-markup interest expense to total income=Non-markup interest expense/Total interest income*100

3.5.2. Performance of Banks:

This is the second variable of current study to check the effect of merger on the performance of merged banks. Whether the performance of banks increase or decrease after amalgamation. The researcher investigated the pre and post-merger performance of amalgamated banks through these nine (9) financial ratios which explanation are falling below.

3.5.2.1 Earning Assets to Total Assets:

Earning assets are the sum-up of finances, leases, capital securities and money market funds less fixed assets, liquid assets & non-earning deposits. Through this ratio, the researcher analyzed how efficiently and effectively the management of banks utilize the resources for the best interest of banks & shareholders because a high percentage of this ratio indicates good performance that becomes the cause of synergy gain. It is calculated as Charles, (2011).

Earning assets to total assets=Average earning assets /Average total assets*100

3.5.2.2 Interest Margin to Average Earning Assets:

This ratio is used to analyze the planning of management about how to handle or control the spread between mark-up earning and mark-up expenses. A high value of this accounting ratio shows the efficiency of banks to achieve synergy gain before and after the amalgamation (Charles, 2011).

Interest Margin to Average earning assets= interest margin/Average earning assets*100

Interest Margin=interest income – interest expenses

3.5.2.3 Equity Capital to Total Assets:

This ratio is used to figure out how much equity is increased against total assets after the merger. This financial ratio helps the shareholder to decide debt utilization to minimize the systematic risk. A low percentage of equity shows the poor financial condition of banks. It shows that banks acquired maximum resources based on debt. But a high percentage of equity built the strong value of banks in the market & attract potential investors. It is also called the funds to total assets ratio (Charles, 2011).

Equity Capital to Total Assets=Average owner's equity/Average total assets*100

3.5.2.4 Deposits Times to Capital:

A deposit is an effective way to borrow money from banks. Customer deposits their saving in a bank at the specific rate of interest for the specific period of time. Banks use their deposits for lending and further investment. Banks earn interest income from advances (loan) and earn profit from their investment. This ratio is similar to the debt/equity ratio. It also reveals the levered and non-levered position of banks. Extreme high-interest expenses show the levered condition of banks when banks already have a large number of depositors. High account withdrawals show the non-levered condition of banks (Charles, 2011).

Deposits Times to Capital=Average deposits/Average equity of shareholders

3.5.2.5 Loans to Deposit Ratio:

This accounting ratio is similar to the assets to liability ratio because advances are count as assets and deposits are counted as liabilities. Banks pay interest on deposits and earn interest on the lending. This ratio also indicates the earning quality and efficiency of banks how do banks' balance their total liabilities against total assets at the same period? The primary responsibility of banks is

to make sure to depositors that they can withdraw the required amount on time. An extremely high percentage of this ratio indicates that banks may not have maximum cash to fulfill the unexpected demand of capital at any emergency time. The low value of this ratio reveals that banks may be earned low-interest income (Charles, 2011).

Loans to Deposit ratio= Average loans /Average deposits*100

3.5.2.6 Cost to Income Ratio:

It is the most popular financial key indicator to measure the productivity of banks that's why it is called productivity ratio. This ratio is used to evaluate the expenses of management in the banking sector. It has a focus on non-interest expenses. The merger increased the asset of banks that increased the operational expenses. Increasing operational expenses negatively affect the profit of banks. The low value of this ratio indicates that banks may be achieved operational synergy (Murthy, 2018). It is calculated by

Cost to income ratio=Operating expense/Operating income*100

3.5.2.7 Cost to Assets Ratio:

The cost to assets ratio is known as the efficiency ratio that is used to analyze the internal performance of organizations. In which operating cost is compared to total assets. It neither depends upon interest charges nor influenced by variation in interest ratio. Because it is talking about administration cost so the low value of this ratio indicates the effectiveness of management. It is measured by

Cost to assets ratio=Operating expense/Total assets*100

3.5.2.8 Non-Markup Interest Income to Total Assets:

Commission fee, brokerage and dividend income, income from dealing in foreign currencies, income from selling securities & other income are included in Non-markup interest income. This financial ratio is used to evaluate either non-markup earning increased or decreased against total assets of merged banks. A high value of this ratio indicates that banks may be earned desired income by effectively using abounded resources of amalgamated banks (State Bank of Pakistan, 2020).

Non-markup interest income to total assets=Total non-markup interest income/Total assets*100

3.5.2.9 Net Markup Interest Income after Provision to Total Assets:

Net markup interest income after provision to total asset ratio is a tool to analyze the financial performance of organizations. Net markup interest income is equal to the difference of interest margin and provisions. Provisions are consist on bad debts, non-performing loans & diminution in the value of investment and off-balance sheet obligations, etc. This financial ratio shows either company generated efficient revenue by using resources or not. A higher value of this ratio also indicates the effectiveness of the financial department (State Bank of Pakistan, 2020)**.**

Net markup interest income after provision to total assets=Net interest income after provision/total assets*100

3.6 Population:

The study is a comprehensive analysis of all local banks merger in Pakistan from 2009 to 2019. The population of the current study is 17 mergers of the banking sector in Pakistan from 2009 to 2019.

3.7 Sample Size:

The sample size is 05 banks from 2009 to 2015. During that period 17 mergers had accrued in banking sectors according to the report of KSE & CCP. The study has been focused on the most recent merger for sample selection. But the researcher could not increase the sample size due to the unavailability of data. Sample (Shoaib & Gohar, Achieving the Optimal Capital Structure and its Impact on Pakistani Banking Performance, 2011) (Shah B. A., 2011) of banks selected for this study are given below:

Sr.no	Name of Merged Banks	Merged with	Merger Date
1	Askari Bank Limited	Askari Leasing Limited	17-Nov-2009
2	Faysal Bank Limited	The Royal Bank of Scotland Limited	3- Jan-2011
3	Summit Bank Limited	My Bank Limited	6-July-2011
4	Summit Bank Limited	Atlas Bank Limited	11-Jan-2011
5	Bank Islamic Pakistan limited-BIPL	KASB Bank limited	11-May-2015

3.8 Sampling Technique:

The current study has been used a convenient sampling technique which is the subpart of the non-probability sampling technique. Most of the banks deleted financial data from their official websites after amalgamation. That's why the researcher has been selected only those merger-banks which data was convenient for the current study.

3.9 Unit of Analysis:

The unit of analysis is banks that have been undertaken of the merger. Banks & the stock exchange are two financial indicators of the economy. Banks provide a risk-free return on investment. Therefore most of the investors prefer banks for investment. Banks efficiently deal the investment in millions & trillions. But the study has observed that bank's mergers have been increased over the last two decades therefore the study choose the banks for analysis & judge the performance of banks before and after mergers under the two variables.

3.10 Data Analysis Software:

The study has been used the statistical package for the social science (SPSS) software to statistically analyze data of the current study.

3.11 Data Analysis Technique:

Paired sample T-test technique has been used to statistically analyze the numeric data of current research.

3.12 Paired Sample T-Test:

The study has been statistically analyzed data through the mean procedure of student's T-distribution. Student's T-distribution consists three types of T-test.

1. One sample T-test
2. Independent sample T-test
3. Paired sample T-test

The researcher has been selected the paired sample T-test technique to statistically check the impact of the merger on shareholder's values & performance of banks before & after the amalgamation. The researcher also checked the significance & non-significance performance of two variables through probability value. If the probability value is less than alpha=0.05 then results

are significant. Otherwise, non-significance results show that the probability value is greater than alpha=0.05 (Abbas, Imran, Saeed, Hassan and Ijaz, 2014).

The research was conducted to investigate the effects of amalgamation on the financial performance of banks after event declaration in Pakistan. The researcher used the paired sample T-test technique to statistically check the significant difference at (alpha, 0.05) value. The results demonstrated that only assets & earning factors are significantly affected by the merger (Malik, 2017).

Njogo, Ayanwale and Nwankwo (2016) investigate the impact of amalgamation on the performance of deposit money banks in Nigeria. They collected second-hand numerical data from annual reports of 19 opted banks. The researcher used paired sample t-test technique on SPSS software for analyzed the data & checked the impacts of amalgamation on the bank's monetary performance. Data were analyzed through nine accounting ratios. The results showed that only three ratios ROE, ROA & leverage ratio were significantly affected by amalgamation.

Chapter No. 4

Data Analysis

This chapter shows data analysis. Data is taken three years before and after the event of the merger. The data is collected from audited annual financial statements of banks. The data is statistically analyzed through paired sample t-test technique on the statistical package for the social science (SPSS) software. In this section, the data of two variables (value of shareholders and performance of merged banks) have been analyzed. These two variables consist on eighteen ratios. Data of ratios have been already explained in chapter no. 3. Furthermore, data of these ratios have been statistically investigated through three types of paired sample independent tests.

1. The paired sample statistics
2. The paired sample test
3. The paired sample correlation

4.1 Table 1 Paired Sample Statistics

Table#1 shows the results of the paired sample statistic. This table shows pre and post-merger mean, standard deviation, and standard error mean values selected by which the impact of the merger on shareholder's value & performance of the banks has been checked.

PAIRED SAMPLES STATISTICS

PRE AND POST-MERGER		Mean	N	Std. Deviation	Std.Error Mean
Pair-1	Pre-ROE	-12.2860	15	36.27336	9.36574
	Post-ROE	-15.1600	15	39.03310	10.07830
Pair-2	Pre-ROA	-0.9887	15	2.47108	0.63803
	Post-ROA	-0.1913	15	0.99695	0.25741
Pair-3	Pre-ROCE	-0.9940	15	2.49015	0.64295
	Post-ROCE	-0.1933	15	1.01168	0.26121
Pair-4	Pre-ROD	-1.1833	15	3.00178	0.77506
	Post-ROD	-0.2580	15	1.30873	0.33791

Pair-5	Pre-NIMR	2.7680	15	0.93512	0.24145
	Post-NIMR	2.0247	15	1.14940	0.29677
Pair-6	Pre-Spread ratio	32.0393	15	11.59876	2.99479
	Post- Spread ratio	27.9353	15	16.23529	4.19193
Pair-7	Pre-EPS	1.0047	15	4.19942	1.08429
	Post-EPS	0.3427	15	1.70300	0.43971
Pair-8	Pre-Interest ratio	67.9627	15	11.59701	2.99434
	Post-Interest ratio	72.0647	15	16.23529	4.19193
Pair-9	Pre-NMIE-T.In	30.5220	15	6.88387	1.77741
	Post-NMIE-T.In	38.1960	15	10.38027	2.68017
Pair-10	Pre-C-In	6.0140	15	179.81802	46.42881
	Post-C-In	120.1747	15	64.53235	16.66218
Pair-11	Pre-C-A	2.9793	15	0.63374	0.16363
	Post-C-A	3.1427	15	0.41194	0.10636
Pair-12	Pre-NMII-T.A	1.0513	15	0.57276	0.14789
	Post-NMII-T.A	1.1527	15	0.52366	0.13521
Pair-13	Pre-NMIIAP-T.A	0.7133	15	2.40334	0.62054
	Post-NMIIAP-T.A	1.8833	15	0.99458	0.25680
Pair-14	Pre-EA-TA	88.3420	15	3.08316	0.79607
	Post-EA-TA	84.9073	15	2.06020	0.53194
Pair-15	Pre-EC-TA	10.9053	15	8.08724	2.08812
	Post-EC-TA	4.7707	15	1.29099	0.33333
Pair-16	Pre-IM-EA	3.5167	15	1.08667	0.28058
	Post-IM-EA	2.5253	15	1.45691	0.37617
Pair-17	Pre-DT-C	7.6053	15	5.92875	1.53080
	Post-DT-C	9.1907	15	7.26972	1.87703
Pair-18	Pre-L-D	71.9567	15	15.06396	3.88950
	Post-L-D	63.4833	15	7.53246	1.94487

4.2 Results and Discussions:

The results of pair 1 (return on equity) show that the mean value of return on equity before the merger is = -12.2860 but after the merger of banks, the mean value of ROE is further reduced to -15.1600 which shows that ROE is not positively influenced by amalgamation. It also indicates either net income could not increase or shareholder's equity may be increased.

The outcomes of pair 2 (return on asset) indicate that pre-merger mean value of return on asset (ROA) is = -0.9887 but after the amalgamation, return on asset is positively influence with increasing negative mean value= -0.1913 which shows that merger has a positive effect on ROA. It also indicates the efficiency of management in asset utilization.

The pre and post-merger statistical data analysis of Pair 3(return on capital employed) has expressed that ROCE is positively affected by amalgamation because the post-merger mean value of ROCE= -0.1933 is greater than the pre-merger mean value of return on capital employed= -0.9940 which means that the management may be covered the previous loss by controlling the total assets & current liabilities of banks with efficient decision making under the merger strategy.

The paired sample statistical analysis of return on deposit (Pair 4) demonstrates that the mean value of ROD before amalgamation is = -1.1833 but after-merger the mean value of ROD is increased with a negative value= -0.2580 which shows that amalgamation between banks positively affects the return on deposit (ROD). It also indicates that earning of merged banks may be increased by investing & lending the amount of the deposits after the merger.

The statistical measurement of pair 5(net interest margin ratio) has stated that merger between banks negatively influences the net interest margin ratio (NIMR) because the mean value of NIMR before the combination is=2.7680 but after the amalgamation, it is decreased with 2.0247. This also indicates that as merger strategy increase the assets of banks same as increasing the expenses of banks that reduce the return. Therefore, the low value of this ratio shows the poor performance of management.

The results of pair 6 (spread ratio) show that the mean value of spread ratio before merger is=32.0393 but after the merger of banks, the mean value of spread ratio is = 27.9353 which shows that spread ratio is negatively influenced by amalgamation. It also indicates that net markup interest income may be reduced after amalgamation against the markup interest income. The low

value of this ratio negatively affects the shareholder's wealth and interest of investors due to a decline in return.

The pre and post-merger statistical analysis of pair 7(earning per share) states that amalgamation strategy affects the earning per share negatively because the post-merger mean value of EPS =0.3427 has decreased than the pre-merger mean value of EPS=1.0047 which indicate that merger may be declined the market value of the merged bank's share after amalgamation. The low market value of a bank's shares negatively affects the wealth of shareholders as well as decreases the interest of potential investors.

In pair 8(interest ratio) the paired sample statistical analysis demonstrates the pre and post-merger mean value of interest ratio. After the amalgamation, the mean value of interest ratio 72.0647 is greater than the pre-merger mean value=67.9627. Which shows that merger has a negative effect on interest ratio. It also indicates that bank's interest expenses may be increased more than interest income. The high mean-value of this ratio is showed the weak performance of management because the results have revealed that the performance of merging banks has declined after the amalgamation due to an increase in interest expenses.

The results of pair 9(non- markup interest expense to total income) express the pre-merger mean value of NMIE-T.In is =30.5220 but the post-merger mean value of non-markup interest expense to total income 38.1960 is increased which shows the negative impact of amalgamation on non-markup interest expense to total income. It also indicates that amalgamated banks maybe failed to generate efficient income by combining the assets of both banks due to an increase in expenses after amalgamation.

The paired sample statistical analysis of pre and post-merger cost to income ratio (pair 10) shows that the Pre-merger mean value of cost to income ratio=6.0140 is less than the post-merger mean value of cost to income=120.1747. Which indicate that merger has a negative effect on the cost to income ratio. It also shows either operating expenses may be increased or operating income may be decreased after the amalgamation. According to the descriptive approach, merger strategy is not proved beneficial deal for merged banks because the increase in operating expenses negatively influences the wealth of shareholders.

The statistical outcomes of pair11 (cost to asset) state that amalgamation has not positive effect on the cost to asset ratio because the mean value of pre-merger cost to assets=2.9793 is less than the post-merger mean value of cost to assets=3.1472. It indicates that operating expenses may be increased more than total assets after amalgamation. It also shows the weak planning of management about to control and reduce the expenses

The statistical analysis of non-markup interest income to total assets (pair 12) states that the mean value of NMII-TA after merger =1.1527 is greater than the pre-merger mean value of non-markup interest income to total assets=1.0513 which means that non-markup interest income is positively influenced by amalgamation. It also indicates that management efficiently uses the resources that become the cause of the increase in income.

The outcomes of the net markup interest income after provision to total assets ratio (pair 13) show that post-merger mean value of net markup interest income after provision to total asset=1.8833 is greater than the pre-merger mean value of net markup Interest income after provision to total asset=0.7133 which shows that merger has a positive effect on NMIIAP-T.A of the amalgamated banks. It also indicates that banks earning may be increased than before.

The statistical descriptive analysis of earning asset to total asset ratio (pair 14) states the pre and post-merger mean value. The post-merger mean value of earning asset to total asset=84.9073 is less than the pre-merger mean value of EA-TA=88.3420 which shows that earning assets to total asset ratio is negatively influenced by amalgamation. It also indicates either earning asset may be decreased or management may not utilize the earning assets properly. But in both cases banks are/ have to sacrifice the synergy gain that is the basic purpose of undergoing amalgamation.

The pre and post-merger pair sample statistical analysis of equity capital to total asset ratio (pair 15) demonstrates that the mean value of equity capital to total asset ratio after merger =4.7707 is less than the pre-merger mean value of EC-TA=10.9053 which shows that merger has a negative effect on EC-TA. It also indicates either bidder banks may be paid a rich payment to target bank for merging that reduce the equity capital or market value of shares of merged banks may be declined.

The descriptive results of pair 16(interest margin to earning asset ratio) express that the pre-merger mean value of IM-EA=3.5167 is greater than the post-merger mean value of IM-EA=2.5253 which

means that the interest margin to earning asset ratio is negatively influenced by amalgamation. It also indicates that banks may not be generated efficient interest income after the merger due to an increase in the interest expenses and admin expenses that shows the deficiency and poor planning of management.

The statistical results of pair 17(deposit time to capital) state that the mean value of DT-C ratio before merger is=7.6053 but after the amalgamation, it has increased with this mean value=9.1907. The high mean-value of this ratio indicates that merger has a negative effect on deposit time to capital ratio. It also shows that liabilities and expenses of amalgamated banks may be increased by increasing the number of depositors or deposit amount.

The statistical results of the loan to deposit ratio (pair 18) show that the pre-merger mean value of L-D =71.9567 is greater than the post-merger mean value of L-D=63.4833 which shows that loan to deposit ratio is negatively influenced by merger. It also indicates that the number of depositors may be increased after the merger but lenders may be decreased. That's why interest income is negatively affected and reduced or merged financial institutions may not have an appropriate investment opportunity for increasing the bank's revenue.

4.3 Table 2 Paired Sample Test

Table #2 explained the difference of mean from pre and post-merger of all pairs as generated in earlier table#1. Furthermore, this table has shown the significance value (two-tailed) on the base of t- value.

PRE & POST-MERGER	Paired Differences					t	df	Sig(2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair-1 Pre-ROE Post-ROE	2.874	47.787	12.339	-23.590	29.338	0.233	14	0.819
Pair-2 Pre-ROA Post-ROA	-0.797	2.152	0.556	-1.989	0.394	-1.435	14	0.173
Pair-3 Pre-ROC Post-ROCE	0.800	2.171	0.560	-2.003	0.401	-1.429	14	0.175
Pair-4 Pre-ROD Post-ROD	-0.925	2.635	0.680	-2.385	0.534	-1.360	14	0.195
Pair-5 Pre-NIMR Post-NIMR	0.743	1.286	0.332	0.031	1.455	2.239	14	0.042
Pair-6 Pre-Spread ratio Post- Spread ratio	4.104	15.436	3.986	-4.444	12.652	1.030	14	0.321
Pair-7 Pre-EPS Post-EPS	0.662	3.619	0.934	-1.342	2.666	0.708	14	0.490
Pair-8 Pre- Interest ratio Post-Interest ratio	4.102	15.436	3.986	-12.650	4.446	-1.029	14	0.321
Pair-9 Pre-NMIE-T.In Post-NMIE-T.In	-7.674	7.840	2.024	-12.016	-3.332	-3.791	14	0.002
Pair-10 Pre-C-In Post-C-In	-114.161	174.239	44.988	-210.651	-17.670	-2.538	14	0.024
Pair-11 Pre-C-A Post-C-A	0.163	0.649	0.168	-0.523	0.196	-0.974	14	0.346

Pair-12	Pre-NMII-T.A Post-NMII-T.A	0.101	0.731	0.189	-0.506	0.303	-0.537	14	0.600
Pair-13	Pre-NMIIAP-T.A Post-NMIIAP-T.A	1.170	2.077	0.536	-2.320	-0.020	-2.182	14	0.047
Pair-14	Pre-EA-TA Post-EA-TA	3.435	2.629	0.679	1.979	4.890	5.061	14	0.000
Pair-15	Pre-EC-TA Post-EC-TA	6.135	9.084	2.345	1.104	11.165	2.616	14	0.020
Pair-16	Pre-IM-EA Post-IM-EA	0.991	1.599	0.413	0.106	1.877	2.400	14	0.031
Pair-17	Pre-DT-C Post-DT-C	-1.585	1.729	0.446	-2.543	-0.628	-3.552	14	0.003
Pair-18	Pre-L-D Post-L-D	8.473	12.438	3.211	1.585	15.361	2.638	14	0.019

4.4 Results and Discussion:

The paired sample test table has been shown the following pre and post-merger mean values of the selected ratios by which the impact of the merger on shareholder's value and performance of the banks has been checked.

The statistical analysis of Pair 1(return on equity) shows the difference of mean value 2.874 in ROE before and after the merger. The statistical results also indicate that there is no significant difference exist between pre and post-amalgamation ROE because the probability value of (ROE, 0.819) at (t-value, 0.233) is greater than alpha=0.05 which shows that ROE is not well-contributed or insignificantly affected by amalgamation.

The statistical outcomes of return on asset (pair 2) demonstrate that pre and post-merger ROA is not significantly influenced by mergers because the probability value of (ROA, 0.173) at negative

(t-value, -1.435) is greater than alpha=0.05. The results also indicate the difference of (mean value, -0.797) in ROA before and after the merger which indicates that management of merged banks may not utilize the resources effectively.

The statistical analysis of Pair 3(return on capital employed) shows the difference of (mean value, 0.800) in pre and post-merger ROCE. The statistical outcomes also indicate that there is no significant difference exist between pre and post-amalgamation ROCE because the probability value of (ROCE, 0.175) that is calculated on the base of (t-value, -1.429) is greater than alpha=0.05. This shows that ROCE is not significantly influenced by amalgamation. It also shows the weak performance of management to control the current liabilities and to utilize the abundant resources of merged banks.

The statistical outcomes of return on deposit (pair 4) demonstrate that pre and post-merger ROD is not significantly influenced by amalgamation because the probability value of (ROD, 0.195) at negative (t-value, -1.360) is greater than alpha=0.05. The statistical analysis also indicates the difference in pre and post-merger (mean value,-0.925). The negative mean-value of this ratio shows either merged banks may not have investment opportunities to invest the deposit amount or lenders may be decreased. It also indicates that the return on deposit amount may be decreased due to an increase in fixed expenses.

The statistical results of the net interest margin ratio (pair 5) indicate that there is a significant relationship exist between the pre and post-merger net interest margin ratio. The probability value of (NIMR, 0.042) on the base of (t-value, 2.239) is less than alpha =0.05 which shows the better performance of this ratio after amalgamation. The statistical analysis also indicates the difference in pre and post-merger (mean value, 0.7433). It also indicates either amalgamated banks may be earned interest income more than interest expenses or interest income may be increased due to a decrease in expenses by adopting the merger strategy.

The statistical results of pair 6(spread ratio) show the difference in pre and post-merger (mean value, 4.1040). The analysis also indicates that there is no significant difference exist between the pre and post-merger spread ratio because the probability value of (spread ratio, 0.321) is greater than alpha=0.05 on the base of (t-value, 1.030) which shows the weak performance of this ratio after amalgamation.

The statistical analysis of earning per share (pair 7) demonstrate that pre and post-merger EPS is not significantly influenced by merger because the probability value of (EPS, 0.490) at (t-value, 0.708) is greater than alpha=0.05. The results also indicate the difference in (mean value, 0.6620) before and after the amalgamation. It shows that the market value of shares may be declined after the merger which may negatively affect the value of shareholders and the interest of investors.

The statistical analysis of pair 8(interest ratio) indicates that there is no significant relationship exist between before and after-merger interest ratio because the probability value of (interest ratio, 0.321) at negative (t-value, -1.029) is greater than alpha=0.05 which shows that merger does not affect interest ratio. The results also indicate the difference in (mean value, 4.1020).

The statistical analysis of Pair 9(non-markup interest expense to total income) shows that there is a significant difference exist between pre and post-amalgamation non-markup interest expense to total income ratio because the probability value of (NMIE-T.In, 0.002) at negative(t-value, -3.791) is less than alpha=0.05. The statistical results also indicate the difference of (mean value, -7.674) in NMIE-T.In before and after the merger which shows that NMIE-T.In is negatively significant. It also indicates that the merged bank maybe failed to increase the income after the amalgamation due to an increase in non-markup interest expenses. It may also show the poor performance of management to organize and utilize the assets of merged banks.

The pre and post-merger statistical result of pair 10(cost to income) indicates the difference of (mean value, -114.161) in cost to income ratio. It also shows that there is a significant difference exist between pre and post-merger cost to income ratio because the probability value of (cost to income ratio, 0.024) on the base of negative (t-value= -2.538) is less than alpha=0.05 which shows that C-In ratio influenced by amalgamation but it is negatively significant. The negative mean value indicates either operating expenses may be extremely increased or operating income may be decreased after the combination of banks. It may also show the weak performance of operational managers of amalgamated banks because the performance of cost to income ratio before the merger is a little bit better than after the merger.

The statistical outcomes of cost to asset ratio (pair 11) show that there is no significant difference exist between pre and post-merger cost to asset ratio because the probability value of (C-A, 0.346) at negative (t-value= -0.974) is greater than alpha value=0.05 which indicates that merger has no significant impact on C-A ratio. The statistical results also indicate the difference of (mean value,

0.163) in pre and post-merger C-A ratio which means that cost of merged banks in case of high admin expenses, write off and other charges may be increased more than assets.

The statistical analysis of pair 12(non-markup interest income to total assets ratio) shows that there is no significant relationship exist between before and after-merger NMII-T.A ratio because the probability value of (NMII-T.A, 0.600) at negative (t-value, -0.537) is greater than alpha=0.05 which shows that amalgamation has no significant effect on NMII-TA ratio. The statistical results also indicate the difference of (mean value, 0.101) in pre and post-merger non-markup interest income to total assets. It shows either management may not use the abandoned resources of amalgamated banks effectively therefore interest income may be reduced or an increase in cost may negatively affect the interest income.

The statistical analysis of Pair 13(net mark-up interest income after provision to total asset ratio) shows the difference of (mean value, 1.170) in NMIIAP-TA before and after the merger. The statistical results also indicate that there is a significant difference exist between pre and post-amalgamation net mark-up interest income after provision to total asset ratio because the probability value of (NMIIAP-TA, 0.047) at negative (t-value, -2.182) is less than alpha=0.05 which shows that amalgamation has an effect on NMIIAP-TA ratio and it is positively significant.

The statistical outcomes of earning asset to total asset ratio (pair 14) demonstrate that pre and post-merger EA-TA ratio is significantly influenced by mergers because the probability value of (EA-TA, 0.000) on the base of (t-value, 5.061) is less than alpha=0.05. The results also indicate the difference of (mean value, 3.435) in earning asset to total asset ratio before & after the amalgamation which indicates that management of merged banks may not utilize the resources effectively.

The statistical paired sample test analysis of equity capital to total assets ratio (pair 15) shows the difference of (mean value, 6.135) in EC-TA before & after the amalgamation. The statistical results indicate that there is a significant relationship exist between pre and post-merger equity capital to total ratio because the probability value of (EC-TA, 0.020) at (t-value, 2.616) is less than alpha=0.05 which show that merger has a significant impact on EC-TA.

The pre and post-merger statistical analysis of pair 16(interest margin to earning asset ratio) states that IM-EA ratio is significantly affected by amalgamation. The probability value of (IM-EA,

0.031) at (t-value, 2.400) is less than alpha=0.05 which means that there is a significant difference exist between before and after-merger interest margin to earning assets ratio. The statistical results also indicate the difference of (mean value, 0.991) in IM-EA ratio before and after the amalgamation.

The statistical outcomes of deposit time to capital ratio (pair 17) indicate that pre and post-merger DT-C ratio is significantly influenced by merger because the probability value of (DT-C, 0.003) on the base of negative (t-value, -3.552) is less than alpha=0.05. The results also indicate the difference of (mean value, -1.585) in deposit time to capital ratio before and after the amalgamation which indicates that DT-C ratio is affected by the merger but it is negatively significant.

The pre and post-merger statistical analysis of pair 18(loan to deposit ratio) states that L-D ratio is significantly affected by amalgamation. The probability value of (L-D, 0.019) at (t-value, 2.638) is less than alpha=0.05 which means that there is a significant difference exist between the before and after-merger loan to deposit ratio. The statistical results also indicate the difference of (mean value, 8.473) in L-D ratio before and after the amalgamation.

4.5 Table 3 Paired Sample Correlation

Table#3 paired sample correlation shows the pre & post-merger correlation of all pairs. All pairs represent the selected financial ratios. The effects of the merger on shareholder's value & the performance of the banks have been checked by following these eighteen ratios.

PAIRED SAMPLE CORRELATION

		N	Correlation	Sig
Pair-1	Pre-ROE & Post-ROE	15	0.196	0.483
Pair-2	Pre-ROA & Post-ROA	15	0.501	0.057
Pair-3	Pre-ROCE & Post-ROCE	15	0.499	0.058
Pair-4	Pre-ROD & Post-ROD	15	0.481	0.069
Pair-5	Pre-NIMR & Post-NIMR	15	0.252	0.365
Pair-6	Pre-Spread ratio & Post- Spread ratio	15	0.424	0.115
Pair-7	Pre-EPS & Post-EPS	15	0.520	0.047

Pair-8	Pre- Interest ratio & Post-Interest ratio	15	0.424	0.115
Pair-9	Pre-NMIE-T.In & Post-NMIE-T.In	15	0.655	0.008
Pair-10	Pre-C-In & Post-C-In	15	0.265	0.341
Pair-11	Pre-C-A & Post-C-A	15	0.287	0.300
Pair-12	Pre-NMII-T.A & Post-NMII-T.A	15	0.114	0.685
Pair-13	Pre-NMIIAP-T.A & Post-NMIIAP-T.A	15	0.513	0.051
Pair-14	Pre-EA-TA & Post-EA-TA	15	0.538	0.038
Pair-15	Pre-EC-TA & Post-EC-TA	15	-0.740	0.002
Pair-16	Pre-IM-EA & Post-IM-EA	15	0.235	0.398
Pair-17	Pre-DT-C & Post-DT-C	15	0.986	0.000
Pair-18	Pre-L-D & Post-L-D	15	0.568	0.027

Ranges of Correlation Coefficient:

If the correlation value is ranging from 0.66 to 1 then it is a strong positive correlation.

If the correlation value is ranging from -0.66 to 1 then it is a strong negative correlation.

If the correlation value is ranging from 0.50 to 0.65 then it is moderate positive correlated.

If the correlation value is ranging from -0.50 to 0.65 then it is moderate negative correlated.

If the correlation value is less than 0.50 then it is weak positive correlated.

If the correlation value is less than -0.50 then it is weak negative correlated.

4.6 Result and Discussion:

The statistical analysis of pair 1(return on equity) shows that there is weak positive correlation exist between pre and post-merger (ROE, 0.196) because the probability value of (ROE, 0.483) is greater than the alpha value=0.05 which show that there is no significant difference exist between before and after merger return on equity. These statistical outcomes also indicate that merger is not an efficient strategy to enhance the net income of amalgamated banks against the owner's equity due to the week coefficient correlation relationship between merger and ROE.

The result of pair 2(return on asset ratio) states that there is a moderate positive correlation exist between before and after the merger (ROA, 0.501) because the probability value of (ROA, 0.057) is greater than alpha value=0.05 which shows that there is no significant difference exist between pre and post-merger return on asset. The statistical outcomes also indicate that mergers affect the ROA ratio a little bit.

The analysis of pair 3(return on capital employed) indicates that there is weak positive correlation exist between pre and post-merger (ROCE, 0.499) because the probability value of (return on capital employed, 0.058) is greater than alpha value=0.05 which shows that there is no significant difference exist between pre and post-merger return on capital employed ratio. It also shows the weak performance of financial managers to achieve synergy gain.

The pre and post-merger pair sample correlation analysis of return on deposit (pair 4) states that there is a weak positive correlation exist between pre & post-merger (ROD, 0.481) because the probability value of (return on deposit, 0.069) is greater than alpha value=0.05 which shows that there is no significant difference exist between pre and post-merger return on deposit ratio. It may also show the weak planning of management to utilize the amount of deposits in further investment and lending.

The statistical outcomes of pair 5(net interest margin ratio) show that there is weak positive correlation exist between pre and post-merger (NIMR, 0.252) because the probability value of (net interest margin ratio, 0.365) is greater than alpha=0.05 which shows that there is no significant difference exist between pre and post-merger. It also indicates the low-interest margin against the total assets due to an increase in interest expenses.

The statistical results of pair 6(spread ratio) states that there is weak positive correlation exist between pre and post-merger (spread ratio, 0.424) because the probability value of before & after-merger (spread ratio, 0.115) is greater than alpha=0.05 which means that there is no significant difference exists between pre and post-merger spread ratio. It also indicates that the spread ratio is not significantly affected by amalgamation.

The statistical analysis of pair 7(earning per share) shows that there is moderate positive correlation exist between pre and post-merger (EPS, 0.520) which means that earning per share is significantly influenced by amalgamation because the probability value of before & after-merger

(EPS, 0.047) is less than alpha=0.05. It indicates that there is a significant difference exist between pre and post-merger EPS. It also shows that the market value of an ordinary share may be increased after amalgamation. Increasing market value of ordinary share positively affects the wealth of shareholders and new investors

The statistical analysis of interest ratio (pair 8) states that there is a weak positive correlation exist between before and after-merger (interest ratio, 0.424) because interest ratio is not significantly influenced by merger. The probability value of pre and post-amalgamation (interest ratio, 0.115) is greater than alpha=0.05 which means that there is no significant difference exist between pre & post-merger interest ratios.

In pair 9(non-markup interest expense to total income ratio) the pre and post-merger pair sample correlation analysis states that there is a strong positive relationship exist between before & after-merger (NMIE-T.In, 0.655) because the probability value of (NMIE-T.In, 0.008) is less than alpha value=0.05 which shows that there is significant difference exist between pre and post-merger non-markup interest expense to total income ratio.

The statistical outcomes of cost to income ratio (pair 10) show that there is a weak positive correlation exist between before and after-merger (C-In, 0.265) which shows that merger has no impact on the cost to income ratio.it also indicates either the operating expenses and liabilities of banks may be increased due to amalgamation that negatively affects the operating income or the work efficiencies of operational managers may be declined due to overconfidence after the merger. The statistical analysis also shows that there is no significant difference exist between the pre& post-merger C-In ratio because the probability value of (cost to income ratio, 0.341) is less than (alpha, 0.05) which indicates that C-In ratio is no significantly influenced by amalgamation.

In pair 11(cost to asset ratio) the pre and post-merger pair sample correlation analysis states that there is a weak positive correlation exist between before & after-merger (C-A, 0.287) because the probability value of (C-A, 0.300) is greater than (alpha, 0.05) which shows that there is no significant difference exist between pre and post-merger cost to asset ratio. It also indicates that merger has no significant effect on C-A ratio because operating expenses may be exceeded over the total assets that may show the poor performance of management of amalgamated banks.

The pre and post-merger pair sample correlation analysis of non-markup interest income to total asset ratio (pair 12) states that there is a weak positive correlation exist between pre & post-merger (NMII-T.A, 0.114)which shows that merger has no impact on non-markup interest income to total asset ratio. The statistical analysis also indicates that there is no significant difference exist between pre and post-merger NMII-T.A ratio because the probability value of (NMII-T.A, 0.685) is greater than alpha (value, 0.05) which shows that non-markup interest income to total asset ratio is not significantly influenced by merger. It may also show the weak planning of management to utilize the amount of deposits in further investment and lending.

The statistical analysis of pair 13(net markup interest income after provision to total asset ratio) states that there is a moderate positive correlation exist between before and after-merger (NMIIAP-T.A, 0.513) which shows that net markup interest income after provision to total asset ratio is not affected by amalgamation. The statistical outcomes also show that there is a significant difference exist between pre and post-merger NMIIAP-T.A ratio because the probability value of (NMIIAP-T.A, 0.051) is less than alpha (value, 0.05) which shows that non-markup interest income after provision to total asset ratio is significantly influenced by merger. It also shows that management may be cleared all previous provision dues that positively affect the interest income.

The pre and post-merger paired sample correlation analysis of earning asset to total asset ratio (pair 14) states that there is a positive moderate correlation exist between pre & post-merger (EA-TA, 0.538) which shows that merger little bit affected the EA-TA ratio. The statistical results also show that there is a significant difference exist between before and after merger EA-TA ratio because the probability value of (earning assets to total assets ratio, 0.038) is less than (alpha, 0.05) which indicates that EA-TA ratio is significantly influenced by amalgamation.

The statistical analysis of pair 15(equity capital to total asset ratio) shows that there is a strong negative correlation exist between pre and post-merger (EC-TA, -0.740) which indicates that equity capital to total asset ratio is negatively influenced by amalgamation but it is significant. Because the probability value of before & after-merger (EC-TA, 0.002) is less than (alpha, 0.05) which indicates that there is a significant difference exist between pre and post-merger EC-TA ratio.

In pair 16(interest margin to earning asset ratio) the pre and post-merger pair sample correlation analysis states that there is a weak positive correlation exist between before & after-merger (IM-

EA, 0.235) because the probability value of (IM-EA, 0.398) is greater than (alpha, 0.05) which shows that there is no significant difference exist between pre and post-merger interest margin to earning asset ratio. It also indicates that merger has no significant effect on IM-EA ratio.

The statistical analysis of pair 17(deposit time to capital ratio) states that there is a strong positive correlation exist between before and after-merger (DT-C, 0.986) which shows that deposit time to capital ratio is strongly affected by amalgamation. The statistical outcomes also show that there is a significant difference exist between the pre and post-merger DT-C ratio because the probability value of (DT-C, 0.000) is less than alpha (value, 0.05) which shows that DT-C ratio is significantly influenced by merger. It shows that deposits may be generated more than capital after amalgamation. The strong contribution of this ratio reveals the high return.

The pre and post-merger paired sample correlation analysis of loan to deposit ratio (pair 18) states that there is a moderate positive correlation exist between before & after-merger (L-D, 0.568) which shows that merger has little bit effect on L-D ratio. It also indicates that the contribution of this ratio is average/satisfactory after amalgamation. Furthermore, the statistical outcomes show that there is a significant difference exist between the pre and post-merger L-D ratio because the probability value of (L-D, 0.027) is less than alpha (value, 0.05) which shows that L-D ratio is significantly influenced by merger.

4.8 Hypothesis:

H_1: There is an effect of the merger on the performance of banks.	**Partial accepted**
H_2: There is an effect of the merger on shareholder's values.	**Rejected**
H_3: The effect of mergers on performance is greater than Shareholder’s values.	**Accepted**

Chapter No. 5

Conclusion

5.1 Finding:

In this study, nine financial ratios have been used to analyze the change and effect in shareholder's values due to amalgamation. According to the descriptive analysis, the statistical results of paired sample statistic show that merger has a positive effect on return on assets, return on capital employed and return on deposit ratios after the amalgamation. While the shareholder's value is measured through these remaining six ratios; return on equity, earning per share, net income margin ratio, spread ratio, interest ratio, and non-markup interest expenses to total income ratio that showed a negative effect of the merger.

In this study, nine ratios have been used to analyze the impact of the merger on the performance of amalgamated banks. The statistical outcomes of paired sample statistics also indicate that non-markup interest income to total asset ratio and net markup interest income after provision to total asset ratio is positively influenced by amalgamation. While the remaining ratios i.e. cost to income, cost to asset, earning asset to total asset, equity capital to total asset, interest margin to earning asset, deposit time to capital and loan to deposit ratios are negatively affected by the merger. In this study, nine ratios have been used to analyze the impact of the merger on the performance of amalgamated banks.

Furthermore, the statistical results show that the shareholder's value of amalgamated banks is increasing if it is measured through return on assets, return on capital employed and return on deposit ratios and the performance of merged banks is also increasing if it is measured through non-markup interest income to total asset ratio and net markup interest income after provision to total asset ratio. But at the same time, the statistical outcomes of the remaining ratios showed a decreasing trend simultaneously for performance as well as for shareholder's value.

In this study, nine financial ratios have been used to evaluate the change and effect of the merger on shareholder's values after amalgamation. The statistical results are calculated through the difference of Paired sample test. It indicates that pre and post-merger net interest margin ratio and non-markup interest expenses to total income ratio are significantly influenced by amalgamation. It also shows that there is a significant difference exist in certain ratios like net interest margin

ratio and non-markup interest expenses to total income ratio before and after the amalgamation. Whereas there is no significant difference exist between pre and post-merger shareholder's value, measured by return on equity, return on assets, return on capital employed, return on the deposit, spread ratio, Earning per share, and interest ratio before and after amalgamation. It also shows that merger has no significant effect on these seven financial ratios.

The statistical outcomes of difference of paired sample test show that there is significant difference exist between pre and post-merger in certain ratios like cost-to-income, earning assets to total asset, that these seven financial ratios are significantly influenced by mergers. Whereas the pre and post-merger performance of amalgamated banks measured by the cost to asset ratio and non-markup interest income to total assets ratio is not significantly influenced by amalgamation. It also shows that there is no significant difference exist between before & after merger cost to asset ratio and non-markup interest income to total assets ratio.

These statistical results show that mergers significantly affect the performance of banks than shareholder's values because seven ratios of measuring the performance of amalgamated banks are significantly affected by amalgamation and only two ratios to check the impact of the merger on shareholder's values are significantly affected by the merger. The statistical outcomes of this study show that mergers increase the performance of amalgamated banks to manage and effectively control abandoned assets under the supervision of efficient management of merged banks.

In this study, nine financial ratios have been used to analyze the impact of the merger on shareholder's value. The statistical results of paired sample correlation indicate that there is a strong positive correlation exist between pre and post-merger shareholder's value when it is measured by non-markup interest expenses to total income ratio. This ratio also shows a significant correlation before and after the merger.

Earnings per share and return on asset ratios are showed a positive moderate correlation before and after the amalgamation but only EPS is significantly correlated & ROA is non-significant correlated.

The statistical outcomes also show that there is a weak correlation exist between pre and post-merger shareholder's value when it is measured through return on equity, return on capital employed, return on the deposit, net interest margin ratio, Spread ratio, and Interest ratio. It also

indicates that merger has no significant effect on these ratios. But the return on equity ratio is showed very weak performance out of nine financial ratios.

In this study, nine financial ratios have been used to analyze the effect of the merger on the performance of merging banks. The statistical analysis of paired sample correlation indicates that there is a strong positive correlation exist between the pre and post-merger performance of amalgamated banks when it is measured by deposit time to capital ratio. It also shows that the deposit time to capital ratio is significantly correlated due to mergers.

Equity capital to total asset ratio is showed a strong negative correlation before and after the amalgamation. It also indicates that there is a negative significant correlation exist between pre & post-merger performance of merged banks when it is calculated by Equity capital to total asset ratio.

The statistical results of Paired sample correlation indicate that there is a positive moderate correlation exist between pre and post-merger performance of amalgamated banks when it is measured by net markup interest income after provision to total asset ratio, earning asset to total asset ratio, and loan to deposit ratio. These three ratios are significantly correlated due to amalgamation.

The pre and post-merger paired sample correlation analysis indicates that the performance of the amalgamated bank is weakly correlated when it is measured by the cost to income, cost to asset, non-markup interest income to total asset and interest margin to earning asset ratios. It also shows that these four financial ratios are not significant correlated before and after amalgamation but non-markup interest income to total asset ratio has been shown very poor performance out of nine ratios before after the merger.

These outcomes have been indicated that maximum ratios (to analyze the change in shareholder's values) have shown weak positive correlation before and after amalgamation. Therefore, the researcher concludes that amalgamation between banks significantly affects the performance of banks rather than the value of shareholders because the performance of deposit time to capital ratio (DT-C) is a strong positive correlate than Non-markup interest expenses to total income ratio (NMIE-T.In,). It is used to check the impact of the merger on shareholder's values.

5.2 Conclusion:

There have been numerous research studies conducted around the globe to assess how this merger strategy impacts the business sector. The current study has been achieved the announced gap in the zone of amalgamation in Pakistan. This study is intended to examine the effect of amalgamation on the value of shareholders and the performance of merged banks. In this study, two methodologies are used to analyze the impact of the merger on the value of shareholders and the performance of amalgamated banks.

1. The data has been analyzed through financial ratios in pre and post-form.
2. The data has been statistically analyzed through paired sample technique on SPSS

The study concluded that return on asset, return on capital employed, interest ratio, return on the deposit, net interest margin ratio, spread ratio, and earning per share have not correlation before and after the amalgamation. Whereas non-markup interest expenses to total income ratio have shown strong contribution because high-interest expenses, admin and other expenses against to total asset reduce the profit of banks that decrease the value of shareholders.

Cost to income (C-In), earning asset to total asset (EA-TA), equity capital to total asset (EC-TA), interest margin to earning asset (IM-EA), deposit time to capital (DT-C) and loan to deposit (L-D) ratios are not contributed well before and after the merger due to increase in interest & other expenses and decline in advances. It also shows that banks have not further investment opportunities to generate profit. Whereas the net markup interest income after provision to total asset and deposit time to capital ratios has shown well-contribution before and after the merger. Banks can improve their provisions included bad debt, loan loss, non-performing loans and diminutions in the value of an investment through amalgamation.

In the light of current outcomes, the study has observed that the performance of merged banks influences by amalgamation partially not a hundred percent under the particular ratios to measure the performance of amalgamated banks.

The current study has been concluded that the performance of amalgamated banks partially influences by merger strategy. The performance of merged banks affected rapidly and gain operational synergy than values of shareholders (financial synergy) because a maximum number of ratios of performance measurements have shown significant contribution, strong & moderate correlation after the merger.

Therefore, the first hypothesis (There is an effect of merger on the performance of banks) of this current study has been partially accepted. It is satisfied by the efficiency theory (Porter, 1985), but not hundred percent because only one ratio significantly increased by merger out of nine while the theory defined that amalgamation creates overall performance synergy by reducing the operational cost & other expenses so on. The results of the earlier studies that were conducted by Batool and Naeem, (2018), Rizwan-ullah, Azam, Awais and Majeed, (2015), Tiwari, (2014) & Joshua, (2011) to satisfied the results of this current research. According to the results of these above studies, the performance of bank increase and decrease due to merger at the same time. Some rations are positively influenced by merger while some negatively influenced. So, the results of the above studies indicated that performance of banks are effected by merger or we can say that there is mixed effect of merger on the performance of banks.

On the contrary, the result of earlier studies that was conducted by Abbas, Hunjra, Saeed, Hassan and Ijaz, (2014) & Selvam, Vanitha, Jayapal, Bennet and Sathish, (2010) are not satisfied the 1st hypothesis of current study. The results of these studies indicated that merger has no effect on the performance of banks

The 2nd hypothesis (There is an effect of merger on shareholder's value) of the current study has been rejected because value of shareholders is effected but it is decreased after merger. So, these results are satisfied by the value decreasing theory. This theory stated that mergers did not play a vital role to increase the value of shareholders. Some old studies also support the results of 2nd testing variable which were conducted by Hassain, Khoso and Qureshi, (2020), Malik, Khan and Ilyas, (2019), Ishwarya, (2019), Sharma, (2018) & Abdulwahab and Ganguli, (2017). The results of these above old research indicated that value of shareholders decreased after merger because there was no significant improvement explored in financial efficiency that positively increases the value of shareholders.

On the contrary, the statistical outcomes of this current study are against the efficiency theory (Porter, 1985). The variables & hypotheses are developed based on this theory. Efficiency theory stated that mergers increase the financial synergy. The results of second testing variable are not aligned to the studies of Bansal, Abdullah and Almalki, (2020), Gomery and Takahashi, (2020), Shah, Ahmed and Maroof, (2017) & Yahaya, Suleiman and Abdulazeez, (2016). The results of these studies stated that the value of shareholders significantly increased after the merger. The outcomes of current research are also not aligned to the certain studies, conducted by Ahmed, Ahmed and Kanwal, (2018) & Abbas, Hunjra, Saeed, Hassan and Ijaz, (2014) because the results of these studies showed that value of shareholders are not effected by mergers.

The bank needs to control the expenses of capital to increase the value of shareholders. It has made sure that banks can better use their absolute human and operational assets through amalgamation to retain & increase their market share, introduce new products effectively, accomplish better client support, enhance their employees 'operating tasks and accomplishing a capital restructuring.

5.3 Recommendation:

The study is recommended that if banks want to improve the performance of their provisions included bad debt, loan loss, non-performing loans and diminutions in the value of investment then they should go into the merger because in this case merger will be helpful & beneficial for them according to the conclusion of this study. Otherwise, it does not improve the performance in all other cases like; to reduce the expenses, increase the earning assets and improve the interest margin. It is also recommended to investors that a merger between banks does not increase the value of their capital due to an increase in expenses. Therefore, it will not be a good decision to go into a merger for a value increasing.

5.4 Limitations:

The current study has certain limitations. One of the major limitations is a shortage of financial data before 2009. Therefore the study could not find out the required material in terms of annual reports from google, PSX, SBP and the official website of banks which are the primary source of getting secondary data. Because maximum target banks had removed their fiscal reports from their official websites after amalgamation that's why the study could not increase the sample size. (Hassan, Shakir, & Bashir, 2016)

1. This study has been focused on domestic commercial banks.

2. This research has been conducted only on those banks which have been recent merged from 2009 to 2015.

3. Because of the limited availability of data the current study could not increase the sample size.

4. The research has been based on a time series base (secondary base) not on a primary base.

5. The researcher has been collected data three years before and after.

5.5 Future Research Directions:

The study has been focused only on Pakistan's service sector, in particular the banking fields. While other areas such as telecommunication, transportation and so on, can be investigated further. Geological impediment restricts this exploration in the regions of Pakistan. There is more need to go to national and global level as well as need more to be discussed. If time series analysis is also carried out then research reliability will be improved more. By taking other variables, the conceptual structure can be modified. The primary-based research can also be carried out in a similar direction in Pakistan.

Based on the conclusion, the study suggests that further research ought to be done on the impacts of amalgamation on the financial performance of various areas. For example, its effect on workers, clients, investors and the financial market by using other accounting ratios such as solvency, liquidity, risk ratios and so on. To get more exact and reliable information, the study prescribes future specialists to use distinctive research methodologies and increasing the sample size of merged banks.

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