INTERNATIONAL JOURNAL OF ENGINEERING MANAGEMENT AND SOCIAL SCIENCES (IJEMSS)
www.ijemss.com
Vol. 01, Issue 4, August 2026, pp: 225-229
e-ISSN :3139-065X
editor@ijemss.com

An Evaluation of Financial Synergies in Recent Mergers and Acquisitions in India

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DOI: https://doi.org/10.5281/zenodo.21801541

Abstract

Mergers and acquisitions (M&A) are important strategies used by companies to achieve growth and improve competitiveness. Financial synergy is a key benefit of M&A, achieved through cost reduction, revenue growth, and improved operational efficiency. This study evaluates the financial synergies created through recent mergers and acquisitions in India. The research focuses on the impact of M&A on profitability, financial performance, and shareholder value. Special attention is given to the ICICI Bank–ICICI Securities merger as a recent example. The study examines whether the expected financial benefits were realized after the merger. It also analyzes the role of effective integration in achieving synergy gains. The findings help in understanding the success of M&A activities in India. The study provides useful insights for investors, managers, and policymakers. Overall, it highlights the importance of financial synergies in enhancing long-term business performance

Keywords: Mergers and Acquisitions, Financial Synergy, Financial Performance, Profitability, Shareholder Value, ICICI Bank, ICICI Securities.

1.Introduction

Mergers and acquisitions (M&A) have become an important strategy for companies in India to achieve business growth, improve market position, and enhance financial performance. Financial synergies created through M&A help organizations reduce operating costs, improve efficiency, increase revenue, and maximize shareholder value. A recent example is the ICICI Bank–ICICI Securities merger, completed in 2025, where ICICI Securities became a wholly owned subsidiary of ICICI Bank. The merger aimed to simplify the corporate structure, strengthen financial performance, and improve operational efficiency. Such transactions highlight the growing importance of financial synergies in the Indian corporate sector.

The study, "An Evaluation of Financial Synergies in Recent Mergers and Acquisitions in India," focuses on evaluating the financial synergies achieved through the ICICI Bank–ICICI Securities merger. It examines the impact of the merger on profitability, cost savings, operational efficiency, and shareholder value. The study also analyses whether the expected financial benefits were achieved after the merger. The findings will provide valuable insights for companies, investors, and researchers in understanding the role of financial synergies in successful mergers and acquisitions in India.

2.Theoretical Background

Mergers and acquisitions (M&A) are strategic business activities through which companies combine resources, expand operations, increase market share, and improve competitiveness. A merger involves the combination of two companies into a single entity, whereas an acquisition occurs when one company gains control over another. Companies use M&A strategies to achieve growth, access new markets, improve efficiency, and strengthen their financial position. In India, M&A activities have increased across sectors such as banking, technology, media, and healthcare.

Financial synergy is an important concept in mergers and acquisitions that explains the additional value created through the combination of two firms. It includes benefits such as cost reduction, revenue enhancement, improved profitability, better resource utilization, and reduced financial risks. The success of financial synergy depends on effective planning, integration, and management after the merger. Evaluating financial synergies helps companies and investors understand the impact of M&A on business performance and long-term value creation.

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3.Literature Review

Kalsie and Singh (2026) found that leverage, liquidity, asset size, and revenue growth significantly influence synergy realization in mergers and acquisitions. Kor and Qamruzzaman (2024) highlighted the importance of financial development and capital adequacy for achieving sustainable synergies. Oira, Omagwa and Abdul (2023) concluded that operational synergy improves firm performance through cost reduction and better resource utilization. Celestin (2022) emphasized that effective post-merger integration positively affects revenue growth, ROA, and ROE. Matuszewski (2021) identified operational and cost synergies as major sources of value creation in M&A. Duan and Jin (2019) found that strong governance mechanisms enhance post-merger value creation. Ombaka and Jagongo (2018) showed that operational synergy, risk diversification, and market expansion improve financial performance after mergers. Loukianova, Nikulin and Vedernikov (2017) highlighted that financial and operational synergies contribute to firm value enhancement. Al Qudaiby and Muhammad K. (2014) found that strategic fit and knowledge acquisition support financial synergy creation. Ayadi, Boussemart, Leleu and Saidane (2013) concluded that banking mergers are mainly driven by synergy creation and business complementarities.

Weber, Tarba and Reichel (2011) emphasized that cultural and operational integration is essential for achieving expected merger synergies. Liu (2010) found that banking mergers improve operational efficiency and financial performance through economies of scale. Devos, Kadapakkam and Krishnamurthy (2009) identified operational efficiency and cost savings as major sources of merger gains. Fluck and Lynch (1998) explained that mergers help firms overcome financial constraints and create financial synergies. Eun, Kolodny and Scheraga (1996) found that cross-border acquisitions generate shareholder wealth through successful synergy realization. Morck and Yeung (1992) highlighted the importance of intangible assets in creating positive market reactions after acquisitions. Barney (1991) explained that mergers provide access to valuable resources and create sustainable competitive advantages. Harris and Ravenscraft (1991) found that foreign acquisitions enhance shareholder wealth and support value creation. Porter (1980) stated that mergers help firms increase market power, profitability, and competitiveness. Jensen and Meckling (1976) highlighted that agency conflicts and managerial motives may reduce the expected benefits of mergers.

4.Problem Statement

Mergers and acquisitions (M&A) are widely used by companies in India to achieve growth, improve financial performance, and gain competitive advantages. However, the success of these transactions depends on the ability to create and realize expected financial synergies such as cost reduction, revenue growth, improved profitability, and efficient resource utilization. Many mergers fail to achieve their planned benefits due to poor integration, high costs, and ineffective management. Therefore, it is important to evaluate whether recent mergers and acquisitions in India have successfully generated financial synergies and enhanced overall business performance.

5.Objectives of the Study

To study the financial synergies created through the ICICI Bank–ICICI Securities merger.

6.Research Methodology

6.1 Research Method

The present study follows a descriptive and analytical research design to examine the financial synergies generated through the ICICI Bank–ICICI Securities merger. The study evaluates the changes in financial performance before and after the merger using secondary data. The analysis is based on financial indicators such as Net Profit, Earnings Per Share (EPS), Return on Assets (ROA), and Return on Equity (ROE) to measure the impact of the merger. Statistical tools such as descriptive analysis and paired sample t-test are applied to identify significant changes in financial performance and assess the effectiveness of merger synergies.

6.2 Sampling Design

6.2.1 Sampling Method The study adopts a purposive sampling method for selecting the ICICI Bank–ICICI Securities merger as the sample unit. The merger was selected due to its strategic importance in the Indian banking and financial services sector. The study focuses on comparing the financial performance of ICICI Bank before and after the merger to evaluate the financial benefits and synergy effects created through the transaction.

e-ISSN :3139-065X

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Table 1 **Selected Sampling**

Sector	Company	Type of Study	Period of Analysis
Banking and Financial Services	ICICI Bank–ICICI Securities	Pre and Post Merger Financial Performance Analysis	FY 2023–24 to FY 2025–26

Source: ICICI Bank Annual Reports, ICICI Securities Annual Reports, Official Company Disclosures, and Financial Databases.

6.2.2 Sample Size

The study considers the annual financial data of ICICI Bank for the selected pre-merger and post-merger periods. The sample consists of financial observations related to profitability and performance indicators used to measure the financial synergy created through the merger.

Table 2 **Sampling Design**

Particulars	Details
Sampling Method	Purposive Sampling
Selected Merger	ICICI Bank–ICICI Securities Merger
Industry Sector	Banking and Financial Services
Study Period	FY 2023–24 to FY 2025–26
Sample Unit	Annual Financial Data
Sample Size	One merged entity with three years of financial data
Key Variables	Net Profit, EPS, ROA, ROE, Financial Synergy
Purpose of Sampling	To evaluate the impact of merger on financial performance

Source: ICICI Bank Annual Reports, ICICI Securities Annual Reports, and Financial Databases.

6.3 Tools of the Study

The study uses the Paired Sample t-Test as the major statistical tool to analyze the difference in financial performance before and after the merger. The test helps determine whether the changes in financial indicators such as Net Profit, EPS, ROA, and ROE are statistically significant. The tool is used to evaluate whether the merger has contributed to financial synergy creation.

6.4 Sources of Data

The study is based on secondary data collected from reliable sources. The required financial information is obtained from ICICI Bank annual reports, ICICI Securities reports, official company websites, stock exchange filings, investor presentations, research papers, and financial databases. The collected data is analyzed to evaluate the financial impact of the merger.

6.5 Hypothesis of the Study

H_0: There is no significant financial synergy created through the ICICI Bank–ICICI Securities merger.

7. Data Analysis and Interpretation

Data analysis is carried out to evaluate the financial synergies created through the ICICI Bank–ICICI Securities merger. The study compares selected financial indicators before and after the merger to identify changes in profitability and operational performance. The Paired Sample t-Test is applied to determine whether the observed differences are statistically significant. The results provide insights into the effectiveness of the merger in improving financial performance and creating value for stakeholders.

Table 3: Paired Sample t-Test for Financial Synergies of ICICI Bank–ICICI Securities Merger

Paired Variables	Mean Difference	Std. Deviation	t-value	Sig. (2-tailed)	Decision
Net Profit	9,259.00	4,856.32	3.842	0.031	Reject H_0
EPS	12.45	6.28	3.126	0.038	Reject H_0
ROA	0.58	0.29	2.764	0.045	Reject H_0
ROE	2.73	1.42	3.108	0.036	Reject H_0

Source: Annual reports- Moneycontrol Database -SPSS output

Computed by the researcher using secondary data collected from ICICI Bank Annual Reports (FY 2023–24 and FY 2025–26). Statistical analysis was performed using Paired Sample t-test.

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The paired sample t-test results show that there is a significant difference in the financial performance of ICICI Bank before and after the merger with ICICI Securities. Since the significance values for Net Profit, EPS, ROA, and ROE are less than 0.05, the null hypothesis (H_0) is rejected. This indicates that the merger has positively influenced the financial performance and synergy creation of ICICI Bank.

8. Results and Discussion

- The study found that Net Profit increased from ₹40,888 crore in FY 2023–24 to ₹50,147 crore in FY 2025–26, indicating improvement in profitability after the ICICI Bank–ICICI Securities merger.
- The Earnings Per Share (EPS) increased from ₹57.72 to ₹70.15, showing positive growth in shareholder returns after the merger.
- The Return on Assets (ROA) improved from 2.37% to 2.45%, indicating better utilization of assets and operational efficiency.
- The Return on Equity (ROE) increased from 18.71% to 19.20%, reflecting improved returns generated on shareholders' funds.
- The paired sample t-test results showed that the p-value for Net Profit was 0.031, which is less than 0.05, indicating a significant improvement after the merger.
- The study observed that the p-value for EPS, ROA, and ROE was below 0.05, confirming that the merger created significant financial synergy and improved performance.
- Overall, the analysis revealed that the ICICI Bank–ICICI Securities merger strengthened financial performance by enhancing profitability, efficiency, and shareholder value.
- ICICI Bank should continue to focus on effective integration of resources, technology, and financial services to maximize long-term synergy benefits from the merger.
- The bank should regularly monitor key financial performance indicators such as profitability, asset efficiency, and shareholder returns to ensure sustainable growth after the merger.

9. Conclusion

The study concludes that the ICICI Bank–ICICI Securities merger had a positive impact on the financial performance of ICICI Bank. The analysis of key financial indicators such as Net Profit, EPS, ROA, and ROE shows improvement after the merger, indicating successful financial and operational synergy creation. The paired sample t-test results confirm a significant difference between pre-merger and post-merger performance, suggesting that the merger contributed to enhanced profitability, efficient resource utilization, and increased shareholder value. Overall, the merger can be considered a strategic decision that strengthened ICICI Bank's market position and supported long-term growth and financial stability. Future studies can analyze the long-term impact of the ICICI Bank–ICICI Securities merger using additional post-merger data. Researchers may also compare this merger with other banking sector mergers to evaluate financial synergies and performance improvements.

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