CHAPTER-4

OBJECTIVES AND HYPOTHESES OF THE CURRENT STUDY

The intention of the current study is to analytically examine and appraise the performance of M&As (merger and acquisitions) of the selected banks during the period of our study starting from FY 2000-01 and ending on FY 2014-15 in view of various parameters. The study has tried to explore and check whether there occur any noteworthy deviations in the outcomes achieved by the selected banks after M&As.

After careful consideration of the significance of the current study, the aims of the current study may be classified into two broad categories:

A. Based on the performance of some selected Indian commercial bank during the year FY 2000-01 to 2014-15:

B. Based on executives (primary) survey on Merger and Acquisitions (M&As) of Indian commercial banks:

4. A: Objectives based on the performance of some selected Indian commercial bank during the year FY 2000-01 to 2014-15:

(I) To measure '**pre-merger**' performance of target bank as well as acquiring bank and '**post-merger**' economic performance of merged banks.

(II) To analyze whether there exists any variation in the **'pre-merger'** and '**post-merger**' economic performance of the sample banks undertaken into our study dividing the study period into pre-merger and post-merger period.

(III) To identify and analyze the factors responsible for growth or declining performance during **after merger** period of selected banks.

In light of the aims of the current study, the following hypotheses may be formulated for testing the noteworthy variance between Pre-and Post-merger financial indicators, which have been depicted below:

H_0 (Null Hypothesis): There is no noteworthy variance between pre-and post-merger financial indicators like Credit -Deposit Ratio, Investment- Deposit Ratio, Priority sector advance as % to total advance, Deposit per employee, Advance per employee, Interest income as a % of total income, Non-interest income as a % of total income, Interest expenses as a % of total expenses, Establishment expenses as a % of total expenses, Other operating expenses as a % of total expenses, Spread as a % to total assets, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Operating profit as % to average working funds, Return on Asset (ROA), Net NPA as % to net advances, Capital Adequacy Ratio [CAR(%)] etc.

H_1 (Alternative Hypothesis): There is noteworthy variance between the pre-and post-merger financial indicators like Credit -Deposit Ratio, Investment- Deposit Ratio, Priority sector advance as % to total advance, Deposit per employee, Advance per employee, Interest income as a % of total income, Non-interest income as a % of total income, Interest expenses as a % of total expenses, Establishment expenses as a % of total expenses, Other operating expenses as a % of total expenses, Spread as a % to Assets, Interest Income as % to average working funds, Non-interest Income as % to average working funds, Operating profit as % to average working funds, Return on Asset (ROA), Net NPA as % to net advances, Capital Adequacy Ratio [CAR(%)] etc.

The following other hypotheses are also taken into consideration:

a) H_0 (Null Hypothesis): Trend in economic performance of merged bank does not exhibit noticeable increase during post- merger period.

   H_1 (Alternative Hypothesis): Trend in economic performance of merged bank exhibits noticeable increase during post- merger period.

b) H_0 (Null Hypothesis): Capital Adequacy Ratio (CAR), Credit -Deposit Ratio (CDR), Spread to Total Assets (STA), Other operating expenses to total expenses (OOETE), Net NPA to net advances (NNPANA), Non-interest income as a % of total income (NIITI) are not significant factors influencing profitability performance (ROA-Return on Assets) in selected mergers of banks in India.

   H_1 (Alternative Hypothesis): Capital Adequacy Ratio (CAR), Credit-Deposit Ratio (CDR), Spread to Total Assets (STA), Other operating expenses to total expenses (OOETE), Net NPA to net advances (NNPANA), Non-interest income as a % of total income (NIITI) are significant factors influencing profitability performance (ROA-Return on Assets) in selected mergers of banks in India.

4. B: Objectives based on executives (primary) survey on Merger and Acquisitions (M&As) of Indian commercial banks:

(I) To identify the non-financial factors (such as inorganic growth, Corporate Governance, shareholders' value, NPA reduction, Size advantage, Financial inclusion, CSR, Customer base, new geographical area, cost advantage, new brand quality, Risk and market perception, HR integration, Technological advantage and Compliances with new legislation) which would affect the Merger decision in Indian banks.

(II) To find out motives and perception of executives based on their self-administered questionnaire (i.e. Survey).