

“Impact of Merger & Acquisition” Ex-ante and Ex-post-Performance of Pakistani firms

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Abstract:

The research in this study looks at the Mergers and Acquisitions (M&A) and highlight insight about the performance impact of both financial and non-financial firms in Pakistan by using three financial ratios of Sixteen M&A in different industries have been observed from 2006-2013 reported on Karachi Stock Exchange (KSE). For quantitative techniques, SPSS 18 and data average method was used for analysis. Annual published reports of acquiring firms for the period of six years (3 years before M&A and 3 years after) combine have been used. While the acquired or merged small firms have been excluded due to the un-availability of data concern. The study concludes that all the hypotheses of the financial performance of firms' have been rejected and identified declining in post-M&A performance ratios. Result shows there is significant negative decline in ROA and ROE but some significant positive improvement is shown in NPM and size of firms after combination while increase in mean of both size and inflation rate has an significant negative effect on firms ROA and ROE ratios declined post M&A period. Over all result reveals the significant negative effect of M&A on the efficiency of firms in the post-M&A period. It can be said that better performance after M&A is not mandatory.

Keywords: Mergers, Acquisitions, Financial Performance

Introduction:

In the course of the most recent three decades, Mergers and Acquisition (M&A) have been seriously utilized by corporate entities like a key apparatus to the Industrial rebuilding. Prior, this combination tendency was confined to the created nations especially the US and the UK, since at that point developing nations received to pursue a similar pattern. The development of the example can be assessed from the truth that in the US simply the most recent decade of the twentieth century saw a triple extension in the figure of Mergers and Acquisitions (M &A) While a fivefold development has been proclaimed regarding growth (Coopland, 2012).

In this fast changing business era, unexpected complex situations have to be faced by the firms due to day to day increasing competition, technological advancement, global economic downfall, stock market sensitivity and increasing volatility in interest rate caused trouble for the firms to give superior outcomes. Firms around the globe due to these complexities restructuring business operations, assets and contractual affiliations to the stockholders, creditors and other stakeholders. Many firms nowadays rebuild their competitive advantage through which can compete more rapidly and cope with unprecedented market challenges and opportunities. Growth opportunities can be availed in different forms, competitive advantages and resources might be wasted if the firm does not react on time. Nowadays an exceptional example for growth is M&A offering unexpected opportunities for firms in different sectors to grow and add value to stockholder wealth.

In this competitive edge different M&A are seen in different industries, if we take a look apart from the financial issues, there are some issues which ought to be examined like when merger takes place one company has to dilute itself into another company, since it is thought this is not only transfer of both assets and liabilities but lives of each employee are too affiliated with it, therefore, most firms are consolidating their position to raise higher their paid-up capital, is the portion of firm's capital funded by its shareholders (Kouser & Saba, 2011) at the starting the first trend of mergers and acquisition raised from 1897 to 1904, where the merger mean the combinations of two or more business to be converted in one big firm and acquisition suggest the takeover or following up same objectives.

The motive of the merger is to get the better performance of weaker firms in the three methods; initially for picking up the stockholders worth and effectiveness, thereafter managing the personal control, lastly through developing sound monetary condition of weak firms. nevertheless, combination would access the payback of economies, while increasing synergy that implies an relationship of some firms and provide the the combination of their individual effect that dual effect impact more than the sum of their separate effect and bring down the costs (Prompitak, 2009)(Sinah & Kaushik, 2010). Large size of evidential investigation has been observed regarding the issue of M&A for its outcomes across the globe while about Pakistan, small numbers of researchers have studied this matter (Arshad, 2012; Kemal, 2011)(Altunbas & Marques, 2007)(Badreldin & Kalhoefer, 2009).

The occasion of the primary merger uncovered during the year 2002 in Pakistan, and this pattern step by step got a prominent spot and is yet conveyed on. Now in this time, the company's merger happens when one want to appreciate a restraining infrastructure on their creation lines like railroads, power, and so on (Arshad, 2012),(Kemal, 2011). Across Pakistan, startling degree of M&A has one of the most remarkable changes influencing the both budgetary and non-monetary parts throughout the most recent decade, while Combinations of money related organizations particularly Banks in Pakistan have been quickened by Basel Accord (Arshad, 2012). Because of the development of these rebuilding, money related associations started merger and procurement to satisfy administrative commitment dispensed by SBP. few banks, those were not liable to satisfy the administrative commitments, got mergers and acquisitions a gadget to help their reality.

Motive of Basel execution was to capital requirement as according to and in deal with unprojectable indefensible losses. Pakistani banks through this accord have been promulgated eto two capital obligation ; the primary one is documented as a lowest capital prerequisite while second is considered as capital adequacy ratio (CAR).there should be administrated the demarcation for survival through eacc bank in Pakistan , otherwise their authorization will be lost. Further, it is recommended through SBP to each weaker banks to join with the profitable strong bank for managing capital demand. "The MCR inadequacy almost 6 bln during 2009 , 10 bln by 2010 and 15 billion during 2011".

The examination on the effect of mergers about the presentation of firms in Pakistan has for the most part focused on a smaller no: of firms as (Ullah, Ullah, && Usman, 2010) reviewed two combining occasions of "Faysal speculation bank ltd and Atlas venture bank through differentiating four years pre and post-merger execution". Three components; gainfulness, capital ampleness and dissolvability was considered to assess monetary level. T-test exhibits that there was an inconsequential development in benefit where capital ampleness and dissolvability improved essentially. After mergers, the two banks were in improved situation because of advancement intechnology, organization, and advanced the limit of the banks to repay back their long haul liabilities.

Research have been done on post-merger execution of firms in Pakistan to examine the productivity in term of proportion investigation of Return on equity (ROE), Return on Assets (ROA) and Return on dcapital ependent on various free factors like capital structure/capital Adequacy, working effectiveness, liquidity hazard, debt use, size, however the analyst still needs to recognize different components which decide pre and post merger exhibitions of various firms working in Pakistan (Haider, Shoaib, and Kanwal, 2015) as indicated by his discoveries in his exploration results provide clear future research guidance and proposed further research can proceed on a similar issue by utilizing longer time length and considering distinctive other imperative components like inflation, market size, rules and regulation, corporate duties, etc. Therefore, it very well may be said, this structures an establishment for doing research on the subject of mergers in various businesses of Pakistan.

This research considers the both monetary and non-budgetary firms in Pakistan recorded on the KSE and is important to policy builders for justify their choice and for the firms to audit their result level after mergers.

Research Questions:

The Common purpose is to assess the post-merger performance of Pakistani firms . Where ever the specific purposes are:

1. What is the effect of the merger on return on assets of Pakistani firms?
2. To What extent the effects of the merger on return on equity of Pakistani firms?
3. How far is the effect of the merger on the net profit margin of Pakistani firms?
4. What is the effect of inflation on merger and acquisition of Pakistani firms?
5. what is the effect of size on merger and acquisition of Pakistani firms?

Literature Review:

Various analysts announced, checked and proposed test approvals about mergers and acquisitions (M&A) for the last many decades. Those investigation have confirmed the monetary impact of merger and procurement through their before and after-performance of industry, stockholders and firms themselves. In expansion, prescribed different strategies for looking at and accomplishing the achievements from mergers and those suggestions have positive impact about present moment to long haul both. Therefore, the reason for this part is to analyze various investigations from around the globe about the effect of mergers and acquisitions on the financial related execution of firms in various segments of economies.

For benefiting the business advancement and consistency, the both overall business terms merger and obtaining (M&A) are perceived, where by blends of at least two business or more to be changed over in one major firm and procurement propose the takeover or following up same targets by gaining cost benefit through economies of scale for the reason to improve and differentiating the quantity of business activities for better execution (Amedu, 2004; Bello, 2004; Kathy, 2005).

Numerous scientists finished up the advancement in execution attributable to mergers. Al-Sharkas, M.K, and S, (2008) applied the techniques for "Stochastic Frontier Analysis (SFA) and Data Envelopment Analysis (DEA)" to investigate the impact of mergers over expense and pay proficiency about US Financial industry, result remarks the fact of development in both types of performances about the mergers. (Berger & Humphery, 1997) Investigated the performance impact of mergers keeping in view of 57 mergers of financial sectors. They applied the efficiency measures of "X-efficiency rank and total efficiency rank". The research suggested that performance achievement might be produced provided that a more effective firm takes control over the less performed firm, or else there may not be an enhancement in the performance having merged.

Research analyzed already about share market exchange however now the inclination is moving from occasion figuring out to learn the Organizational methodology. In spite of the fact that learn about the corporate gain was intricate close to event attributable to the assemblage of information and structure of appropriate factors, yet numerous scientists have practiced this propensity to examine the right results (Altunbas and Marques, 2007; Badreldin and Kalhoefer, 2009; Kemal, 2011; Arshad, 2012).

Fadzlan, (2004) examined performances of ten conventional (commercial) banks were evaluated during the time phase of 1998-2003 and used the frontier approach of facts data envelopment analysis (DEA). Deposit, capital, and labor were considered as three input while investment, entire liabilities and dealing securities were deemed as output. After analysis, it was the fact that approximately 96% throughout the post-merger performance availed by Malaysian banks.

Likewise, Koetter, (2005) the stochastic wilderness examination (SFA) was used to assess the combination of German wave and finished up the unrivaled productivity of corporative banks next to sparing banks. Pazarskis, Vogiatzogloy, Christodoulou, and Drogalas, (2006) researched clashing result at the hour of examination on the wave of Greece's mergers. Post-union situation of fifty Greece firms recorded on Athens stock trade (ASE) for the period of 1998 to 2002 was contrasted. Three pre and post-combination years were incorporated and the time of the consolidating occasion was rejected to verify the results. Pyramid Approach and approach by survey watched a descending in working effectiveness after blends.

In addition thought about that Europeans solidification more often has the advantage of positive results attributable to their well-settled economy. As per Altunbas and Marques, (2007), progress improved about 2.5% and 1.2 % by other countries ycombination and home mergers . Results called attention to that in the state of home mergers, distinctive capital structure, and lesser objective size improved of firm'sefficiency and the other way around in term of foreign mergers. As well Indian money related associations empowered idealistic post-merger results (Sinah and Kaushik, 2010), by dissected seventeen associations forward period of 2000 to 2008 through applying non-parametric methodology of Wilcoxon-Signed-Rank Test. Four determinants as "gainfulness, liquidity,solvency, and profitability" were considered to evaluate the effectiveness and exhibited a considerable relationship of proficiency with mergers and acquisitions.As a correlation, wave of Egyptian mergers was not as beneficial in U.S", U.K and India while Egypt inferable from new in the division of banking upgrades (Badreldin and Kalhoefer, 2009).

Close to, Abdul-Rehman and Ayorinde, (2013) reviewed the association of mergers and its effectiveness of Nigerian firms. They exhibited merger through key choices, similar to, "credit chance, liquidity risk,asset profile, capital structure and working proficiency. Profit for assets, return by equity and net revenue considered as productivity indicators.The aftereffect of various relapse investigation saw positive association of execution to mergers and prescribed that mergers must be executed to improve the proficiency of banks.

The examinations on the effect of mergers over the effectiveness of various firms in Pakistan have for the most part viewed as a few of firms. According LikeUllah, Ullah,& Usman, (2010) analyzed two uniting events of Faysal investment bank ltd and Atlas investment bank through differentiating four years earlier and post-merger efficiency.Three components; "gainfulness, capital sufficiency and dissolvability were examined and "considered assessing monetary execution. T-test exhibited an irrelevant improvement in benefit where capital sufficiency and dissolvability showed signs of improvement altogether. Later than mergers the two banks were in improved position attributable to advance in innovation, the board, and expanding ability of the banks to return back their long haul obligation.

In the ongoing occasions, Kemal, (2011) reviewed the ex - post execution of one combining firms by applying twenty proportions during the period of 2006-2009. He analyzed the post-merger proficiency of Royal Bank of Scotland after it joined with ABN AMRO. "Gainfulness, liquidity, use of debt, assets allocations and money flow"considered like execution determinants. He examined that disappointment uncovered having mergers. No test was applied to legitimize these results. Similarly, no model practiced to legitimize the post-merger execution while research of SCB (Arshad, 2012)she investigated one bank's post-merger productivity having converged with Union bank. "Benefit, liquidity and capital proportion were practiced to decide execution". The pre-merger time span was 2004-2006 and post-merger timeframe was 2007-2009. The impacts of eleven proportions saw a tendency in post-merger execution, furthermore, it has been seen by various scientists (Altunbas and Marques, 2007:Kemal,2011:Arshad, 2012 and Ullah, Ullah, and Usman, 2010) upheld the truth that mergers have a critical impact about execution of firms and different viewpoints i.e." liquidity, influence, capital ampleness and size impact the efficiency".further more most of concentrates practiced accounting focused relative research technique as an option of occasion studies impact.

Obaid-ullah, Sabeeh-ullah, and Usman, (2010) analyzed the impact of mergers about the money related adequacy of two budgetary firms of Pakistan. Three budgetary occasions were used;"capital sufficiency, dissolvability, gainfulness and acquiring", and was accounted for in connection to Faysal bank restricted ordinary advancement was uncovered during the post-merger time period.Financial execution of the both chose banks advanced subsequent to combining was accounted for. Scientists commented that merger and procurement is a superior way to deal with upgrade the productivity of the organizations. Blends of business increment the monetary dissolvability attributable to better focus than business, better administration, improved credit assessment, and uncomplicated way into the new and unreasonably expensive innovation.

Study of variables:

In this examination the following free factors are utilized to answer the targets those have been referenced in early on segment, two points of view of benefit are considered, from the outset, impacts of merger is engaged for assessing the exhibition of both pre and post M&A and later on fix impact is considered for exploring the money related performance of ex and ex-post M&A on the sign of gainfulness like Return on Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM) for the period of 2004-2014. The M&A is complex and difficult process either it is a non banking financial corporation or a bank, concerned in it, despite there are more chances to be benefited and various decisions to exercise like creating new departments and team (Goyal & Joshi, 2012). Therefore, the first hypothesis is made as bellow,

H1: Merger has the positive effects on ex-post performance of firms in Pakistan.

Return on assets:

Profit for resources gives concept that how effectively the executives of firms using their advantages for produce income during the times pan of M&A and furthermore alluded to as rate of return and spoke to as rate figuring firms yearly salary separating by its all out resources. According Literature review ,the research done by (Abdul-Rehman & Ayorinde, 2013), on merger of Nigerian firms using different ratios like Profitability ratio, liquidity and credit risk, asset profile, capital structure and operating efficiency after result of many regression analysis predicts and recommended positive relation between firms performance and merger.

H2: Merger has a positive effect on return on assets of firms.

Return on equity:

Profit for equity determines the capacity of firms to deliver benefit from its investors interest in the organizations and is a analysis of productivity proportions that decides how much benefit of basic investors produce on its every dollar of value. According Prompitak , Sinah & Kaushik, (2009-2010) merger offers combines influence lager than the amount of separate effects and getting benefit of economies. Literature reviews shows the aim of merger is to make sound of weaker firms through three ways: Firstly make better of shareholders value, secondly personal dominance and by thirdly get better of weaker firms financial positions.

H3: Merger has positive effect on return on equity of firms.

Net profit margin:

Overall revenue demonstrates of exchanging firms those create wealth and is the level of pay subsequent to deducting after all working expenses, interest, charges and profit of favored stock however not profit of normal stock. Overall revenue is change by industry while different components stay equivalent, in certain conditions organizations, especially retailers are perceived to their minimal effort and improved volume approach yet may diminish edge at low costs. Different researchers like (Altunbas & Marques, 2007; Kemal, 2011; Arshad, 12 and Ullah, et al., 2010) advocated the reality that mergers have a positive influence on profitability of firms while different elements such that capital adequacy, size, liquidity and leverage, effect this performance .

H4: Merger has positive effects on net profit margin of firms.

Inflation:

Inflation anticipation has significant effects on interest rates because the creditors expect the more nominal rate of interest to reap the real rate of interest having balanced anticipated decline in value of money affected due to inflation. Whereas study also identifies the choice of capital structure of firms also influence due to the tax rate and inflation because in the developing world short-term loan is major means of leverage.(Booth, Demirguc-kunt, & Maksimovic, 2001).In developing countries like Pakistan, any fluctuations in inflation rapidly alters the

cost of debt. Looking at this inflationary stress State Bank of Pakistan (SBP) regulates discount rate that influences the cost of capital that generally borrower is liable to return back by the end of the maturity date. Curtailing increasing inflation through continuous hard monetary policy was reported by Asian development bank (ADB) during the year of 2008, a discount rate from 7.5 in the fiscal year 2005 to 9.5 percent in December 2007 to 15 percent was maintained by the SBP during the month of November 2008. where consumer general price index yearly of inflation was evaluated and reported large raised from 3.1 percent during 2003 to 12 percent of the fiscal year 2008 to 20.8 in 2009. this trend reveals increasing fluctuations in Pakistan during different intervals.

H5: inflation has positive effects on ex-post performance of merging firms in Pakistan.

Size:

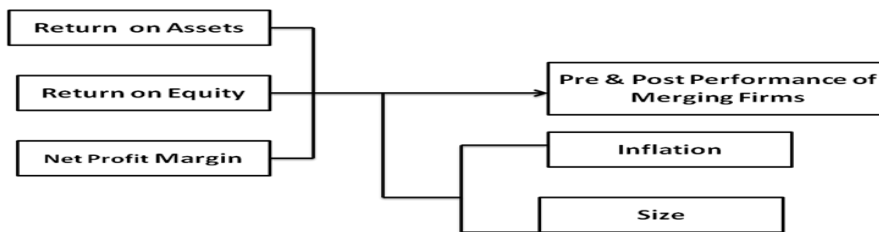
Size can be the main determinant of bidder firms; study in the literature indicates the strength of the relationship between size and performance. According (Altunbas & Marques, 2007), the efficiency of larger firms has been resulted after their merger, where opposite consequences shown in smaller firms in term of different perspectives. The bigger organization is much expanded by the business having small chances of default risk, financial stress, and bankruptcy and directs the increased revenue (Titman & Wessels, 1988).

H6: size has positive effect on ex-post performance of merging firms of Pakistan

Data and Methodology:

Secondary yearly data of merging firms have been examined listed on Karachi stock exchange, during the period of 2004-2014 by analyzing the financial ratios i.e. ROA, ROE, NPM, different research articles could be studied with perspectives of other researchers for the review of literature. Data was collected from annual published reports for the period of six years (3 years before M&A and 3 years after) of both non-financial and financial industries of firms. For analyzing the pre and post M&A performance, unconsolidated annual reports of the bidder firms were considered by using the industrial average of different sectors and for statistical analysis SPSS-18 was used.

Research Model:



Regression model

$$ROA = \beta_0 + \beta_1 (\text{Inflation}) + \beta_2 (\text{Size}) + \mu$$

$$ROE = \beta_0 + \beta_1 (\text{Inflation}) + \beta_2 (\text{Size}) + \mu$$

$$NPM = \beta_0 + \beta_1 (\text{Inflation}) + \beta_2 (\text{Size}) + \mu$$

Where

ROA=return on assets of firm, ROE=return on equity of firm,
 NPM= net profit margin, β =coefficient of variable, μ =error term of firm
 β_0 =Constant intercept.

In this research we study three dependent variables ROA, ROE and NPM are used respectively in above three equations those examine the effects of independent variables discovers a relationship with profitability on Inflation and size on the performance of the acquirer firms across different sectors.

Descriptive statistics:

Table 1

Proxies	Definition of proxies	Proxies used by other researchers
Return on assets (ROA) 2013)	$ROA = \frac{Net\ Income}{Total\ Assets}$	(Onaolapo, Abdul, & Ojalaoladayo, 2013), (ACARAVCI & CALIM, 2013), (Dawood, 2014),(Almazari, 2014),
Return on equity capital (ROE)	$ROE = \frac{Net\ income}{Total\ equity\ capital}$	(Ali, Akhtar, & Ahmed, 2011), (Duraj & Moci, 2015)
Netprofitmargin (NPM) 2013)	$NPM = \frac{Netprofitbeforetax}{Gross\ sale}$	(Onaolapo, Abdul, & Ojalaoladayo, 2013)
Inflation 2009).	$I = \Delta CPI$	(Ali i. , 2013) ,(Frank & Goyal, 2009).
Size (SZ)	$SZ = Log\ TA$	S=Log TA (Frank &Goyal,2009) S=Log TA (Aggarwal & Kyaw, 2010), (Eldomaity & Ismail, 2009). S=Log sale (Ali i. , 2013), (Jong, Kabir, & Neguyen, 2008),

Table 2
Mergers & Acquisitions

Name of firms	Years of merger
Thal Limited-(THAL)	2006
World call Telecom Limited-(WCTL)	2006
Colony Mills Limited-(CML)	2006
Dewan Cement Limited-(DCL)	2007
Pak Suzuki Motor Company Limited-(PZMC)	2007
Zeal Pak Cement Factory Limited-(ZELP)	2008
KASB Bank Limited-(KASB)	2009
Orix Leasing Pakistan Ltd.	2009
Exide Pakistan Limited-(Exide)	2009
Shahzad Textile Mills Limited-(SZTM)	2010
Invest Capital Investment Bank Limited-(ICIBL)	2010
Askari Bank Limited-(AKBL)	2010
Faysal Bank Limited-(FABL)	2011
Summit Bank Limited-(SMBL)	2011
Sari tow Spinning Mills Limited-(SSML)	2012
Best way Cement Limited-(BWCL)	2013

Table 3
Average Measure of Mergers & Acquisitions

Sr. No	Year	Number of Mergers
1	2006	03
2	2007	02
3	2008	01
4	2009	03
5	2010	03
6	2011	02
7	2012	01
8	2013	01
Total Years	8	Total Mergers = 16

In the table 2&3 year wise mergers and acquisitions are specified and being considered under research focus, from different industries of firms, the highest numbers of mergers are studied in 2006, 2009 and 2010, where as two mergers only reported in 2011 and one merger in 2012-13 respectively, while average two merger and acquisition takes place each year .Data was collected from annual published reports for the period of six years (3 years before M&A and 3 years after),of both non-financial and financial industries of firms from 2006 to 2013 which are listed at the Karachi stock exchange.

Result & Discussion:

Tables 4 and 5 shows descriptive statistics of Ex ante and Ex-post merger and acquisition performance and strategic decisions of 16 Financial and non financial firms of Pakistan listed on Karachi stock exchange. As for the ex-post M&A performance of the firms, the result findings demonstrate that there is negative decline in Ex-post merger and acquisition in return on asset and return on equity also some improvement in net profit margin shown, whereas the ex-ante M&A ROA is 1.4184, ROE is 2.2856 and NPM is -8.4420, while the ex-post ROA is -1.2199, ROE is -5.1140 and NPM with some improvement is -7.2130 respectively. This demonstrates unsatisfactory improvements in performance. While about the size, the ex-post merger and acquisition mean of 7.8979 is greater than the ex-ante merger and acquisition of 5.8948. This increase demonstrates that there is improved Ex-post M&A performance by the use of management assets with regard to total assets.

Table 4
Descriptive Statistics for EX-ante Merger & Acquisition Performance

Variables	N	Descriptive Statistics		Mean	Std. Deviation
		Minimu m	Maximu m		
ROAbefore	91	-15.58	25.19	1.4184	6.63531
ROEbefore	91	-68.80	54.66	2.2856	18.53082
NPMbefore	91	-252.74	12.75	-8.4420	45.91848
SizeLNbefore	91	.00	19.35	5.8948	7.95039
Inflation rate before	91	.00	20.30	4.2861	6.45880
Valid N (listwise)	91				

Source: Researcher’s Analysis (2006-2013)

Table 5
Descriptive Statistics for EX- Post Merger & Acquisition Performance

Variables	N	Descriptive Statistics		Mean	Std. Deviation
		Minimu m	Maximu m		
ROAafter	91	-58.88	20.15	-1.2199	12.40860
ROEafter	91	-355.21	211.97	-5.1140	69.99350
NPMafter	91	-233.55	9.86	-7.2130	42.13177
SizeLNafter	91	.00	19.71	7.8979	8.47149
Inflation rate after	91	.00	20.30	5.6659	6.57071
Valid N (listwise)	91				

Source: Researcher’s Analysis (2006-2013)

Since regarding the increase in the mean of inflation rate have an insignificant effect on firms ROA and ROE ratios decline latter.

Table 6 shows the descriptive statistics for ex-ante and expost performance of of acquiring firms in the case of M&A after excluding out liars through descriptive stacticics analysis, v suggest the variables of study repoted in the first column,second colum n shows the parameter of mean, standard Deviation (StD), values of skewness z, kurtosis z and number of observations (N), while AvgB and AvgA shows the average values of beofere and

after M&A of acquiring companies of every variable individually which gives the clear outlook of performance, skewness z and kurtosis z have also been calculated by dividing their each Std. Errors before and after M&A. Result shows the negative mean decline of ROA, ROE and NMP which reveals little improvement but large decline in the post performance period moreover most of values AvgB and AvgA of both skewness z and kurtosis z positively or negatively increases or decreases beside the given acceptable criteria of 1.96, this is because the data is not normally distributed therefore further data is analysed through Nonparametric test by wilcoxon signed Rank Test and Pair sample T-test discussed in the table 7.

Table 6

Descriptive Statistics			
V	Parameter	AvgB	AvgA
ROA	Mean	0.03	-0.03
	StD.	0.095	0.181
	Skewness z	1.994	-5.834
	Kurtosis z	1.627	6.889
	N	43	43
ROE	Mean	0.05	-0.11
	StD.	0.269	1.022
	Skewness z	-2.587	-2.183
	Kurtosis z	3.718	4.752
	N	43	43
NPM	Mean	-0.18	-0.15
	StD.	0.659	0.606
	Skewness z	-9.299	-9.609
	Kurtosis z	14.195	14.967
	N	43	43

Table 7 suggest the description and statistics of both T-Test and wilcoxin signed rank test to justify the result of paired sample t test “ a parametric test”, descriptive statistics of T- Test and wilcoxin signed test includes v for variables names further both tests have been sub divided into six columns which compares the Mean Averages Before and after (M AvgB & M AvgA) of M&A, mean Differences (Mean Differences), Number of observation before and after(NB & NA) in the both pre and post periods, but a small difference of t-value in paired sample T-Test and z value in wilcoxin signed rank test is reported

Results suggest the declined in all the post performance ratios of mean averages such as ROA, ROE and NMP in the paired test and that of same declining trend reported in mean results of table 6, but in the case of wilcoxin test all the performance ratios are positively improved in post period , despite the fact yet we can not say firms in Pakistan can improve their position by devising such strategy of M&A, in the light of different researchers in the literature and analysed tests.

Table 7

Paired samples- T Test: Pre to post Performance comparison							Wilcoxon signed rank test:Pre to post performance comparison					
V	M AvgB	M AvgA	Mean diff:	t- value	NB	NA	V	M AvgB	M AvgA	Z- value	NB	NA
ROA	.0300	-.026	.056	1.832	43	43	ROA	16.19	30.88	-.628 ^a	26	17
ROE	.048	-.108	.156	.982	43	43	ROE	19.00	25.45	-.435 ^a	23	20
NMP	-.179	-.153	-.026	-.191	43	43	NMP	21-59	22.43	-.024 ^b	22	21

Table 8 Financial Firms: Average Dumy Mean

	Year of M&A	Variable	Before-Average Mean	After-Average Mean
Summit Bank Limited (SMBL).	2011	ROA	-0.605	-1.74
		ROE	-0.69	-1.34
		NPM	-2.53	-0.13
		DER	0.141	.813
		SIZE	55165139.5	129894423.5
Faysal Bank Limited (FABL).	2011	ROA	0.65	0.48
		ROE	8.91	4.04
		NPM	0.058	0.05
		DER	14.93	15.87
		SIZE	224056688	334201589
Askari Bank Limited (AKBL).	2010	ROA	0.42	-0.163
		ROE	8.12	-4.73
		NPM	0.063	-0.04
		DER	18.18	20.29
		SIZE	254353438	364039482.3
Invest-Capital investment-Bank Limited (ICIBL).	2010	ROA	2.11	4.216
		ROE	0.194	2.12
		NPM	1.392	-0.022
		DER	8.02	4.96
		SIZE	7846983	2323117

Table 9 Non-Financial Firms: Average Dumy Mean

	Year of M&A	Variable	Before-Average Mean	After-Average Mean
Shehzad Mills Textile Limited-(SZTM)	2010	ROA	-0.26	0.105
		ROE	-0.31	19.19
		NPM	0.34	4.44
		DER	1.17	0.72
		SIZE	1291536.333	1971949
Exide-Pakistan Limited-(Exide)	2009	ROA	9.84	12.36
		ROE	18.43	29.88
		NPM	4.98	5.23
		DER	0.93	1.37
		SIZE	1498656	3457556.5
Zeal Pak Cement Factory Limited-(ZELP)	2008	ROA	-15.58	-19.34
		ROE	-0.173	-2.012
		NPM	-0.35	-2.34
		DER	0.69	-2.92
		SIZE	2503662.5	2577095.667
Pak Suzuki Motor Company Limited-(PSMC)	2007	ROA	25.19	3.73
		ROE	0.55	0.05
		NPM	10.89	1.73
		DER	1.301	0.148
		SIZE	22050385	17954080.33
DewanCement Limited-(DCL)	2007	ROA	18.58	-6.38
		ROE	8.65	-3.39
		NPM	12.75	-11.06
		DER	2.331	1.65
		SIZE	8243120	21359092.33

Conclusions & Recommendations:

This examination inspected the sixteen acquirer firms of various divisions of Pakistan from the both financial and non-financial sectors, those addresses the combinations like (M&A) occasions by the time frame of 2006-2013 reported on (KSE). For information accumulations just the only the acquiring firms' annual published reports for the time of six years (3 years Pre M&A and 3 years Post) together have been considered, while the acquired or merged small firms have been prohibited because of the unavailability of data concern. Analysis carries three dependent variables namely ROA, ROE and NPM while two independent factors inflation and size of acquiring firms included. At the first stage descriptive statistics technique was used by using version of SPSS 18 to examine the strategic decision and performance of firms. Finding shows there is negative decline in ROA and ROE but some improvement is shown in NPM and size of firms in the descriptive statistics, On the second stage paired sample T-Test and wilcoxin signed rank test was run, the most of results justified that firms did not improve their post merger and acquisition performance in relationship to ROA, ROE and NPM, but yet this is either interesting to see the firm creates synergy or getting benefit of tax shield in their capital structure. While increase in mean of both size and inflation rate has a significant negative effect on firms post ROA and ROE ratios in the tables 6 and 7 declined by Post M&A period therefore we rejected all the hypothesis.

It proves from this research M&A did not perform a significant role in performances of selected acquiring firms. This study is assisted by "(Kemal, 2011; Badreldin & Kalhoefer, 2009 and Pazarskis, et al, 2006)". However contradiction with European study of (Altunbas & Marques, 2007), it would not be right to say for M&A ever be unsuccessful to enhance the better position of Pakistani firms, because accomplishment or unsuccessfulness for any M&A relies on how these are strategized and implemented. Moreover policy makers must review the decisions of M&A and devise and execute effective strategies for betterment in the performance of Merger and acquiring firms in Pakistan. This study is restricted for shorter time period. Moreover research can be proceeded variables like rules and regulation, corporate responsibilities etc. Further, this lays the base for doing a study on the issue of M&A in different sectors of Pakistan.

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