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Study Of An Impact Of Mergers And Acquisitions On Productivity And Profitability Of Banking Sector In India

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ABSTRACT

The Financial sector improves to introduce by the Indian Government during the early 1990s and the key parameters like globalisation and post -liberalisation of the world economy, Indian banking has begun to change itself. It is experiencing scenario to change known as 'consolidation' of Indian banking. In this paper interpret the financial performance of banking sector pre and post -merger their activities consolidated by the stronger financial institutions.

This paper analysis the Impact of M&A'son productivity and profitability of consolidation in the Indian Banking sector.The current paper examined the performance, strengthens and weakness of the sample two banks i.e.one public and one private sector banks based on the financial ratios from the perspective of pre and post – merger grounds. The collection of data covers financial performance of selected banks from 2004-05 to 2014-15

The statistical tools are arithmetic mean, standard deviation, t-test and p-value etc. to use gauge the various financial ratios before and after merger analysis.Ratios of studies are used to compare pre and post -merger financial performance evaluation of consolidation banks, test

analysis and multiple comparisons which realisation the efficiency of the sample banks. Positioned on the analysis of ICICI Bank concluded that Net Profit Margin, Operating Profit Margin, Return on Capital Employed, Return on Net Worth, Interest Coverage, Deposit per Employee and Credit Deposit Ratio there is significant difference but non-significant difference with respect to Gross Profit Margin, Dept-Equity Ratio, Current Ratio, Quick Ratio, Earnings per Share and Business per Branch. Positioned on the analysis of State Bank of India concluded that there is non-significant difference in respect to Gross Profit margin, Operating Margin, Return on Capital Employed, Dept-Equity, Interest Coverage and Current Ratio but there is significant difference with respect to Net Profit Margin, Return on Net Worth, Quick Ratio, Credit Deposit Ratio, Earnings per Share, Deposit per Employee, Credit per Employee, and Business per Branch. The study concluded that the banks have been positive effects when distinguished between pre – mergers and post- merger period.

Keywords: Profitability; Efficiency; Merger and Acquisitions; Financial; Ratios

INTRODUCTION

Mergers and Acquisitions have been the principal tools of corporate restructuring in India after the implementation of economic reforms since 1991. In the last two decades owing to rapid changes that have taken place in the business environment. Business concerns have to face increased competition not only form banking industry within the country but also from international business giants due to

globalisation, liberalisation, technological changes and other factors. The objectives of M & As is wealth maximisation in terms of synergy, strategic imperatives, capital market expectation, economies of scale, diversification, reduced earnings volatility, increased in domestic market and customer awareness. Consolidation of business entities, through mergers & acquisitions, is a world-wide phenomenon. The measure of consolidation of scheduled commercial banks appears as one of the most profitable strategy. Consolidation in the Banking sector is very important in terms of mergers and acquisitions for the growing Indian Banking industry. This paper attempts to one public sector bank and one private sector bank on the basis of finance for the years 2004-

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05 to 2014-15.The study has used productivity and profitability for calculate these banks which reflects operating performance and liquidity of the merger banks.

Mergers and Acquisitions are the formal business transaction involving the purchase of one company is another date bank to the late 19^{th} century. Yet mergers and acquisitions remain among intriguing business paradoxes of recent times (Langoford& Brown III, 2004), different researchers have defined mergers and acquisitions differently as under:-

According to researchers (Ganghan, 2002). Chundai Chen & Findlay, 2003 &Jagersma, 2005) "Mergers is the comparison of two or more companies in creation of a new entity or formation of a holding company. "Acquisition is the purchase of shares or assets another company to achieve a managerial influence not necessarily by mutual agreement".

According to Ramaiya (1977) – "A merger or Amalgamation results in the combination of two or more companies in to one, where in the merging entities lose their identities by being absorbed into the merger entity.

In post-liberalisation, the banking industry in India has grown at a fast pace. Increased economic activity coupled with de-regulation has further strengthened the position of Indian banks. By the end of March 2013, the total deposits held by the scheduled commercial banks stood at INR 1,20,344 crores, a growth of 21.8 percent over 2013-14 and a compound annual growth rate (CAGR) of 14.9 percent since 2001-02. The total loans and advances offered by commercial banks grew by 41.3 percent between March 2013-14, recording a CAGR of 23.6 percent since 2001-02.

Consolidation in an Indian Banking Sector

Consolidation of business entities, through mergers and acquisitions, is a world-wide phenomenon. The numerous mergers and acquisitions all over the world, including in India, in the real as well as in the financial services sector, appear to be driven by the objective of leveraging the synergies arising from the process of merger and acquisition. The private sector banks are subject to the provisions of the Banking Regulation Act, 1949, the public sector banks are governed by their respective founding statutes and by those provisions of the Banking Regulation Act which have been made specifically applicable to them. The urban co-operative

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banks, on the other hand, are governed by the provisions of the Cooperative Societies Act of the respective State or by the Multi-State Cooperative Societies Act, as also by the provisions of the Banking Regulation Act which are specifically applicable to them. The Development Financial Institutions (DFIs), which were founded by a statute, attract the provisions of those statutes while the DFIs structured as limited companies, were subject to the provisions of the Companies Act, 1956, but both the types of the DFIs are regulated and supervised by the RBI under the provisions of the R B I Act, 1934. The Regional Rural Banks (RRBs) were created under the RRBs Act, 1976 and are regulated by the RBI but supervised by the NABARD, while the non-banking financial companies are subject to the provisions of the Companies Act, 1956 and are regulated and supervised by the RBI under the provisions of the RBI Act

REVIEW OF LITERATURE

The present chapter deals with the review of existing literature available on the research work. Various studies have been conducted by researchers on the different aspects of Merger and Acquisition of banks. The review of literature brings to the light that no attempt has been made to study the financial performance of merged banks based on the criteria chosen for this study. There is imperative need to perform financial growth, size, strength, profitability and safety. The present study intends to make a modest effort to fill this gap.

Vashisht (1987) evaluated the performance of public sector banks with regard to six indicators, viz. branch expansion, deposit, credit, priority sector advances, DRI advances, and net profit over the period 1971-83. The researcher has used composite weighted growth index to rank the banks as excellent, good, fair and poor. In order to improve the performance, he has suggested that developing marketing strategies for deposit mobilisation, profit planning and SWOT analysis.

Cornett and Tehranian (1992) examined the post-acquisition performance of large bank merger between 1982 and 1987. The results of their study indicate better performance for merged banks due to the improvements in ability to attract loans and deposits, in employee productivity and in profitableasset growth. Further, the study finds a significant correlation between announcements period abnormal return and the various performance measures indicate that the market participants were able to identify in advance the improved performance associated with bank acquisition.

Atma (1996) covered the growth and progress of commercial banking in India. The trends in deposits of State Bank of Hyderabad over a period of time were analysed and ratios were calculated to know the bank's financial performance. It was concluded that the progress of banking in India has been impressive and the present structure was the outcome of the processes of expansion, reorganisation and consolidation.

Gelli (1998) emphasized that if achieving size to compete on a global scale, even in the domestic market, were the objective, the banks would need an immediate series of mega – mergers. Finally, he concluded that higher levels of capital backing were vital, which only mergers can achieve.

NEED OF THE STUDY

The need of the study to compare pre – and – post merger performance of the selected banks after the 1990 and collected the data and information which is collecting from RBI i.e. Report on trends & progress of bulletin banking India. In the earlier consolidation of banks impact on productivity & profitability to evaluate their performance in the pre and post mergers under the regime of banking sector reforms. It has affected the productivity, profitability & efficiency of the banks to a large extent. The impact of mergers change in profitability i.e. ROCE (Return on Capital Employed), RONW (Return on Net Worth), PM (Profit Margin) & other financial ratio is compared using the performance of pre-merger & post-mergers for the need of the study to analyse the consolidation of banks.

SCOPE OF THE STUDY

The study will cover the entire Indian and Universal Banking scene. While consolidation via merger route is one option, scaling up operations through branch expansion, size and growth becomes all important both organic and inorganic. The sphere of observations is to be involved the merger banks after 2004-05 to 2014-15.

OBJECTIVES OF THE STUDY

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1. To study the impact on the Productivity and Profitability of the Sampled Banks in India.
2. To examine the strength and weakness of the merged banks in India and find out the Improvements faced by the beneficiaries

HYPOTHESIS

Mergers and Acquisition improves the financial performance of the banks and hypothesis formulated for the study:

- **H_0**= There is no significance difference between the pre-merger and post- merger performanceof ICICI Bank and State Bank of India.

- **H_1**= There is significance difference between the pre-merger and post- merger performance ofICICI Bank and State Bank of India.

RESEARCH DESIGN

Sample, Data Sources and Period of the Study

The current study choose one from Public Sector and one from Private Sector Bank to assess the impact of mergers and acquisitions on the financial performance of selected banks. The financial data has been compiled for the financial year 2004-05 to 2014-15 on an annual basis.The study is based on secondary data which made from the Reserve Bank of India, Annual Reports of Banks, Report on trends and progress of bulletin banking in India, Statistical tables relating to banks, RBI Bulletin, Journal, Articles, Centre for Monitoring Indian Economy (CMIE) and Money Control etc. for the study.

ANALYSIS OF STUDY

The statistical tools and techniques such as ratios and percentages are used for the analysis of data is used for the presentation of the data. To test the hypothesis, t-test, standard deviation, and mean is evaluated in the data of sample banks. The performance of the banks before and after the mergers and acquisitions has been compared.

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METHODOLOGY

The present study is an attempt to examine the performance of mergers and acquisitions of banking sector in India. The research is an attempt to evaluate the methodology used for the present study. The present study is an attempt to examine the performance of private and public banks using in terms of productivity and profitability of merged entities. The methodology is based on the entire research work found in the different scenario.

Productivity

Productivity is defined as the efficiency with which output is produced by a given level of input. Productivity generally measure by ratio of output to input. An increase in the ratio indicates increase in productivity conversely an adverse in the out/input indicates decline in the productivity.

Profit per Employee

This measures the efficiency of all employees of a bank in generating profit for the banks. It is calculated by dividing the total profit earned by the bank, by the total number of employees. Profit means net profit as per the profit and loss account of the banks. Net Profit is the difference between income and expenditure. A higher level of profit per employee is a clear indication of good health of the banks.

Business per Employee

This measures the efficiency of all the employees of bank in generating business for the bank. It is calculated by dividing the total business by the total number of employees. Business means the sum of total deposits and total advances of the banks in an annual year.

Branch Productivity Ratios

- Deposit per Branch
- Credit per Branch
- Business per Branch.

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Ratios

The profitability, leverage and liquidity ratios are listed as follows:

- Gross Profit Margin = Gross Profit/Sales × 100
- Net Profit Margin = Net Profit/Sales × 100
- Operating Profit Margin = Operating Profit/Sales × 100
- Return on Capital Employed (ROCE) =Net Profit/Total Assets × 100
- Return on Equity (ROE) =Net Profit/Equity Share Holder's Funds × 100
- Debt Equity Ratio = Total Debt/ Share Holder Equity
- Return on Net Worth = Profit after Tax/Net Worth
- Interest Coverage Ratio = Profit before Interest and Taxes/Total Interest Expenses
- Current Ratio= Current Assets/Current Liabilities
- Quick Ratio= Quick Assets/Quick Liabilities
- Credit per Employee = Total Advances/Total Number of Employee
- Deposit per Employee = Total Deposits/Total Number of Employee

Analysis

In this study two cases of selection is presented for the analysis. First, the merger of the ICICI Bank (Transferee) and Bank of Rajasthan (Transferor) as on August 132010 and another merger of the State Bank of India (Transferee) and State Bank of Saurashtra (Transferor) as on July 31 2008. ICICI Bank is taken form Private sector bank and State Bank of India is taken from Public sector Bank. To analyse the financial performance of the Banks Before and After Merger used the Ratios of Productivity and Profitability narrates Gross Profit Margin, Net Profit Margin, Operating Profit Margin, Return on Capital Employed, Return on Equity, Debt Equity Ratio, Return on Net Worth, Interest Coverage Ratio, Current Ratio, Quick Ratio, Credit per Employee, Deposit per Employee, Business per Branch, and Earnings Per Sharehave been calculated. Table 1, 3 and 5 for ICICI Bank and Table 2,4 and 6for State Bank of India are presented respectively.

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Table 1. Financial Ratio Analysis of ICICI Bank before and After Merger

Productivity and Profitability Ratios	Before Merger					After Merger			
	As on March 31 2007	As on March 31 2008	As on March 31 2009	As on March 31 2010	As on March 31 2011	As on March 31 2012	As on March 31 2013	As on March 31 2014	As on March 31 2015
Gross Profit Margin	92.270	92.744	92.590	91.428	89.201	90.249	91.180	91.196	100.000
Net Profit Margin	10.810	10.510	9.740	12.170	15.790	15.750	17.190	17.960	18.240
Operating Profit Margin	53.783	57.486	57.871	51.664	63.725	66.845	68.690	67.861	100.000

Table 1. Financial Ratio Analysis of ICICI Bank before and After Merger(contd….)

Productivity and Profitability Ratios	Before Merger					After Merger			
	As on March 31 2007	As on March 31 2008	As on March 31 2009	As on March 31 2010	As on March 31 2011	As on March 31 2012	As on March 31 2013	As on March 31 2014	As on March 31 2015
Return on Capital Employed	.902	1.040	.991	1.108	1.268	1.322	1.551	1.650	1.730
Return on Net Worth	13.170	8.940	7.580	7.790	9.350	10.700	12.480	13.400	14.450
Dept-Equity Ratio	11.425	6.623	5.727	5.740	6.084	6.550	6.565	6.647	6.639
Interests Coverage Ratio	13.471	12.803	12.696	13.482	13.973	14.961	15.272	16.198	-
Return on Equity	11.950	9.880	7.800	7.960	9.650	11.200	13.100	15.210	-
Current Ratio	.090	.110	.130	.140	.070	.120	.090	.090	.060
Quick Ratio	6.040	6.420	5.940	14.700	15.860	9.370	10.530	11.310	13.810
Earnings Per Share	34.590	37.370	33.760	36.100	44.730	56.090	72.170	84.950	19.280
Deposit per Employee	6.918	6.008	6.311	7.215	3.960	4.384	4.715	4.595	4.389
Credit per Employee	5.878	5.543	6.310	6.472	3.798	4.354	4.677	4.689	4.704
Business per Branch	564.736	372.462	307.723	191.611	174.760	185.039	188.020	178.688	184.959

Source: Compiled for the Financial Statements retrieved from Banks, CMIE PROWESS Data,http://www.moneycontrol.com/stocksmarketsindia

Table 2. Financial Ratio Analysis of State Bank of India Before and After Merger

Productivity and Profitability Ratios	Before Merger					After Merger				
	As on March 31 2005	As on March 31 2006	As on March 31 2007	As on March 31 2008	As on March 31 2009	As on March 31 2010	As on March 31 2011	As on March 31 2012	As on March 31 2013	As on March 31 2014
Gross Profit Margin	81.887	81.169	83.391	86.597	87.148	85.114	83.882	87.064	87.429	86.310
Net Profit Margin	11.560	11.210	10.120	11.650	12.030	10.540	7.580	9.680	10.390	7.030
Operating Profit Margin	47.108	47.999	49.835	56.751	58.736	49.983	55.606	62.591	62.956	60.109
Return On Capital Employed	-	-	.902	1.040	.991	1.108	1.268	1.322	1.551	1.650
Return on Net Worth	19.430	15.940	14.500	13.720	15.740	13.890	11.340	13.940	14.260	9.200
Dept-Equity Ratio	16.045	14.856	15.184	12.015	13.733	13.755	16.211	13.944	13.874	13.337
Interests Coverage Ratio	16.371	16.127	14.167	14.566	14.353	14.277	15.395	15.336	14.422	14.003
Return on Equity	18.100	15.470	14.240	17.820	17.050	14.800	12.840	15.720	15.430	10.490
Current Ratio	.040	.050	.050	.070	.040	.040	.040	.050	.040	.030

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Productivity and Profitability Ratios	Before Merger					After Merger				
	As on March 31 2005	As on March 31 2006	As on March 31 2007	As on March 31 2008	As on March 31 2009	As on March 31 2010	As on March 31 2011	As on March 31 2012	As on March 31 2013	As on March 31 2014
Quick Ratio	4.790	5.500	6.520	6.150	5.740	9.070	8.500	12.050	12.150	13.880
Earnings Per Share	81.790	83.730	86.290	106.560	143.670	144.370	116.070	174.460	206.200	145.880
Deposit per Employee	1.790	1.910	2.350	3.000	3.600	4.010	4.190	4.840	5.270	6.280
Credit per Employee	.980	1.320	1.820	2.330	2.630	3.150	3.390	4.030	4.580	5.450
Business per Branch	62.191	69.394	82.978	92.909	111.315	113.628	123.423	133.933	149.870	162.167

Source: Compiled for the Financial Statements retrieved from Banks, CMIEPROWESS Data,http://www.moneycontrol.com/stocksmarketsindia

Table 3. Financial Parameters of ICICI Bank Pre and Post–Merger

Ratios	Group	N	Mean	Std. Deviation	t-value	p-value
Gross Profit Margin	Pre	5	91.64659	1.458743	-.704	.504ns
	Post	4	93.15626	4.583891		
Net Profit Margin	Pre	5	11.80400	2.395032	-4.185	.004**
	Post	4	17.28500	1.115482		
Operating Profit Margin	Pre	5	56.90580	4.609662	-2.541	.039*
	Post	4	75.84905	16.118295		
Return on Capital Employed	Pre	5	1.06177	.137452	-4.808	.002**
	Post	4	1.56308	.176574		

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Return on Net Worth	Pre	5	9.36600	2.254203	-2.532	.039*
	Post	4	12.75750	1.590354		
Dept-Equity Ratio	Pre	5	7.11953	2.433926	.420	.687ns
	Post	4	6.60052	.049815		
Interest Coverage Ratio	Pre	5	13.28504	.530813	-5.259	.002**
	Post	3	15.47728	.643356		
Return on Equity	Pre	5	9.44800	1.689488	-2.830	.030*
	Post	3	13.17000	2.005916		

Source: 1* and 5** level of significance

Testing the Significance Difference between Pre and Post-Merger Financial Ratios of ICICI Bank

Table 3 reveals the average values of mean of pre and post-merger of Gross Profit Margin (91.64659 per cent and 93.15626percent), mean value of Net Profit Margin (11.80400percentand 17.28500 per cent), mean value of Operating Profit Margin (56.90580 per cent and 75.84905 per cent),mean value of Return on Capital Employed (1.06177percentand 1.56308percent), mean value of Return on Net Worth(9.36600 and 12.75750), mean value of Interest Coverage Ratio (13.28504and 15.47728), mean value of Return on Equity (9.44800percent and 13.17000percent)respectively. This performs that the financial parameters increased in the post-

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merger period.The post-merger is raise to be more correlated before merger. Though, the mean ratio of Dept-Equity Ratio of post-merger is6.60052 per cent declined as compared to pre-merger is7.11953 of ICICI Bank. Since the p-values of Gross Profit Margin is .504 with t-ratio -.704, and Dept- Equity ratio is .687 witht-ratio .420 which is more than 5 percent level of significance hypothesis is accepted and can be concluded that there is non-significant difference in ratios before after merger of ICICI bank. Meanwhile, p-values of net profit margin of

ICICI bank is .004 with t-ratio -4.185, Operating Profit Margin is .039 with t-ratio -2.541, Return on Capital Employed is .002 with t-ratio -4.808, Return on Net Worth is .039 with t-ratio -2.532, and Interests Coverage Ratio is .002 with t-ratio -5.259.

Table 4. Financial Parameters of State Bank of India Bank Pre and Post - Merger

Ratios	Group	N	Mean	Std. Deviation	t-value	p-value
Gross Profit Margin	Pre	5	84.03835	2.715647	-1.394	.212ns
	Post	5	85.95999	1.460481		
Net Profit Margin	Pre	5	11.31400	.728444	2.840	.022*
	Post	5	9.04400	1.632002		
Operating Profit Margin	Pre	5	52.08567	5.304309	-1.808	.108ns
	Post	5	52.08567	5.472130		
Return on Capital Employed	Pre	5	.90164	.059567	1.779	.113ns
	Post	5	.77145	.152397		

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Return on Net Worth	Pre	5	15.86600	2.190589	2.406	.043*
	Post	5	12.52600	2.198609		
Dept-Equity Ratio	Pre	5	14.36650	1.553604	.165	.873ns
	Post	5	14.22435	1.135362		
Interest Coverage Ratio	Pre	5	15.11675	1.046719	.784	.460ns
	Post	5	14.68668	.638119		
Return on Equity	Pre	5	16.53600	1.640649	2.189	.060ns
	Post	5	13.85600	2.191194		

Source: 1* and 5** level of significance

Testing the Significance Difference between Pre and Post-Merger Financial Ratios of State Bank of India

Table 4 reveals the average values of mean of pre and post-merger of Gross Profit Margin(84.03835 per cent and 85.95999 per cent), and mean value of Operating Profit Margin (52.08567 percent and 52.08567 percent) found that there is increased in the post-merger. Meanwhile, mean value of Net Profit Margin (11.31400percent and9.04400 per cent), mean value of Return on Capital Employed (.90164percent and.77145 per cent), mean value of Return on Net Worth (15.86600 and 12.52600), mean value of Dept-Equity Ratio (14.36650 and 14.22435), mean value of Interest Coverage Ratio (15.11675 and 14.68668), mean value of Return on Equity ratio (16.53600per cent and 13.85600 per cent) is declined in the post-merger period respectively. This performs that the financial parameters decreased in the post- merger.

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The impact of post-merger was to be more correlated before merger. Since the p-values of Gross Profit Margin is.212 with t-ratio -1.394, Operating Profit Margin is .108 with t-ratio -1.808, Return on Capital Employed is .113 with t-ratio 1.779, Dept- Equity ratio is .873 with t-ratio .165, and Interest Coverage ratio is .460 with t-ratio .784which is more than 5 percent level of significance hypothesis is accepted and can be concluded that there is non-significant difference in ratios before after merger of State Bank of India. Meanwhile, p-values of net profit margin .022 with t-ratio 2.840, is significant difference in ratios before after merger of State Bank of India.

Table 5. Financial Parameters of ICICI Bank Pre and Post - Merger

Ratios	Group	N	Mean	Std. Deviation	t-value	p-value
Current Ratio	Pre	5	.10800	.028636	.996	.352ns
	Post	4	.09000	.024495		
Quick Ratio	Pre	5	9.79200	5.029783	-.600	.573ns
	Post	4	11.25500	1.880594		
Earnings Per Share	Pre	5	37.31000	4.373928	-1.449	.240ns
	Post	4	58.12250	28.460018		
Deposit Per Employee	Pre	5	6.08239	1.278938	2.393	.048*
	Post	4	4.52075	.162541		

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Credit Per Employee	Pre	5	5.60020	1.071473	1.813	.113ns
	Post	4	4.60590	.168368		
Business Per Branch	Pre	5	322.25842	158.391639	1.949	.123ns
	Post	4	184.17668	3.926609		

Source: Compiled for the Financial Statements of Banks, SPSS Software CMIE PROWESS Software,http://www.moneycontrol.com/stocksmarketsindia,1* and 5** level of significance

Testing the Significance Difference between Pre and Post-Merger financial Ratio Of ICICI Bank

Table 5 reveals the average values of mean of pre and post-merger of Quick Ratio(9.79200 and 11.25500), mean value of Earnings per Share(37.31000 and 58.12250) which was increased in the post

– merger period respectively. Though, the mean value of Current ratio(.10800 and .09000), mean value of Deposit per Employee(6.08239 and 4.5207),mean value of Credit per Employee(5.60020 and 4.60590), and Business per Employee (322.25842 and 184.17668) ratios is not affected in the post-merger period respectively. The impact of post-merger is to be more correlated before after merger. Since the p-values of Current Ratio is .352 with t-ratio .996, Quick Ratio is .573 with t-ratio -.600, Earning per Share is .240 with t-ratio -1.449, Credit per Employee is .113 with t-ratio 1.813, and Business per Branch is.123 with t-ratio 1.949 which is more than 5 percent level of significance, hence hypothesis is accepted and can be concluded that there is non-significant difference in ratios before after merger of ICICI bank. There about, p-values of Deposit per Employee is .048 with t-ratio 2.393which is less than 5 percent level of significance, hypothesis is rejected and concluded that there is significant difference in ratios before after merger of ICICI Bank.

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Table 6. Financial Parameters of State Bank of India Pre and Post -Merger

Ratios	**Group**	**N**	**Mean**	**Std. Deviation**	**t-value**	**p-value**
Current Ratio	Pre	5	.05000	.012247	1.581	.153ns
	Post	5	.04000	.007071		
Quick Ratio	Pre	5	5.74000	.658901	-5.099	.005**
	Post	5	11.13000	2.269901		
Earnings Per Share	Pre	5	100.40800	26.141687	-2.959	.018*
	Post	5	157.39600	34.216749		
Deposit Per Employee	Pre	5	2.53000	.763250	-4.485	.002**
	Post	5	4.91800	.913712		
Credit Per Employee	Pre	5	1.81600	.684054	-4.461	.002**
	Post	5	4.12000	.930376		
Business Per Branch	Pre	5	83.75743	19.462686	-4.277	.003**
	Post	5	136.60435	19.610104		

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Source: Compiled for the Financial Statements of Banks, SPSS Software CMIE PROWESS Software,http://www.moneycontrol.com/stocksmarketsindia,1* and 5** level of significance

Testing the Significance Difference between Pre and Post-Merger Financial Ratio of State Bank of India

Table 6 reveals the average values of mean of pre and post-merger of Quick Ratio(5.74000 and 11.13000), mean value Earnings per Share(100.40800 and 157.39600), mean value of Deposit per Employee(2.53000 and 4.91800), mean value of Credit per Employee(1.81600 and 4.12000),mean value of Business per Employee(83.75743 and 136.60435) Ratios is increased. This performs that the financial parameters increased in the post- merger. The post-merger was raise to be more compared before merger. Though, the mean value of Current Ratio of post-merger was declined .04000 as compared to pre-merger was .05000of State Bank of India. Since the p-values of current ratio is .153 with t-ratio 1.581 which is more than 5 percent level of significance, hence hypothesis is accepted and can be concluded that there is non-significant difference in ratios Before After merger of State Bank of India. While, p -values of Quick ratio is .005 with t-ratio -5.099, Earning per Share of State Bank of India is .018 with t-ratio -2.959, Deposit per Employees .002 with t-ratio -4.485, Credit per Employee is .002 with t-ratio -4.461, and Business per Branch is .003 with t-ratio -4.277 which is less than 5 percent level of significance, hypothesis is rejected and concluded that there is significant difference in ratios before after merger of State Bank of India.

The above analysis concluded that some ratios effect negative relations but most of the ratios effected positive relations increased in financial performance of pre and post-merger selected banks are significant.

FINDINGS

The findings of this study are expected to be of great use affect profitability in a significant way. Thus, more emphasis can be laid on those factors, which are positively associated with profitability, and an effort can be made to constrain the factors which affect profitability in a positive or negative way in the financial performance of banks before and after merger. The

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other aspects like taxation vision, accounting research and valuation of market risks, Human Resources and legal and strategic aspects etc. relates to mergers and acquisitions are avoided.

CONCLUSION

The banking industry is one of the prominent indicators of the health of an economy. Consolidation in the Banking sector is very important in terms of Mergers and Acquisitions for the growing Indian Banking Industry. This can be achieved through cost reduction and increasing revenue. To be concluded that Mergers and Acquisitions of banking sector has vital role and global phenomenon in the world wide. The impact of mergers changes in profitability i.e. Return on Capital Employed, Return on Net Worth, Operating Profit Margin and other financial ratio is compared using the performance of pre-merger and post-mergers for the need of the study to analyse the consolidation of banks. The significance for this research has come from the gap identified in literature review. The motive behind such deals was to capitalize the potential synergy in the after such event period. The study examined the productivity and profitability above fourteen ratios which compare between the pre and post-merger of selected public and private sector bank. The statistical tools analysis the financial pyramid of banks before and after merger and suggested that the financial performance of banks has increased. Based on the analysis of data of ICICI Bank, can be concluded that there is increased in the Gross Profit Margin, Net Profit Margin, Operating Profit Margin, Return on Capital Employed, Return on Net Worth, Interest Coverage Ratio, Return on Equity, Quick Ratio, and Earnings per Share but declined in the Dept-Equity ratio, Current Ratio, Deposit per Employee, Credit per Employee, and Business Per Employee in post-merger period. There is non-significant in respect of Gross Profit Margin, Dept-Equity Ratio, Current Ratio, Quick Ratio, Earnings per Share, Credit per Employee, and Business per Branch as compared to Net Profit Margin, Operating Profit Margin, Return on Capital Employed, Return on Net Worth, Interest Coverage Ratio, Credit Deposit Ratio, and Deposit per Employee there is significant before after merger ratios analysis of ICICI Bank. Based on the analysis of data of State Bank of India, there is increased in Gross Profit Margin, Operating Profit Margin,

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