Review of Literature:

Agarwal A., Jaffe, J.F, Mandelker, G.N., (1992) have tried to evaluate the efficiency and performance for selected public and private banks before and after merger as a results of market forces.

Berger Allen N., and Humphrey David B., (1997) had studied the efficiency of 130 financial institution in 21 countries. They found out that some consolidations improve cost efficiency, whereas others worsen the performance of the combined institution relative to the separate institutions. And, they had concluded that profit efficiency may improve with mergers and acquisitions due to altering output mix toward more profitable products, rather than improved cost efficiency.

Maquieira, Megginson, and Nail (1998) examine 260 mergers in the US. They find significant net synergistic gains in non-conglomerate mergers and insignificant net gains in conglomerate mergers.

Andrade G., Mitchell M., Stafford E., (2001) had studied the impact of mergers on the operating performance of acquiring corporates in different industries by examining some pre-merger and post-merger financial ratios, with the sample of firms chosen as all mergers involving public limited and traded companies in India between 1991 and 2003. The study suggests that there are minor variations in terms of impact on operating performance in mergers of different industries in India. Again the study results that mergers seem to have had a slightly positive impact on profitability of firms in the banking and finance industry, the pharmaceuticals, textiles and electrical equipment sectors saw a marginal negative impact on operating performance.

Vardhana Pawaskar (2001) studied the impact of mergers on corporate performance. It compared the pre- and post- merger operating performance of the corporations involved in merger between 1992 and 1995 to identify their financial characteristics. The study identified the profile of the profits. The regression analysis explained that there was no increase in the post- merger profits. The study of a sample of firms, restructured through mergers, showed that the merging firms were at the lower end in terms of growth, tax and liquidity of the industry. The merged firms performed better than industry in terms of profitability.

Focarelli, Panetta and Salleo (2003) had found that the strategic objectives of mergers is to expand revenues from financial services. They had done research on the characteristics of the banks in Italy involved in Mergers & Acquisitions and the effect on their performance are analysed by using balance-sheet data. They have also observed the stock prices of those selected banks to study the reflection of expectations and changes in expectations. They had found the mergers and acquisitions can increase the profitability of the selected banks.

Andrade and Stafford (2004), determine motivating factors for mergers both at industry and firm levels. The authors investigate the economic role of mergers in the US by performing a
comparative study of mergers and other forms of corporate investment at both industry and firm levels. They find that industry capacity utilization has the opposite effects on merger and non-merger investments particularly during the 1970s and 1980s. While excess capacity drove industry consolidation through mergers, peak capacity utilization induced industry expansion through non-merger investment.

Rhodes-Kropf, Robinson and Vishwanathan (2004) argue merger waves occur when the aggregate industry market valuation, measured as market to book value ratio, is high compared to estimates of true valuations. The authors note that these valuations could be both due to misplacements and actual presence of growth opportunities.

Tambi (2005) evaluated the impact of mergers on the performance of a corporation of India. However, the theoretical assumption says that mergers improve the overall performance of the company due to increased market power and synergy impacts. He has evaluated selected banks using three parameters – PBITDA, PAT and ROCE - for any change in their before and after values by comparison of means using t-test. The results of his study indicate that mergers have failed to contribute positively.

Mehta Jay and Kakani Ram Kumar, (2006) discussed about the various motives for mergers and acquisitions. They stated that there were multiple reasons for mergers and acquisitions in the Indian Banking Sector. They have tried to bring light on the fact that mergers and acquisitions are highly environment dependent and hence there is a constant focus on this aspect while pertaining practices.

Pramod & Reddy (2007) evaluated that the impact of merger on the operating performance of acquiring firms in different industries by using pre and post financial ratio to examine the effect of merger on firms. They selected all mergers involved in public limited and traded companies in India between 1991 and 2003, result suggested that there were little variation in terms of impact as operating performance after mergers. They concluded that particularly banking and finance industry had a slightly positive impact on profitability. Nevertheless, pharmaceutical, textiles and electrical equipment sector and showed the marginal negative impact on operative performance. However, some of the industries had a significant decline in terms of both profitability and return on investment and assets after merger.

Mantravadi Pramod and Reddy A Vidyadhar, (2007) evaluated the impact of merger on the operating performance of acquiring firms in different industries by using pre and post financial ratio to examine the effect of merger on firms. The analysis of pre and post-merger operating performance ratios for the acquiring firms in the sample seems to indicate that relative size does make some difference to the post-merger operating performance of acquiring firm.
Sisodiya and George (2007) have discussed about the Mergers and Acquisitions can be considered as a strategy for growth in Indian Business sectors. Now a day’s mergers and acquisitions not only the story of Indian IT sector, but the cement, steel, and pharma sectors are also the prove of the above statement. But a different story can be seen in Indian cement sector. Because India is the second largest cement manufacturer country, many foreign companies are interested in Mergers and Acquisitions with Indian company to hold their position in Indian market.

Anand and Singh, (2008) studied the effect of five specific mergers in the Indian banking sector on the shareholders wealth. This is the first study of stock market valuation and estimation of abnormal returns in the context of Indian bank mergers. The study documents positive and significant increase in value to the shareholders of bidder banks, target banks and their combined portfolio.

Chakrabarti Rajesh, (2008) had tried to measure the effects on acquirer stock returns associated with acquisitions based on Event study methodology. He has observed both the shorter horizon announcement effect (i.e. movements in acquirer stock prices) at the time of the announcement of the deal as well as the longer-horizon view of stock price movements over the three-year horizon since the acquisition. As a result they have found that the average acquirer experiences a dip in their stock prices with the announcement of a deal and that in the long-run also the average acquirer under-performs the relevant stock price index.

Mishra and Chandra, (2010) have examined the impact of mergers and acquisitions on financial performance of Indian Pharmaceutical companies. He has found that the profitability of a firm depends directly on its size, selling efforts and exports and imports. He has also found that mergers and acquisitions do not have any significant impact on profitability of the firms in the long run.

Ravichandran k, Nor & Said Mohd, (2010), in their paper, have tried to evaluate the efficiency and performances for selected public and private banks before and after the merger, as a result of market forces. After doing a factor analysis, they narrow down the variables for their study to Profit Margin, Current Ratio, Ratio of Advances to Total Assets, Cost Efficiency (ratio of cost to total assets) and Interest Cover and thereafter a regression is run to identify the relationship between these factors and return on shareholders funds. The results indicate that cost efficiency, advances to total assets and interest cover are significant during both the pre and post-merger phases. Also the returns on shareholders funds is negatively related to cost efficiency and interest cover but is positively related to ratio of advances to total assets.

Sinha and Kausik (2010), have examined the impact of mergers and acquisitions on the financial efficiency of the selected financial institutions in India. The analysis consists of two stages. Firstly, by using the ratio analysis approach, they calculated the change in the position of the companies during the period 2000-2008. Secondly, they examined changes in the efficiency of the companies during the pre and post-merger period. The result of the study indicates that M&A
cases in India show a significant correlation between financial performance and the M&A deal, in the long run, and the acquiring firms were able to generate value.

**Azhagaiah & Kumar (2011),** in their study tested hypothesis concerning whether there is significant improvement in the corporate performance of Indian manufacturing corporate firms following the merger event using paired t-test. The study findings indicate that Indian corporate firms involved in M&A have achieved an increase in the liquidity position, operating performance, profitability, and reduce financial and operating risk. In another study they examined a sample consisting of 20 acquiring firms during the period 2007. They concluded that corporate firms in India appear to have performed better financially after the merger, as compared to their performance in the pre-merger period.

**Azhagaiah and Kumar Sathish (2011),** in their study related to short-run profitability of acquirer firms in India, selected 10 acquiring firms from chemical industry evaluated those based on ratios such as Gross profit ratio, Operating profit ratio and Net profit ratio. Based on 3 years data before and after merger they concluded that there has been an increase in OPR, GPR, and NPR. The study finally indicates that there is a significant positive impact of M&A on the short-run post-merger profitability of acquirer firms of the chemical industry in India.

**Antony Akhil (2011),** in his paper “Post-merger profitability of selected banks in India” examined the impact of the banks merged in India from 1999 to 2011. Between 1999 and 2011, around 18 M&A took place in the Indian banking sector. The study samples were six acquirer banks selected, three of them were public sector banks and three were private sector banks. The study used paired t-test. The study findings indicate that there is a significant difference in the profitability ratios, like (growth of total assets ratio, growth of net profit ratio, return on assets ratio, return on equity ratio, and net interest margin ratio) of banks in the post-merger scenario.

**Sinha Pankaj and Gupta Sushant, (2011) studied a pre and post analysis of firms and concluded that merger and acquisition activity in the Indian Financial Services Sector over period March 1993 – Feb 2010 has had positive effects on the profitability in majority cases but the liquidity position has deteriorated in a period of three years after merger.**

**Deo and Shah (2011),** in a work entitled “Shareholder wealth effects to merger announcements in Indian industry” addressed the financial implications of the acquirer and target shareholders wealth in the Indian information technology industry (IT) that occurred from January 2000 to June 2010. The study which consisted of a sample of 28 merger announcements both by independent and controlling bidder firms, applied a constant market model to evaluate acquirer and target shareholders wealth. The study findings indicate that merger announcements in the IT sector have no significant impact on the bidder portfolio. M&A create significant positive abnormal returns for target shareholders only.
Dutta and Dawn (2012), in their paper “Merger and acquisitions in Indian banks after liberalisation: An analysis” investigates the performance of merged banks in terms of its growth of total assets, profits, revenue, deposits, and number of employees. The performance of merged banks is compared taking four years of prior-merger and four years of post-merger. The study findings indicate that the post-merger periods were successful and saw a significant increase in total assets, profits, revenue, deposits, and in the number of employees of the acquiring firms of the banking industry in India.

Goyal and Joshi, (2012) studied the growth of ICICI Bank Ltd. Through mergers and acquisitions and amalgamations. Mergers and Acquisitions are Considered as corporate events which helps an organization to create synergy and provide sustainable competitive advantage, but simultaneously these sorts of corporate events have the potential to create severe personal trauma and stress which can result in psychological, behavioural, health, performance and survival problems for both the individuals and companies, whether it is a bank or a non-banking financial corporation, involved in it. It is evident from the case of ICICI Bank Limited that how an organization can become market leader by adopting some strategic tools like mergers and acquisitions.

Mallikarjunappa and Nayak (2013) have discussed about the trends of mergers and acquisitions in India. Now a day’s the Indian companies are considering mergers and acquisitions as a way to expand domestically and globally. They have also studied the reaction of shareholders on the announcements of takeovers. And they have found that there is a large and significantly positive wealth effect on the target company shareholders in response to the announcement of takeovers. Takeovers offer an opportunity to shareholders of target companies and general investors to make profits both in the period before and after the announcement of the takeover bid.