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## Impact of Merger on Financial Performance of Commercial Banks in Nepal

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### ABSTRACT

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*This study attempts to analyze the effect of merger on financial performance of Nepalese commercial banks before and after merger. It employs both casual comparative and descriptive research design. As a sample there is taken three commercial banks and study is based on secondary data between the periods of 2012/13 - 2023/24 AD. Mean, standard deviation of comparatively pre-post-merger, Pearson correlation and paired sample t-test of before and after merger*

*financial performance is substitutability tested using eight independent variable Return of Assets (ROA), Market per Share (MPS), Non-Performing Loan to total Ratio (NPL), Earning per Share (EPS), Return on equity (ROE), Cash to total deposit ratio (CDR), Net profit margin ratio (NPM), and Capital adequacy ratio (CDR). The analysis of impact of merger on financial performance of sample banks disclose ROA, MPS, NPL, EPS, ROE, NPM are decreased after the merger only CDR, and CAR increased after the merger. The CAR ratio of Siddhartha Banks seems to be significant improved after the merger. The NPM ratio of NIC Asia Banks has significantly decreased after the merger. In the case of Siddhartha Bank Limited it is found poor performance in ROA, ROE, EPS, and NPM after the merger. The study concludes that, merger is not proved as a significant tool to improve the financial performance of banks.*

**Keywords:** Mergers, Commercial Banks, Financial Performance, Ratio Comparison Analysis and t-test

## **INTRODUCTION**

A merger is a business combination in which two or more companies join together to form a single entity. Mergers have become a key part of many corporate business strategies of the organizations, attempting to strengthen and maintain their competitive position in the marketplaces (Shrestha et al., 2017). In addition, a merger is a combination of two corporations where by only one corporation survives and the merged Corporation goes out of business (Adhikari, 2017). Merger is the combination of two or more entities by purchase acquisition whereby the identity of one of the entities remain while the others are being dissolved. The reasons behind the merger transactions are basically gaining market share, competitive advantage, increasing revenues and risk and product diversifications (Fatima & Shehzad, 2014). Merger and acquisitions are widely used for achieving higher market share gaining overall productivity and profitability, expanding branch networks, strengthening their capital base, having cost rationalization, and exercising the economics of scale and manpower efficiency (Sharma, 2018). Gaughan (2010) notes that banks frequently engage in mergers and acquisitions (M&A) as strategic tools to enhance financial performance, achieve economies of scale, and reinforce competitive advantages. In the context of Nepal, commercial banks primarily pursue mergers to improve financial stability and comply with regulatory requirements set by Nepal Rastra Bank (2019). Nepalese banking sector is going through suffering and really tough phase NRB has brought a new merger bylaw have confidence in that it will solution of the entire problem. Bank as financial intermediaries, play a significant role in economic growth, provide funds of investment and keep the cost of capital low (Kour & Kour, 2010). Business combinations generally occur when firms believe that collaboration will allow them to achieve operational efficiencies, lower costs, expand market reach, and enhance competitiveness and financial resilience. The banking sector in the United States experienced an extensive wave of mergers between 1980 and 1998, during which nearly 8,000 bank mergers were completed. The mid- to late-1990s (particularly from 1994 to 1998) witnessed several large-scale mergers, many of which ranked among the most significant in U.S. banking history. Similarly, in Nepal, financial liberalization began in the early 2041 B.S (Shrestha et al., 2017). Acharya (2020) demonstrate that in the post-merger period, the earning per share and net worth per share of commercial banks in Nepal tends to decline. Bipin et al. (2018) highlighted that in the post-merger period, the positive impact towards mergers and provide bank stakeholders. The impact of merger on

Macchapuchhre Bank, NIC Asia Bank, Prabhu Bank and Global Bank limited in Nepal were examined by Bipin et al. (2018). After the mergers in ROE and CD have significant increased, but ROA, NPL, CAR ratio did not significantly change. Kim and Kim (2020) discovered that acquiring companies see positive stock price reactions, with an average abnormal return (AAR) of 0.04 on the announcement date and roughly 0.08 cumulative abnormal returns (CAR) over 20 days after the announcement. While firm size has no discernible effect on shareholder wealth in response to M&A announcements, higher debt ratios are linked to lower CAR. Aggrawal and Singh (2015) found that no significant improvement in company's return on assets, interest coverage, earning per share and divided per share. Adhikari (2024); Sharma (2018) indicated that merger positively impact financial performance in Nepalese banks. Despite the fact that mergers are frequently used as a strategic tool to improve commercial banks' comparatives, operational effectiveness, and financial stability, there is still conflicting and inconclusive empirical data regarding their effect. According to some research, post-merger financial performance improves, particularly in terms of capital adequacy, liquidity, and leverage, suggesting possible operational advantages and synergy. However, other studies reveal that core profitability ratios, like Return on Equity (ROE) and Return on Assets (ROA), May decrease following mergers, and that integration difficulties and inefficiencies may cause short-term declines in loan quality and profitability. Regulators, bank managers, investor, and legislators are uncertain about whether Mergers actually improve financial health. As a result, there is a substantial research gap concerning the degree, direction, and timing of mergers ' effects on important financial performance metrics of commercial banks, particularly in emerging markets where the banking sector is becoming more consolidated but scholarly research is scarce. Therefore, the motive of this study is to complete lack of Nepalese evidence on the impact of merger on the impact of merger on financial performance in commercial banks in Nepal.

One of the major challenges in Nepal's financial market is the presence of a large number of banks with relatively low paid-up capital in relation to the size of the economy. This situation has resulted in excessive and unhealthy competition in deposit mobilization and loan disbursement. Acharya (2020) highlighted that in the post-merger period, the earnings per share and net worth per share of commercial banks.

This study motive to analyze impact mergers among selected Nepalese commercial banks by examining their impact on financial performance and stability. Based on above problem this study focuses on the following issues.

This study makes to attempt to answer research questions such as (i) what is the trend of financial status of commercial banks before and after merger? (ii) Do commercial banks' financial performance enhance after merger?

### **Objectives of the Study**

The motivation of this study is to investigate effect of merger of financial performance of commercial bank. This study aims to fill this gap by examining the financial performance of commercial banks in Nepal before and after activities, the specific objectives of the study were to:

- To determine the trend of financial status of commercial banks before and after merger.
- To analyze the effect of merger on financial performance of commercial bank in Nepal after and before the merger.

### **LITERATURE REVIEW**

Review of literature means to study the concept and a crucial aspect of planning of the study that is developed in the area of same kind of research. This chapter includes the literature of previous studies and conceptual framework for the related studies such as books, journals, websites, research paper and other studies related to identify the impact of merger on financial performance. According to the monopoly theory, mergers are realized in order to achieve a monopoly through increased market power (Njambl, 2018). The theory of efficiency mergers will only occur when they are expected to generate enough realizable synergies to make the deal beneficial to both parties (Njambi, 2018), synergy indicates to a positive situation where  $2+2=5$  (Dertwinkel-Kalk &Wey, 2016). An literature review can be describes as the academic review of previous journals, articles, thesis which focuses on the summarizing and analyzing the findings of research studies.

Adhikari et al. (2023) analysed the effect of merger and acquisitions on the financial performance of commercial banks in Nepal using a Descriptive and casual-comparative. This study used NRB financial stability report and bank audit report of seven commercial banks, engaging 13 financial ratios above three years period before and after merger. Paired t

test has used for analysis. The finding financial performance of commercial banks improved significantly after the merger, as measured by liquidity and leverage ratio but ratio of probability and shareholders wealth show no change. Similarly, bank merger have produced mixed result.

Bajgai and Pradhan (2021) examined an assessment of financial performance and service facility improvement after merger and acquisition of financial institutions of Nepal .using cross-sectional study conducted among the 385 employees of banking sector. This study identified that the financial performance and service quality of both types of banks (category A and B) was significantly difference in post-merger situations. The study found that indicators like EPS, MPS and debt ratio have improved. Adhikari (2023) examined the pre and post-merger financial performance analysis of commercial banks in Nepal. This paper employs a descriptive and casual comparative research design to examine financial performance, involved in six merger banks. Mean standard deviation, paired sample t-test, Pearson correlation, regression analysis using for data analysis. This paper found that positive correlations between pre and post-merger period for EPS, NWPS, CDR, CAR, NPL, ROA, ROE and NPM excluding P/E ratio.

Dhakal (2019) analyzed the impact and challenges of mergers and acquisitions in Nepalese banks using descriptive research and surveys of employees and customers. While post-merger phases showed improvements in shareholder value, positive customer outcomes, and employee satisfaction, challenges such as HR conflicts, BOD formation, IT integration, and procedural issues were identified, emphasizing the importance of socio-cultural and operational considerations during M&A. Patel (2017) analyzed the pre and post-merger financial performance: AN Indian perspective. This paper compares the before and after merger position of selected Indian banks. This study found a negative impact of merger on ROE, ROA, NPM, Yield on advance and yield on investment and, EPS ,profit per employee and business per employee have shown positive trend after the merger.

Kandel (2024) investigated the impact of mergers and acquisitions on the profitability and stability of Nepalese bank; a comparative analysis using quantitative research design. Multiple regressions were applied to determine the relationship between pre and post-merger period. This study found positive and correlation between EPS, ROA and P/E ratio with ROE Fatima and shehzad (2014) examine the analysis of impact of merger and acquisition of financial performance of banks; A case of Pakistan. This study used six financial ratios for

analysis and ten banks are selected for analysis. This study founding only ROE is affected by the merger and acquisitions and other ratio have no impact after the merger.

Shrestha et al. (2017) investigated the impact of mergers on Nepalese banking and financial institutions using six BFIs and 120 respondents. The study revealed deteriorating loan quality and declines in ROA and ROE post-merger, concluding that mergers alone could not resolve institutional challenges without addressing other underlying factors. Joshua (2011) examined the comparative analysis of the impact of merger and acquisitions on financial efficiency of bank in Nigeria. Using convenience judgment sample selection method, data were collected from annual report of the selected sample banks. This study employed t –test statistics and found that post –merger and acquisition period was more significantly improved then the pre-merger period.

Thakur (2021) investigated the effect of amalgamations and acquisitions on the performance of public and private sector banks in India, covering 26 public and 12 private banks. The study used CAMELS scoring and quarterly data from 2015–2019, comparing three years before and after mergers. The findings showed that overall bank performance improved post-merger, with certain factors remaining stable. Market sensitivity played a key role in positive changes, and the study concluded that mergers and acquisitions generally had a favorable impact on bank performance.

## **METHODOLOGY**

This research adopts a descriptive and casual- comparative research design. The population comprises banks and financial institutions authorized by Nepal Rastra bank (NRB) to carry out financial transactional. Secondary data were obtained from merged banks using a convenience sampling technique. Among the twenty commercial banks that experienced mergers, three banks NIC Asia bank limited, Siddhartha bank limited, Prabhu Bank limited were selected as the sample .these banks were chosen to analyze the impact of merger on the financial performance of selected commercial banks in Nepal.

The study has used secondary and panel data between the period of 2012/13-2023/24 A.D. The data were collected from the annual financial statement of sampled bank, which were obtained from websites of respective banks. Different financial ratios of banks were computed

for a six –year period before and compared with the corresponding six-year period after the merger to assess the effects. The event under investigation is the influence of mergers on the financial performance of Nepalese commercial banks over the period from 2012 to 2024 AD.

Financial statement analysis and ratio analysis serve as the primary analytical methods. Descriptive statistical measures, including mean, standard deviation, along with inferential technique such as correlation analysis and t test, are employed to support the analysis. Data processing and interpretation are conducted using software tools such as Microsoft excel and Eviews 12, particularly for managing and analyzing large database.

A descriptive statistic is a summary statistic that quantitatively describes or summarizes features from a collection of information, while descriptive statistics the process of using and analyzing those statistics. Descriptive statistics is distinguished from inferential statistics by its aim to summarize a sample, rather than use the data to learn about the population that the sample of data is thought to represent. Some measures that are commonly used to describe a data set are measures of central tendency and measures of variability or dispersion. Measures of central tendency includes the mean, median and mode, while measures of variability include the standard deviation (or variance), the minimum and maximum values of the variables.

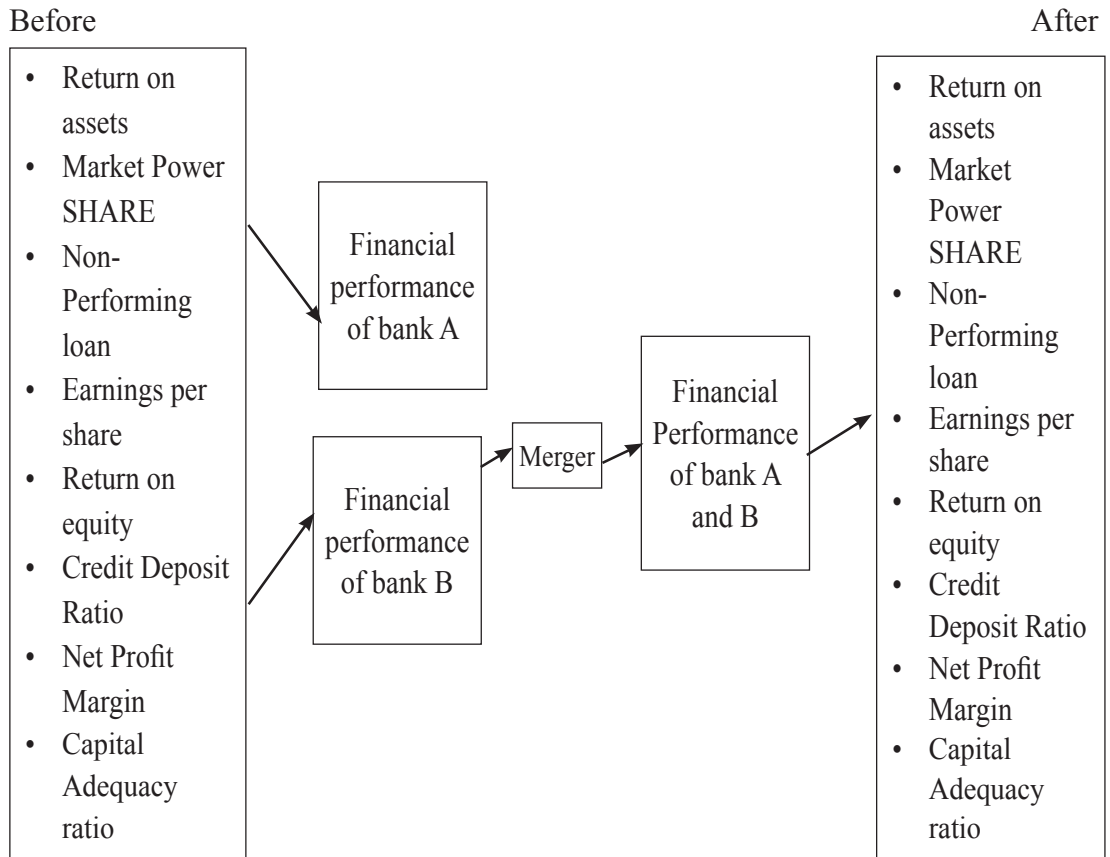
Correlation is a statistical device designed to the measures the degree and association of relationship between two or more variables. It is generally denoted by ‘r’, always lies between  $\pm 1$ . It is a relative measure. It may be noted that correlation analysis is one of the most widely used statistical techniques adopted by applied statisticians. Correlation coefficient analysis measures the positive or negative relationship between the variables. If  $r = +1$ , there is perfect positive correlation between the variable, if  $r = -1$ , there is perfect negative correlation between the variable, if  $r = 0$ , there are no correlation. P value in the correlation is less than 0.05 in that cases the relationship between the variables are significant in a positive or negative way. But if the relationship between the variables are further than 0.05 in that case the correlation between the variables are not significant.

The paired sample t-test can be very effective even when individual show lots of variation from one to another. The comparison of the average of the variables in two panels for

the individual group is anticipated by the paired sample t-test methods. The model determines how the average values differ between the before and after cases and determines whether or not the average deviates from zero. It is a statistical assessment of determining whether two sets of sample are unique. The dependent sample t-test is also well known for determining or not the average value of two dependent groups differs significantly from one another. The research framework shows that the how each independent variable is associated with Merger and financial ratios analysis of the pre-merger and post-merger period of sample banks.

**Figure 1**

*Research Framework*



*Note. Adopted from Shresthe et al. (2017)*

## RESULT AND DISCUSSION

The tables below give the mean, standard deviation, maximum, minimum and comparative mean period of pre- and post-merger. In order to descriptive gives analysis.

**Table 1**

*Descriptive Statistics for the Pre-Merger and Post-Merger Period*

Variables	Pre-Merger (N = 6)		Mean	SD	Post-Merger (N = 6)		Mean	SD
	Min	Max			Min	Max		
ROA (%)	-0.07	1.67	1.11	0.69	0.8	1.09	0.97	0.32
MPS (Rs.)	267	694	490.83	174.2	297	652	409	125.3
NPL (%)	1.71	9.79	4.46	2.98	1.06	3.52	1.96	0.945
EPS (Rs.)	12.32	32.19	23.35	7.87	9.57	26.10	20.66	5.78
ROE (%)	4.09	33.45	17.13	9.78	5.16	16.96	12.38	4.13
CDR (%)	77.06	84.47	81.35	3.06	79.96	89.10	85.36	3.28
NPM (%)	-3.31	36.43	21.27	15.32	10.94	26.35	21.67	13.37
CAR (%)	11.76	12.58	11.76	0.550	11.76	13.08	12.57	0.47

Table 1 show that the descriptive statistics for the pre-merger and post-merger performances. The results indicate that the average mean value of ROA, MPS NPL, EPS, ROE declined after the merger period, although none of this indicator turned negative. In contrast, the mean value of CDR, NPM and CAR increased after the merger. Average means for before and after the merger from 1.11 to 0.97%, Rs. 490.83 to 409, 4.46 to 1.96 %, Rs. 23.35 to 20.66, 17.13 to 12.38%, 81.35 to 85.36, 21.27 to 21.67 and 11.76 to 12.57 for ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR respectively. Also average SD for the before and after the merger are decreased too that are 0.69 to 0.32, 174.2 to 125.3, 2.98 to 0.945, 7.87 to 5.78, 9.78 to 4.13, 3.06 to 3.28, 15.32 to 13.37, and 0.550 to 0.47 for ROA, MPS, NPL, EPS, ROE, CDR, NPM and CAR respectively.

**Table 2**

*Comparative Pre-Post-Merger Performance Analysis of Prabhu Bank*

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	0.2633	0.64	37.67
MPS	283.33	245.83	-13.23
NPL	6.93	3.39	-51.08
EPS	7.12	10.74	50.84
ROE	16.83	7.11	-57.75
CDR	76.09	81.34	6.89
NPM	12.01	12.66	5.41
CAR	10.50	12.08	15.04

Table 2 shows the financial comparative pre-post-performance analysis of Prabhu Bank. The post-merger performance is follow in the decline trend. Only ROA (37.67), EPS (50.84), CDR, (6.89), NPM (5.41), and CAR (15.04) are increased after the merger.

**Table 3**

*Comparative Pre-Post-Merger Performance Analysis of NIC Asia Bank*

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.47	1.08	-39
MPS	616.67	654.67	6.16
NPL	1.316	1.095	-16.79
EPS	29.50	28.98	-1.76
ROE	14.84	16.04	26.19
CDR	83.46	85.6	1.43
NPM	36.67	25.76	-5.83
CAR	13.03	12.84	-1.45

Table 3 represent the comparative pre-post merge performance of NIC Asia bank has a mixed result after the merger only MPS (6.16), ROE (26.19), and CDR (1.43) is increased.

**Table 4**

*Comparative Pre-Post-Merger Performance Analysis of Siddhartha Bank*

Variable	Pre-Merger Mean	Post-Merger Mean	% Change
ROA	1.58	1.21	-0.37
MPS	573.67	326.16	- 44.91
NPL	1.8	1.39	-22.71
EPS	33.46	22.26	-33.47
ROE	17.88	14.01	-21.64
CDR	84.51	89.15	5.49
NPM	19.11	12.96	-32.18
CAR	11.73	12.76	8.78

Table 4 shows the comparative pre-post-merger financial performance of Siddhartha Bank. Siddhartha bank is follow in the decline trend. Only CDR (5.49) and CAR (8.78) is increased.

**Correlation Analysis**

The range of the correlation coefficient is +1 to -1. A perfect positive correlation is represented by a coefficient of +1, whereas a perfect negative correlation is represented by a coefficient of -1. Furthermore, when there is no association between the variables, the correlation coefficient is zero.

**Table 5**

*Correlation Metric for the Pre-Merger*

	ROA	MPS	NPL	EPS	ROE	CDR	NPM	CAR
ROA	1							
MPS	.356*	1						
NPL	-.580**	.471*	1					

EPS	.900**	.640**	-.328*	1				
ROE	-.363*	-.430*	-.236*	-.231*	1			
CDR	.160*	-.458*	-.741**	-.043*	.215*	1		
NPM	.976**	.221*	-.626**	.827**	-.302*	.122*	1	
CAR	.671**	-.088*	-.687**	.365*	-.320*	.625**	.680**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

State those correlation findings are presented for the post-merger period. The ROA is positive correlated with MPS, EPS, CDR, NPM, CAR and negative correlated with NPL and ROE. The MPS is positive correlated with NPL, EPS AND NPM and negative correlated with ROE, CDR and CAR. The NPL is negative correlated with EPS, ROE, CDR, NPM and CAR. The entire variable shows the negative correlation. The EPS is positive correlated with NPM and CAR except ROE and CDR. the ROE shows the positive correlation except NPM and CAR. The CDR is positive correlated with NPM and CAR. The NPM is positive correlated with CAR.

**Table 6**

*Correlation Metric for the Post -Merger*

	ROA	MPS	NPL	EPS	ROE	CDR	NPM	CAR
ROA	1							
MPS	.185*	1						
NPL	-.775**	-.610**	1					
EPS	.911**	.361*	-.857**	1				
ROE	.975**	.350*	-.889**	.957**	1			
CDR	.783**	.483*	-.936**	.912**	.881**	1		
NPM	.588**	.0879*	-.750**	.703**	.666**	.858**	1	
CAR	.525**	.643**	-.897**	.767**	.693**	.853**	.716**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Table 6 shows the correlation between variables. The outcome indicates that ROA is positively and strong correlated with EPS, ROE, CDR, NPM and CAR. This indicates that the profitability shown by the firm positively influences the return on assets, but negatively correlated with NPL. The MPS is positive correlated with EPS, ROE, CDR, NPM, and CAR. This indicates that the profitability shown by the firm positively influences the market per share, but negatively correlated with NPL. The NPL is negative correlated with EPS, ROE, CDR, NPM, and CAR. This indicates that the bad debt shown by the firms positively recover. The EPS is positive correlated with ROE, CDR, NPM and CAR. The ROE is positive correlated with CDR, NPM and CAR, CDR with NPM and CAR shows the positive correlation, NPM and CAR also shown the positive correlation.

**Table 7**  
*Combine Correlation Metric for the Period*

	<u>ROA</u>	<u>MPS</u>	NPL	EPS	ROE	CDR	NPM	CAR
ROA	1.000							
MPS	.329*	1.000						
NPL	-.437*	.358*	1.000					
EPS	.886**	.569**	-.227*	1.000				
ROE	-.09*	-.126*	-.789**	.113*	1.000			
CDR	.204*	-.198*	-.780**	.179*	.114*	1.000		
NPM	.821**	-.157*	-.517**	.756**	.0420*	.399*	1.000	
CAR	.367*	0.477*	-.777**	.246*	-.248*	.826**	.536**	1.000

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Table 7 present that the correlation among the variable, depicted in the model have tested using correlation ROA with MPS, NPL, EPS, ROE, CDR, NPM and CAR. All the variables are correlated with one another, except NPL and ROE, which snow negative relationship. The MPS is positive correlated with NPL, EPS and CAR, but negatively correlated with ROE, CDR and NPM. The Non-performing loan to total ratio has a strong negative correlation with EPS, ROE, CDR, NPM and CAR. The EPS is positive correlated with ROE, CDR, NPM and

CAR. The ROE is positive correlated with CDR and NPM and negative correlated with CAR. The CDR is positive correlated with NPM and CAR. The NPM is positive correlated with CAR.

**Paired Sample T-Test Analysis**

In this section we consider methods for testing of hypotheses for two sample that are dependent, which means that are paired or matched. A paired sample is very effective statistical test to measure whether the intervention is effective or not as it measures the same subject or units before intervention and after intervention.

**Table 8**

*Paired Sample T-Test of Prabhu Bank Before and After Merger*

	Paired Differences						t-value	df	Sig.
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval the Difference					
				Lower	Upper				
Pair 1 ROA.B - ROA.A	0.376	2.529	0.76	-4.72	1.680	0.364	5.00	0.730	
Pair 2 MPS.B - MPS.A	37.50	157.85	46.94	-129.0	246.00	0.581	5.00	0.585	
Pair 3 NPL.B - NPL.A	3.536	4.151	1.694	-0.960	8.850	2.086	5.00	0.091	
Pair 4 EPS.B - EPS.A	-3.62	33.60	13.71	-61.26	25.98	-0.263	4.00	0.802	
Pair 5 ROE.B - ROE.A	9.720	25.63	10.46	-34.76	43.55	0.92	5.00	0.395	
Pair 6 CDR.B - CDR.A	-5.253	6.50	2.65	-13.52	5.48	-1.97	5.00	0.146	
Pair 7 NPM.B - NPM.A	-0.648	60.28	24.60	-97.97	46.91	-0.02	5.00	0.980	
Pair 8 CAR.B - CAR.A	-1.58	1.092	0.44	-2.75	-0.51	-3.54	5.00	0.01*	

Table 8 present the paired sample t-test of Prabhu Bank Limited, including both the before and after mergers. In the comparative study of the bank before and after the merger, The result indicate that the negative change in the value of ROA, MPS,NPL, ROE and EPS,NPM,CDR %CAR increased after the merger.

From the significance level of the 5%, Return on Assets (ROA), Market per Share (MPS), Non –Performing Loan to Total Ratio (NPL), Earning per Share (EPS), Return on equity (ROE), Cash to total Deposit (CDR), and Net profit Margin (NPM) did not show statically significant change after the merger. The statistically significant Capital Adequacy Ratio (CAR) with the p value of 0.01.

**Table 9**

*Paired sample t test of NIC Asia bank before and after merger*

		Paired Differences					t-value	df	Sig.	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval the Difference					
					Lower	Upper				
Pair 2	MPS.B - MPS.A	-38	305.58	124.75	-377	417	-0.30	5.00	0.772	
Pair 3	NPL.B - NPL.A	0.22	1.99	0.815	-3.39	1.86	0.27	5.00	0.796	
Pair 4	EPS.B - EPS.A	0.515	11.31	4.62	-15.38	13.19	0.11	5.00	0.915	
Pair 5	ROE.B - ROE.A	-1.206	6.04	2.46	-8.10	9.71	-0.48	5.00	0.645	
Pair 6	CDR.B - CDR.A	-2.13	4.52	1.84	-6.55	6.60	-1.15	5.00	0.302	
Pair 7	NPM.B - NPM.A	10.9	5.35	2.18	3.36	19.62	4.98	5.00	0.004*	
Pair 8	CAR.B - CAR.A	0.19	0.65	0.73	0.29	-0.94	1.21	0.64	5.00	0.545

Table 9 present the paired sample t-test of NIC Asia Bank Limited, including both the before and after mergers. It has been observed that MPS, ROE, CDR have been increased after the merger. ROA, NPL, EPS, NPM and CAR have been decreased after the merger. From the significance level of the 5%, Return on Assets (ROA), Market per Share (MPS), Non –Performing Loan to Total Ratio (NPL), Earning per Share (EPS), Return on equity (ROE), Cash to total Deposit (CDR), and Capital Adequacy Ratio (CAR) did not show statically significant change after the merger. Analyzing the result, it has been found that the Net Profit Margin (NPM) is significantly decreased tested because the p-value of is 0.004.

**Table 10**

*Paired sample t test of Siddhartha bank before and after merger*

Pair	Variable (B – A)	Mean Difference	Std. Deviation	Std. Error	95% CI Lower	95% CI Upper	t-value	df	Sig.
1	ROA	0.37	0.23	0.097	-0.06	0.59	3.79	5	0.012*
2	MPS	247.5	245.6	100.2	-18.0	556	2.467	5	0.056
3	NPL	0.403	1.10	0.44	-1.08	1.64	0.89	5	0.410
4	EPS	11.19	7.35	3.00	4.12	20.93	3.72	5	0.013*
5	ROE	3.816	3.14	1.28	0.800	9.540	3.01	5	0.029*
6	CDR	-4.63	5.68	2.32	-10.02	3.460	-1.99	5	0.102
7	NPM	6.146	4.62	1.88	-1.09	12.89	3.253	5	0.022*
8	CAR	-1.03	1.08	0.44	-2.26	0.270	-2.319	5	0.068

Table 10 represents the paired t-test result on the financial parameters of the Siddhartha Bank limited. From the comparative analysis of the bank before and after the merger, it is observed ROA, MPS, NPL, EPS, ROE, and NPM are decreased after the merger. Only CDR and CAR are increased after the merger. From the significance level of the T-value at 5% significance level, poor performance in ROA, ROE, EPS, and NPM after the merger is significant in validation with p-value of From ROA = 0.012; EPS; 0.013 ROE = 0.029; NPM = 0.022 and. The poor performance in ROA, MPS, EPS, and NPM in Siddhartha Bank after the merger is significant validation as the effect of merger on financial performance.

## **DISCUSSION**

The study examined the impact of merger on financial performance in commercial banks in Nepal with key variables such as Return on Assets (ROA), Market per Share (MPS), Non-Performing Loan to total Ratio (NPL), Earning per Share (EPS), Return on Equity (ROE), Credit to deposit Ratio (CDR), Net Profit Margin (NPM), and Capital Adequacy Ratio (CAR). The data analysis and explanation were used ratio analysis along with statistical tools incorporate descriptive statistics, correlation analysis, and paired sample t-test. The study analyzed six years of pre-merger and six years of post-merger data, as well as a combined twelve year dataset. Average descriptive statistics, correlations, and t-test results were calculated for individual banks and for combined pre- and post-merger periods. The data analysis was carried out using MS Word, Excel, and Eviews version 12.

Correlation analysis Measure the degree of associated relationships among variables stayed relatively constant after the mergers. To the purpose of the study is to impact of merger on the financial performance of the Nepalese commercial bank. The impact of merger is measured by analysis of ROA, MPS, NPL, EPS, and ROE. CDR, NPM and CAR have been positive outcomes except NPL. The paired sample t-test of Prabhu Banks show that the negative change in the value ROA, MPS, NPL, ROE and EPS, NPM, CDR, CAR increased after the mergers. All the variables did not show statically significant change after the merger. Only CAR is statistically significant after the merger with p value of 0.01. The paired sample t-test of NIC Asia bank show that the decreased in the value ROA, NPL, EPS, ROE, NPM, and CAR and MPS, ROE, CDR increased after the merger. Only NPM significantly decreased after the merger with p value of 0.04. The paired sample t-test of Siddhartha Banks Limited show that the decreased value in ROA, MPS, NPL, EPS, ROE, and NPM. Only CAR and CDR are increased after the merger. . From the significance level of the T-value at 5% significance level, poor performance in ROA, ROE, EPS, and NPM after the merger is significant in validation with p-value of From ROA = 0.012; EPS; 0.013 ROE = 0.029; NPM = 0.022 and. The poor performance in ROA, MPS, EPS, and NPM in Siddhartha Bank after the merger is significant validation as the effect of merger on financial performance.

Following the Merger, the study found increase CDR and CAR, decrease in ROA, MPS, NPL, EPS, ROE and NPM. This study found that mergers have significant impact on CD ratio and CA ratio. This result similar to empirical evidence of Adhikari et al. (2023) and Cornet et al.(2006). This study revealed a decrease in ROA and EPS after the merger. This result similar to (Aggrawal & Singh, 2015; Patel, 2017; Shrestha et al., 2017) examine that return on assets and earning per share have a negative and statistically insignificant relationship with merger. Furthermore, the post-merger decrease in NPL ratio is similar to that of (Adhikari, 2017; Adhikari, 2023). However (Kandel, 2024; Adhikari, 2023) did find a positive relationship between EPS and ROA. Similarly, the Return on Equity (ROE) and Net Profit Margin remained stable. Only a decline in NPL, an increase in CDR, and an increase in CAR have presented a positive outcome following the merger, ROA, MPS, EPS, ROE all are decreased.. The combined average for the year's period also revealed the same outcome, but it was at a satisfactory level, with only positive performance from NPL, CDR, and CRR and only mediocre performance from other variables. Overall, this study found that the mixed result in

the context of the impact of merger on financial performance in commercial banks in Nepal. This specified study support the study of (Dhakal, 2019; Adhikari et al., 2016; Shrestha et al., 2017; Kandel, 2024; Bajgai & Pradhan, 2021; Joshua, 2011 ; Adhikari , 2023) that have mixed result some variable are positive and some variable are negative This particular study support the study of Kim and Kim (2020) as it has mixed result.

## **CONCLUSION AND IMPLICATIONS**

In conclusion, this study found that merger has not led to any significant improvement financial performance of Nepalese commercial banks following the merger. While NIC Asia bank limited experienced notable improvement in profitability following the merger, Prabhu and Siddhartha bank's performance is declining compared to NIC Asia bank. The study concludes by showing that the effect of mergers on banks on performance have been inconsistent. While Siddhartha bank and prabhu bank saw drops in important financial indicators like profitability, liquidity, asset quality, NIC Asia bank demonstrated general improvement profitability and capital strength after the merger. These studies underline the necessity of careful strategic planning and execution by highlighting the difficulties and possible dangers connection with merger. In order is better understood how to achieve successful integration and long-term financial stability, future research should investigate the factor influencing these outcome on financial performance.

This study has shown significant positive result in both pre-merger and post-merger variables, while some variables have shown negative result. Further the unnecessary increase in the number of banks in the financial market has led to unhealthy competition in the market, lack of corporate governance and increase in operating expenses. Finally, this research concludes that merger is very important tools that can reduce the number of banks and improve market efficiency, maintain healthy competition and economic stability that help or enhance the economic and market power of the nation as a whole.

The study has implications for stakeholders and investors as well because better financial results after mergers indicate higher shareholder value and greater trust in the banking industry. Better post-merger performance implies that mergers can strengthen banks' resilience to shocks

to the economy and promote long-term growth. Lastly, the results emphasize the significance of looking at both the immediate and long-term effects of mergers on bank performance for academic and future research. To better understand merger outcomes in the banking industry, future research may expand the analysis by adding non-financial performance metrics, governance considerations, or cross-national comparisons.

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