

**Impact of Mergers and Acquisitionson  
Performance of Banking sector in  
Pakistan**



**Seemab Ali Zergham Khan**

**01-120132-031**

**MBA-7 (A)**

**Department of Management Sciences**

**Bahria University Islamabad Campus**

## **Acknowledgments**

Thanks to Allah almighty, the beneficent and merciful, who really provided me the ability, strength and courage to undertake this uphill task and accomplish it satisfactorily. This study has been achieved by the encouragement, contribution and collaboration of many people to whom I am deeply indebted.

It has been a great privilege to have this thesis supervised by Assistant Professor Finance Sir Ajab Khan Burki, Department of Management science, Bahria University Islamabad Campus. Who provided me with expert guidance and continuous support throughout all stages of the research; my appreciation also goes out to the finance cluster including "Sir Abdullah Hafeez", "Sir Shahzad Butt" because of their valuable input and suggestion throughout this work and also guided me as a student in degree program.

I also pay tributes to my family members; especially I am highly thankful to my Parents especially my Father Muhammad Ali Khan, Brother and Sister whose love, cooperation and encouragement have always been a source of strength to undertake this study and my friends Asif Ali Baig, AnfaalHaider and Fahad Ali Baloch and Group Members because of them it was possible to be done in the given time period.

Finally I would like to thank all who helped me in one way or the other during the ups and downs during this study.

**Dedicated to Mother**

## **Abstract**

This research has been undertaken to evaluate the performance outcomes of mergers and acquisition a study of Pre and Post mergers and acquisition. The primary objective of this research is to study the significant developments in the financial stability of the banking sector of Pakistan. The secondary purpose of this research is to provide detailed information for analysis to the future scholars, stakeholder, bankers, and government authorities. The consolidated review of the financial ratios will help the future researchers to evaluate the longer run changes and developments in the banking sector that resulted as outcome of mergers and acquisition. To examine the influence of M&A deals in Pakistan we have used financial ratios which include investment ratio (EPS and ROI), liquidity ratio (ATD, CTA DTA), profitability ratios (ROA and ROE) and solvency ratio (DR and D/E). After thorough analysis of the research papers published on acquisition and mergers and the above mentioned financial ratios, the researcher concluded that not all the banks have shown positive performance and outcome after the M&A deal the reason for that was the banking organization in Pakistan had failed in analyzing and constructing a feasible financial plan.

The present research relies on the data that is available to public through competition commission of Pakistan, Karachi stock exchange and the annual reports shown by the sample we have selected. This research is based on accounting ratios that will give the insight to the performance. The results of this study may be applied in Pakistan financial sector or in underdeveloped or developing countries. It's useful for banks, investors, stakeholders, bank employees and even for other authorities like Government and big organizations. The mentioned organization above can develop and improve the capabilities they have to effectively solve professional problems they will face. This paper value can be identified easily because of the topic; hence it improves the knowledge about banking sector, M&A impact and

the variance in the performance. It provides the information that every decision maker like management, businessman and stakeholders will need to get things done value ably.

**Key words:** Mergers, Acquisition, Banking Sector Performance, Financial ratios, Pakistan.

## Table of Contents

Acknowledgments.....	2
Abstract .....	3
CHAPTER 1.....	7
1. Introduction.....	7
1.1Mergers and Acquisitions defined.....	9
1.2 Rationales of companies adopting Mergers and Acquisitions.....	10
1.4 Research Question.....	14
1.5 Research Objectives .....	14
1.6 Significance of study.....	14
CHAPTER 2.....	16
LITERATURE REVIEW.....	16
2.1 Theory of Value Increase .....	29
2.2 Theories of value destroying.....	30
CHAPTER 3.....	32
METHODOLOGY.....	32
3.1 Data collection.....	32
3.2 Population and Sample.....	33
3.3 Performance measures.....	37
3.4 Ratios used in research analysis .....	37
3.5 Conceptual Framework.....	38
3.6 Operationalization of variables.....	38
3.6.1 Liquidity.....	38
3.6.2 Profitability.....	38
3.6.3 Investment .....	38
3.6.4 Solvency.....	39
Chapter 4.....	40
Findings and Data Analysis .....	40
4.1 Liquidity Ratios.....	40

4.2 Profitability Ratios.....	42
4.3 Investment ratios.....	44
4.4 Solvency ratios.....	46
4.5 Ratios analysis after M&A.....	48
CHAPTER 5.....	49
CONCLUSION.....	49
5.1 Recommendations.....	50
5.2 Limitations.....	50
5.3 Delimitations.....	51
References.....	52