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A Comprehensive Analysis of Mergers and Acquisitions – The Saudi National Bank Perspective

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Abstract: This study examines mergers and acquisitions (M&A) in the banking sector, exploring motivations, challenges, and solutions. Using a mixed-methods approach, this study identifies diverse M&A motives, including economies of scale and strategic alignment. An analysis of the Saudi National Bank (SNB) post-SAMBA and NCB merger provides a practical lens for evaluating financial performance, including metrics like Return on Assets (ROA) and Return on Equity (ROE). It combines qualitative and quantitative dimensions, enriching theoretical insight with empirical evidence. This study not only contributes to the M&A discourse but also offers academics, practitioners, and policymakers a valuable perspective on corporate strategy and financial dynamics.
Keywords: *Mergers and Acquisitions (M&A), Financial Performance, Banking Sector, Challenges and Solutions, Strategic Alignment, Financial Integration*

INTRODUCTION

Giving a new start to your journey by ending your actual existence is thumb rule of the nature. Organizations are attempting to work together with other partners to increase their overall market reach due to rising competition, globalization, and market liberalization. Organizations use a variety of tactics to accomplish this; mergers and acquisitions are one such weapon for globalization. It's the need of the hour. It's just like giving a new soul to a deceased body.

Concept of Merger and Acquisition:

The term mergers and acquisitions (M&A) alludes to the solidification of organizations or their significant business resources through monetary exchanges between organizations. A company can buy another company outright and absorb it, merge with it to form a new company, make a tender offer for its stock, or stage a hostile takeover. Other options include acquiring some or all of the major assets of the other company. Each is an M&A activity.

The expressions "consolidations" and "acquisitions" are frequently utilized conversely; however, they vary in importance. In an acquisition, one organization buys another out and out. The merger of two businesses results in the creation of a new legal entity with a single corporate name. (*Mergers and Acquisitions (M&A)*, n.d.)

Reason for mergers

Companies pursue mergers and acquisitions for several reasons. The most common motives for mergers include the following: (*Motives for Mergers*, n.d.)

Economies of Scale

Companies often pursue M&A to achieve economies of scale, which involves reducing per-unit costs by increasing the scale of operations. This cost reduction can result from the elimination of duplicate functions, the pooling of resources, and more efficient utilization of assets. Economies of scale can lead to improved profitability and competitiveness. For example, a merger between two automobile manufacturers can lead to the consolidation of manufacturing facilities, reducing production costs. Similarly, in the banking sector, merging banks may consolidate branch networks and back-office operations to achieve cost savings.

Diversification

Mergers are often used for diversification, such as entering new markets or offering new products or services. Diversification is a strategy employed by companies to spread risk and enhance revenue stability. Through M&A, companies can enter new markets or industries, reducing their dependence on a single market segment. This can be especially valuable in industries susceptible to cyclical economic fluctuations. For example, an energy company acquiring a renewable energy firm diversifies its energy portfolio, reducing exposure to fluctuations in fossil fuel prices. Similarly, a technology company entering the healthcare sector through M&A diversifies its revenue streams.

Synergy Creation

Synergy refers to the additional value created through the combination of two companies that is greater than what each company could achieve independently. M&A can led to various types of synergy, including cost synergies (reduced operational costs) and revenue synergies (increased sales and cross-selling opportunities). For example, a merger between two pharmaceutical companies may result in cost savings through the consolidation of research and development efforts. Or a merger between a telecom company and a media company can create revenue synergies by bundling services.

Technological Advancements

Companies may pursue M&A to acquire new technologies, intellectual property, or innovative capabilities. In a rapidly evolving technological landscape, M&A can provide a competitive advantage by incorporating cutting-edge innovations. For examples, a technology giant acquiring a start-up with ground-breaking AI technology can integrate these capabilities into its existing products and services. Similarly, a pharmaceutical company acquiring a biotech firm with promising drug candidates can accelerate its research pipeline.

Financial Engineering

M&A can be motivated by financial considerations, including capital restructuring, tax benefits, and leveraging financial leverage. Companies may seek to optimize their capital structure, reduce tax liabilities, or enhance shareholder value through financial engineering. A company might acquire another with substantial cash reserves to deploy those funds more efficiently. Additionally, tax considerations can influence the structure of an M&A deal to maximize tax benefits.

Competitive Pressures

Competitive pressures, such as the need to keep pace with industry rivals or respond to disruptive forces, can drive M&A decisions. Companies may use M&A as a strategic response to changing market dynamics or to gain an edge in a highly competitive environment. For example, in the tech industry, companies often engage in M&A to acquire startups with innovative technologies and stay ahead of competitors. Similarly, traditional retailers may acquire e-commerce companies to adapt to changing consumer preferences.

Strategic Alignment

Strategic alignment between merging companies is critical for M&A success. It involves ensuring that the goals, cultures, and long-term visions of both companies are compatible and complementary. M&A is pursued when strategic fit and shared objectives are evident. A merger between two global pharmaceutical companies with complementary product portfolios can enhance their strategic position in the market. Likewise, aligning the values and cultures of merging companies can facilitate post-merger integration.

Regulatory and Legal Factors

Regulatory changes or legal considerations can significantly impact M&A decisions. Antitrust laws, industry-specific regulations, and other legal factors can influence the feasibility and structure of an M&A transaction. Thorough due diligence is essential to navigate regulatory challenges. For example, in a telecommunications industry, regulatory approval is often required for mergers that involve significant market consolidation. Companies must ensure compliance with competition laws and obtain necessary approvals.

Challenges and potential solutions associated with M&A

Cultural Integration Challenge

Merging organizations often have distinct corporate cultures, values, and ways of operating. Bridging these cultural gaps can be a significant challenge, leading to employee resistance, communication breakdowns, and decreased morale. To address cultural integration challenges, companies should prioritize effective communication and transparency. Cultural assessments can help identify areas of misalignment, enabling the development of a shared culture and values. Involving employees in the integration process through workshops and training programs can foster a smoother transition.

Leadership and Management Conflicts

M&A transactions may result in leadership and management conflicts as executives from both organizations vie for key positions and decision-making authority. These conflicts can hinder effective post-merger operations. In this situation companies should implement a clear leadership transition plan that outlines roles and responsibilities for executives from both companies. Open dialogue and collaboration among leadership teams should be encouraged in order to establish a unified vision and strategy. Professional mediation and conflict resolution mechanisms can also be valuable.

Integration of IT Systems and Infrastructure

Merging IT systems, data, and infrastructure can be technically complex and time-consuming. Incompatible systems can lead to operational disruptions, data loss, and increased cybersecurity risks. During these circumstances thorough IT due diligence must be conducted before the merger to identify system compatibility issues. A comprehensive IT integration plan should be developed that prioritizes critical systems

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and data migration. IT experts and project managers must be engaged to oversee the integration process and to minimize disruptions.

Regulatory and Compliance Challenges

M&A transactions often involve navigating complex regulatory and compliance requirements, including antitrust regulations, industry-specific laws, and data privacy regulations. Failure to comply can result in legal and financial consequences. A dedicated regulatory compliance team to ensure adherence to all applicable laws and regulations must be established. Companies should conduct comprehensive due diligence to identify potential compliance risks. It should seek legal counsel with expertise in M&A regulations and engage with regulatory authorities when necessary.

Employee Retention and Talent Management

A successful merger and acquisition relies heavily on employee retention. The post-merger environment can cause talent attrition if it is uncertain, redundancies occur, or people are dissatisfied with their jobs. During such situations, companies should develop a talent retention strategy that includes communicating the merger's benefits, developing career opportunities, and recognising employees. It is important that companies ensure a smooth transition process and offer competitive compensation packages in order to retain key talent.

Financial Integration and Debt Management

It can be difficult to manage financial integration, including debt consolidation. A lack of optimization of financial structures can negatively impact liquidity and financial stability. Using financial experts and consultants as a solution, companies can assess debt structures and determine the best approach to debt consolidation. A detailed financial integration plan that aligns with the company's goals and obligations should be developed. To identify and address any challenges that arise post-merger, companies should closely monitor financial performance following the acquisition.

Merger and acquisition (M&A) are regarded as an efficient and well-known strategy used by firms to compete in the current global and dynamic economy. It's the most effective corporate strategy for increasing profitability, efficiency, and business expansions. Understanding the nexus between M&A and financial markets is essential for investors, financial analysts, and policymakers. The financial sector is vital to a nation's economic growth; it acts as the structure's support system and must be carefully managed. Commercial banks are important because they have a big impact on commercial transactions. As they offer credit and loans to consumers and businesses. They give individuals a safe location to store cash, earn interest, and make purchases using checks, debit cards, and credit cards. However frequently owing to variables like fierce rivalry, technological innovation, a growth in the volume of transactions, and a high demand for accessibility, many banks are unable to handle them and their survival is in jeopardy. And here comes M&A with a ray of hope to these ailing banks.

OBJECTIVES

Through an in-depth analysis of the merger between National Commercial Bank (NCB) and The Saudi British Bank (Samba), this paper seeks to provide invaluable insights into the financial implications of M&A. By unravelling the financial intricacies and market responses surrounding this merger, we aim to contribute to the broader discourse on how such transactions impact the financial health of companies and the dynamics of financial markets. In pursuit of this goal, we have outlined the following objectives:

- To study the nature and types of Mergers and Acquisitions.
- To examine the financial motivations behind Mergers and Acquisitions, with a focus on their impact on financial performance.
- To identify the challenges inherent in Mergers and Acquisitions and propose viable solutions.
- To assess the impact of Mergers and Acquisitions on the financial performance of companies, as illustrated through a case study of the NCB and Samba merger.

Our objectives, outlined above, serve as a framework for exploring M&A within the context of financial markets. In order to establish a comprehensive understanding of the subject matter, the following literature review will examine existing research, theories, and findings related to mergers and acquisitions.

LITERATURE REVIEW

In today's dynamic business environment, mergers and acquisitions (M&A) have emerged as pivotal events with significant implications for the financial markets. The study by Houston analyses the largest bank mergers between 1985 and 1996, finding that recent mergers result in positive revaluations of bidder and target stocks, primarily due to estimated cost savings rather than projected revenue enhancements (Houston *et al.*, 2001).

The risk and (abnormal) returns of acquiring banks are examined in a paper by Amihud in relation to the effects of cross-border bank mergers. Overall, we find that the acquirers' risk does not rise or fall. Overall, neither their all-out risk nor their orderly gamble falls comparative with banks in their home financial market. The abnormal returns to acquirers are negative and significant, but they are slightly higher when risk is higher than that of the acquirer's home country's banks (Amihud *et al.*, 2002).

***Corresponding Author: Dr. Ruby Khan**

A study conducted by Corvoisier & Gropp aimed at the recent wave of mergers in the euro area raises questions about whether increased concentration in European banking has offset increased competition through deregulation. A Cournot model of bank pricing shows that increasing concentration may lead to less competitive pricing for loans and demand deposits (Corvoisier & Gropp, 2002).

The paper by Campa & Hernando examines the performance of mergers and acquisitions (M&As) in the European Union financial industry from 1998-2002. It finds that M&As often resulted in positive excess returns for target companies, but zero returns for acquiring firms. M&As also improved operating performance for banks, with an average return on equity increase of 7% and efficiency improvements (Campa & Hernando, 2006).

Research by Abdul Basit examines the impact of mergers and acquisitions on financial performance of 40 UK firms listed on the London Stock Exchange. It compares pre-merger and post-merger financial ratios, focusing on Return on Assets, Return on Equity, Earning per Share, and Net Profit Margin. The study uses descriptive statistics and Paired sample (T-test) and suggests using other financial ratios for a clearer understanding. The findings suggest that net profit margin is not affected by mergers, but return on assets, equity, and earnings per share (Abdul Basit 2011).

M&A activities involve the consolidation of companies through various mechanisms, including mergers where two companies combine to form a new entity, and acquisitions where one company purchases another. These activities are not confined to specific industries but have far-reaching effects across the financial market spectrum (Malik *et al.*, 2014).

The study by Boubaker S., & Hamza, T. examines a sample of 40 takeovers that occurred between 1996 and 2007 in order to compare the short- and long-term performance of UK financial acquiring corporations. It specifically looks into the acquiring companies' short- and long-term stock return performance as well as the relationship between their short-term abnormal return around the time of takeover announcements and their long-term success. According to the event study technique, bidders suffer serious short-term wealth erosion. On the other hand, over the long term, both the bidder's portfolio return strategy and the buy-and-hold abnormal returns approach show positive and large wealth impacts. According to business cycle studies, acquirers experience much better returns during downturns in the financial markets. Additionally, the outcomes demonstrate that the market response to the bid announcement improves the long-term in comparison to short term (Boubaker & Hamza, 2014).

The goal of Azhagaiah, R., & Kumar, T.S. research is to examine the variations in structure that occur, particularly in operating performance (op), following merger and acquisitions (M&As) by looking at 39 selected acquiring manufacturing enterprises in India. Only the businesses that underwent an M&A procedure in the 2006–2007 fiscal year were taken into account. To analyse these firms' operations in the lead-up to and following the merger, we used factor analysis, correlation matrices, multiple regression, and the Chow test. The study finds that after mergers and acquisitions, operations of acquiring manufacturing enterprises in India significantly improved (in a good way) (Azhagaiah & Sathishkumar, 2014).

The purpose of the study by Sohni Ghosh & Sraboni Dutta is to review scholarly studies on the impact of M&As on company performance and to compare Indian M&As to those that take place in other countries. With a focus on contrasting company performance metrics prior and post the M&A, 108 publications in reference journals published between 2005 and 2015 were reviewed. The review has demonstrated that, regardless of the nation, mergers and acquisitions can have a mixed or positive impact on the accounting and stock market performance measures of the acquirer and target companies. Downsizing and cultural incompatibility are issues with mergers and acquisitions in India and other nations. While the majority of M&As in other nations have resulted in the loss of customer base, domestic M&As in India have increased market share (Ghosh & Dutta, 2016).

M&A transactions can take on diverse forms, each with unique characteristics (Figure 1). Horizontal mergers involve the consolidation of companies operating in the same industry, aiming to enhance market share and competitiveness. Vertical mergers involve companies in different stages of the supply chain uniting to streamline operations. Conglomerate mergers, on the other hand, involve companies from entirely unrelated industries coming together. For instance, a tech company might merge with a pharmaceutical company. Concentric mergers include a merger between companies who have similar audiences with different products. These varied types of M&A transactions illustrate the adaptability of M&A strategies across the financial market landscape.

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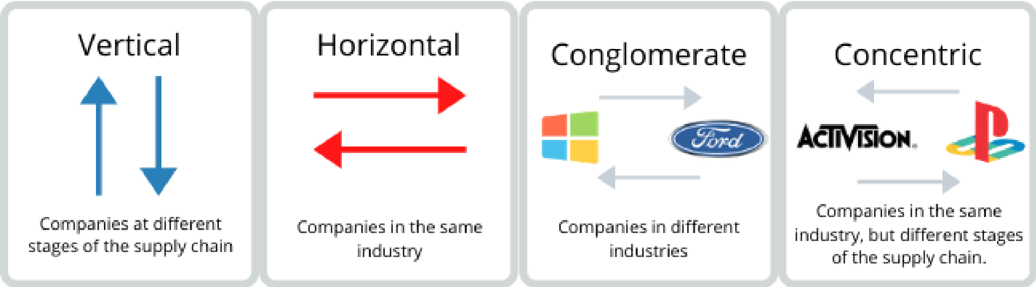

Figure 1: Types of Mergers and Acquisitions
Source: Web information (Upton, n.d.)

A study by Shabana Maqsood & Anjali Goswami evaluates the banking sector scenario in Saudi Arabia, focusing on mergers and acquisitions. Comparing three banks, it found only one had successful mergers and acquisitions (Shabana Maqsood & Anjali Goswami, 2017).

A study by Bruno Jullien and Yassine Lefouili examines how horizontal mergers affect innovation. Mergers can either have a positive or negative impact on innovation, and the study provides insights into the circumstances in which each scenario is likely to occur. According to them, competition authorities should handle innovation effects in merger controls differently than they should analyze price effects (Jullien & Lefouili, 2018).

The study by Coccorese & Ferri examines the efficiency of mergers among Italian mutual cooperative banks (Banche di Credito Cooperativo) using a stochastic frontier approach. Results show that only 5% of mergers increase cost efficiency, particularly those with at least three successive mergers. The study also suggests that serial mergers could harm marginal borrowers, negatively impact development and inequality, and violate BCCs' ethics and mission (Coccorese & Ferri, 2020).

Margaret E. Slade surveys recent empirical evidence on the efficiencies and competitive harms associated with vertical mergers. This paper argues that although vertical merger screening tools are needed, horizontal screens should be adapted to vertical situations to avoid problems (Slade, 2021).

The study by Mamun examines the post-merger operating performance of FDIC-assisted bank mergers, revealing significant improvements in profitability and cost efficiency up to two years post-merger, compared to non-merger peers. Wealth transfer from the FDIC does not significantly influence these improvements (Mamun *et al.*, 2021).

The study by Yildirim explores the international expansion motives and strategies of emerging country banks (ECBs) using a worldwide sample of cross-border mergers and acquisitions (CBMAs). It reveals that ECBs pay lower premiums for efficient targets, better functional diversification opportunities, and markets with higher growth prospects or better institutional development levels (Yildirim *et al.*, 2023).

The study examines the potential benefits and challenges of merging Islamic and conventional banks using a balanced scorecard-based strategic analysis. It provides strategic guidance for future mergers and suggests that a well-planned strategy is crucial for maximizing the benefits. The study suggests that integrating the strengths of both types of banks could create a competitive advantage and improve financial performance, but requires careful consideration of cultural differences and regulatory challenges (Al-Binali *et al.*, 2023).

Following the findings of this literature review, our research methodology employs a systematic approach to investigate the NCB/Samba merger case. In this study, we analyse the financial dynamics of the merger using both qualitative and quantitative data sources. The NCB-Samba merger offers a fascinating example of how M&A activities impact financial performance by the empirical analysis of various performance parameters. Through our research methodology, we seek to extract valuable insights in order to provide stakeholders with a roadmap for navigating the complexities of mergers and acquisitions.

METHODOLOGY

This research examines the financial dynamics of mergers and acquisitions (M&A), focusing on the merger of NCB and Samba. A mixed-methods approach is employed, combining qualitative and quantitative research technique. A qualitative approach is employed in order to investigate the strategic aspects of the merger between NCB and Samba. Our qualitative analysis is further enhanced by analysing relevant documents like merger announcements and annual reports of the two banks.

Quantitative analysis is conducted to evaluate the financial performance of NCB and Samba before and after the merger. We utilized financial data, including balance sheets, income statements, and cash flow statements, to calculate key financial metrics such as profitability ratios e.g., Return on Assets (ROA), Return

*Corresponding Author: Dr. Ruby Khan

on Equity (ROE) and Equity Multiplier (EM). By comparing these metrics over a specified time period (2017 Q1 to 2023 Q2) encompassing the merger, we aim to assess the impact of the merger on the financial health of both entities. Statistical tools, including regression analysis and trend analysis, are employed to uncover patterns and relationships within the financial data.

Dependent variables:

- *Return on Assets (ROA):* ROA measures a company's profitability by assessing how efficiently it uses its assets to generate earnings. It can be an indicator of the merger's impact on operational efficiency.

Independent variable:

- *Return on Equity (ROE***)***:* ROE measures a company's profitability in relation to shareholders' equity. It can reflect the merger's influence on shareholder value.
- *Equity Multiplier (EM):* The Equity Multiplier (EM), representing the ratio of total assets to shareholders' equity, can influence ROA. Higher leverage, as indicated by a higher EM, may amplify returns but also increase risk.

A company's financial dynamics are greatly influenced by the relationship between Return on Assets (ROA), Return on Equity (ROE), and Equity Multiplier (EM). Using ROA as the dependent variable, we can measure how efficiently a firm uses its assets to generate profit. Using ROE and EM as independent variables, we will investigate the intricate interaction between return on equity and financial leverage. As an investor, ROE is an important indicator of profitability because it measures the return on shareholders' equity. Through the inclusion of ROE, we are able to determine how shareholder returns affect overall asset efficiency. At the same time, EM, which measures the amount of leverage used to maximize returns, becomes a crucial factor. Based on these three variables, we can determine whether a company achieves robust ROA through efficient asset utilization, strategic financial leveraging, or a combination of both. This relationship is particularly useful for exposing the balance between profitability, operational efficiency, and financial risk within a company, which contributes to the comprehensive understanding of its financial performance.

Case study of Saudi National Bank (SNB)

From ages value creation, expanding the market or creating oneself as the leader has been one of the biggest reasons of M&A. Hence, to study the reality of this goal of M&A we have taken recent merger of NCB and Samba, the two big names in banking sector of Saudi Arabia, as a case study whose merger's main motive was to surpass all the competition in the market and acquire the first position. So, let's begin with the pre and post financial data comparison.

On January 6, 2022, the National Commercial Bank, or NCB, and Samba Financial Group, based in Riyadh, completed the final stages of their merger to form Saudi National Bank (SNB). With resources surpassing SR900 billion ($240 billion) and capital adding up to SR44.7 billion, the new element is accepted to be the Realm's biggest bank, as per a bourse recording. SNB completed the final phase of the deal in record time—nine months after the process began on April 1, 2021—making it the largest and fastest merger in the region. (*Arab News)*

Table 1 and 2 have the extracted data from various years reports of Samba Financial Group and National Commercial Bank. With the data availability we calculated ROA, ROE and EM of the two banks' pre-merger performance. In Table 3 we extracted post-merger datya and calculated the performance of Saudi National Bank through the same parameters ROA, ROE and EM.

Table 4 is showing annual performance of these banks simultaneously. From figure 2, it is quite evident that the performance parameters ROA and ROE shoot up after merger. Figure 3 is also supporting the same fact through the response of Earnings per Share (EPS). Figure 4 is perfectly exhibiting the behaviour of Equity multiplier. EM of NCB was quite high before merger and it started raising in case of SAMBA also. Higher coefficient of EM is an alarming sign for about a bank's performance. Post-merger EM is showing a good health of SNB with a lesser EM.

Table 1: Pre merger quarterly financial performance of Samba Financial Group, from year 2017 to 2020

Time period	Total Assets SAR '000	Total Shareholders' Equity SAR '000	Net Income SAR '000	ROA (%)	ROE (%)	EM
2017 Q1	231,935,341	43,463,451	1,231,353	0.53	2.83	5.3
2017 Q2	231,079,797	43,876,548	1,270,683	0.55	2.90	5.3
2017 Q3	228,873,063	43,654,389	1,308,077	0.57	3.00	5.2
2017 Q4	227,611,079	44,682,152	2,445,530	1.07	5.47	5.1
2018 Q1	228910523	43466671	1305314	0.57	3.00	5.3
2018 Q2	231700874	43466693	1400179	0.60	3.22	5.3
2018 Q3	228277821	42914027	1416868	0.62	3.30	5.3
2018 Q4	229938300	42308531	1,406,418	0.61	3.32	5.4
2019 Q1	231111470	42644717	1208391	0.52	2.83	5.4
2019 Q2	235551721	44571600	935230	0.40	2.10	5.3

*Corresponding Author: Dr. Ruby Khan

2019 Q3	237341834	44576646	1225825	0.52	2.75	5.3
2019 Q4	255603801	45358820	621234	0.24	1.37	5.6
2020 Q1	267082755	44869993	1273750	0.48	2.84	6.0
2020 Q2	279261079	46373778	955100	0.34	2.06	6.0
2020 Q3	289585292	47271411	1230658	0.42	2.60	6.1
2020 Q4	296945285	48050553	744443	0.25	1.55	6.2

Source: (*Company Profile Main Market*, n.d.) (*Financial Reports*, n.d.) (Author's calculation)
Return on Assets (ROA) = (Net Income / Total Assets) * 100
Return on Equity (ROE) = (Net Income / Total Shareholders' Equity) *100
Equity Multiplier (EM) = Total Assets / Total Shareholders' Equity

Table 2: Pre merger quarterly financial performance of National Commercial Bank, from year 2017 to 2020

Time period	Total Assets SAR '000	Total Shareholders' Equity SAR '000	Net Income SAR '000	ROA (%)	ROE (%)	EM
2017 Q1	448,717,278	61,862,191	2,733,471	0.61	4.42	7.3
2017 Q2	449,775,773	61,152,353	2,451,381	0.55	4.01	7.4
2017 Q3	444,679,260	62,735,743	2,159,041	0.49	3.44	7.1
2017 Q4	443,865,867	64,275,598	2620764	0.59	4.08	6.9
2018 Q1	437,506,289	64,860,948	3,028,921	0.69	4.67	6.7
2018 Q2	454374068	65031986	2624472	0.58	4.04	7.0
2018 Q3	459079568	63274213	2487972	0.54	3.93	7.3
2018 Q4	453389897	65668709	2688754	0.59	4.09	6.9
2019 Q1	466347602	68840528	3164699	0.68	4.60	6.8
2019 Q2	478643294	68289098	2708767	0.57	3.97	7.0
2019 Q3	498045248	67876261	2540962	0.51	3.74	7.3
2019 Q4	507263802	69788277	3069438	0.61	4.40	7.3
2020 Q1	535006597	64979251	2870988	0.54	4.42	8.2
2020 Q2	557310034	73935246	2128089	0.38	2.88	7.5
2020 Q3	577083806	76655248	3190252	0.55	4.16	7.5
2020 Q4	599445998	80214981	3370775	0.56	4.20	7.5

Source: (*Company Profile Main Market*, n.d.) (*Financial Reports*, n.d.) (Author's calculation)
Return on Assets (ROA) = (Net Income / Total Assets) * 100
Return on Equity (ROE) = (Net Income / Total Shareholders' Equity) *100
Equity Multiplier (EM) = Total Assets / Total Shareholders' Equity

Table 3: Post merger quarterly financial performance of Saudi National Bank that came into existence after merger of Samba Financial Group and National Commercial Bank, from year 2021 to 2023

Time period	Total Assets SAR '000	Total Shareholders' Equity SAR '000	Net Income SAR '000	ROA (%)	ROE (%)	EM
2021 Q1	599570267	84185280	3425258	0.57	4.07	7.12
2021 Q2	896421200	160300438	2139572	0.24	1.33	5.59
2021 Q3	902719860	160522090	3823105	0.42	2.38	5.62
2021 Q4	914149917	162769512	3396202	0.37	2.09	5.62
2022 Q1	921564652	165142821	4565806	0.50	2.76	5.58
2022 Q2	958473177	161721013	4589122	0.48	2.84	5.93
2022 Q3	964420979	163182911	4760956	0.49	2.92	5.91
2022 Q4	945496166	166777631	4812953	0.51	2.89	5.67
2023 Q1	976053110	171010138	5100825	0.52	2.98	5.71
2023 Q2	996162654	170878068	5116860	0.51	2.99	5.83

Source: (*Company Profile Main Market*, n.d.) (*Financial Reports*, n.d.) (Author's calculation)
Return on Assets (ROA) = (Net Income / Total Assets) * 100
Return on Equity (ROE) = (Net Income / Total Shareholders' Equity) *100
Equity Multiplier (EM) = Total Assets / Total Shareholders' Equity

Table 4: Annual Return on Asset (ROA), Return on Equity (ROE) and Earnings per Share (EPS) of Pre and Post merger of the two banks

Year	NCB			SAMBA			SNB		
	ROA	ROE	EPS (SAR)	ROA	ROE	EPS (SAR)	ROA	ROE	EPS (SAR)
2017	2.25%	16.05%	4.74	2.19%	11.53%	2.51	…	…	…
2018	2.17%	14.96%	3.44	1.34%	7.03%	2.76	…	…	…
2019	2.26%	17.08%	3.68	1.64%	9.40%	2.04	…	…	…
2020	2.08%	17.28%	3.68	1.52%	9.27%	2.15	…	…	…
2021	…	…	…	…	…	…	2.05%	11.51%	2.99
2022	…	…	…	…	…	…	2.01%	11.37%	4.06

Source: Author's calculation

Return on Assets (ROA) = (Net Income / Total Assets) * 100

Return on Equity (ROE) = (Net Income / Total Shareholders' Equity) *100

Equity Multiplier (EM) = Total Assets / Total Shareholders' Equity

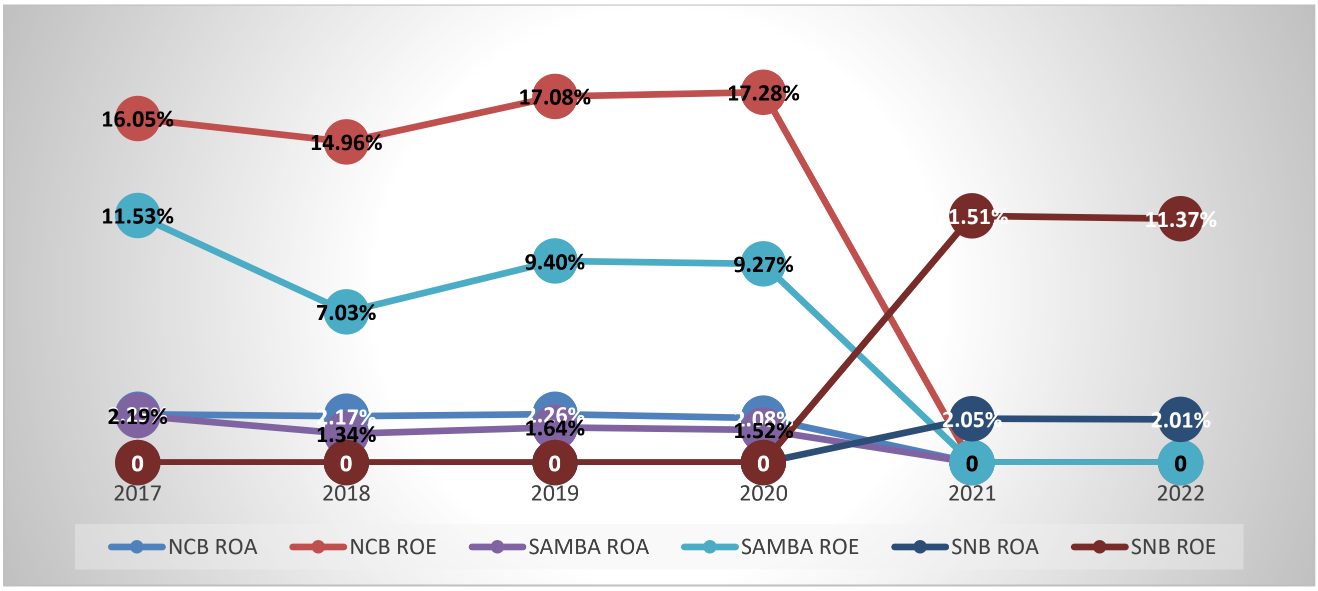

Figure 2: Return on Asset (ROA) and Return on Equity (ROE) of Pre and Post merger of the two banks

Source: Table 4

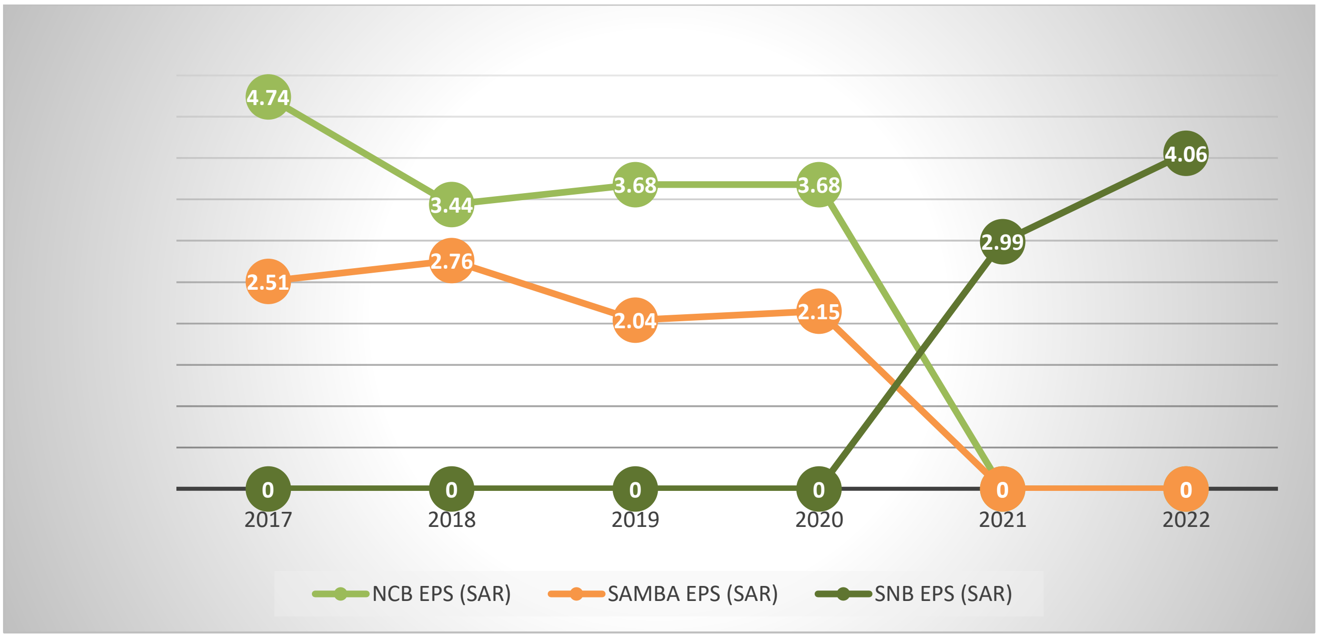

Figure 3: Earnings per Share (EPS) of Pre and Post merger of the two banks

Source: Table 4

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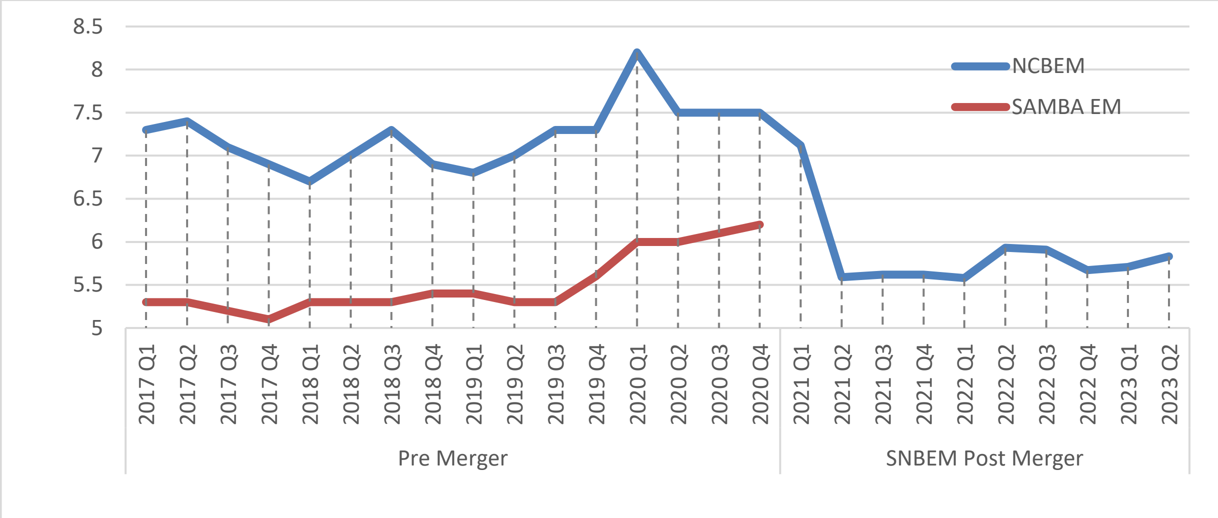

Figure 4: Pre and Post Merger behaviour of Equity Multiplier
Source: Table 1, 2 and 3

RESULTS AND DISCUSSION

Descriptive Analysis

This study initiates with a descriptive analysis to comprehend the fundamental characteristics and patterns within the dataset. This preliminary examination is pivotal for understanding central tendencies, variabilities, and distributions, and for identifying potential challenges (Khan & Panjwani, 2021). According to results of Table 5, few variables are positively skewed suggesting that there are some outliers with extremely high values, potentially impacting the mean. On the other side few are negatively skewed suggesting the presence of outliers with extremely low values, potentially impacting the mean in the opposite direction. Kurtosis value higher than 2 or 3 indicates leptokurtosis (heavy tailed or higher peak), meaning the data has more extreme values and is more concentrated around the mean. All the p values of Jarque-Bera test that are greater than 0.05 interpret that there is not enough evidence to conclude that the data significantly deviates from a normal distribution. Whereas the p values of Jarque-Bera test that are lesser than 0.05 interpret that the data follows a normal distribution.

Table 5: Descriptive Analysis

	NCBEM	NCBROA	NCBROE	SAMBAEM	SAMBAROA	SAMBAROE	SNBEM	SNBROA	SNBROE
Mean	7.231250	0.565000	4.065625	5.506250	0.518125	2.821250	5.858000	0.455000	2.725000
Median	7.300000	0.565000	4.085000	5.300000	0.525000	2.835000	5.690000	0.495000	2.865000
Maximum	8.200000	0.690000	4.670000	6.200000	1.070000	5.470000	7.120000	0.520000	4.070000
Minimum	6.700000	0.380000	2.880000	5.100000	0.240000	1.370000	5.580000	0.240000	1.330000
Std. Dev.	0.366458	0.072572	0.445421	0.356780	0.190201	0.916492	0.461996	0.089350	0.706498
Skewness	0.900552	-0.588530	-1.127071	0.947848	1.217681	1.158612	2.295701	-1.588094	-0.176033
Kurtosis	4.107241	4.207274	4.336316	2.298909	5.729658	5.747169	6.926197	4.342431	3.591553
Jarque-Bera	2.979972	1.895321	4.577933	2.723463	8.921351	8.610976	15.20666	4.954286	0.197452
Probability	0.225376	0.387647	0.101371	0.256217	0.011555	0.013494	0.000499	0.083983	0.905991

Source: *Calculated with E-View*

NCBEM is Equity Multiplier of National Commercial Bank
NCBROA is ROA of National Commercial Bank
NCBROE is ROE of National Commercial Bank
SAMBAEM is Equity Multiplier of Samba Financial Group
SAMBAROA is ROA of Samba Financial Group
SAMBAROE is ROE of Samba Financial Group
SNBEM is Equity Multiplier of Saudi National Bank
SNBROA is ROA of Saudi National Bank
SNBROE is ROE of Saudi National Bank

By exploring summary statistics, visualizing data distributions, and detecting outliers, this phase sets the foundation for subsequent regression analysis. It aids in model selection, addresses data quality issues, and ensures the robustness of findings.

Regression Analysis

(H0: No correlation between dependent and independent variables)

In Table 6, H0 is rejected because in all cases p-value is less than 0.05. It shows that independent variables explain dependent variables in good way. High values of R-square and adjusted R-squares show that independent variables possess high predictive accuracy, and the model is successful. Durbin-Watson stat, which is more than 2 in all cases, interprets that there is a negative autocorrelation in the residuals of a regression model.(Ruby Khan & Sara Mohamed Kheir Ali Mihaisi, 2022)

Table 6: *Analysis of Regression Equations*

Variables (dependent and independent)	Prob.	R^2	Adjusted R^2	DW stat
Dependent - NCBROA Independent – NCBROE and NCBEM	0.000	0.997	0.997	2.0835
Dependent - SAMBAROA Independent – SAMBAROE and SAMBAEM	0.000	0.997	0.997	2.0952
Dependent - SNBROA Independent – SNBROE and SNBREM	0.030	0.689	0.585	2.3404

Source: *Author's compilation from E-View Calculation*

CONCLUSION

In this study, the financial performance of the newly formed Saudi National Bank (SNB) was examined in detail. Using key financial metrics such as Return on Assets (ROA), Return on Equity (ROE), and Equity Multiplier (EM), we sought to unravel the dynamics behind them.

In our study, we found SNB had a commendable post-merger performance, demonstrating efficient asset utilization and favourable returns for shareholders through ROA and ROE. As a result of the strategic alliance between SAMBA and NCB, financial efficiency and profitability have not only been maintained, but have been enhanced. In addition, the Equity Multiplier (EM) represents a balanced approach to financial leverage, providing insight into the company's financial structure.

This descriptive analysis provided a comprehensive overview of the dataset, offering insights into its distribution, correlations, and potential outliers. The analysis of regressions also shed light on the factors influencing financial performance by revealing relationships between key variables.

Despite the study's strengths, potential challenges were acknowledged, as indicated by the Durbin-Watson statistic showing negative autocorrelation in residuals. As a result, additional investigation into possible model misspecifications and additional factors influencing SNB's financial dynamics is required.

SNB has, on the whole, demonstrated a positive impact on financial performance following the merger of SAMBA and NCB. Despite the complexities of the finance market, the amalgamated entity has demonstrated exemplary operational efficiency, shareholder value, and prudent financial leverage. It will be essential for SNB to continue monitoring and making strategic adaptations in the post-merger landscape to sustain and build on its success. As a stepping stone for future research endeavors, this study highlights the intricate factors that affect mergers and acquisitions in today's dynamic financial environment.

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