



The Effects of Mergers and Acquisitions on the Acquiring Bank's Financial Performance and Shareholder Wealth in the Indian Banking Sector

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ABSTRACT

This master thesis examines the goals of mergers and acquisitions in India and the factors that lead businesses and organizations to choose this inorganic growth strategy. The emphasis has been placed on examining the acquiring entities' financial performance and shareholder value, and contrasting their pre - and post-merger outcomes. The research has been limited to only Indian companies in order to conduct consistent research and produce an accurate conclusion. Additionally, the Banking Sector is the study's focus in the Indian context.

The study looks at how mergers and acquisitions affect Indian banks' performance. Two perspectives have been used to analyse the effect on the acquiring banks' performance:

- i) The acquiring banks' operational performance
- ii) their profitability position and
- iii) the factors influencing the value of shareholders.

Three M&A cases in the Indian banking sector have been considered for this purpose.

I have attempted to test a hypothesis with this study: do mergers and acquisitions affect or improve the acquiring banks' financial performance and shareholder value?

Secondary research methods have been employed to test the hypotheses and achieve the study's objectives.

Formed into six chapter, the study advice a comprehensive analysis:1 Introduction, 2 Review of literature, 3 Merger & acquisition in Indian context, 4 Analysis of data, 5 Interpretation, 6 conclusion, findings & suggestion or recommendation.

1.INTRODUCTION

These days, any company's main goal is to maximize profits and increase shareholder wealth. Through a variety of growth strategies, such as mergers and acquisitions (M&A), which have gained popularity as a result of trends toward privatization and globalization, businesses seek to maximize profits and shareholder wealth. M&A increases competitiveness by providing access to new markets, resources, and technologies. But not every M&A endeavor aims to maximize value; some also aim to fortify market position or accomplish strategic objectives.

RESEARCH DESIGN

A descriptive research design was employed for this investigation. Selecting a descriptive style of research design is primarily done to ensure that the data gathered is secondary in nature. Its structure and conciseness also contribute to its factual and easy analysis. To achieve the goals of this study, three M&A cases in the Indian banking sector have been selected for examination.

SAMPLING

Defining the target population:

The target population for this mergers & acquisitions research is all banks that completed M&A transactions between 1993 and 1994, or the post-financial sector reform period.

Defining the sample size:

Three are the study's sample size. I've selected three distinct instances of bank mergers that occurred in India following the period of financial reform. Thus, there are now three banks in total whose performance would be examined in this report. The names of the banks and some relevant merger information are shown in the table below.

S. NO	Name of the acquiring bank	Target bank	<u>Date of merger</u>
1	HDFC Bank	Centurion bank of Punjab	<u>23-05-2008</u>
2	ICICI Bank	Bank of Rajasthan	18-05-2010
3	Kotak Mahindra bank	ING Vyasa Bank	<u>01-04-2015</u>

1.3 PLAN OF THE STUDY

OBJECTIVE OF THE STUDY

The following goals are the focus of this study:

1. To examine the financial performance of the acquiring banks that engaged in M&A transactions during the phase following the financial sector reform, both before and after the merger.
2. To determine which parameters changed after the mergers and acquisitions decision was announced, and how that affected the value of the shareholders.

HYPOTHESIS OF THE STUDY

In order to achieve the aforementioned study objectives, the following hypotheses and conditions were developed and examined:

Null Hypothesis H1: The acquiring banks' financial performance was the same before and after the merger.

Alternative Hypothesis H1: The acquiring banks' financial performance differs prior to and following the merger.

Null Hypothesis H2: The acquiring banks' shareholder values are the same before and after the merger.

Alternative Hypothesis H2: There exists a disparity in the value of the acquiring banks' shareholders prior to and following the merger.

2. LITERATURE REVIEW

M&As (mergers and acquisitions) are essential instruments in the ever-changing world of international trade for businesses looking to grow, change, and prosper. M&As make it easier to share resources, enter new markets, and create strategic alliances—all of which are critical for navigating globalization and technological advancements. In a merger, a new company with joint ownership is created, whereas in an acquisition, stock or assets of another business are bought. M&A activity in the banking industry is driven by competitive pressures and deregulation, which allow institutions to expand their geographic reach and product offerings. This leads to economies of scale, improved overall productivity, and increased resilience to economic shocks.

TYPES OF MERGERS

There are three main types of mergers: vertical, conglomerate, and horizontal. The ways in which these types impact corporate performance vary from one another.

Horizontal merger

Vertical merger

Congeneric merger

Conglomerate merger

Reverse merger

Motives behind mergers of Banks

The underlying assumption behind a merger is that the combined entity's value will be higher than the total of the separate values of the merging entities. Four dimensions can be used to classify the motivations.

Cost advantage: Cost benefits include economies of scale, funding costs, organizational effectiveness, and risk diversification.

Benefits to income: Caused by economies of scale that produce monopoly rents.

Gains in money: Frequently observed following financial crises or during business cycle upturns.

Additional justifications: Protection against takeovers or individual managerial advantages.

MERGERS & ACQUISITION: LEGAL FRAMEWORK

The current legal framework, which offers the necessary legal framework for M&A activities, must be followed in all merger and acquisition activities. India's legal systems are constantly being reviewed and updated to better align with the country's evolving corporate landscape.

Regulations issued by the Securities and Exchange Board of India (SEBI):

The Substantial Acquisition of Shares and Takeovers Regulations, 2011 are the regulations that the SEBI uses to regulate M&A activity. The objectives of these rules are to control the securities market, advance market development, and safeguard investor interests.

Income Tax Provisions:

The Income Tax Act of 1961 governs M&A transactions. Mergers, acquisitions, takeovers, and business restructuring are examples of different M&A strategies.

M&A is done by companies for a variety of purposes, including access to markets, brand recognition, tax optimization, and the acquisition of expertise.

3. DATA ANALYSIS

3.1 INTRODUCTION TO THE CASE

The dissertation uses financial ratios from the acquiring banks' financial statements to analyze their financial performance both before and after mergers. Understanding a company's financial health requires a thorough understanding of key financial statements such as the profit and loss statement and balance sheet.

Two theories are being tested by this study:

Null Hypothesis H1: Acquiring banks' financial performance remains unchanged before and after the merger.

Alternative Hypothesis H1: Acquiring banks' financial performance varies before and after the merger.

The analysis will compare important financial position indicators over a two-year period surrounding the mergers to assess any significant changes in performance.

The operational performance, profitability position, and shareholder value of acquiring banks both before and after mergers are evaluated by the dissertation using a variety of financial ratios. A number of important ratios are the following: earnings per share, dividend payout ratio, share price, rate of return, gross profit margin, operating profit margin, net profit margin, working capital turnover, total assets turnover, fixed assets ratio, and return on equity.

The means before and after the merger are compared using a t-test in order to statistically test the hypotheses. The null hypothesis can be rejected if the absolute value of t-test is greater than the t-Critical value, indicating a statistically significant difference. The purpose of this analysis is to shed light on whether the merger resulted in appreciable changes to shareholder value and financial performance.

3.2 DATA COLLECTION

To test the two earlier hypotheses, only secondary data for the three merger cases covered in the previous chapter has been gathered. The pertinent information was gathered from the bank's annual reports, the websites of the BSE and NSE, as well as research papers and websites such as moneycontrol.com and businessstandard.com for information gathering and analysis. Two years prior to and following the merger (short run performance) were used to extract secondary data on the combined banks' performance.

CASE 1: HDFC Bank and Centurion Bank of Punjab Merger

In 2008, one of India's leading banks, HDFC Bank, acquired Centurion Bank of Punjab (CBoP), marking a momentous merger in the nation's financial sector. The goal of the merger was to improve HDFC Bank's distribution network, especially in India's north and south. With the addition of about 140 branches in the south and nearly 170 in the north, CBoP increased the combined entity's network to about 1148 branches.

Financial performance parameters	Pre- merger period		Merger period	Post-merger period	
	2006-07	2007-08	2008-09	2009-10	2010-11
operating profit margin	10.39	9.88	8.69	11.98	-2.05
Net profit margin	14.07	13.25	11.68	15.23	19.70
Return on equity	17.73	13.83	15.31	13.69	15.47
Return on capital employed	1.184	1.251	1.224	1.325	1.415
Total asset turnover	0.075	0.076	0.089	0.072	0.072
Fixed assets turnover	7.12	8.61	9.55	7.64	9.23

To test the null hypothesis H2: The acquiring banks' shareholder values are the same before and after the merger, information related to the same is given in the table below:

Valuation Parameters	Pre- merger period		Merger period	Post-merger period	
	2006-07	2007-08	2008-09	2009-10	2010-11
Earnings Per Share	36.29	46.22	52.85	67.56	85.00
Dividend Payout	7.00	8.50	10.00	12.00	16.50
Share price	206.40	293.44	202.60	398.00	479.18
Rate of return	0.233	0.444	-0.318	0.798	0.233

CASE 2: ICICI Bank and Bank of Rajasthan merger

A historic merger in India's banking sector occurred in May 2010 when ICICI Bank, the second-largest private sector lender in the nation, purchased Bank of Rajasthan. With ICICI Bank offering BoR shareholders 188.42 rupees per share, an 89% increase from the small lender's closing price the day before, the merger was valued at about 30.41 billion rupees. Because of the strategic similarities between the two companies, the merger attempted to give ICICI Bank a presence in Rajasthan and generate cost synergies. The years 2007–08 and 2008–09 were taken into consideration for ICICI Bank's pre-merger analysis, while the years 2010–11 and 2011–12 were selected for the post-merger analysis. To test the null hypothesis H1, which states that the acquiring bank's financial performance remained constant before and after the merger, data on operating ratios and profitability positions were gathered.

Financial performance parameters	Pre- merger period		Merger period	Post-merger period	
	2007-08	2008-09	2009-10	2010-11	2011-12
operating profit margin	10.10	10.32	7.28	-5.76	-3.09
Net profit margin	10.54	9.67	12.79	19.83	19.27
Return on equity	8.94	7.58	7.79	9.35	10.70
Return on capital employed	3.45	3.49	3.479	5.86	7.63
Total asset turnover	0.010	0.009	0.011	0.012	0.013
Fixed assets turnover	1.011	0.988	1.252	1.085	1.400

To test Null Hypotheses H2: The acquiring banks' shareholder values are the same before and after the merger, information related to the same is given in the table below:

Valuation Parameters	Pre- merger period		Merger period	Post-merger period	
	2007-08	2008-09	2009-10	2010-11	2011-12
Earnings Per Share	39.39	33.76	36.14	45.27	56.11

Dividend Payout	0.27	0.32	0.33	0.30	0.29
Share price	212.00	77.56	194.16	194.16	191.52
Rate of return	0.120	-0.538	1.138	0.184	-0.086

CASE 3: Kotak Mahindra Bank and ING Vysya Bank merger

Following the merger of Kotak Mahindra Bank and ING Vysya Bank in April 2015, ING Vysya became Kotak Mahindra Bank's second-largest shareholder. For every 1000 shares of ING Vysya, investors received 725 shares of Kotak. The goal of the merger was to take advantage of Kotak's larger pan-Indian network in addition to ING Vysya's robust client franchise and South Indian presence. With a sizable share of ING Vysya's loan book in the SME sector, Kotak sought to increase its market share in this market. For Kotak Mahindra Bank, pre-merger analysis covers the years 2013–14 and 2012–13, while post-merger analysis concentrates on the years 2015–16.

To test the null hypothesis H1: The acquiring bank's financial performance was the same before and after the merger, data on operating ratios and profitability position was gathered, as shown in the table below.

Financial performance parameters	Pre- merger period		Merger period	Post-merger period	
	2012-13	2013-14	2014-15	2015-16	2016-17
operating profit margin	2.48	1.17	-1.67	-3.18	-2.28
Net profit margin	16.91	17.13	19.19	12.75	19.28
Return on equity	14.37	12.23	13.19	8.72	13.77
Return on capital employed	8.40	9.59	11.78	5.47	7.965
Total asset turnover	-0.130	-0.352	-0.517	-0.342	0.425
Fixed assets turnover	4.71	2.22	2.52	2.22	3.218

To test Null Hypotheses H2: The acquiring banks' shareholder values are the same before and after the merger, information related to the same is given in the table below:

Valuation Parameters	Pre- merger period		Merger period	Post-merger period	
	2012-13	2013-14	2014-15	2015-16	2016-17
Earnings Per Share	18.31	19.62	24.20	11.42	18.57
Dividend Payout	0.038	0.40	0.037	0.043	0.045
Share price	339.42	394.00	728.88	694.90	886.40
Rate of return	0.128	0.102	0.748	-0.057	0.232

4.3 Data analysis and findings

Data analysis is a methodical process that involves examining, purifying, converting, and modelling data in order to find relevant information, make recommendations, and aid in decision-making. There are many different ways to data analysis in the business, scientific, and social science domains. These approaches include different techniques that go by different names. Generally speaking, data analysis in statistical applications is separated into:

1. Descriptive data analysis (DDA),
2. Exploratory data analysis (EDA),
3. Confirmatory data analysis (CDA)

CASE 1: HDFC Bank and Centurion Bank of Punjab merger

Financial Performance Analysis of HDFC Bank pre and post-merger.

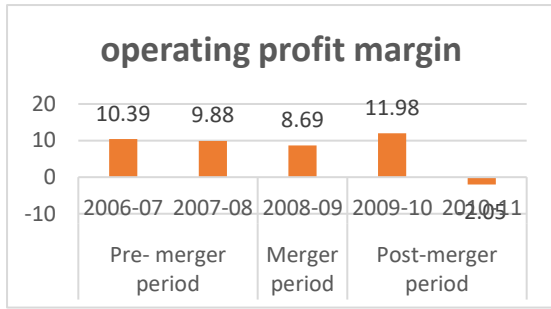


Figure 4.1 illustrates the fluctuation of HDFC Bank's operating profit margin over time. In the fiscal year 2009–10, bank's profitability increased, likely due to efficient management of variable costs like wages and interest on deposits. However, subsequent to this period, there was a significant decline in profitability and residual revenue. It interpreted as a negative impact of the merger.

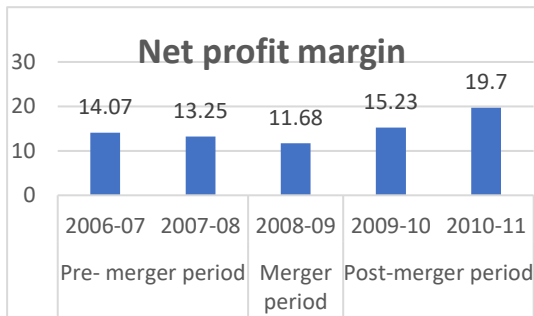


FIGURE 4.2 Net profit margin of HDFC Bank

Figure 4.2 illustrates HDFC Bank's net profit margin over time, showing increased profitability post-merger due to efficient cost management and higher sales.

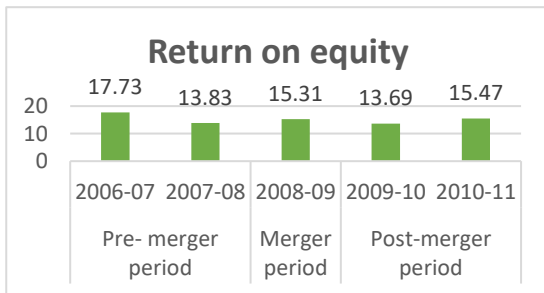


FIGURE 4.3 Return on equity of HDFC Bank

Figure 4.3 shows HDFC Bank's Return on Equity (ROE) over time, indicating no significant change post-merger, implying that shareholder returns were unaffected.

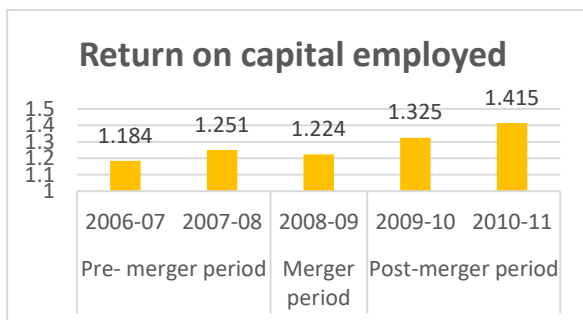


FIGURE 4.4 Return on capital employed of HDFC Bank HDFC Bank's Return on Capital Employed (ROCE) over time is shown in Figure 4.4. An increase in ROCE following the merger is indicated by the data, indicating that the bank has made efficient use of its capital to produce higher returns.

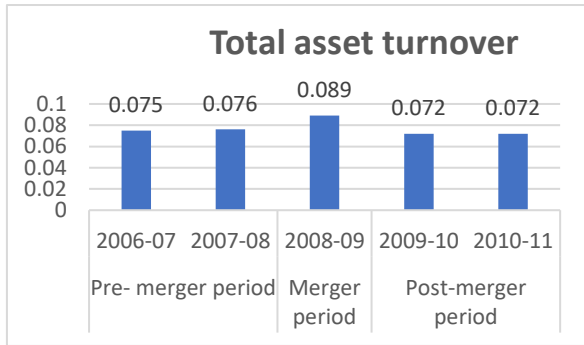


FIGURE 4.5 Total asset turnover ratio of HDFC Bank

HDFC Bank's total assets turnover ratio over time is shown in Figure 4.5. The ratio has not changed significantly since the merger, suggesting that the bank's ability to use its assets for profit has not been impacted.

Analysis of parameters affecting Shareholder's value of HDFC Bank pre and post- merger

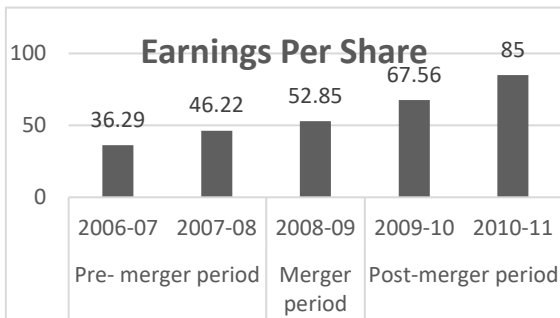


Figure 4.7 Earnings per share of HDFC Bank

The earnings per share (EPS) of HDFC Bank are plotted against time in Figure 4.7. The increase observed following the merger suggests that the company may be planning to reinvest its profits in order to drive future growth.

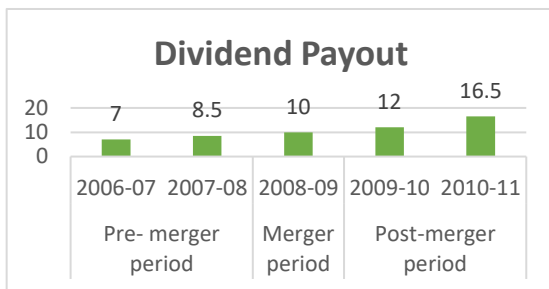


Figure 4.8 Dividend payout of HDFC Bank

The dividend payout of HDFC Bank is shown in Figure 4.8, which shows growth following the merger. This suggests that the bank is profitable based on dividend payments and that it has been successful in giving shareholders decent returns.

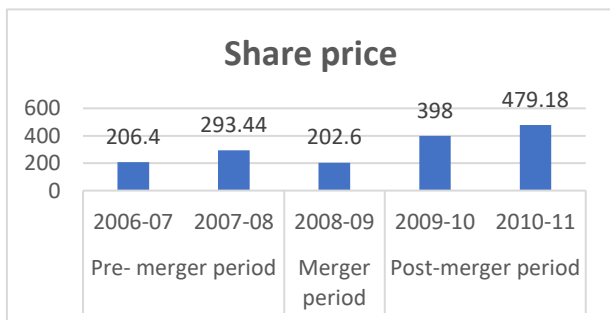


Figure 4.9 Share price of HDFC Bank

The share price of HDFC Bank is shown over time in Figure 4.9. The rising trend following the merger indicates that the bank has profited from the merger, which is consistent with its resilience and general well-being.

The t-test results for HDFC Bank's financial performance before and after the merger are shown in Table 4.7. Return on equity and operating profit margin were insignificant, but other measures produced notable results.

Denying the null hypothesis H1: Significant t-test results for the majority of indicators show that HDFC Bank's financial performance differs before and after the merger.

		Mean	S.D	t-test	Result
OPM	Pre-merger	10.12	0.361	0.736506	Not significant
	Post-merger	4.95	9.93		
NPM	Pre-merger	13.67	0.576	-1.6742	significant
	Post-merger	17.46	3.161		
ROE	Pre-merger	15.79	2.76	0.559836	Not significant
	Post-merger	14.57	1.24		
ROCE	Pre-merger	1.22	0.048	-2.63127	significant
	Post-merger	1.36	0.064		
TAT	Pre-merger	0.074	0.048	7	significant
	Post-merger	0.071	0.00		
FAT	Pre-merger	7.85	1.052	-0.52327	significant
	Post-merger	8.42	1.123		

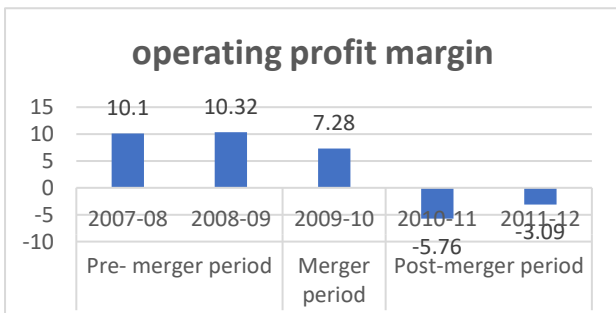
Table 4.7- t-test for financial performance of HDFC bank

Denying the null hypothesis H2: Significant t-test results for all parameters in Table 4.8 show that the values of HDFC Bank's shareholders were different before and after the merger.

		Mean	S.D	t-test	Result
EPS	Pre-merger	21.63	20.12	-0.23935	significant
	Post-merger	27.32	26.68		
Dividend payout	Pre-merger	7.76	0.256	-2.7406	significant
	Post-merger	14.25	3.182		
Share price	Pre-merger	249.92	3787.982	-3.1703	significant
	Post-merger	438.58	3295.09		
ROR	Pre-merger	0.3386	0.0226	-0.5869	Not significant
	Post-merger	0.516	0.1569		

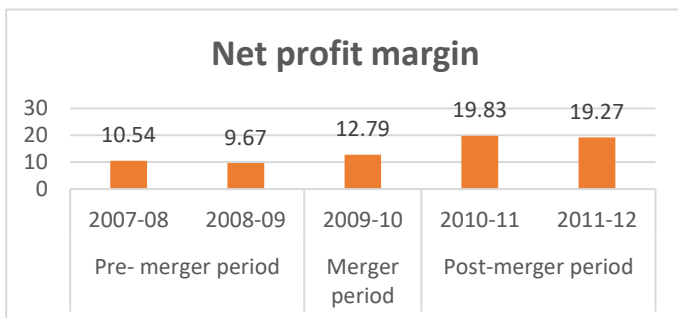
Table 4.8 t-test for shareholder's value of HDFC bank

CASE 2: ICICI Bank and Bank of Rajasthan merger

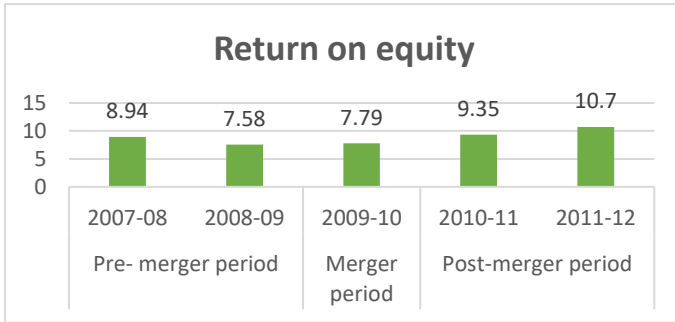


Financial Performance Analysis of ICICI Bank Pre and post-merger

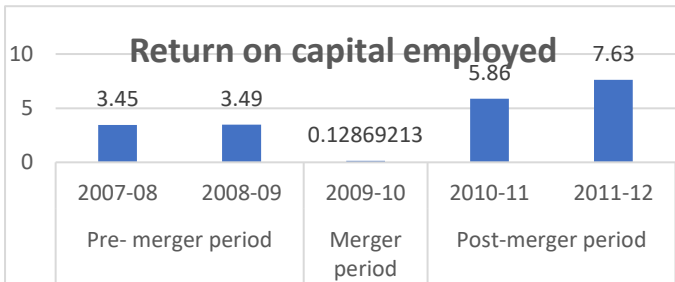
The operating profit margin of ICICI Bank is depicted over time in Figure 4.11, indicating a decline to negative levels following the merger. The adverse consequences of the merger, which included higher indirect expenses like rent, bonuses, and interest, are to blame for this reduction.



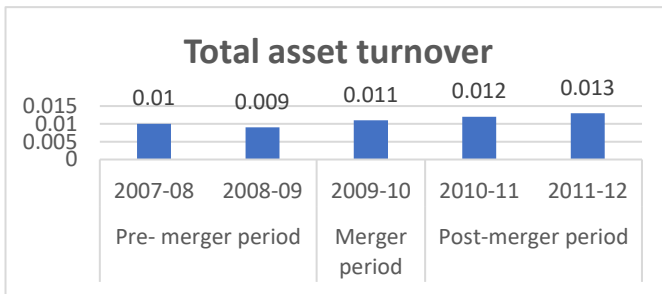
The net profit margin of ICICI Bank is shown in Figure 4.12 as a function of time, showing increased profitability following the merger as demonstrated by higher sales, a high margin of safety, and a lower net loss. This suggests that ICICI Bank was able to effectively control costs after the merger.



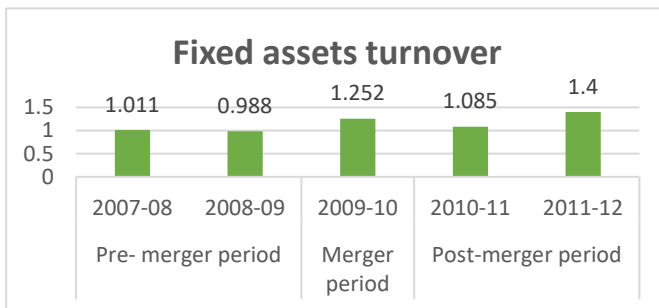
The Return on Equity (ROE) of ICICI Bank is shown over time in Figure 4.13, which shows a notable improvement following the merger. This indicates variations in returns produced or given to shareholders following the merger.



The Return on Capital Employed (ROCE) of ICICI Bank is plotted against time in Figure 4.14, demonstrating an increase following the merger. This shows that the bank is using capital effectively to produce higher returns.



The total assets turnover ratio of ICICI Bank is shown over time in Figure 4.15, showing a slight increase following the merger. Although the bank's use of assets for profit shifted, its turnover ratio remained lower than others, indicating potential for improvement.



The fixed asset turnover ratio of ICICI Bank is shown in Figure 4.16 over time, indicating improved efficiency in using fixed asset investments to produce income after the merger. The bank's reasonably strong ratio suggests improved performance in this area, though it is not the only explanation.

Analysis of parameters affecting Shareholder's value of ICICI Bank Pre and post- merger

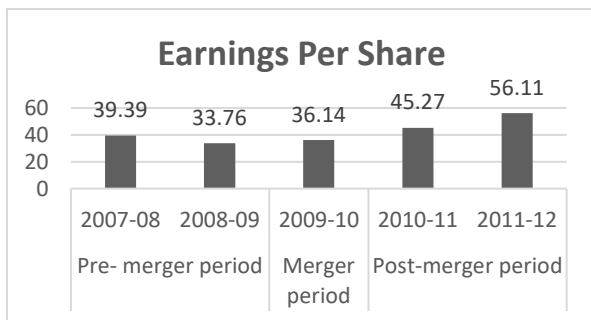
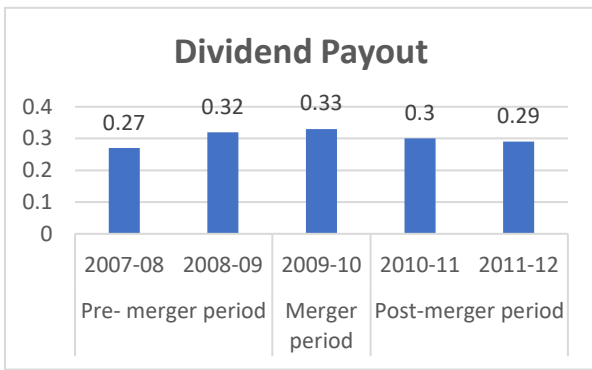
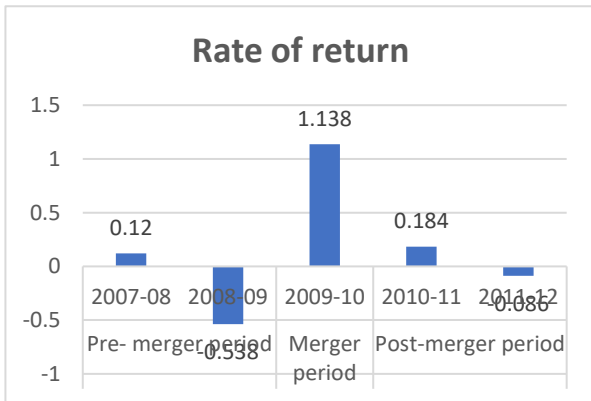


Figure 4.17 shows ICICI Bank's earnings per share over time. The amount of a company's profit allotted to each outstanding share of common stock is known as earnings per share. It is evident that since the merger, ICICI Bank's earnings per share (EPS) has increased. This suggests that the bank was either able to provide investors with a sizable dividend or reinvested the funds for further growth, increasing the value of its shares after the merger.



The dividend payout of ICICI Bank is shown over time in Figure 4.18; there has been no discernible change since the merger. This indicates that the bank was able to continue paying out dividends steadily and give shareholders a respectable return after the merger.



The rate of return for ICICI Bank following the merger is steadily declining, as seen in Figure 4.20. This suggests that, in comparison to pre-merger periods, shareholders have not received a sufficient level of return.

Based on the bank's financial data, the t-test was used to determine statistical significance and validate hypotheses.

null hypothesis H1: Significant t-test results for most financial performance indicators show that ICICI Bank's financial performance differs before and after the merger. The merger is accepted.

Table 4.9 Table 4.7 t-test for financial performance of ICICI Bank

		Mean	S.D	t-value	Result
OPM	Pre-merger	10.21	0.155	10.9255	significant
	Post-merger	-4.42	1.886		
NPM	Pre-merger	10.10	0.614	-18.2575	significant
	Post-merger	19.55	0.395		
ROE	Pre-merger	8.26	0.962	-1.84213	Not significant
	Post-merger	10.02	0.954		
ROCE	Pre-merger	3.46	0.027	-3.69963	significant
	Post-merger	6.74	1.252		
TAT	Pre-merger	0.0098	0.507	-4.42463	Not significant
	Post-merger	0.0125	0.632		
FAT	Pre-merger	0.998	0.016	-1.53875	significant
	Post-merger	1.243	0.223		

The statistical results of ICICI Bank's financial performance both before and after the merger are shown in Table 4.9. Return on Equity, Working Capital Turnover, and Fixed Asset Turnover were found to be significant, indicating noteworthy changes that occurred after the merger.

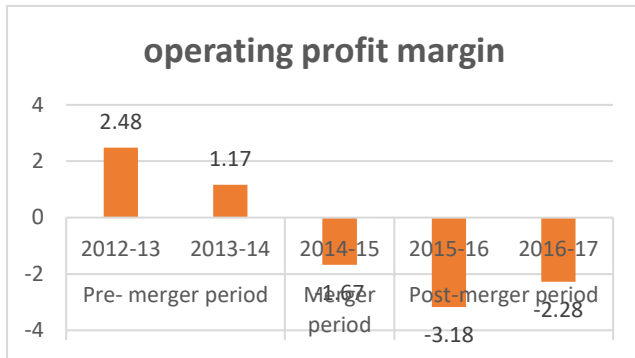
Based on a single criterion, the null hypothesis H2 is inconclusive: EPS indicates noteworthy findings about ICICI Bank's shareholder value, but not dividend payout. This raises the possibility of variations in shareholder value following the merger, especially in light of EPS trends.

Table 4.10 t-test for Shareholder’s value of ICICI Bank

		Mean	S.D	t-value	Result
EPS	Pre-merger	36.57	3.97	-2.3113	significant
	Post-merger	50.69	7.65		
Dividend payout	Pre-merger	0.295	0.035	2.13	Not significant
	Post-merger	0.095	0.023		
Share price	Pre-merger	144.78	9037.057	-0.91649	Not significant
	Post-merger	208.31	563.8028		
ROR	Pre-merger	0.325	0.08405	1.12446	significant
	Post-merger	0.048	0.03645		

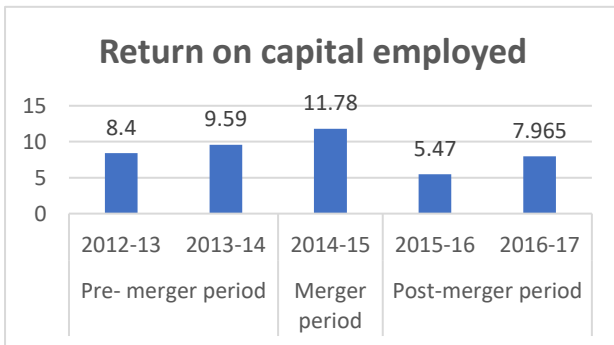
Significant findings regarding the post-merger EPS of ICICI Bank show a noteworthy shift in shareholder value, as shown in Table 4.10.

CASE 3: Kotak Mahindra Bank and ING Vysva Bank merger

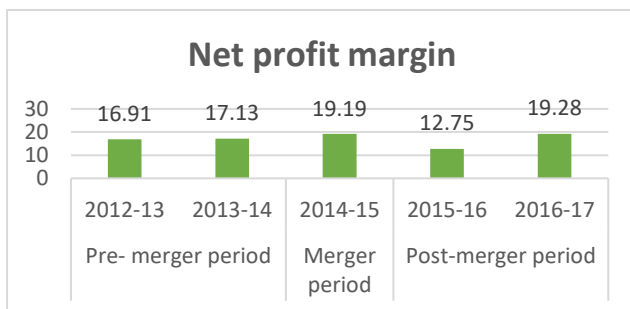


Financial Performance Analysis of Kotak Mahindra Bank Pre and post-merger

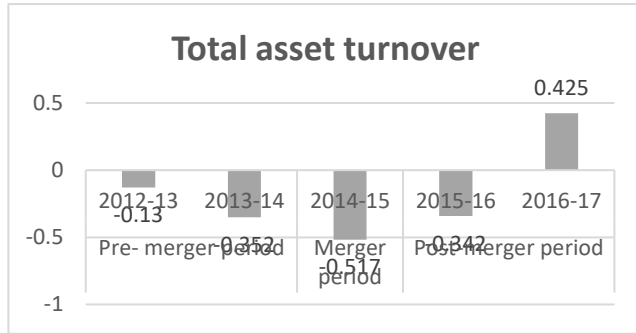
The operating profit margin of Kotak Mahindra Bank is shown over time in Figure 4.21. The abrupt drop following the merger points to a detrimental outcome and lower profitability.



Kotak Mahindra Bank's Return on Capital Employed over time is shown in Figure 4.22. The post-merger declining trend points to an inefficient use of capital that lowers returns.



The net profit margin of Kotak Mahindra Bank is shown over time in Figure 4.3. With no discernible rise or fall in sales or margin of safety, the steady trend following the merger points to continued profitability.



The total assets turnover ratio of Kotak Mahindra Bank is shown in Figure 4.25. The bank's ratio remained lower than others after the merger, despite no discernible change, indicating inefficiency in asset utilization for profit generation.

Analysis of parameters affecting Shareholder's value of Kotak Mahindra Bank Pre and post- merger

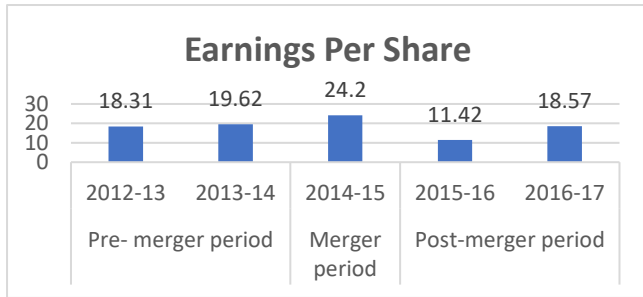
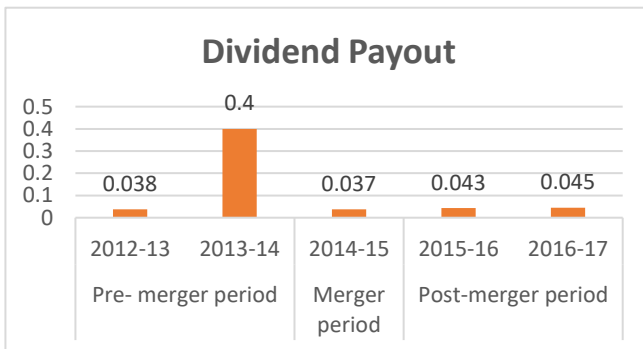
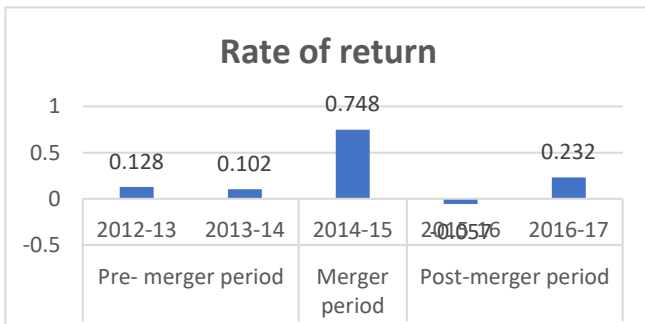


Figure 4.27 shows the post-merger trend of Kotak Mahindra Bank's EPS, which shows a limited ability to increase shareholder value or give investors larger dividends.



Following the merger, Kotak Mahindra Bank's dividend payout stayed steady, indicating steady shareholder compensation with little variation.



Kotak Mahindra Bank's rate of return has steadily declined post-merger, suggesting investors have not received satisfactory returns.

The T-test validates statistical significance, thereby endorsing hypotheses and the post-merger financial analysis of the bank.

Null hypothesis H1: After the merger, Kotak Mahindra Bank's financial performance has changed; the significant t-test results across the majority of indicators lead to the rejection of H1.

		Mean	S.D	t-value	Result
OPM	Pre-merger	1.825	1.78	7.64123	significant
	Post-merger	-3.182	0		
NPM	Pre-merger	17.03	0.155	0.306	Not significant
	Post-merger	16.01	4.618		
ROE	Pre-merger	13.3	1.50	0.749355	significant
	Post-merger	11.23	3.35		
ROCE	Pre-merger	8.99	0.842	1.652326	significant
	Post-merger	6.71	1.76		
TAT	Pre-merger	3.464	1.760	0.559726	Not significant
	Post-merger	2.716	0.700		
FAT	Pre-merger	0.026	0.0013	2.2135	Not significant
	Post-merger	0.023	0.0042		

Table 4.11 t-test for financial performance of Kotak Mahindra Bank

H2 rejected as t-test shows significant differences in EPS and dividend payout impact on shareholder value. Post-merger shareholder value changed, new hypotheses selected.

		Mean	S.D	t-value	Result
EPS	Pre-merger	9.17	12.92	-0.06305	significant
	Post-merger	10.02	13.58		
Dividend payout	Pre-merger	0.218	0.256	0.966836	significant
	Post-merger	0.043	0.0014		
Share price	Pre-merger	366.716	1489.88	-4.257	significant
	Post-merger	790.66	18336.13		
ROR	Pre-merger	0.115	0.000337	0.619493	significant
	Post-merger	0.091	0.039763		

Table 4.12 t-test for shareholder's value of Kotak Mahindra bank

Table 4.12: Significant differences observed in Kotak Mahindra Bank's shareholder value post-merger, indicated by t-values surpassing the 5% significance level for dividend payout and EPS. However, both show a notable negative change, unfavorable for shareholders.

5. Conclusion

The study looks at how acquisitions and mergers affect Indian banks' bottom lines. It evaluates profitability, shareholder value, and operating performance. Although mergers have the potential to improve operational efficiency, they can also have unfavorable effects, as the combination of Kotak Mahindra Bank and ING Vysya demonstrated. In general, mergers lead to better financial performance; however, as Kotak Mahindra Bank's post-merger rate of return shows, shareholder wealth may decrease. In the Indian banking sector, a merger's ability to successfully integrate, realize synergies, and adjust to changing market conditions and regulatory requirements is critical, underscoring the importance of meticulous planning and management.

6. Recommendations

The RBI and the Indian government ought to think about loosening their rules governing mergers and acquisitions in order to promote more payments between banks. Companies must work together, communicate clearly, and plan strategically for mergers to be successful. Employer involvement should be given top priority by parent companies, and they should be given clear, compassionate information. In order to monitor merger success and pinpoint areas for improvement, proactive stakeholder communication is crucial, as is the creation of KPIs. Long-term success depends on regular assessment of consumer satisfaction, staff engagement, operational effectiveness, and financial performance.

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