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Mian Saqib Mehmood

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For paper submission and information please contact
Ms. Ayesha Zaidi
Ph: +92-336-4172691
aysuha.zaidi@superior.edu.pk
conference@superior.edu.pk

Ms. Afshar Hamood
Ph: +92-333-349085
afshar.hamood@superior.edu.pk
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Mian Saqib Mehmood\textsuperscript{a}, Asif Mehmood\textsuperscript{b}
\textsuperscript{a,b} Superior University, Lahore, Pakistan

Abstract

Purpose- Merger and acquisition (M&A) has become a very common activity in developing countries with a motive that it will generate synergy and profit maximization. However, the core aim of this study is to analyze the effect of M&A on the efficiency of banks in Pakistani context.

Design/Methodology/Approach- For the accomplishment of the purpose of this study, four cases of M&A of banks brings under consideration over the period 2005-2010 and the accounting ratios are used to analyze the performance and efficiency of banks before and after their M&A. In spite of some limitations, accounting ratios are considered as the most reliable analytical tool to check the efficiency and to do the financial decisions.

Findings- After the ratio analysis of audited financial statements of the selected banks, it is concluded that the M&A of banks fails to improve their efficiency and performance because the picture of post merger ratio analysis reveals the results which are against its happening.

Research Implications/Limitations- This study put its whole emphasis on the effect of M&A on the efficiency of banks but didn’t highlight the issue that why do banks merge in Pakistan. This is a limitation as well as a recommendation for further study.

Practical Implications- The bottom line of this research shows that management cannot take it for granted that synergy can be achieved and profits can be increased simply through M&A. Overall, this research sets a panacea tool and precedence for evaluation of M&A that might be used for evaluation of this kind of activity in future.

Originality/ Value- It is a comprehensive and detailed research which includes all the major cases of M&A in Pakistan that occurred between the period of 2005-2010. However, it provides more in-depth analysis and better impending about M&A which differentiate it from other researches.

Key Words: Merger and Acquisition (M&A), Banking Sector, Ratio Analysis, Efficiency, Pakistan.