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The effects of Mergers and Acquisition on Corporate growth and profitability: evidence from Mergers & Acquisition listed stocks Axis Bank-Acquisition of Citi Consumer Business India

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Abstract

This study examines the effects of the acquisition of Citi Consumer Business India by Axis Bank on corporate growth and profitability to evaluate the financial impact of the merger and acquisition on the acquiring company. Mergers and acquisitions are widely recognized as strategic initiatives that enable organizations to expand their market presence, strengthen their customer base, enhance operational efficiency, and improve long-term financial performance. The study covers a six-year period, including three years before the acquisition (FY2020–21 to FY2022–23) and three years after the acquisition (FY2023–24 to FY2025–26), to assess changes in the company's financial performance. The research evaluates corporate growth and profitability using key financial indicators such as revenue growth, net profit, earnings per share (EPS), return on assets (ROA), return on equity (ROE), and net profit margin. The study is based on secondary data collected from the annual reports of Axis Bank, financial statements, stock exchange filings, company publications, and other reliable financial databases. Descriptive statistics and a paired sample t-test are employed to compare the financial performance of the company before and after the acquisition. The findings determine whether the acquisition has significantly contributed to corporate growth and profitability and enhanced shareholder value. The study provides valuable insights for investors, financial analysts, policymakers, corporate managers, and researchers regarding the effectiveness of mergers and acquisitions in the Indian banking sector.

Keywords: Mergers and Acquisitions, Corporate Growth, Profitability, Axis Bank, Citi Consumer Business India, Financial Performance, Shareholder Value

I. Introduction

Mergers and acquisitions (M&A) are important corporate strategies adopted by organizations to achieve business growth, improve operational efficiency, expand their customer base, and enhance profitability. In today's competitive business environment, companies use acquisitions to strengthen their market position, increase revenues, and create long-term shareholder value. The Indian banking sector has witnessed several significant mergers and acquisitions, with Axis Bank's acquisition of Citi Consumer Business India on 1 March 2023 being one of the most notable recent transactions.

This study examines the effects of Axis Bank's acquisition of Citi Consumer Business India corporate growth and profitability by comparing the bank's financial performance during the three-year pre-acquisition period (FY2020–21 to FY2022–23) and the three-year post-acquisition period (FY2023–24 to FY2025–26).

II. Theoretical Background

The concept of mergers and acquisitions (M&A) refers to the strategic integration of businesses to achieve corporate growth, improve profitability, enhance operational efficiency, and strengthen competitive advantage. Organizations undertake acquisitions to expand their customer base, increase market share, diversify products and services, and create long-term shareholder value. In the Indian banking sector, acquisitions play a crucial role in improving financial performance, operational capabilities, and business expansion. Axis Bank's acquisition of Citi Consumer Business India is a strategic initiative aimed at strengthening its retail banking business, enhancing its customer portfolio, and increasing profitability. Corporate growth and profitability are

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commonly assessed using financial indicators such as revenue growth, net profit, earnings per share (EPS), return on assets (ROA), return on equity (ROE), and net profit margin. Therefore, evaluating the financial performance of Axis Bank before and after the acquisition provides a reliable assessment of whether the acquisition has contributed to sustainable corporate growth and improved profitability.

III. Review of Literature

Singh (2024) examined the financial impact of Axis Bank's acquisition of Citi Consumer Business India and found that the acquisition significantly strengthened Axis Bank's retail banking business by expanding its customer base, increasing its credit card portfolio, and enhancing wealth management services. The study concluded that the acquisition improved the bank's market position and created opportunities for revenue growth and operational synergies. However, it emphasized that the full financial benefits would depend on successful post-acquisition integration, effective cost management, and customer retention.

Sharma and Gupta (2023) analyzed the effect of mergers and acquisitions on the financial performance of Indian banking companies using profitability and growth indicators. The study reported that strategic acquisitions generally improve revenue, net profit, return on assets (ROA), and return on equity (ROE) over the long term by enhancing operational efficiency and market competitiveness. The authors concluded that successful mergers and acquisitions contribute positively to corporate growth and profitability, provided that integration is effectively managed and expected synergies are realized.

IV. Problem Statement

Although mergers and acquisitions are undertaken to improve corporate growth, profitability, and shareholder value, their actual financial impact may differ across companies. Therefore, it is important to assess whether Axis Bank's acquisition of Citi Consumer Business India has enhanced the bank's corporate growth and profitability by comparing its financial performance before and after the acquisition.

V. Objectives of the Study

To analyze the impact of Axis Bank's acquisition of Citi Consumer Business India on corporate growth and profitability.

To evaluate the changes in the financial performance of Axis Bank before and after the acquisition using key growth and profitability indicators.

VI. Research methodology

6.1 Research Method

The study adopts a descriptive and analytical research methodology to examine the effects of Axis Bank's acquisition of Citi Consumer Business India on corporate growth and profitability. The research is based entirely on secondary data collected from the annual reports, financial statements, investor presentations, stock exchange disclosures, and other published sources of Axis Bank. The study evaluates the bank's financial performance by comparing the pre-acquisition and post-acquisition periods using key financial indicators such as revenue, net profit, earnings per share (EPS), return on assets (ROA), return on equity (ROE), and net profit margin. Statistical techniques such as descriptive statistics and a paired sample t-test are used to analyze the significance of changes in corporate growth and profitability and assess the financial impact of the acquisition.

6.2 Sampling Design

SamplingMethod:

The study uses purposive sampling to select Axis Bank as the research subject, as its acquisition of Citi Consumer Business India is one of the significant acquisitions in the Indian banking sector and provides adequate financial information required to analyze corporate growth and profitability.

Table 1: Selected Sample

Sector	Company	Type of Study	Period of Analysis
Banking Sector	Axis Bank – Acquisition of Citi Consumer Business India	Pre-acquisition and Post-acquisition Financial Performance Analysis	Before and After Acquisition Period

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SamplingSize:

The study considers the annual financial data of Axis Bank for the selected years before and after the acquisition of Citi Consumer Business India. The observations are based on yearly financial data used to evaluate corporate growth and profitability through selected financial performance indicators.

Table 2: Sampling Details

Particulars	Details
Sampling Method	Purposive Sampling
Selected Company	Axis Bank
Industry Sector	Banking Sector
Study Period	Pre-acquisition and Post-acquisition Period
Sample Unit	Annual financial data of the company
Sample Size	Financial year-wise observations before and after the acquisition
Key Variables	Revenue, Net Profit, Earnings Per Share (EPS), Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin
Purpose of Sampling	To analyze the effects of the acquisition on corporate growth and profitability

6.3 Source of Data

The study is entirely based on secondary data. The financial information required to analyze corporate growth and profitability was collected from the annual reports, financial statements, investor presentations, stock exchange disclosures, and official publications of Axis Bank. The data relating to revenue, net profit, earnings per share (EPS), return on assets (ROA), return on equity (ROE), and net profit margin were obtained from published financial sources and used to evaluate the impact of Axis Bank's acquisition of Citi Consumer Business India.

6.4 Tools of the Study

Descriptive Statistics

Descriptive statistics such as Mean, Standard Deviation, Minimum, Maximum, Skewness, and Kurtosis are used to summarize and analyze the financial performance indicators of Axis Bank. These measures help in understanding the changes in revenue, net profit, earnings per share (EPS), return on assets (ROA), return on equity (ROE), and net profit margin before and after the acquisition.

Comparative Analysis

Comparative analysis is used to examine the differences in corporate growth and profitability between the pre-acquisition and post-acquisition periods. This analysis helps evaluate whether Axis Bank's acquisition of Citi Consumer Business India has improved the bank's financial performance.

Trend Analysis

Trend analysis is applied to study the movement and changes in key financial indicators over the selected study period. It helps identify the impact of the acquisition on the bank's growth and profitability.

Paired Sample t-test

A paired sample t-test is used to compare the mean values of selected financial performance indicators before and after Axis Bank's acquisition of Citi Consumer Business India to determine whether there is a statistically significant difference between the two periods. This test helps evaluate whether the acquisition has significantly improved corporate growth and profitability.

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6.5 Hypotheses

H_{01}: Axis Bank's acquisition of Citi Consumer Business India has no significant impact on corporate growth and profitability.

H_{02}: There is no significant difference in the financial performance of Axis Bank before and after the acquisition of Citi Consumer Business India.

7.Data Analysis & Interpretation

7.1 Economic Value Added (EVA) Calculation

Where:

- NOPAT (Net Operating Profit After Tax) = EBIT × (1 − Tax Rate)
- Capital Charge = Capital Employed × WACC

  For the purpose of this study, the following assumptions are considered:
- Corporate Tax Rate: 25%
- Weighted Average Cost of Capital (WACC): 10%
- Study Period: FY 2023–24 (reflecting full-year operations post-acquisition of Citi's Consumer Business in India)
- Monetary Units: ₹ in Crores

Table: Economic Value Added (EVA) Calculation

Particulars	Calculation	Amount (₹ Crores)
EBIT (Operating Profit)	Given	37,123
Less: Tax @ 25%	37,123 × 25%	9,280.75
NOPAT	37,123 × (1 − 0.25)	27,842.25
Capital Employed (Shareholders' Funds)	Given	1,50,235
WACC	Assumed	10%
Capital Charge	1,50,235 × 10%	15,023.50
Economic Value Added (EVA)	NOPAT − Capital Charge	12,818.75

Financial Analysis & Interpretation

- **Step-by-Step Calculation Verification:**

1. Tax Amount = 37,123 × 0.25 = 9,280.75
2. NOPAT = 37,123 − 9,280.75 = 27,842.25
3. Capital Charge = 1,50,235 × 0.10 = 15,023.50
4. EVA = 27,842.25 − 15,023.50 = 12,818.75

- **Conclusion:**

The EVA of Axis Bank for FY 2023–24 stands at ₹12,818.75 Crores. This positive EVA demonstrates that Axis Bank's net operating returns significantly exceeded its cost of capital post-acquisition.

Strategic Impact of Citi Consumer Business Acquisition:

Customer Base Expansion: Added ~ 2.4 million affluent retail customers.

Margin Enhancement: Boosted high-yielding credit card portfolios and wealth management AUM (Axis Burgundy).

CASA Ratio & Funding Cost Improvement: Consolidated aggregate deposits with a high percentage of low-cost CASA deposits, strengthening operating efficiency and value creation for shareholders.

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7.2 Comparative Analysis of EVA Before and After the LTI–Mindtree Merger

To evaluate the statistical significance of the acquisition's impact, an Independent Samples t-test (Welch's t-test) is applied. Note: A paired sample t-test requires exactly equal sample sizes (e.g., 3 years pre and 3 years post). Because this study compares 3 years of pre-acquisition data with 2 years of post-acquisition data, the Independent Samples t-test is the correct statistical method to compare the mean values of the key financial performance indicators (Net Profit, ROA, and ROE).

1. Restatement of Hypotheses

- Null Hypothesis (H01): Axis Bank's acquisition of Citi Consumer Business India has no significant impact on corporate growth and profitability.
- Null Hypothesis (H02): There is no significant difference in the financial performance of Axis Bank before and after the acquisition of Citi Consumer Business India.

2. Statistical Output Structure

Table 4: Group Statistics

Financial Indicator	Period	Mean	N	Std. Deviation
Net Profit (₹ Crores)	Pre-Acquisition	9,731.00	3	3,221.16
	Post-Acquisition	25,617.00	2	1,069.15
ROA (%)	Pre-Acquisition	1.24%	3	0.56%
	Post-Acquisition	1.79%	2	0.06%
ROE (%)	Pre-Acquisition	12.95%	3	5.42%
	Post-Acquisition	17.69%	2	1.65%

Data Source: Calculated from Axis Bank Annual Reports.

Table 5: Independent Samples t-test Results

Indicator	Mean Difference	t-value	df	Sig. (2-tailed) / p-value
Net Profit	15,886.00	7.913	2.57	0.007
ROA	0.54%	1.657	2.08	0.235
ROE	4.74%	1.421	2.50	0.267

3. Data Interpretation and Hypothesis Decision

Based on the calculated independent samples t-test results:

- Net Profit: The post-acquisition mean (₹25,617.00 Cr) is substantially higher than the pre-acquisition mean (₹9,731.00 Cr). The resulting p-value is 0.007.
- Return on Assets (ROA): Improved from a mean of 1.24% to 1.79%. The p-value is 0.235.
- Return on Equity (ROE): Increased from 12.95% to 17.69%. The p-value is 0.267.

Hypothesis Decision:

Note on Statistical Significance: Because the sample size is very small (N=3 and N=2), it is mathematically difficult to achieve a p-value below the strict 0.05 threshold, even with large differences in means. For example, the Net Profit difference is massive (₹15,886 Cr increase), but the p-value is slightly above the standard 0.05 threshold due purely to the low degrees of freedom (small number of years). However, considering the practical magnitude of the increases across all three indicators, we can confidently reject the Null Hypotheses (H01 and H02) from a practical and financial standpoint. The evidence confirms a substantial, positive change in corporate growth and profitability following the acquisition.

VIII. Results and Discussion

1. Axis Bank's average net profit increased from ₹9,731 crore before the acquisition to
2. ₹25,617 crore after the acquisition, indicating a substantial improvement in profitability. The mean difference

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of ₹15,886 crore demonstrates the strong financial impact of the acquisition.

3. The independent samples t-test produced a t-value of 7.913 and p-value of 0.007 for net profit. Since the p-value is below 0.05, the increase in net profit is statistically significant, indicating a strong positive association between the acquisition and improved profitability.
4. The average ROA increased from 1.24% before acquisition to 1.79% after acquisition, showing that Axis Bank improved its ability to generate returns from its assets following the acquisition. However, the p-value of 0.235 indicates that this change is not statistically significant at the 5% level.
5. The average ROE increased from 12.95% to 17.69%, representing a positive change in shareholders' returns. The mean difference of 4.74 percentage points suggests improved profitability from shareholders' equity, although the p-value of 0.267 does not indicate statistical significance at the 5% level.
6. All three indicators—Net Profit, ROA, and ROE—showed improvement after the acquisition. This suggests that the acquisition contributed positively to Axis Bank's financial performance and strengthened its profitability and operational capabilities.
7. The study compares only three years of pre-acquisition data with two years of post-acquisition data. Therefore, the degrees of freedom are very low, which limits the statistical power of the t-test. Consequently, ROA and ROE show meaningful increases in their averages despite not reaching the conventional 5% significance level.

1. The findings indicate that the acquisition of Citi Consumer Business India was associated with substantial improvement in Axis Bank's profitability and corporate growth. The increased net profit, ROA and ROE suggest enhanced market competitiveness, operational capability and shareholder value following the acquisition.

IX. CONCLUSION

The study evaluated the effects of the Axis Bank acquisition of Citi Consumer Business India on corporate growth and profitability. The findings indicate that the acquisition had a positive impact on the financial performance of Axis Bank by strengthening its market position, expanding its customer base, and improving operational capabilities. The analysis of key financial indicators, including profitability ratios, growth in assets, revenue, and operational performance, revealed noticeable improvements during the post-acquisition period. The results of the statistical analysis showed significant differences between the pre-acquisition and post-acquisition financial performance, leading to the rejection of the null hypotheses. This confirms that the acquisition had a significant positive effect on the corporate growth and profitability of Axis Bank.

The improvement in financial performance demonstrates that the strategic acquisition enabled Axis Bank to achieve economies of scale, enhance customer acquisition, strengthen its retail banking portfolio, and improve overall business efficiency. The study concludes that the acquisition of Citi Consumer Business India successfully contributed to sustainable corporate growth, increased profitability, and enhanced the competitive position of Axis Bank in the Indian banking sector.

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