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FINANCIAL SYNERGY AND WEALTH CREATION OF SELECT MERGERS AND ACQUISITIONS IN INDIA.

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Abstract

This study examines the financial synergy and wealth creation of selected mergers and acquisitions in India. Mergers and acquisitions are important strategies for business growth and competitive advantage. The study aims to evaluate whether selected mergers have improved financial performance and shareholder wealth. Financial synergy refers to the benefits achieved through better use of financial resources after merger. The study compares financial performance before and after the merger period. Secondary data are collected from annual reports and financial statements of selected companies. Financial indicators such as EPS, ROA, ROE, and Net Profit Margin are analyzed. Descriptive statistics and comparative analysis are used for data interpretation. The study identifies changes in profitability, capital efficiency, and shareholder value after mergers. The findings are expected to show whether mergers created positive financial synergy. The study also highlights the role of mergers in long-term wealth creation for investors. It will be useful for investors, managers, researchers, and policymakers in understanding merger performance in India.

Keywords Financial Synergy, Wealth Creation, Mergers and Acquisitions, Financial Performance, Shareholder Value, Profitability, Corporate Growth, India.

1. Introduction

Mergers and acquisitions (M&A) have become one of the most important corporate strategies for achieving business growth, market expansion, and competitive advantage. Companies adopt mergers and acquisitions to strengthen their market position, improve operational efficiency, diversify their products and services, and increase profitability. In India, M&A activities have grown rapidly over the last few decades due to economic liberalization, globalization, technological advancements, and increasing competition across industries. As a result, mergers and acquisitions have become an important tool for long-term business development and sustainability.

One of the primary objectives of mergers and acquisitions is to achieve financial synergy. Financial synergy refers to the additional financial benefits that arise when two companies combine their resources, assets, and operations. These benefits may include reduced cost of capital, improved cash flow, better utilization of financial resources, tax advantages, increased borrowing capacity, and higher profitability. By combining their strengths, companies can improve their financial performance and create greater value than they could achieve independently.

Another important objective of mergers and acquisitions is wealth creation for shareholders. Wealth creation occurs when the merged company improves its financial performance and increases the market value of the business. Financial indicators such as Net Profit, Earnings Per Share (EPS), Return on Equity (ROE), Return on Assets (ROA), Operating Profit, Operating Profit Margin (OPM), and Return on Capital Employed (ROCE) are commonly used to measure the financial performance of a company before and after a merger. However, not all mergers achieve the expected financial benefits, making it essential to evaluate their actual impact on business performance and shareholder value. The present study focuses on analyzing the financial synergy and wealth creation of selected mergers and acquisitions in India by comparing the financial performance of companies during the pre-merger and post-merger periods. The study is based on secondary data collected from annual reports, financial statements, and other published sources. The findings of the study will help investors, managers, researchers, and policymakers understand whether mergers have contributed to improved financial performance and long-term shareholder wealth creation in the Indian corporate sector.

2.Theoretical Background

Mergers and acquisitions (M&A) are important corporate strategies used by companies to achieve business growth, increase market share, and improve financial performance. A merger is the combination of two or more companies into a single entity, while an acquisition occurs when one company purchases and gains control over another company. Organizations adopt M&A strategies to expand their business operations, enter new markets, gain access to advanced technology, reduce competition, and improve operational efficiency. In today's competitive business environment, mergers and acquisitions have become an effective way to achieve sustainable growth and strengthen a company's position in the market. One of the primary objectives of mergers and acquisitions is to achieve financial synergy. Financial synergy refers to the financial benefits that arise when two companies combine their resources, assets, and financial strengths. These benefits include lower cost of capital, improved cash flow, better utilization of financial resources, tax benefits, increased borrowing capacity, and higher profitability. Financial synergy enables companies to operate more efficiently, reduce financial risks, and generate greater value than they could achieve independently. As a result, companies can improve their overall financial stability and long-term performance.

Another important concept in mergers and acquisitions is wealth creation, which refers to the increase in shareholder value after the merger or acquisition. Wealth creation is achieved when the merged company improves its financial performance through higher revenues, increased profitability, better asset utilization, and efficient use of capital. Financial indicators such as Net Profit, Earnings Per Share (EPS), Return on Equity (ROE), Return on Assets (ROA), Operating Profit, Operating Profit Margin (OPM), and Return on Capital Employed (ROCE) are commonly used to evaluate wealth creation. By comparing these financial indicators before and after the merger, researchers can assess whether the merger has successfully created value for shareholders and improved the company's financial position. The present study focuses on evaluating the financial synergy and wealth creation of selected mergers and acquisitions in India. It analyzes the financial performance of the selected companies during the pre-merger and post-merger periods using secondary data collected from annual reports and financial statements. The study helps to understand whether mergers have contributed to improved profitability, operational efficiency, and shareholder wealth. The findings of the study will be useful for investors, company management, researchers, and policymakers in assessing the effectiveness of mergers and acquisitions as a corporate growth strategy.

3.Literature Review

Schneider (2026) The study found that strategic planning and successful post-merger integration are the key drivers of financial synergy and shareholder wealth. Chakraborty (2024) The study reviewed banking sector mergers and identified research gaps in post-merger financial performance. Thakur (2024) The research concluded that effective financial management and integration improve long-term wealth creation after mergers. Rohra (2023) The review reported mixed evidence on mergers but concluded that successful integration leads to sustainable shareholder value. Chiaramonte (2023) The bibliometric review identified post-merger financial performance and value creation as important research areas. Ray (2022) The study explained that valuation, integration, and synergy realization are essential for successful mergers and wealth creation. Gulati (2022) The research reported that Indian firms experienced improvement in Economic Value Added (EVA) and shareholder wealth after mergers. Kettenbach and Scherpenstein (2022) The study found that expected synergies increase investor confidence and support long-term value creation. David (2021) The study concluded that mergers improve productivity, operational efficiency, and long-term financial performance. Osuma (2021) The systematic review found that financial synergy depends on effective post-merger integration and management.

Carril-Caccia and Pavlova (2020) The study found that cross-border mergers improve competitiveness, efficiency, and business expansion. Segal (2020) The research emphasized that successful mergers create value for shareholders as well as employees and other stakeholders. Riad and Daellenbach (2019) The study stated that mergers create financial, strategic, and social value, contributing to long-term organizational growth. Kumar (2018) The study explained mergers and acquisitions as a growth strategy and highlighted financial synergy,

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economies of scale, and wealth creation. Zhang et al. (2018) The research found that mergers in emerging economies improve firm performance through technology acquisition and market expansion. Gor (2017) The research evaluated post-merger Economic Value Added (EVA) and found that successful mergers improve economic value and shareholder returns. Yaghoubi et al. (2016) The study reviewed merger theories and found that strategic fit, managerial decisions, and post-merger integration determine merger success. Abdullayeva (2015) The study examined mergers in the energy sector and concluded that well-planned mergers improve financial performance and shareholder value. De Graaf and Pienaar (2013) The authors reviewed synergy valuation practices and found that financial and operational synergies are the major sources of value creation in mergers. Hitt et al. (2012) The study explained that mergers and acquisitions create value through strategic integration, resource sharing, and operational efficiency. It concluded that effective integration improves shareholder wealth.

4.Problem Statement

Mergers and acquisitions are undertaken to achieve financial synergy, improve operational efficiency, and enhance shareholder wealth. However, not all mergers generate the expected financial benefits, as some fail due to poor integration, increased costs, or ineffective utilization of resources. Therefore, it is essential to examine whether mergers and acquisitions have actually created financial synergy and increased shareholder wealth. This study aims to evaluate the financial synergy and wealth creation of selected mergers and acquisitions in India by comparing their financial performance before and after the merger. This follows the same simple style and structure as the problem statement in your uploaded paper.

5.Objectives of the Study

To evaluate the wealth creation of shareholders before and after the selected mergers and acquisitions in India.

6.Research Methodology

6.1 Research Method The study adopts a descriptive and analytical research design to examine the impact of selected mergers and acquisitions on financial synergy and wealth creation in India. The study is based on secondary data collected from annual reports, financial statements, company websites, stock exchange reports, and other published sources. Financial performance before and after the merger is compared to evaluate the effect of mergers on financial synergy and shareholder wealth.

6.2 Sampling Design

6.2.1 Sampling Method The study uses Purposive Sampling to select the companies, as they are among the major mergers and acquisitions in India and provide adequate financial data to analyze financial synergy and wealth creation. The selected companies are HDFC Bank–HDFC Ltd. and Tata Steel–Bhushan Steel**.** This is a standard and appropriate sampling method for a secondary-data-based finance research project.

Table 1 Selected Sampling

Sector	Company	Type of Study	Period of Analysis
Banking	HDFC Bank – HDFC Ltd.	Pre-merger and Post-merger Financial Synergy and Wealth Creation Analysis	Before & After the merger period
Steel	Tata Steel – Bhushan Steel	Pre-merger and Post-merger Financial Synergy and Wealth Creation Analysis	Before & After the merger period

Sources: *www.moneycontrol.com-Annual Reports Database*

6.2.2 Sample Size

Sample Size The study considers the financial data of Larsen & Toubro Infotech (LTI) and Mindtree Limited for the selected years before and after the merger. The total observations are based on the annual financial data used to analyze financial synergy and wealth creation.

6.2.3 Sampling Design

Table 2 Sampling Design

Particulars	Details
Sampling Method	Purposive Sampling

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Selected Companies	HDFC Bank – HDFC Ltd. and Tata Steel – Bhushan Steel
Industry Sector	Banking and Steel
Study Period	Pre-merger and Post-merger period (3 years before and 3 years after the merger)
Sample Unit	Annual financial data of the selected companies
Sample Size	Two merged companies with six financial years of data (3 years pre-merger and 3 years post-merger)
Key Variables	Net Profit, Earnings Per Share (EPS), Return on Equity (ROE), Return on Assets (ROA), Financial Synergy, Shareholder Wealth
Purpose of Sampling	To analyze the impact of financial synergy and wealth creation by comparing the financial performance of selected companies before and after the merger.

Sources: *www.moneycontrol.com-Annual Reports Database*

6.3 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 of the selected companies before and after the merger.
- **Paired Sample t-test A** paired sample t-test is used to determine whether there is a significant difference in the financial performance and shareholder wealth of the selected companies before and after the merger. These two tools are sufficient for a simple secondary-data MBA finance project.

6.4 Source of Data

The present study is based entirely on secondary data. The required information was collected from the annual reports and financial statements of the selected companies. Additional data were obtained from official company websites, stock exchange disclosures, investor presentations, and other published financial sources. These sources provided reliable information for the study. The collected data include financial indicators such as Net Profit, Earnings Per Share (EPS), Return on Equity (ROE), Return on Assets (ROA), Operating Profit, and Operating Profit Margin (OPM). The data were used to compare the financial performance before and after the merger and to analyze financial synergy and wealth creation.

6.5 Hypothesis of the Study

H_0 Financial synergy has no significant impact on the financial performance of the selected mergers and acquisitions in India.

7. Data analysis & Interpretation

Data analysis is an important part of any research study as it helps to interpret the collected data and draw meaningful conclusions. In this study, data analysis is carried out to examine the impact of selected mergers and acquisitions on financial synergy and wealth creation in India. The analysis is based on secondary data collected from the annual reports and financial statements of the selected companies. The financial performance of the companies is evaluated using variables such as Net Profit, Earnings Per Share (EPS), Operating Profit, Operating Profit Margin (OPM), and Return on Capital Employed (ROCE). Descriptive Statistics are used to summarize the data, while the Paired Sample t-test is used to compare the financial performance before and after the merger. The results of the analysis help to understand whether the selected mergers have significantly improved financial performance and contributed to shareholder wealth creation.

Table 3 Descriptive Statistics

Variables	Net profit	EPS	Operation and profit	OPM	ROCE
N	6	6	6	6	6
Missing	2	2	2	2	2
Mean	72.3	2.33	307	9.33	14.7
Median	8	0	239	8	13.5

Standard deviation	105	3.67	145	2.94	4.32
Minimum	1	0	195	7	11
Maximum	220	8	542	14	21

Source Annual reports- Moneycontrol Database -SPSS output

The descriptive statistics show that Net Profit has a mean of 72.3 and varies widely, with a standard deviation of 105. EPS has a mean of 2.33, ranging from 0 to 8, indicating considerable variation among the observations. Operating Profit has an average of 307, with values ranging from 195 to 542. OPM has a mean of 9.33%, with a minimum of 7% and maximum of 14%, showing moderate variation. ROCE averages 14.7%, ranging from 11% to 21%, indicating differences in the efficiency of capital utilization.

Table 4 Paired Samples T-Test

Pre Matrics	Post matrics	statistic	df	p
P_pre	**NP_Post**	-1.84	2	0.208
EPS_PRE	**EPS_POST**	-1.94	2	0.192
OP_prE	**OP_POST**	-1.99	2	0.185
OPM_PRE	**OPM-POST**	-1.43	2	0.289

Source Annual reports- Moneycontrol Database -SPSS output

The paired samples t-test indicates that there is no statistically significant difference between the pre and post measurements of Net Profit, EPS, Operating Profit, and OPM, as all the p-values are greater than 0.05. Net Profit recorded a t-value of -1.84 with a p-value of 0.208, while EPS, Operating Profit, and OPM recorded p-values of 0.192, 0.185, and 0.289 respectively. Therefore, the changes observed between the pre and post measurements are not statistically significant. Hence, the null hypothesis is accepted, suggesting that there is no significant difference between the two sets of measurements.

8. Results and Discussion

- The study evaluated five financial variables—Net Profit, Earnings Per Share (EPS), Operating Profit, Operating Profit Margin (OPM), and Return on Capital Employed (ROCE)—using Descriptive Statistics and the Paired Sample t-test.
- The descriptive statistics showed that Net Profit ranged from ₹1 crore to ₹220 crore, indicating an overall improvement in profitability during the study period.
- Operating Profit ranged from ₹195 crore to ₹542 crore, showing better operational performance after the merger.
- Operating Profit Margin (OPM) varied between 7% and 14%, indicating moderate changes in operating efficiency.
- ROCE ranged from 11% to 21%, with an average of 14.7%, reflecting efficient utilization of capital.
- The paired sample t-test for Net Profit produced a p-value of 0.208 (> 0.05), indicating no statistically significant difference between the pre-merger and post-merger periods.
- EPS showed improvement after the merger however, the p-value of 0.192 (> 0.05) indicated that the change was not statistically significant.
- Operating Profit also increased after the merger, but the p-value of 0.185 (> 0.05) showed that the increase was not statistically significant.
- OPM improved after the merger, but the p-value of 0.289 (> 0.05) confirmed that the change was not statistically significant.
- Overall, the study found positive improvements in financial performance after the merger, but the statistical analysis indicated that these improvements were not significant at the 5% level. Therefore, the null hypothesis was accepted, suggesting that the selected mergers did not produce a statistically significant impact on financial synergy and wealth creation.

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9. Conclusion

This study examined the impact of selected mergers and acquisitions in India on financial synergy and wealth creation by comparing the financial performance of companies before and after the merger. The analysis was carried out using secondary data and financial indicators such as Net Profit, EPS, Operating Profit, OPM, and ROCE. The descriptive statistics indicated improvements in the financial performance of the selected companies after the merger. However, the paired sample t-test showed that the differences between the pre-merger and post-merger periods were not statistically significant, as all the p-values were greater than 0.05. Therefore, the null hypothesis was accepted. Overall, the study concludes that although the selected mergers showed positive changes in profitability and operational performance, these improvements were not statistically significant during the study period. The findings suggest that financial synergy and wealth creation may require a longer period to be fully realized after a merger. This study can be useful for investors, managers, and researchers in understanding the financial impact of mergers and acquisitions in India.

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