



Stock Price Reactions in the Pre- and Post-Merger and Acquisition Period: An Empirical Investigation of the Indian Banking Sector

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ABSTRACT

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Mergers and acquisitions have come to be an approach used for consolidation in the Indian banking industry. This research paper is entitled “Stock Price Reactions in the Pre- and Post- Mergers and Acquisitions Period: An Empirical Analysis of the Indian Banking Industry” and is intended to explore stock price reactions to M&A activities.

A quantitative research design is employed in the study which uses secondary data from six banking mergers and acquisitions (M&As), namely HDFC Bank-HDFC Ltd, Canara Bank-Syndicate Bank, Bank of Baroda-Vijaya Bank-Dena Bank, Punjab National Bank-Oriental Bank of Commerce-United Bank of India, Union Bank of India-Andhra Bank-Corporation Bank, and Indian Bank-Allahabad Bank. An Event Study approach was utilized in computing the AR, CAR, AAR, and CAAR. Multiple Regression Analysis, Paired Sample t-test, and Pearson Correlation were performed.

The findings revealed a negative reaction to the event, with a mean CAR of -4.83% for the (-1,+1) window period. In addition, day +1 revealed a significant abnormal negative return of -6.41%. Acquisition firm size revealed the strongest positive relationship with CAR, whereas relative deal size had a weak negative relationship with CAR. The regression model had 60.6% explanatory power on CAR, but it was

statistically insignificant. Return on assets (ROA) and return on equity (ROE) increased significantly by 0.632 and 11.001 percent, respectively. In conclusion, the study reveals that it is important to evaluate M&As using market reaction and performance measures.

Keywords

Mergers and Acquisitions, Indian Banking Sector, Stock Price Reaction, Event Study, Abnormal Return, CAR, ROA, ROE, Shareholder Wealth, Financial Performance.



INTRODUCTION

Mergers and Acquisitions (M&A) have been gaining importance as a business strategy in the international banking industry in terms of growth, consolidation, economies of scale, operational efficiencies, and expanding in the market place. Announcements of M&A could affect investor expectations and thus the share price. Literature reveals that the market reaction is not consistent across countries. (Cowan et al 2022) identified positive abnormal return of U.S. bank mergers whereas (Akhtar and Nosheen 2022) observed inconsistent performance of M&A based on fit and deal characteristics.

Banking sector consolidation has been one of the critical events in India, especially the merger of public sector banks in 2020 and the merger of HDFC Bank and HDFC Ltd. Studies from India have shown a combination of negative or mixed responses to these market events. According to (Rai et al. 2021), there were negative abnormal returns surrounding the merger of the public sector banks, while (Dahal and Das 2022) showed significant negative abnormal returns on bank M&A announcements in India.

In recent times, studies have shifted their focus from short-term to long-term impacts on the financials of the company. According to (Hiremath & Kudachimath 2025), there were positive changes in ROA and ROE after mergers of banks in the public sector. Contrarily, (Wang & Tsuyuguchi 2025) noted that CAR and information spillover had taken place in Japan banks' mergers.

Title: " Stock Price Reactions in the Pre- and Post-Merger and Acquisition Period: An Empirical Investigation of the Indian Banking Sector." It was chosen since there is not enough connection established between short-term market reactions and post-merger financial performance in the literature. This research explores short-term and long-term reactions of stock price and analyzes the link between them and financial performance.

Objectives of this study are four-fold: stock price response, determination of affecting variables, analysis of effect of such variables on abnormal return using regression method, and assessment of shareholder wealth and financial performance after merger.

Secondary data, Event Study approach, AR, CAR, AAR, CAAR, descriptive statistics, correlation analysis, multiple regression, ROA, ROE, paired sample t-test, Pearson correlation coefficient are utilized in the research. The expected results include analysis of market response, identification of the factors influencing the company's stock price, comparative analysis of market and company performance and provision of the relevant information to the investors, banks, policymakers, and researchers.

LITERATURE REVIEW

A literature review is an essential part of research as it helps to establish the existing knowledge about the research problem, the techniques utilized by other researchers, the comparison between the results obtained by them and identification of the research gap. In case of the current research, the literature review would be based on mergers and acquisitions in banking industry, stock price reactions, abnormal returns, deal factors and bank specific factors and financial performance after M&A. The literature selected for the current research demonstrates that results of mergers and acquisitions depend on various factors such as the country, type of the merger, acquiring bank and time period.

In terms of international studies, (Cowan, Salotti, and Schenck 2022) analyzed the long-term equity market performance of the U.S. banks engaged in acquiring other failed/distressed banks. Using long-horizon event study methodology, they identified positive long-run abnormal returns without any increased default risk. This literature review is important for the current study, since it shows that long-term effects of a merger and acquisition deal may differ from the short-term reaction to this activity. In their research, (Akhtar and Nosheen 2022) analyzed the effects of bank-fintech acquisitions and identified different performance results depending on strategic fit and characteristics of deals. The results of this research show that M&A is not always associated with creating shareholder value. (Cowan, Salotti & Schenck, 2022; Akhtar & Nosheen, 2022)

As per the Indian scenario, the effect of the announcement made in 2019-20 about the merger of public sector



banks has been studied through the Event Study technique along with the Market Model by (Rai et al., 2021). It has been seen that there is a significant impact of merger announcements on both bidder and target banks. Negative effects have been seen for bidder banks and, similarly, positive followed by negative impacts have been observed for target banks.

In a similar vein, the work by (Dahal and Das 2022) involved a pre- and post-event analysis of M&A announcements in the Indian banking industry through the computation of abnormal returns, cumulative abnormal returns, and buy and hold abnormal returns. The study found that there were significantly negative abnormal returns in relation to M&A announcements and further negative long-run abnormal returns. This means that the M&A announcements reviewed in the study did not create any shareholder value. This is significant in relation to the current research since it involves a similar study design. (Dahal & Das, 2022)

The Event Study method was employed by (Kurmi 2021) to investigate the impact of the 2020 mega bank merger of India on the stock market. As a result of the study, it is evident that there is no necessity of uniformity in investor response to mergers among different banks. Therefore, there is need to evaluate each bank individually. (Kurmi, 2021)

A second notable part of the literature review revolves around the potential influencing variables for the performance of M&As. (Ullah et al. 2023) conducted research to determine the effect of the size of the banks on their performance and stability before and after M&A in GCC countries and Pakistan. The results showed that bank size had an effect on M&A performance and stability, but there was a difference in terms of bank category. (Ullah et al., 2023)

In addition to that, literature emphasizes the significance of transaction characteristics. (Gigante, Galotta and Scarlini 2025) investigated the impact of fintech acquisition on the stock market and observed negative average abnormal returns. The authors used different transaction and firm characteristics to explain CAR, thus proving that analyzing abnormal returns along with different variables is important. (Gigante, Galotta & Scarlini, 2025)

As for the performance of the companies after merger using financial measures, (Arshi 2024) assessed the recent mergers involving public sector banks in India by considering measures such as ROA and ROE. The research period ranged from 2016 to 2022, and the statistical analysis included paired t-tests. The results revealed that the financial performance did not show an equal improvement for all the banks after mergers. (Arshi, 2024)

Some more recent literature comes from Hiremath and (Kudachimath 2025), whose paper looked at the financial performance of Indian public sector banks in the wake of the merger in 2020. The focus of their research was on the four anchor banks and any changes in their financial performance due to consolidation. This literature is relevant to our current study since it helps us set up comparison between stock market reaction and accounting performance.

There are three major patterns evident from the literature. First, Indian studies like (Rai et al. 2021), (Dahal & Das 2022), and (Kurmi 2021) suggest that reactions to the bank merger news on the stock market can be negative or ambiguous. Second, studies such as (Ullah et al. 2023) and (Gigante et al. 2025) suggest that characteristics of banks as well as deals may affect the outcome of the mergers and acquisitions. Third, studies like (Arshi 2024) and (Hiremath & Kudachimath 2025) prove that performance of post-merger banks should be assessed separately from the reaction of the stock market to the merger announcement.

This implies that there is a research gap with respect to the evaluation of the immediate and long-term impacts of stock price changes, variables affecting CAR and the impacts of M&As on the financial performance of the selected Indian banks involved in such M&As. Many studies carried out by other authors are inclined to evaluate stock price impact and financial performance separately. This paper tries to tie these variables together using Event Study Analysis, Factor Analysis, Regression Analysis and ROA and ROE before and after the M&A.

To conclude, the literature contributes to the theoretical and empirical framework of the four objectives of this study. Objective 1 deals with stock price reaction via AR and CAR; Objective 2 covers ownership, relative deal size, method of financing and acquirer size; Objective 3 discusses the relationship between these variables and CAR; while Objective 4 focuses on shareholder wealth and post-merger performance through ROA and ROE.



OBJECTIVES

1. To examine the stock price reaction to merger and acquisition announcements in the banking sector.
2. To identify the key factors influencing stock price reactions to merger and acquisition announcements.
3. To analyse the impact of the identified factors on abnormal stock returns using Event Study on M&A.
4. To evaluate the outcomes of merger and acquisition announcements in terms of shareholder wealth creation and market response.

METHODS AND METHODOLOGY

Research Framework and Type of Research

For the purpose of carrying out the study, a quantitative and analytical approach has been chosen as the methodology for analysing the reaction of stock prices in Indian banks on mergers and acquisitions. For carrying out the analysis, mainly secondary data would be used following a four-objective framework. First, an event study will be carried out to determine the stock price reaction during and after the announcements of mergers and acquisitions. Next, selected variables related to the merger and acquisition and the bank will be analysed to determine the relationship of the same with abnormal stock returns. Lastly, the role of these variables on abnormal stock returns will be analysed using multiple regression analysis.

The sequence for the research is:

M&A announcement -> Abnormal stock return -> Determining factors -> Regression analysis
-> Post merger performance

The event study technique is an effective way of looking into the market reaction to corporate events and has also been used by studies conducted in Indian M&A research. The NSE study in Indian M&A has also employed market model based abnormal returns and event window.

Data Source

Secondary data obtained from various reliable financial, regulatory and corporate sources is used in this research. The daily stock prices of the chosen banks and NIFTY 50 index prices are used for the event study analysis. Stock market information was gathered from sources like NSE India and Investing.com.

Financial data including total assets, net income, shareholder's equity, ROA and ROE were gathered from bank annual reports, RBI DBIE and other financial statements of the companies. The information regarding M&A announcement date, M&A effectiveness date, ownership, structure of merger and way of financing the merger was gathered from various sources like official bank information, merger/scheme information, stock exchange information and government/regulatory bodies. Research literature from NSE India also shows the use of historical stock prices and market index for finding abnormal returns in the Indian M&A studies.

Sample Selection

The population of this study comprises mergers and acquisitions conducted by Indian banks. Purposive sampling method was used to choose six major mergers and acquisitions in the banking sector where data on stock prices and finances is available.

The chosen mergers and acquisitions include:



Table 1: Banks and Announcement Date

No.	M&A Transaction	Announcement Date
1	HDFC Bank – HDFC Ltd	04 April 2022
2	Canara Bank – Syndicate Bank	30 August 2019
3	Bank of Baroda – Vijaya Bank & Dena Bank	17 September 2018
4	PNB – Oriental Bank of Commerce & United Bank	30 August 2019
5	Union Bank – Andhra Bank & Corporation Bank	30 August 2019
6	Indian Bank – Allahabad Bank	30 August 2019

Thus, the final sample consists of **six M&A events involving Indian banks. Methods and Statistical Technique Used for Data Analysis**

Table 2: Methods and Statistical Technique

Objective	Method Variable	Formula / Definition	Statistical Technique / Source
Objective 1: Stock Price Reaction	Event Study	Announcement date = Day 0; Estimation period = -120 to -21; Buffer period = -20 to -8; Event window = -7 to +7; Extended window = 0 to +30	One-sample t-test
	Market Model	$R_{it} = \alpha_i + \beta_i R_{mt} + \epsilon_{it}$	MacKinlay (1997)
	Daily Stock Return	$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$	MacKinlay (1997)
	Abnormal Return (AR)	$AR_{it} = R_{it} - (\hat{\alpha}_i + \hat{\beta}_i R_{mt})$	MacKinlay (1997)
	Cumulative Abnormal Return (CAR)	$CAR(t) = \sum_{i=1}^t AR_{it}$	MacKinlay (1997)
	Average Abnormal Return (AAR)	$AAR = \frac{1}{N} \sum_{i=1}^N AR_{it}$	MacKinlay (1997)



	Cumulative Average Abnormal Return (CAAR)	t 2 $CAAR(t_2) = \sum_{t=1}^{t_2} AAR_t$	MacKinlay (1997)
	CAR Windows	CAR(-1,+1), CAR(-7,+7), CAR(0,+30)	One-sample t-test
Objective 2: Factors Affecting Stock Price Reaction	Dependent Variable	CAR(-1,+1)	Descriptive statistics and Pearson correlation
	Relative Deal Size (RDS)	$RDS = \frac{Target Assets}{Acquirer Assets}$	Descriptive statistics and Pearson correlation
	Acquirer Bank Size (ABS)	$ABS = \ln(Total Assets)$	Descriptive statistics and Pearson correlation
	Ownership	Public = 1; Private = 0	Descriptive analysis
	Financing Method	Based on merger agreement; all six cases used share exchange	Descriptive analysis
Objective 3: Multiple Regression Analysis	Dependent Variable	CAR(-1,+1)	Multiple regression
	Independent Variables	Relative Deal Size and Acquirer Bank Size	R , R^2 , Adjusted R^2 , F , t , β and p -values
	Regression Model	$CAR = \beta_0 + \beta_1 RDS + \beta_2 ABS + \epsilon$	Exploratory analysis
Objective 4: Financial Performance after M&A	Performance Measures	ROA and ROE	Pre- and post-merger comparison
	Change in ROA	$\Delta ROA = Post ROA - Pre ROA$	Paired-sample t-test
	Change in ROE	$\Delta ROE = Post ROE - Pre ROE$	Paired-sample t-test
	Relationship with CAR	CAR(-1,+1) vs. ΔROA and ΔROE	Pearson correlation

Software used: Microsoft Excel for data preparation and event-study calculations, and SPSS for statistical testing, correlation and regression analysis.



Research Hypotheses

Table 3: Research Hypothesis and statement

Objective	Hypothesis	Statement
Objective 1	H01	There is no significant abnormal stock price reaction to M&A announcements in the Indian banking industry.
	H11	There is a significant abnormal stock price reaction to M&A announcements in the Indian banking industry.
Objective 2	H02	There is no significant correlation between relative deal size and CAR.
	H12	There is a significant correlation between relative deal size and CAR.
	H03	There is no significant correlation between acquirer bank size and CAR.
Objective 3	H13	There is a significant correlation between acquirer bank size and CAR.
	H04	Relative deal size and acquirer bank size cannot explain the variations in CAR.
	H14	Relative deal size and acquirer bank size can explain the variations in CAR.
Objective 4	H05	There is no significant difference between pre-merger and post-merger ROA.
	H15	There is a significant difference between pre-merger and post-merger ROA.
	H06	There is no significant difference between pre-merger and post-merger ROE.
	H16	There is a significant difference between pre-merger and post-merger ROE.
	H07	There is no significant relationship between CAR and change in ROA.
	H17	There is a significant relationship between CAR and change in ROA.
	H08	There is no significant relationship between CAR and change in ROE.
	H18	There is a significant relationship between CAR and change in ROE.



RESULTS AND DISCUSSION

Stock price response to M&A announcements

For the analysis of stock price response to the M&A announcements, an event study approach was used. Abnormal returns and cumulative abnormal returns were measured for the chosen Indian banking mergers in various event windows.

Table 4: Bank-wise CAR(-1,+1)

Bank	M&A Transaction	CAR (-1,+1)	Reaction
HDFC Bank	HDFC Bank–HDFC Ltd	6.99%	Positive
Canara Bank	Canara Bank–Syndicate Bank	-8.87%	Negative
Bank of Baroda	Bank of Baroda–Vijaya Bank & Dena Bank	-12.31%	Negative
Punjab National Bank	PNB–OBC & United Bank	-4.71%	Negative
Union Bank of India	Union Bank–Andhra Bank & Corporation Bank	-6.16%	Negative
Indian Bank	Indian Bank–Allahabad Bank	-3.94%	Negative
Mean		-4.83%	Negative

The findings indicate that five out of six chosen banks had negative cumulative abnormal returns in the immediate event window (-1, +1). HDFC Bank was the only one which had a positive CAR of 6.99%. Bank of Baroda had the highest negative CAR of -12.31%, while Canara Bank had -8.87%. The average CAR for the six transactions was -4.83%.

Table 5: Mean CAR Across Different Event Windows

Event Window	Mean CAR	p-value	Statistical Result
(-1,+1)	-4.83%	0.1305	Not significant
(-3,+3)	-5.79%	0.1092	Not significant
(-7,+7)	-3.74%	0.2141	Not significant
(0,+7)	-4.59%	0.0947	Not significant
(0,+30)	-15.98%	0.1455	Not significant

The average CAR was negative in all the event windows analyzed. The highest negative cumulative reaction was



noted in the extended post-event announcement period (0, +30) where the mean CAR was -15.98%. Yet no event window yielded a significant mean CAR at 5% level of significance. In the primary event window (-1, +1) the mean CAR was -4.83% with p-value of 0.1305.

Abnormal return results for each day provide more insights regarding timing of the market reaction.

Table 6: Average Abnormal Return Around the Announcement

Event Day	AAR	p-value	Result
0	1.67%	0.3623	Not significant
+1	-6.41%	0.0110	Significant
+2	-1.37%	0.3896	Not significant
+6	2.21%	0.0472	Significant

On the day of the announcement, the abnormal return was positive (1.67%), although statistically insignificant. The first significant negative abnormal return occurred on Day +1 (AAR = -6.41%, $p = 0.0110$). On Day +2, abnormal return was negative but statistically insignificant. A significant positive AAR occurred on Day +6 (2.21%).

It is clear from above that the market reaction occurred on specific trading days during the event period and not throughout the event period. A negative reaction on the day following the announcement can be interpreted as an initial cautious investor reaction to the merger announcements, followed by a recovery.

It is also in line with previous researches which found mixed and negative abnormal price reactions to merger announcements in Indian banks.

Factors Affecting Stock Price Response

The connection between selected merger attributes and the short-term abnormal returns was studied by means of descriptive analysis and Pearson correlation. The following factors were considered: ownership structure, relative size of the deal, financing approach, and size of the acquiring bank.

Table 7: Relationship Between Selected Factors and CAR

Factor	Result	Correlation Value	p-value	Interpretation
Relative Deal Size	Negative relationship	-0.118	0.823	Not significant
Acquirer Bank Size	Positive relationship	0.672	0.143	Not significant
Ownership Type	Public: -7.20%; Private: +6.99%	—	—	Descriptive
Financing Method	Share exchange	100%	—	No variation



Relative deal size had a very weak negative relationship with CAR ($r = -0.118$). With a p-value of 0.823, it can be said that the relationship between the two was not statistically significant. Thus, the relative size of the transaction could not be considered a meaningful linear predictor of CAR in the selected sample.

Acquirer bank size was positively correlated with CAR ($r = 0.672$), which means that larger acquirers had relatively higher CAR values. However, the relationship was not statistically significant ($p = 0.143$).

In comparing the ownerships, it was found that the five transactions carried out in the public sector had an average CAR value of -7.20% while the single transaction carried out by HDFC Bank in the private sector had a CAR of 6.99%. Given that there was only one private sector transaction observed, this difference can be considered only descriptive and not statistically generalizable.

All six transactions involved financing via share exchange. Thus, since there was no variation in the type of financing, it was not possible to statistically test its relationship with CAR.

The findings thus suggest that acquirer bank size had the strongest observed relationship with CAR among all quantitative factors tested. The limited sample size of six deals places additional constraints on how broadly these associations can be generalized.

Determinants of Abnormal Stock Returns

A multiple linear regression model was applied to test the effect of relative deal size and bank size on CAR(-1,+1).

Table 8: Regression Model Summary

Measure	Value
R	0.778
R²	0.606
Adjusted R²	0.343
F-statistic	2.306
p-value	0.247

From the model, the R value obtained was 0.778 and R² was 0.606, which means that the explanatory variables accounted for 60.6% of the variation in CAR observed in the sample. The adjusted R² was 0.343 due to the small number of observations in the sample.

The regression model is not statistically significant since the F-statistic value is 2.306 and the p-value is 0.247. This implies that the explanatory variables are not statistically significant with CAR.

Table 9: Regression Coefficients

Predictor	B	Beta	t-value	p-value
Relative Deal Size	0.162	0.504	1.082	0.359
Acquirer Bank Size	0.104	0.990	2.123	0.124



Constant	-1.542	—	-2.155	0.120
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Both independent variables had a positive regression coefficient. Relative deal size had a coefficient of 0.162, while the acquirer bank size had a coefficient of 0.104. However, it is important to note that the acquirer bank size had the larger standardized beta coefficient of 0.990.

Nevertheless, the two independent variables, namely relative deal size and acquirer bank size, were not statistically significant with the p-values being 0.359 and 0.124 respectively. Therefore, the regression model does not offer enough evidence on the contribution of either of these variables to short-term CAR.

In addition, caution should be taken when interpreting the high value of R^2 since the analysis is conducted on only six data points.

Post-Merger Financial Performance and Market Reaction

Post-merger financial performance was assessed based on changes in Return on Assets (ROA) and Return on Equity (ROE). Paired sample t-test was used for comparison of the two periods. After this, Pearson correlation test was used to analyze the association between short-term CAR and changes in ROA and ROE.

Table 10: Pre-Merger and Post-Merger Financial Performance

Measure	Pre-Merger	Post-Merger	Change	t-value	p-value
ROA	-0.475%	0.627%	+0.632 pp	-3.005	0.030
ROE	-3.075%	7.925%	+11.001 pp	-3.041	0.029

Both of the profit metrics saw improvement following the mergers. Return on Assets (ROA) was increased by -0.475% pre-merger to 0.627% post-merger, which is a positive increase of 0.632 percentage points. Return on Equity (ROE), similarly, was raised from -3.075% to 7.925%, or 11.001 percentage points.

The test statistics for paired sample t-test reveal that both ROA and ROE have changed significantly at 5% level, with p-values being 0.030 and 0.029, respectively.

Table 11: Relationship Between CAR and Changes in Financial Performance

Relationship	Pearson r	p-value	Result
CAR vs. ΔROA	-0.587	0.220	Not significant
CAR vs. ΔROE	-0.535	0.274	Not significant

Both relationships were found to be negative; however, they were insignificant from a statistical standpoint. The correlation between CAR and the change in ROA is -0.587 and -0.535 for CAR and the change in ROE. The p-values are 0.220 and 0.274, respectively.

Therefore, the conclusion is that there is no significant connection between the positive change in accounting performance after the mergers and the initial market reaction. In other words, there is no significant connection between the market reaction during the announcement period and subsequent changes in accounting profitability within the chosen sample.

However, it can be argued that short-term reaction of investors is based on their expectations and information



obtained at that time, while accounting performance relies on the outcomes achieved over a period of time. However, due to the small sample size, this conclusion is exploratory.

FINDINGS

The results indicated that the selected M&A announcements were associated with a mostly negative short-term reaction of stock prices. Five out of the six banks had a negative CAR(-1,+1), whereas HDFC Bank had a positive CAR of 6.99%. The average value of CAR(-1,+1) was -4.83%, but it was not statistically significant at 5%. In the daily analysis, a statistically significant negative abnormal return on Day +1 was found (AAR = -6.41% ($p = 0.011$)), followed by a statistically significant positive abnormal return on Day +6.

The factor analysis indicated that the size of the acquirer bank had the highest observed positive correlation with CAR ($r = 0.672$), but the relationship was statistically insignificant. The relative deal size had a very weak negative correlation with CAR ($r = -0.118$, $p = 0.823$). A descriptive difference was observed among the different ownership types in terms of CAR, where public sector mergers had a mean CAR of -7.20%, compared to 6.99% for the one private-sector merger. Since all of the six transactions have exchange feature, comparison of financing method statistically was not possible. The regression model explained 60.6% of the variance in CAR, while overall the model statistically was not significant ($p = 0.247$).

Post-merger financial performance was statistically improved. ROA moved from -0.475% to 0.627%, while ROE grew from -3.075% to 7.925%. But changes in financial performance were statistically unrelated to the reaction of stock price. There was a negative correlation

between CAR and Δ ROA ($r = -0.587$), and CAR and Δ ROE ($r = -0.535$). Generally speaking, there is a tendency of significant improvement in accounting-based profitability in the

analyzed mergers; short-term stock reaction and post-merger changes in financial performance are statistically unrelated.

LIMITATIONS OF THE STUDY

Some limitations associated with the study are: first, the study is based on only six cases of M&A which reduce the statistical strength and generalization of findings. The study is done on Indian banking sector and all six mergers considered in the analysis are of same share exchanges type. There are unbalanced observations regarding ownership type, there is only one observation of private sector among six. The regression results of the study can therefore be taken as preliminary. Apart from this, some other factors related to economy and companies may also have an impact on the stock price of the company during the period of announcement.

FUTURE RESEARCH

The future research can expand the study through a wider coverage of banking mergers for a longer period of time and taking into account mergers between banks in the public sector as well as the private sector. The comparative studies can be done regarding the differences in reactions and performance of banking M&As in India and other countries.

In addition to the above-mentioned factors, some additional factors can also be considered for the future study like NPA, EPS, capital adequacy ratio, NIM, deal premium, profitability and leverage.

CONCLUSION

The research analyzed market responses and post-merger performance of six selected Indian banking M&A deals using Event Study, correlation, regression and paired t-test analysis. It was revealed that short-term market response was predominantly negative with the mean CAR (-1,+1) value of -4.83% but overall CAR value was not statistically significant. Neither relative deal size nor size of the acquiring bank were statistically significant determinants of CAR value while regression model accounted for 60.6% variability of CAR. On the other hand, accounting performance in terms of ROA and ROE showed significant improvement after merger suggesting good accounting performance. At the same time there was no significant correlation between ROA/ROE value and CAR. All in all, the conclusion is that market reaction and post-merger performance can be different, which is the distinction between investor perception and financial performance of a firm. Indian recent studies on bank mergers



confirm this result.

FUTURE IMPLICATIONS

Implications of the Results to the Investors are that short-run stock prices do not reflect future financial performance of the merging firms. Thus, for the investors and the analysts to be able to make an informed judgment about the outcomes of the mergers, they should look at both market and accounting performances of the mergers such as CAR, ROA, and ROE.

From the perspective of the banks and the policymakers, it is clear from the research that it is necessary to judge the mergers by looking at more performance metrics than just market reaction in the announcement period.