



ANALYSIS OF FACTORS CAUSING MERGER AND ACQUISITION: CASE STUDY OF BANKING SECTOR IN PAKISTAN

Atif Hassan¹

University of Management and Technology, Lahore

Rizwana Bashir²

Bahria University Lahore Campus

Rabia Shakir³

University of Karachi, Karachi

ABSTRACT

Purpose:- The trend of merger and acquisition is increasing in the Pakistani banking sector. The purpose of this study is to find out the basic factors which beguile banks for the merger and acquisition.

Methodology/Sample:- In this study researcher took the sample size 2 as two merger cases one is happened in year 2010 (Faysal Bank & RBS) and one in 2007 (SAMBA & CCB). Researcher critically analyzed the pre and post-merger performance of FAYSAL BANK & RBS and SAMBA & CCB with the help of five financial ratios, Net interest margin ratio, Gross margin ratio, ROE, Debt ratio, Debt to equity ratio. Researcher utilized the t-test for testing the hypothesis. This study has adopted exploratory research as its first research technique which helped us in clarifying the research problem. Many constraints have been faced during this study for example bankers were hesitating to fulfill the questionnaires.

Findings:- The result of this study suggests that after merger and acquisition firms can increase synergy and can decrease the risk of solvency but merger and acquisition is not significant for the shareholders' wealth (result will change with the different case).

Practical Implications:- This study acquires the knowledge about the emerging trend of merger and acquisition and in future implement this knowledge in an effective way. In addition to that, this study will provide information that why companies take the decision of merger and acquisition.

Keywords : Banking Sector of Pakistan, Merger and Acquisition, Merger in Banking Sector, Acquisition in Banking Sector.

Jel classification : G 34

INSPEC Classification : A9555L, A9630, B5270

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¹Atif Hassan

:

²Rizwana Bashir

:rizwanab@gmail.com

³Rabia Shakir

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1. INTRODUCTION

In today's economic world merger and acquisition (M&As) are working as significant tools in all business units for the growth and expansion of the business. The main motives behind these strategies are to gain cost efficiency by improving performance, to increase profit efficiency, and to maximize the shareholders' wealth. Merger is the combination of two or more firms, while acquisition is entirely different in which an acquirer firm acquired target firm, in acquisition no new firm is formed. In existing literatures lot of work have done on the ex post effects of merger and acquisition on the productivity of the firms but there is limited data available on the ex ante effects of merger and acquisition in Pakistan. Companies are adopting this trend of merger and acquisition but there is no consensus we found exactly that what are those factors which triggered banks toward merger and acquisition. In some researches we studied that merger and acquisition negatively affect performance of merging firms but still we found that this trend is continue such as recently Fauji Fertilizer Company has acquired askari bank limited; Summit bank has acquired more than 50% shares of My Bank etc, so this study evaluated that there is not a single factor which we can assume rather there are also some other silent factors pushing banks for this step.

Acquirers and targets banks both have certain motives which geared them toward process of merger and acquisition. According to (Beccalli & Frantz 2012) larger banks as well as smaller banks both are taking interest in merger and acquisition process. Acquirers mostly indulge in this process because they want to expand their market share, market power etc. An important point lightened by (Beccalli & Frantz 2012) is that there is a common factor between acquirers and targets which beguile the banks for merger and acquisition is "lower capitalization". Acquirers banks want to acquire lower capitalized banks and lower capitalized banks also need their support for the survival in the market at tough time. But here is the point which is capturing our attention is that why acquirers want to acquire lower capitalized banks while target banks (lower capitalized banks) are in the risk of solvency? We evaluated that acquirers have two reasons due to which they want to acquire lower capitalized banks, one of them is "efficient management skills", acquirer who has good managers then it doesn't worry about the utilization of available resource or about high leverage so it secures acquirer, now the second reason is that lower capitalized banks are less expensive to acquire.

Cut throat global competition is an emerging threat for potential and existing firms. (Crouhy, Galai & Mark 2001) due to this global competition regulators need to make sure that the regulatory frame work is working properly or not, to minimize the credit risk or some other types of risk. Due to this reason regulatory institutions are making complex amendments in the risk profile of banks. Regulatory institutions have been introducing sophisticated tools to minimize the risks and to maintain the market discipline. State Bank of Pakistan has been raised minimum capital requirement (abbreviated MCR) and capital adequacy ratio (abbreviated CAR) for all incorporated banks & DFIs (development financial institutions). Capital adequacy ratio (abbreviated CAR) is also known as capital to risk weighted assets ratio (abbreviated CRAR) is the measure of a bank's capital and is expressed as a percentage of a bank's risk weighted credit exposures. State bank of Pakistan has issued notice for individual banks/DFI to raise their minimum capital requirement to 23 billion by 31-12-2013 in compliance with Basel II requirement. This increase in MCR & CAR making difficult the survival

of individual banks because it is difficult for new local entrants to meet this requirement. So regulators left no other options for them except merger and acquisition due to which this merger and acquisition trend is rising to meet this requirement (See Figure-1 in appendix).

With this rising trend of merger and acquisition industry concentration is also increasing which negatively affects shareholder's wealth. As we mentioned earlier that one of the main motives is to maximize shareholder's wealth which is disrupting by this merging and acquiring process. When banks merged or acquired by other giant firms then the market share increased which elevates the market power in result banks charge high rates for their services and by this affect we are losing the concept of perfect competition in our banking sector.

2. PROBLEM STATEMENT

In this highly competitive economy firms are adopting different strategies for the sake of their profitable long-lasting survival but in Pakistani banking it is observing that banks are facing lots of difficulties in improving their efficiency. After the review of past studies we found that early post- liberalization era was the best time for the growth of banking sector of Pakistan but after some year the growth has been declining due to the rising trend of merger & acquisition. This study has the purpose to critically analyze the factors which beguile banks for the merger and acquisition and also this study will explore the reasons of this declining efficiency of banks.

“What are the factors which lead banks towards merger and acquisition?”

2.1 Research Objectives

- 1) To analyze the factors which are playing vital role in rising trend of M&A
- 2) To study the impact of merger & acquisition on firms' post-performance.
- 3) To examine the correlation between M&A acquisition and their related factors.
- 4) To determine why banks are failing in achieving their post merger and acquisition goals.

2.2. Hypothesis

H₀: merger and acquisition of conventional banks in Pakistan not significantly affects the synergy.

H₁: merger and acquisition of conventional banks in Pakistan significantly affects the synergy.

H₀: merger and acquisition of conventional banks in Pakistan not significantly affects the shareholders' wealth.

H₁: merger and acquisition of conventional banks in Pakistan significantly affects the shareholder's wealth.

H₀: merger and acquisition of conventional banks in Pakistan not significantly affects the risk of solvency.

H₁: merger and acquisition of conventional banks in Pakistan significantly affects the risk of solvency.

2.3 Aim of the Research

The primary aim of this study to get knowledge about the emerging trend of merger and acquisition and in future implement this knowledge in an effective way. Also this study will provide information to others that why basically companies take this decision of merger and acquisition or is it the right decision for banking industry? If no then what are the other recommendations.

2.4 Ethical Aspects

- This study is sound from all ethical aspects; it will not harm the shareholders', companies owners' and customers in taking decisions about merger and acquisition.
- This study is also sound from the study perspective. Use of financial ratios is very clear and correct in this study.

2.5 Scope of Study

Increasing concentration in the banking industry negatively affecting the perfect competition. These negative effects are leaving no option for the banks except merger and acquisition. Present study has aim to find out existing factors which are triggering banks for M&A and this study will also aim to find out that either merger and acquisition are effective tools or not? If yes then in what circumstances? This study will be beneficial for the potential investors by understanding the causes they will be able to select a better portfolio. Also managers of banks can chose better expansion, competitive, and defensive strategies in future. It will also be helpful for the regulators to check the performance of their regulatory frame works and this study will also evaluate the pre and post merger performance of banks.

3. REVIEW OF LITERATURE

In this study we reviewed relevant research papers to explore the determinants which beguile banks in Pakistan for the merger and acquisition. This study has two strands, one is to find out the key variables which triggered banks for the merger and acquisition and the second one is to measure the ex-ante and ex-post performance of merged banks.

Through the extensive literature study we explored that the main motive of all sectors is to improve structure and efficiency. Emerging global competition since last decade forcing companies to adopt reactive approach and in result firms are planning different defensive and offensive strategies for their long term profitable survival. In many developing countries merger and acquisition are considered as exit strategy or competitive strategy to compete with the new entrants (Aggarwal.M.2012). There is a negative relationship between the merger and acquisition of firms and the concentration of market. For several years the increasing trend of merger and acquisition is tend to increase market concentration which is negatively affecting perfectly competitive market. The number of financial institutions reducing in the result of M&A and the existing firms are getting more diversified (Deyoung.et al 2009).

3.1 Post-Liberalization Era In Pakistan

In the early era of 1970s banking sector of Pakistan was nationalized under the framework of the Banks Nationalization Act 1974. The main motive behind this Nationalization was the efficient utilization of the credit funding in developing sector of Pakistan but by the end of 1980s this nationalization was proven ineffective because it was failed to achieve socio-economic objectives and the need of privatization was

felt by the economic regulators. To fulfill this need SBP removed all barriers from banking sectors such as restriction over interest rates, lending schemes, modes of project financing (Akhtar S 2007). Since then Pakistani banking sector has been converted into a highly competitive and profitable privatized sector. After this liberalization many new entrants came into the market with creative ideas which increased the development of financial technologies that brought change in economic growth in Pakistani banking sector. According to (Goldsmith, R.W,1969., Khan and Senhadji 2003) a high correlation found between financial development and economic growth. In result of this liberalization policy the percentage of public banks since 1990 – 92% decreased to 9% -2013.

To make this liberalization policy effective government decided to set certain international standards, implementation of certain policies. To reduce the control of government in banking sector of Pakistan in 2007 government was decided to issue a proportion of GLOBAL DEPOSITORY RECEIPTS of large banks in international market. Since then the merger and acquisition strategy was in use to meet the minimum capital requirement (Akhtar, S. 2007) (See table-1 in appendix).

According to (Mehta,J. & Kakani,R.K.2006) there are multiple motives of merger and acquisitions in all over the world and every merger has its own reasons but the most common motives of M&A in banking sector of Pakistan are synergies, economies of scale , & diversification (Dymski 2002).

According to (Khan, A. A. 2011) the main motive behind merger and acquisition is to create synergy. Synergy is a combination of more than one input which produces more than actual result such as $2+2=5$. There are two types of synergies one is operational synergy and the other one is financial synergy. These can be achieved by either the improvement in revenue producing activities or by reducing the cost (Ayadi.R et al 2013). Operating synergy can be achieved by the economies of scale, by increasing market share, by increasing managerial efficiency. Firms can achieve financial synergies by the internal flow of funds, by better utilizing leverage, by increasing internal financial capabilities.

There is very little consensus we found that M&A increase shareholders wealth (Ayadi R et al 2013). They further explained in their study that merger and acquisition does not significantly affect the shareholder's wealth while according to the study of (Anand, M & Singh, and J.2008) that M & A affect positively to the post merger performance of banks and it has positive impacts on the shareholder's wealth. The relationship between merger and acquisition and the market concentration is positive. As the trend of merger and acquisition is increasing the market concentration is increasing (small number of firms existing in the market). This increase in market concentration leads to increase in the market power through which existing firms are exploiting the abnormal profit by increasing the interest spreads on shareholders (Simons & Stavins, 1998).

(Corrca & Hernando et al.2009) found that small firms who have enough funds but they are bad performers due to lack of managerial skills, they want to merge with large banks. This merger becomes beneficial for both the acquirers and targets. Acquirers have skillful managers who are able to fully utilize the high leverage and can improve the efficiency of target banks (Beccalli& Frantz 2012). On the other hand this merger provides internal funds flow to acquirers. Sometimes merger and acquisition removes

the fluctuation of funds, financial synergy reduces the working capital requirement as compare to ex-ante merger (Aggarwal, M.2012).

According to (Hannan & Pilloff .2009) merger and acquisition is served as a transport through which firms can transfer funds from inefficient SBUs to efficient SBUs. When small firms face the risk of solvency (lack of ability to pay back the debts) they select the merger strategy for their survival because lower solvency increases the chances of acquisition (Beccalli& Frantz 2012). (Jones & Oshinsky2007) assessed that probability of insolvency risk increases with the increase in size and that is the due to which many larger banks are facing insolvency risk.

Synergy is also forced by the factor of greater market share. Greater market share is dependent on the size of the firm with relative market and this size varies industry to industry. Greater market share leads firms toward greater market power and to achieve this market power firms are using merger and acquisition as an expansion strategic tool (Khan 2011).

Merger and acquisition is also occurred for the purpose of external and internal growth which firms can achieve by the achieving economies of scale. Economies of scale can be defined as the process of minimizing average cost of per unit in the long run scale either by producing bulk quantity of output or by using less input cost. There are two types of economies of scale, one is internal economies of scale which firms can achieve by reducing internal cost or by producing more units in this type the only particular firm will be benefited while the external economies of scale depends on the external factors. If those factors control then all the firms in that particular industry will be benefited.

Proponents of merger and acquisition state that the merger will be in the interest of consumers because after merger the new firm form will produce goods at low cost and that customer surplus will be transferred to consumers by offering low price goods because in this highly competitive market sellers want to increase their revenue by reducing their per unit cost. Back office processing, front office delivery system, payments systems and so on are the advanced technologies which triggering firms for the merger and acquisition process to achieve the economies of scale by better utilization of these technologies. Because technological awareness spread with the passage of time but if firms want to become early adopter to enjoy economies of scale they get merged with other firms which is using these technologies (Humphrey et al. 2006).If the firm is enjoying economies of scale then the merger will lead to increase the profitability of firm by increasing its market share or market power (Dash A.P 2010).

Diversification is also an important factor which forces banks for merger and acquisition. Through diversification companies can mitigate the risk of losses, it is playing a vital role in merger and acquisition since 2000 when all financial systems had removed product barriers in the financial service sectors (Deyoung et al 2009). Diversification is triggered by some important factors like firms want to enter into a new market, want to add a new product, and want to access new customers. Diversification is a highly expensive process it requires handsome amount of investment and also great

market research but mostly firms cannot afford such types of cost so that is why these small firms to avoid risks want to merge with other unrelated firms. This form of merger is known as conglomerate merger. Firms also want to become diversified when they found that loyalty of existing customers is decreasing and they are also losing potential customers (Bhaskar,A.U. et al 2009).

State bank of Pakistan has been taking regulatory measures at micro and macro level both to promote the banking sector which led the wave of merger in Pakistan (Mehta &Kakani 2006) . To make banking sector secure and sound and to reduce financial risks SBP increased its minimum capital requirement to 23billion (net of losses). To meet this requirement of State bank of Pakistan, small banking using merger and acquisition as a tool for their survival. The changes in regulation playing an important role in market expansion either in geographic market or product market which was previously not allowed (DeYoung et al 2009). Law and order situation of country also affect the process of merger and acquisition . The foreign bank investment like to invest in those countries which provide them better quality as well as freedom from government.(Beccalli& Frantz 2008).

3.2 Non Profit Maximization Motives for M&A

There are so many non profit maximization motives which geared towards merger and acquisition such as increment in CEO remuneration as size increased, quiet life motive . Some firms to gain too-big too-fail advantage merge themselves with other firms because too-big-too-fail status reduces investor and credit risk and also provide cost-of credit advantage over small competitors(Dymski 2002; Hadlock et al., 1999) (See Figure-2 in appendix).

The conceptual framework is based on the variables that play vital role in merger and acquisition of banks. In the present era the scope of team work, group work is highly appreciated because people believe that every human is a resource and to produce best output organizations are utilizing their resources, in short we can say that **synergy** is a key of success in the present world. Firms are getting merged with other firms for the sake of synergy. If a weak firm merged with a good performing firm then that firm supports to the weak firm in increasing its **profitability**, reduces risk through **diversification**, and increases the relative **market share**.

Investors want higher return and firms also want to maximize the **shareholders' wealth**, when two average firms merged then they can become a giant organization, they can fully utilize their strengths and overcome their weaknesses and when their efficiency increases, it positively affects to the share holders' wealth and when public observes that the shareholder's wealth has increased after merger or acquisition then more people start buying shares which increases the **market power**. Increasing shareholder's wealth also increases the **value of share** which positive way of external funding for firms.

When firms merged then per organizational capital requirement reduced and **risk**

of solvency also reduced after merger and acquisition. Government of Pakistan imposed an obligation of **minimum capital requirement** on all banks to control the financial crisis and to assured the proper registration of banks. Some giant banks also acquire **lower capitalized** banks to enjoy the tax advantage.

4. RESEARCH METHODOLOGY

This study has adopted exploratory research as its first research technique which helped us in clarifying the research problem. Under exploratory research technique this study adopted the Secondary Data Analysis (SDA) as an exploratory research technique's tool. Later this study had adopted descriptive and causal research techniques for critical analysis of related factors of merger and acquisition. In Descriptive and Causal research techniques this study will be base on financial ratios.

4.1 Data Collection

Secondary data collected through HEC Digital Library by approaching different online journals. For collection of banks financials we went to the library of state bank of Pakistan.

4.2 Target Population and Sampling

As this study is based on the topic of merger and acquisition so my target population is those banks which have merged with other banks or those who are acquirers. If further we narrow down to the target population then we have selected conventional banks that have merged or acquired by others.

This merger & acquisition trend is very common in Pakistan since 2006 and last merger of SUMMIT BANK & MY BANK took place in 2011. We have selected probability sampling technique in which by simple random sampling we have selected following three cases but we have rejected SUMMIT AND MY BANK as a sample because this merger is very know and we need 2 years pre and two years post merger data which is not available in this case.

4.3 Methods of Analysis

For the purpose of analysis of this study we will use financial ratios .following are the categories of rations which will be use in this study;

- § Net interest margin ratio
- § Gross profit margin ratio
- § Return on equity
- § Debt ratio
- § Debt to equity ratio

5. FINDINGS AND ANALYSIS

During the year 2007 to 2010 two banks had acquire the other two banks. Faysal Bank has acquired Royal Bank of Scotland in 2010 and similarly in 2007 SAMBA Bank has acquired Crescent Commercial Bank (See Table-2 in appendix).

Tables given below analyze the performance data of both the banks before and after the mergers the table presents the combined profiles of the two banks including net interest margin ratio, gross profit margin ratio, return on equity and debt ratio.

Source: Computed as per Data from State Bank of Pakistan

(See Table-3 in appendix)

Here we can observe improved financial figures in terms of the profiles of the banks. The financial figures including net interest margin ratio, gross profit margin ratio, return on equity and debt ratio has been improved with the passage of time.

Table 4: Combined Profile of RBS & Fysal Bank After Merger

(See Table-4 in appendix).

Source: Computed as per Data from State Bank of Pakistan

The financial figures including net interest margin ratio, gross profit margin ratio, return on equity and debt ratio has been represented graphically in the following figures.

Graphical Presentation RBS & FB Ratios (2008, 2009, 2011, 2012) Based on Table 3 & 4

(See figure in appendix)

Table: 5 Calculation of Mean and Standard Deviation of RBS & Fysal Bank

(See Table-5 in appendix)

Tables given below analyze the performance data of both the banks before and after the mergers the table presents the combined profiles of the two banks including net interest margin ratio, gross profit margin ratio, return on equity and debt ratio.

Table 6: Combined Profile of SAMBA & CCB Before Merger

(See Table-6 in appendix)

Here we can observe improved financial figures in terms of the profiles of the banks. The financial figures including net interest margin ratio, gross profit margin ratio, return on equity and debt ratio has been improved with the passage of time.

Table 7: Combined Profile of SAMBA & CCB After Merger

(See Table-7 in appendix)

The financial figures including net interest margin ratio, gross profit margin ratio, return on equity and debt ratio has been represented graphically in the following figures.

Graphical Presentation SAMBA & CCB Ratios (2008, 2009, 2011, 2012)
Based on Table 6 & 7
(See figure in appendix)

Table 8: Calculation of Mean and Standard Deviation of SAMBA & CCB
(See Table-8 in appendix)

Result:

Assumptions: · If p-value is ≤ 0.05 , then alternate hypothesis will be accepted and null hypothesis

· If p-value is not ≤ 0.05 , then null hypothesis will be accepted and alternate hypothesis will be rejected.

· For Synergy Hypothesis we will observe to the value of Net interest margin ratio, gross margin ratio.

· For Shareholders' Hypothesis we will observe to the value of ROE

· For Solvency Hypothesis we will observe to the value of Debt ratio, and Debt to equity Ratio.

In Case of Faysal Bank and RBS:

1. Synergy Hypothesis : alternate hypothesis is rejected because p-values of Net interest margin ratio and Gross margin ratio are greater than 0.05. **H₀** accepted.

2. Shareholders' wealth Hypothesis: alternate hypothesis is rejected because p-value of Return on Equity is greater than 0.05. **H₀** accepted.

3. Solvency Hypothesis: Null hypothesis is rejected because p-values of Debt Ratio and Debt to equity ratio are less than 0.05. **H₁** accepted.

In Case of SAMBA and CCB:

1. Synergy Hypothesis : Null hypothesis is rejected because p-values of Net interest margin ratio and Gross margin ratio are less than 0.05. **H₁** accepted.

2. Shareholders' wealth Hypothesis: alternate hypothesis is rejected because p-value of Return on Equity is greater than 0.05. **H₀** accepted.

3. Solvency Hypothesis: Null hypothesis is rejected because p-values of Debt Ratio and Debt to equity ratio are less than 0.05. **H₁** accepted.

Conclusion and Recommendations:

Merger and acquisition play a vital role in the business world if firms effectively

and efficiently utilize it. Merger and acquisition is like a family relation when two families merged but in companies case two firm merged and each firm has different organizational structure, different way of working, different thinking style like a family and it is really very difficult for firms after merger and acquisition to behave accordingly other firm (acquirer firm) but we cannot say that it has no use, it is very useful but only and only if we study the past trend of target firm, its organizational structure, perform complete SWOT analysis of that firm and also study yours own organizational culture, and perform complete SWOT analysis , after that a firm would be able for the decision of merger and acquisition. Sometimes it seems that profitability would be increased but when organizational culture not match then employees' productivity decreased and profitability decreases.

In two cases FAYSAL BANK AND RBS and SAMBA AND CCB results are different because these banks merged in different years and there are so many factors which vary with the time like some macro factors such as political issues, environmental issues, legal issues, etc. so we cannot say that if any hypothesis is rejected in one case then it will be accepted in case of any other bank because circumstances, years are different when they merged.

6. LIMITATIONS

Lots of constraints would be faced during this study some of them are following:

1. Bankers would not be willing to fulfill our questionnaires.
2. Time constraint is very important. This study is very interest but with other subjects it would not be up to that standard.
3. On merger and acquisition of Pakistani banking sector limited data is available.
4. We cannot conclude anything by studying only one area so this study can be extended to other branches outside the Karachi.

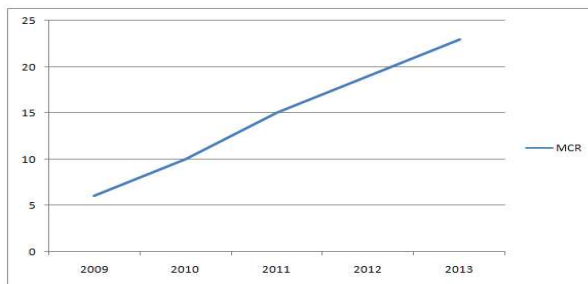
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ADDPENDIX

Figure 1: Rising Trends of M&A



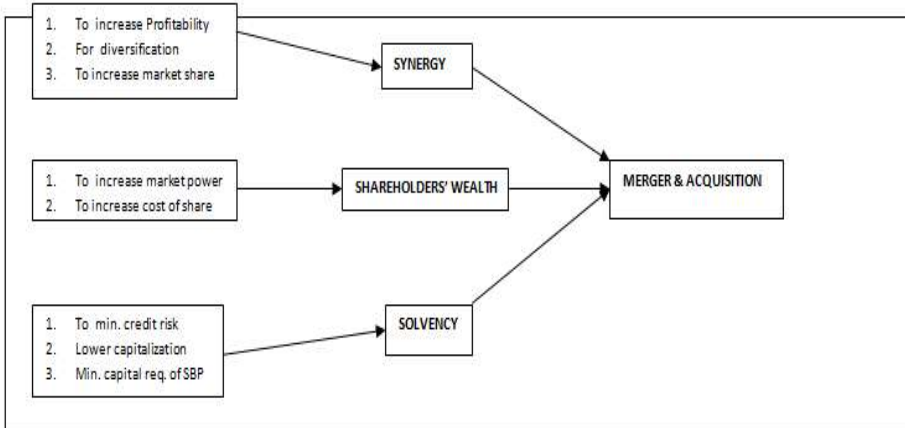
Source: State Bank of Pakistan

Table 1: Recent Mergers and Acquisitions

S.#	Name of The Acquirer Bank	Name of The Target Bank	Year of M/A
1	SUMMIT BANK	MY BANK	2011
2	FAYSAL BANK	RBS	2010
3	RBS	ABN AMRO	2008
4	SAMBA	CRESCENT COMMERCIAL BANK	2007
5	NIB BANK	PICIC	2006
6	JS BANK	AMERICAN EXPRESS BANK	2006
7	STANDARD CHARTERED BANK	UNION BANK LTD	2006
8	PICIC	GULF COMMERCIAL BANK	2001

Source: State Bank of Pakistan

Figure 2: Conceptual Framework



Source: Designed

Table 2: Acquisition of Two Pakistani Banks

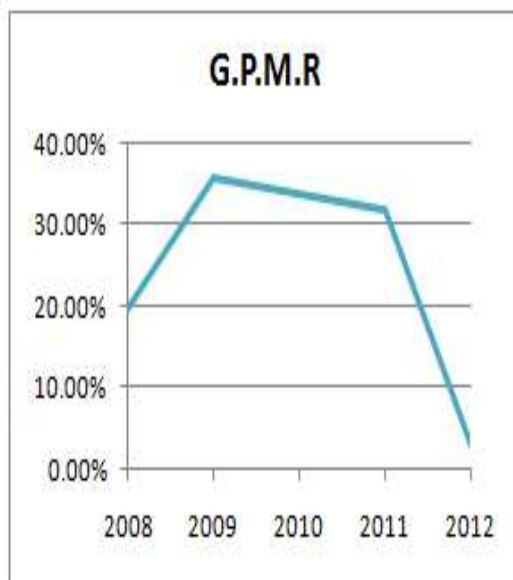
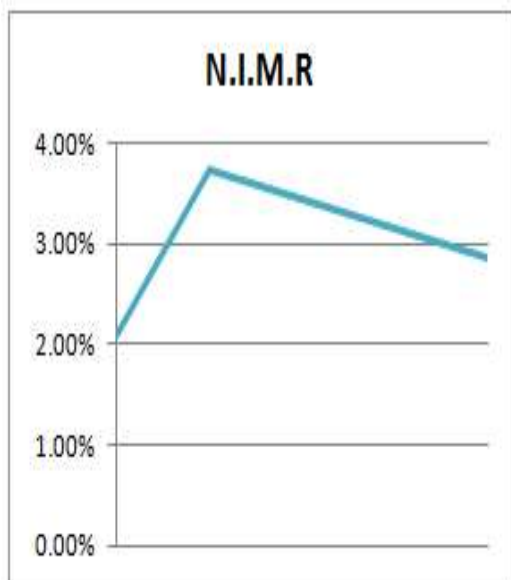
S.NO.	ACQUIRER BANK	TARGET BANK	YEAR OF ACQ/MERG
1.	FAYSAL BANK	ROYAL BANK OF SCOTLAND	2010
2.	SAMBA	CRESCENT COMMERCIAL BANK	2007

Source: Designed as per Data from State Bank of Pakistan

Table 3: Combined Profile of RBS & Fysal Bank Before Merger

RATIO(IN PERCENTAGE)	COMBINE PROFILE OF RBS & FB, BEFORE MERGER	
	2008	2009
net interest margin ratio	2.00921	3.71397
Gross Profit Margin Ratio	19.88179	35.69408
Return On Equity	6.72378	-3.2714
Debt Ratio	91.54529	92.13005
Debt To Equity Ratio	1224.78663	1300.025

COMBINE PROFILE OF RBS & FB AFTER MERGER		
RATIO(IN PERCENTAGE)	2011	2012
net interest margin ratio	3.14674	2.86311
Gross Profit Margin Ratio	31.93828	31.12061
Return On Equity	1.39125	1.6871
Debt Ratio	93.43292	93.29917
Debt To Equity Ratio	1536.26767	1559.55004



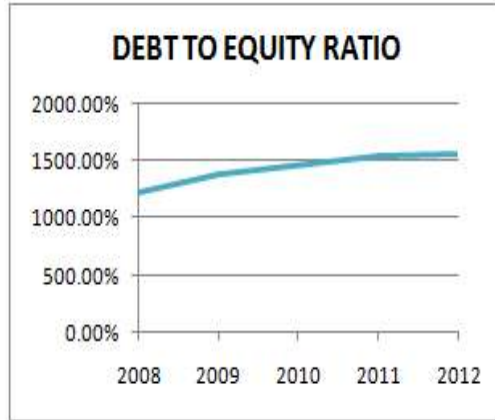
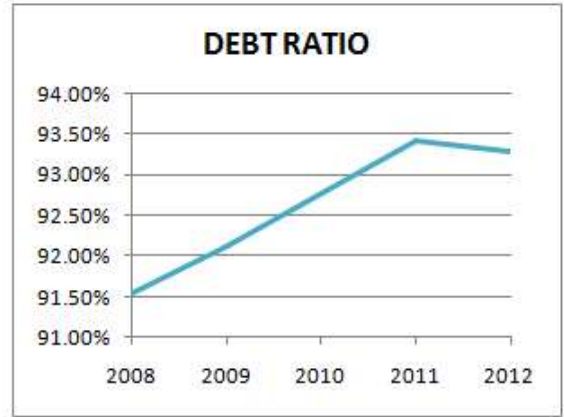


Table: 5 Calculation of Mean and Standard Deviation of RBS & Fysal Bank

		Mean	S.D	t-value	p-value
net interest margin ratio	2008-2009	2.86159	1.205447	-0.166	0.88
	2011-2012	3.0049	0.20055		
Gross Profit Margin Ratio	2008-2009	27.78793	11.18097	-0.473	0.68
	2011-2012	31.52945	0.57818		
Return On Equity	2008-2009	5.08808	2.31323	2.161	0.16
	2011-2012	1.539175	0.20919		
Debt Ratio	2008-2009	91.83767	0.41348	-5.096	0.03
	2011-2012	93.36604	0.094575		
Debt To Equity Ratio	2008-2009	1262.4058	53.20156	-7.25	0.01
	2011-2012	1547.9088	16.46312		

Source: Computed as per Data from State Bank of Pakistan

Table 6: Combined Profile of SAMBA &CCB Before Merger

	COMBINE PROFILE OF SAMBA & CCB, BEFORE MERGER	
RATIO(IN PERCENTAGE)	2006	2005
net interest margin ratio	-0.01669	0.68583
Gross Profit Margin Ratio	-0.28544	14.06781
Return On Equity	-42.95475	-46.18883
Debt Ratio	70.18782	66.87061
Debt To Equity Ratio	235.53135	201.32428

Source: Computed as per Data from State Bank of Pakistan

Table 7: Combined Profile of SAMBA &CCB After Merger

	COMBINE PROFILE OF CCB & SAMBA, AFTER MERGER	
RATIO(IN PERCENTAGE)	2009	2008
net interest margin ratio	2.81296	4.16499
Gross Profit Margin Ratio	35.65207	39.06117
Return On Equity	-8.3851	-13.55489
Debt Ratio	81.06809	83.03248
Debt To Equity Ratio	419.13306	495.75084

Source: Computed as per Data from State Bank of Pakistan

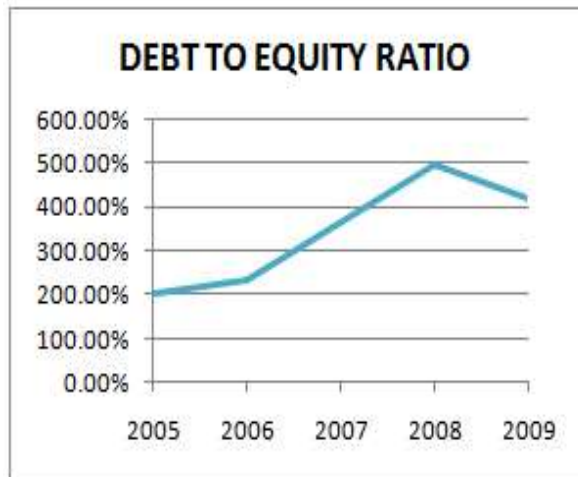
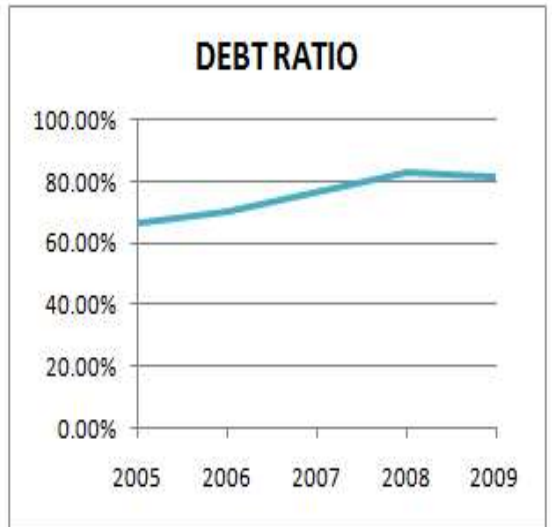
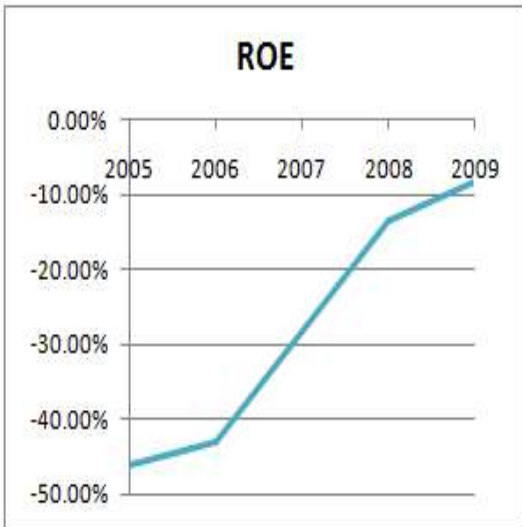
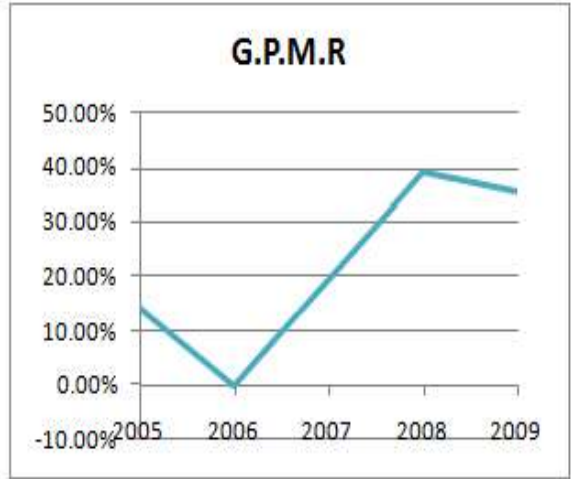
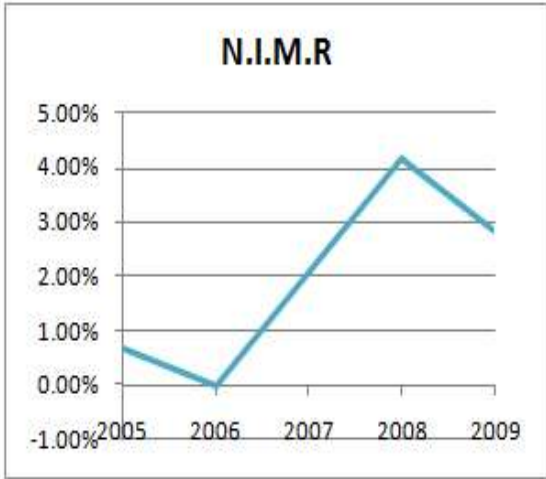


Table 8: Calculation of Mean and Standard Deviation of SAMBA & CCB

		Mean	S.D	t-value	p-value
net interest margin ratio	2005-2006	0.33457	0.49675	-4.141	0.05
	2008-2009	3.488975	0.95603		
Gross Profit Margin Ratio	2005-2006	6.891185	10.14928	-4.13	0.05
	2008-2009	37.35662	2.41059		
Return On Equity	2005-2006	-66.04916	32.66043	-2.114	0.16
	2008-2009	-15.16254	9.58475		
Debt Ratio	2005-2006	68.52922	2.34562	-7.0166	0.01
	2008-2009	82.05028	1.389033		
Debt To Equity Ratio	2005-2006	218.4282	24.18805	-5.697	0.02
	2008-2009	457.44195	54.17695		
Time Interest Earned Ratio	2005-2006	-135.1527	23.6746	-8.45	0.01
	2008-2009	8.602568	4.26305		

Source: Computed as per Data from State Bank of Pakistan