



Merger Impacts on Commercial Banks in Nepal: A Study of Two Merged Commercial Banks

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Abstract

This research investigates the impact of mergers and acquisitions (M&A) on the financial performance of commercial banks in Nepal, a topic of growing relevance in the country's evolving financial landscape. Drawing on a period characterized by significant policy changes and consolidation efforts by the Nepal Rastra Bank, the study analyzes pre- and post-merger financial indicators, specifically focusing on profitability and risk. Utilizing a descriptive/causal-comparative research design, the study selected two merged Nepalese commercial banks, NIC ASIA Bank Limited and Global IME Bank Limited, as sample cases, examining their annual financial reports over a fourteen-year period. Key financial ratios such as Return on Assets, Return on Equity, Net Profit Margin, Earnings Per Share, and Market Price Per Share were analyzed using statistical tools including mean, standard deviation, coefficient of variation, and regression analysis. The findings present mixed outcomes: while Global IME Bank demonstrated improved profitability and reduced risk volatility post-merger, NIC ASIA Bank experienced a decline in average profitability ratios, despite increased overall profit, and an increase in risk volatility. This heterogeneity in outcomes suggests that, while mergers and acquisitions can bolster financial institutions, their success is contingent on various factors beyond mere consolidation.

Keywords: Merger, Acquisition, Economies of Scale, Economies of Scope

Introduction

Mergers and acquisitions (M&A) have been a recurring phenomenon in the global economic landscape, typically appearing in "waves" characterized by bursts of activity interspersed with periods of relative inactivity (Vasilaki, 2009). Historically, these merger waves, five of which are commonly recognized since 1890, have often concluded with major wars or economic crises. While the initial waves primarily impacted the US market, later waves, particularly the fifth, demonstrated significant geographical dispersion, extending to the UK, continental Europe, and Asia (Cho & Chung, 2022). Despite their prevalence, a singular conclusive theory explaining M&A waves remains elusive, though industry-specific factors

appear to be significant triggers.

Globally, M&A activities are often driven by demands from regulatory bodies or attempts to enhance competitive advantage and expand operations (Kalanoski et al., 2025). However, nearly half of all M&A initiatives fail to meet their initial expectations. Previous studies on the impact of M&A on firm performance have shown varied results, with some indicating success and others pointing to failures.

In Nepal, the concept of M&A was relatively novel to Banking and Financial Institutions (BFIs) until the Nepal Rastra Bank (NRB), the central bank and regulatory body, issued merger by-laws in May 2011 (Adhikari, 2025; Baniya & Adhikari, 2018). Prior to this, Nepal's banking

sector experienced rapid and often unguided growth, with the NRB issuing numerous licenses, especially between 2007 and 2012, leading to an unnecessarily high number of BFIs (211 by the end of 2012) for the size of the economy. This resulted in unhealthy competition in deposit collection and loan disbursement, limited capacity to finance large-scale projects, high interest rate sensitivity, and an increase in non-performing loans (Acharya, 2020).

The NRB's abrupt shift in policy, particularly the four-fold hike in minimum paid-up capital for commercial banks announced in the 2015 monetary policy, significantly incentivized the M&A process (Tiwari, 2024). This policy aimed to reduce the number of BFIs, strengthen capital bases, increase lending capacity, mitigate interest rate sensitivity through economies of scale, and restrain unhealthy competition. By June 2016, 96 BFIs had merged into 35 entities (Kharel, 2024).

In this context, in 2012, Global Bank Limited merged with IME Financial Institution Limited and Lord Buddha Finance Limited, and then became Global IME Bank Limited (Global IME Bank, 2026a). Likewise, NIC Bank and Bank of Asia merged on 30th June 2013 to form NIC ASIA Bank (NIC ASIA Bank Limited, 2026c). This study explores the impacts of mergers on these two commercial banks in Nepal. It seeks to analyze pre- and post-merger risk and assess the changes in ROA, ROE, NPM, EPS, and MPS ratios.

Literature Review

A thorough review of existing literature is crucial for establishing a theoretical and conceptual framework, identifying previous findings, and pinpointing research gaps. This section explores established M&A theories, common merger types, merger by-laws, and synthesizes prior empirical studies on the financial performance impact of M&A.

Theoretical Review

Several theories attempt to explain why firms engage in M&A activities:

Power Theory. This theory suggests that

M&A can lead to a reduction in the number of market participants, thereby increasing market concentration and enabling merged entities to exert greater market power. In the banking sector, this can translate to increased pricing power and the potential for higher, more stable profits, thus improving the performance of both the acquiring and target firms (Malik & Kumar, 2025).

Resource Theory or Synergy Theory. The core idea here is that a merger creates more economic value than the sum of the individual firms. Synergy can arise from various sources.

- **Economies of Scale:** Enlarging firm size leads to cost reductions and efficiency gains.
- **Economies of Scope:** Specific combinations of merged firms can create unique advantages.
- **Revenue Increases:** Through cross-selling or up-selling opportunities.
- **Cost Reduction:** From operational efficiencies.
- **Tax Savings:** Exploiting new tax opportunities.

This theory predicts an improvement in the performance of both target and bidding firms post-merger (Bauer & Friesl, 2022).

Eat or Be Eaten Theory. This theory posits that managers prefer to maintain their firm's independence and may undertake acquisitions to increase their firm's size, thereby reducing the likelihood of being taken over by a larger entity. Managers of acquired firms often face subordinated roles or job loss. Mergers under this theory can be defensive, driven by a desire to protect managerial jobs and company independence (Gorton et al., 2005).

Agency Theory & Hubris Theory. These theories suggest that managers might pursue M&A for personal benefits rather than purely economic reasons. Managers may seek to increase their firm's size to gain more power and control, which often correlates with increased compensation. Hubris theory specifically suggests that bidding firm management may

overpay for target banks due to excessive confidence in their ability to identify undervalued targets. Under these theories, the performance of bidders is generally expected to decrease (Johnson & Scherstén, 2022).

In summary, firms pursue M&A for various reasons: to gain market power (Power Theory), create synergies and cost efficiencies (Resource/Synergy Theory), defend against takeovers (Eat-or-Be-Eaten Theory), or for managerial self-interest (Agency/Hubris Theories). While these theories explain motivations, they often overlook the long-term post-merger performance in Nepalese commercial banks, indicating a gap in contextual evidence on actual outcomes.

Mergers Types

Mergers and acquisitions can take various forms, each with distinct strategic objectives and implications for firm performance.

Horizontal Mergers. Occur when two or more competitors operating in the same line of business combine. These are often undertaken to gain competitive advantage and market power but can face antitrust scrutiny if they lead to anticompetitive effects (Hay, 2002). In Nepal, horizontal mergers have been the most prevalent form, particularly within the financial sector.

Vertical Mergers. Involve firms at successive stages of a production process. The objective is to gain efficiency in the business supply chain and improve profitability through economies of scale (Organisation for Economic Co-operation and Development [OECD], 2007).

Conglomerate Mergers. Happen when companies that are not competitors and do not have buyer-seller relationships combine. This strategy is often driven by diversification aims (OECD, 2020). Thus, mergers can be horizontal, vertical, or conglomerate, but there is little research on how these types affect the performance of Nepalese banks.

Merger By-Laws of NRB 2011

Nepal's financial sector faced a "crucial period" around 2010, marked by excessive liquidity, high

operating expenses, insufficient working capital, unhealthy competition, and mismanagement. The NRB, recognizing the deteriorating health of BFIs, introduced the Merger Bylaw 2011 as a "compulsion strategy" rather than a mere choice, aiming to increase capital and strengthen their capacity to face a competitive market (Adhikari, 2014).

Key guidelines and conditions under the 2011 Bylaws included:

- Mandatory merger for BFIs operated or owned by the same business family, relatives, or groups.
- Forced merger for BFIs with a capital shortfall, specifically those failing to maintain minimum Capital Adequacy Ratios (CAR) of 10 percent for commercial banks and 11 percent for development banks.
- Mergers could also be mandated if BFIs received three or more reformatory punishments, were unable to meet payment responsibilities due to systemic risks, or if a merger would yield better financial results for the country (Baniya & Adhikari, 2018; Karki, 2022).

The NRB 2011 Merger Bylaws mandate bank consolidations, but little is known about their actual impact on performance and stability.

Review of Previous Studies

The existing body of literature on M&A's impact on financial performance presents mixed evidence. Some studies, suggest a positive impact on banking efficiency. Acharya and Sharma (2024) found positive and long-lasting effects on bank performance and cost efficiency, particularly for small banks. Resti (1998, cited in Chalise, 2017) observed increased efficiency in merged banks, especially when deals involved banks of similar size operating in the same local markets. Beitel and Schiereck (2001) found European bank mergers to be significantly value-creating for shareholders from a combined view of target and bidder. Paposki (2007) highlighted the value of synergy in mergers, particularly in the insurance industry. Abdul-Rahman and Ayorinde (2013) found improved performance

in Nigerian commercial banks regarding ROE, ROA, and net profit margin. Rani et al. (2013) concluded that M&A benefited acquiring Indian firms in the long run, improving profitability. Neupane (2013) found merged Nepalese firms enhanced loan attraction ability, employee productivity, and net assets growth.

Conversely, some research found blended or unclear relationships. Yeh and Hoshino (2002) observed positive stock market reactions to M&A announcements but a downward change in profitability from pre- to post-merger periods for Taiwanese corporations. Gjirja (2003) found no significant improvement in technical efficiency in the Swedish banking industry post-merger. Mylonidis and Kelnikola (2005) indicated that Greek banks' profits, operating efficiency, and labor productivity ratios did not improve after merger, and found a negative impact on liquidity. Akben-Selcuk and Altiok-Yilmaz (2011) weakly supported the hypothesis that acquirer companies were negatively affected by M&A in Turkey. Appah and Sophia (2011) found no significant difference in Return on Equity for Nigerian banks pre and post-merger. Satapathy and Kaushik (2022) found no improvement in financial performance for acquiring companies after merger across various industries in India.

In Nepal's context, Bhandari and Pradhan (2024) noted the good intentions of M&A in developing countries like Nepal but highlighted difficulties in achieving objectives. Thapa Magar (2019) highlighted that organizational climate, recognition, work, pay, and motivation all impact employee performance especially during M & As. Dhakal (2018) found mixed results: employees were satisfied with work conditions but worried about HR issues like cultural clash, while customers desired more innovative services; overall financial data, however, showed improvement in the merged bank, increasing shareholder wealth.

Taken together, these literature on M&A impacts shows mixed results, and in Nepal, there is limited evidence on how mergers affect long-term financial performance and efficiency in banks.

Materials and Methods

This study employed a descriptive/causal-comparative research design (Cantrell, 2011) to analyze the pre- and post-merger performance of commercial banks in Nepal. The total population for this research comprised all merged commercial banks in Nepal, numbering 20. From this population, two merged commercial banks, NIC ASIA Bank Limited and Global IME Bank Limited, were selected as the sample.

The financial and accounting data for these sample banks were collected from their annual reports. For NIC ASIA Bank, six years of pre-merger data (2006/07 to 2012/13) and eight years of post-merger data (2013/14 to 2019/20) were used (NIC Asia Bank, 2026a). For Global IME Bank, five years of pre-merger data (2006/07 to 2010/11) and nine years of post-merger data (2011/12 to 2019/20) were used (Global IME Bank, 2026a).

The research relied exclusively on secondary data to analyze the impact of M&A on financial performance. Data were acquired from various sources, including:

- Annual reports published by the central bank (NRB). (Nepal Rastra Bank, 2026a).
- Economic surveys published by NRB. (Nepal Rastra Bank, 2026b).
- Annual reports of SEBON (Securities Board of Nepal [SEBON], 2026).
- Newspapers, journals, magazines, and online resources

Data collected was systematically recorded and presented using tables, graphs, and charts.

FINANCIAL AND STATISTICAL ANALYSIS TOOLS

The study used the following financial ratios and statistical methods to analyze performance and relationships

- Financial Tools Ratio analysis was the primary financial tool employed to measure performance, including:
- Return on Equity (ROE): Net Profit

- / Shareholder's Equity, indicating profitability relative to equity. Return on Assets (ROA): $\text{Net Profit} / \text{Total Assets}$, measuring asset utilization efficiency.
- Net Profit Margin (NPM): $\text{Net Profit} / \text{Total Revenue}$, showing profit generated per unit of revenue.
- Earnings Per Share (EPS): $\text{Net Income} / \text{Outstanding Shares}$, representing profit per common share.
- Market Price Per Share (MPS): The stock's most recent trading price, influenced by market forces.
- Statistical Tools Statistical methods were used to describe relationships between variables and interpret results:
- Mean: The arithmetic average values.
- Standard Deviation (SD): Measures the dispersion or variability of data points around the mean, indicating absolute risk.
- Coefficient of Variation (CV): $\text{SD} / \text{Mean} \times 100$, a relative measure of variability or risk per unit of return. Higher CV indicates greater volatility.
- Regression Analysis: Used to estimate relationships between a dependent variable (MPS) and independent variables (ROA, ROE, NPM, EPS), assessing the strength and direction of these relationships.

Results

This section presents the results of financial data for NIC ASIA Bank Limited (see Dhanuk, 2025; Karki, 2020; Kunwar & Paudel, 2023; NEPSE Trading, 2026; NIC Asia Bank Limited, 2014; NIC Asia Bank Limited, 2018; NIC Asia Bank, 2026a; Poudel, 2025; Shrestha, 2021) and Global IME Bank Limited (see Bizshala, 2026; Dhakal, 2019; Global IME Bank Ltd, 2026b), comparing their financial performance before and after their respective mergers. This section

is structured into four themes: profitability and risk comparison; analysis of ROA, ROE, NPM, and MPs; regression analysis; and contrasting market perception.

Profitability and Risk Comparison (Based on Annual Profit)

NIC ASIA Bank

Profitability (Mean). The average annual profit (mean) of NIC ASIA Bank significantly increased after the merger, rising from 342.63 (pre-merger) to 1550.14 (post-merger).

Risk (SD & CV). The standard deviation (SD) of annual profit increased substantially from 127.9 (pre-merger) to 1054.75 (post-merger), indicating higher total risk after the merger. Similarly, the Coefficient of Variation (CV) rose from 37.33 to 68.04, signifying a higher degree of volatility or risk per unit of profit post-merger.

Global IME Bank

Profitability (Mean). Global IME Bank also experienced a significant increase in average annual profit after its merger, with the mean rising from 101.61 (pre-merger) to 1749.25 (post-merger). This indicates a positive impact of the merger on overall profit.

Risk (SD & CV). The standard deviation (SD) of annual profit increased from 118.78 (pre-merger) to 966.46 (post-merger), indicating higher total risk post-merger, similar to NIC ASIA Bank. However, the Coefficient of Variation (CV) decreased from 116.89 (pre-merger) to 55.25 (post-merger), suggesting improved consistency or lower volatility relative to the mean profit after the merger.

Shareholder Value Analysis

NIC ASIA Bank Limited

Return on Assets. Average post-merger ROA (1.46%) was slightly lower than the pre-merger average (1.85%). While the SD of ROA decreased (from 0.39 to 0.28), the CV also slightly decreased (from 21.08 to 19.18), indicating a marginal improvement in consistency. The trend showed fluctuations, with a decrease after 2010/11 and continued volatility post-merger.

Return on Equity. The average post-merger ROE (16.38%) was lower than the pre-merger average (23.61%). The SD of ROE was similar pre- and post-merger (3.56 vs 3.41), but the CV increased (15.08 to 20.82), suggesting lower consistency in equity returns after the merger.

Net Profit Margin. Average post-merger NPM (35.09%) decreased compared to the pre-merger average (42.02%). The SD of NPM significantly increased (from 3.73 to 6.56), and the CV also rose (from 8.88 to 18.69), indicating higher variability and lower consistency in profit margins post-merger.

Earnings per Share. The average post-merger EPS (30.39 NPR) was slightly higher than the pre-merger average (29.99 NPR), indicating a marginal positive impact on earnings per share. However, the SD increased (from 5.25 to 9.32) and CV increased (from 17.5 to 30.67), reflecting higher volatility in EPS post-merger.

Market Price per Share. Average post-merger MPS (587.63 NPR) was lower than the pre-merger average (829 NPR). While the SD of MPS decreased (339.7 to 209.52), the CV decreased (40.98 to 35.65 – note: source shows CV decreasing from 40.98 to 35.65 but states CV increased in Major Findings section), suggesting a mixed impact on price stability relative to its mean.

Global IME Bank Limited

Return on Assets. The average post-merger ROA (1.43%) significantly increased compared to the pre-merger average (0.3020%). Both the SD (0.906 to 0.33) and CV (300 to 23.08) decreased substantially, indicating more efficient management of assets and higher consistency in ROA post-merger.

Return on Equity. Average post-merger ROE (14.47%) substantially increased from the pre-merger average (4.202%). Both SD (7.89 to 2.66) and CV (187.77 to 18.38) decreased, reflecting improved consistency and efficiency in generating returns for shareholders post-merger.

Net Profit Margin. The bank had a negative average NPM (-9.68%) pre-merger, which rapidly increased to a positive average (34.84%) post-

merger. The SD (55.67 to 7) and CV (-575.92 to 20.09 – note: CV sign flip due to negative mean pre-merger) decreased significantly, indicating a vast improvement in profit margins and their consistency.

Earnings per Share. Average post-merger EPS (19.22 NPR) increased rapidly from the pre-merger average (4.52 NPR). The SD (8.21 to 4.43) decreased, while the CV slightly increased (181.64 to 23.04 – note: CV sign flip due to negative mean pre-merger in NPM, but positive in EPS). The source says CV decreased for NPM but increased for EPS in major findings, though the tables show a large positive to small positive change after merger for NPM CV and a large positive to small positive for EPS CV, implying increased consistency post-merger for both.). This suggests overall better profitability per share.

Market Price per Share. The average post-merger MPS (382 NPR) was higher than the pre-merger average (207.8 NPR). While the SD of MPS increased (234.67 to 150.82 – note: source states SD increased in Major Findings, but the table shows it decreased), the CV decreased (112.93 to 39.48), suggesting improved stability of market price relative to its mean and a positive impact on shareholder value.

Regression Analysis (Impact on Market Price per Share - MPS)

Regression analysis aimed to determine the relationship between MPS (dependent variable) and profitability ratios (independent variables: ROA, ROE, NPM, EPS).

NIC ASIA Bank

For NIC ASIA Bank, the regression analysis consistently showed positive correlation coefficients between MPS and all independent variables (ROA, ROE, NPM, EPS). This indicates that as the values of ROA, ROE, NPM, and EPS increased, the Market Price per Share also tended to increase. For example, a 1% increase in ROA was associated with a 586-unit increase in MPS, and a 1% increase in EPS was associated with a 20-unit increase in MPS. This suggests that the market reacted positively

to improved profitability metrics for NIC ASIA Bank.

Global IME Bank

In contrast, for Global IME Bank, the regression analysis revealed negative correlation coefficients between MPS and all independent variables (ROA, ROE, NPM, EPS). This implies that an increase in ROA, ROE, NPM, or EPS was associated with a decrease in MPS. For instance, a 1 percent increase in ROA was linked to a -180.49 unit decrease in MPS, and a 1-unit increase in EPS was associated with a -11.04 unit decrease in MPS. This counter-intuitive negative relationship suggests that factors other than direct profitability metrics (e.g., integration challenges, market skepticism regarding long-term gains, or external market dynamics) might have influenced the market's perception of Global IME Bank's stock price post-merger, despite the observed improvements in average profitability ratios.

The study's major findings indicate:

- **Overall Profit Increase:** Both NIC ASIA Bank and Global IME Bank experienced a significant increase in their total annual profit after merger.
- **Mixed Risk Profile:** NIC ASIA Bank showed higher total risk (SD) and volatility (CV) in profit post-merger. Global IME Bank also had higher total risk (SD) but improved consistency (lower CV) in profit after merger.

Divergent Profitability Ratio Trends

NIC ASIA Bank. Average ROA, ROE, and NPM decreased post-merger, while EPS marginally increased. Consistency (CV) for ROA improved slightly, but for ROE and NPM, it worsened. MPS also decreased on average.

Global IME Bank. All average profitability ratios (ROA, ROE, NPM, EPS) increased rapidly post-merger, and their consistency (CV) generally improved significantly. MPS also increased on average.

Contrasting Market Perceptions (Regression)

NIC ASIA Bank. Showed positive correlations between profitability ratios (ROA, ROE, NPM, EPS) and MPS, indicating market confidence in its profitability.

Global IME Bank. Exhibited negative correlations between profitability ratios and MPS, suggesting that increases in these metrics were paradoxically associated with a decrease in market price, possibly due to other unmeasured factors or market skepticism.

In conclusion, mergers raised total profits for both banks, but NIC ASIA Bank showed higher risk and lower profitability, while Global IME Bank performed better. Market reactions varied, highlighting the importance of effective integration and management.

Discussion

The findings of this study provide robust empirical evidence on the impact of mergers and acquisitions in the Nepalese banking sector, aligning with the “mixed results” observed in previous global literature. Overall, mergers and acquisitions have generally led to increased total profits for the merged entities, consistent with prior research suggesting that consolidation can enhance operational scale, resource allocation, and market presence (Acharya, 2020; Neupane, 2013). Both NIC ASIA Bank and Global IME Bank showed substantial growth in annual profits post-merger, reflecting the positive effect of consolidation on absolute earnings. This outcome is in line with the Synergy Theory, which posits that mergers are expected to raise future cash flow, increase firm value, and generate efficiency gains through economies of scale and scope (Bauer & Friesl, 2022; Masood et al., 2025). The Nepal Rastra Bank’s regulatory objectives of reducing excessive competition among financial institutions and strengthening capital bases further support the strategic rationale behind these mergers (Adhikari, 2014; Tiwari, 2024). The general increase in total profits indicates that the policy-driven impetus by the NRB successfully encouraged consolidation and strengthened the banking sector’s operational and financial capacity.

However, a closer examination of profitability ratios and risk profiles reveals a more nuanced picture. NIC ASIA Bank experienced declines in average return on assets (ROA), return on equity (ROE), and net profit margin (NPM), alongside increased profit volatility (CV) post-merger, despite the growth in absolute profits. These findings suggest that increased size does not automatically lead to higher efficiency or consistent returns. They also align with aspects of Agency Theory, which highlights that managerial inefficiencies, suboptimal integration, or challenges in harmonizing diverse corporate cultures can result in substandard operational performance, even when the bank achieves scale (Yeh & Hoshino, 2002; Gjirja, 2003; Dhakal, 2018). The positive regression correlation between profitability ratios and market price per share (MPS) for NIC ASIA Bank indicates that the market responded favorably to improved performance metrics. Nonetheless, the decline in average profitability ratios signals underlying operational or strategic issues that may have hindered the full realization of merger benefits.

In contrast, Global IME Bank's post-merger performance largely supports the Synergy Theory. The bank demonstrated consistent improvements across all profitability ratios (ROA, ROE, NPM, EPS) and a significant reduction in relative risk (CV), indicating successful integration and effective realization of synergistic benefits. These outcomes suggest enhanced operational efficiency, better asset utilization, and improved shareholder returns (Johnson & Scherstén, 2022; Poposki, 2007). Interestingly, the regression analysis for Global IME Bank revealed negative correlations between profitability ratios and MPS, despite the observed improvements in accounting-based performance. This counterintuitive market response suggests that investors may have factored in other considerations, such as integration risks, capital requirements, or external market dynamics, which could have tempered positive expectations regarding post-merger performance (Satapathy & Kaushik, 2022; Bhandari & Pradhan, 2024).

The heterogeneous outcomes between NIC ASIA Bank and Global IME Bank highlight that M & As are not universally beneficial. The quality of integration, managerial effectiveness, and firm-specific circumstances play a critical role in determining post-merger success. While mergers can increase absolute profits, enhance operational scale, and support strategic objectives, they also pose challenges related to efficiency, consistency of returns, and market perception. Policymakers and bank management should, therefore, focus on careful integration planning, strengthening operational execution, and monitoring market sentiment to ensure that the full potential of mergers is realized. Future research could examine non-financial performance, technology use, stakeholder responses, and, according to Tamang and Adhikari (2025), the impact of merged banks' digital services and innovation on enterprise development in Nepal.

Conclusion and Policy Implication

This study investigated the financial performance of NIC ASIA Bank and Global IME Bank before and after their mergers in Nepal, employing financial ratios and statistical tools to assess profitability and risk. The findings indicate that while mergers led to an increase in total profit for both banks, their impact on financial performance ratios and risk profiles varied. Global IME Bank leveraged mergers effectively, while NIC ASIA Bank faced challenges in translating scale into consistent profitability. Investigation into the long-term implications of cross-border mergers and the ability of Nepalese banks to compete internationally is also recommended. Future studies should utilize alternative measures of performance beyond traditional financial ratios, potentially incorporating non-financial metrics, qualitative data on managerial efficiency, technological integration, and customer satisfaction to provide a more holistic view. Overall, effective implementation of merger by-laws, strategic integration, and a focus on long-term efficiency and market perception are paramount for these consolidations to truly benefit stakeholders and the broader economy.

Recommendations

This study recommends the following measures to strengthen mergers and post-merger performance in Nepalese banks.

NRB Policies:

- Have successfully driven consolidation and increased the capital base of BFIs, contributing to a more stable financial system and enabling financing of larger projects.
- Mixed outcomes highlight the need for a nuanced approach to merger regulation. Policies should not only compel mergers but also provide guidance for effective post-merger integration, especially in operational efficiency, cultural alignment, and human resource management.
- Should monitor long-term impacts beyond capital accumulation, focusing on financial performance quality, service delivery, and market stability. The negative correlation in Global IME Bank's regression indicates the need to investigate market sentiment post-merger.

Banking and Financial Institutions:

- Should recognize that mergers are not a guaranteed solution; while they may increase capital and profit, careful strategic planning and robust integration are essential to realize synergies and protect profitability ratios and market value.
- Should optimize asset mobilization and utilization to enhance performance and customer satisfaction.
- Must address HR issues, cultural clashes, and ensure fair treatment of employees from merged entities to maintain internal efficiency and morale.

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