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IMPACT OF CORPORATE MERGER ON FINANCIAL PERFORMANCE AND HRM POLICIES AND PRACTICES: A CASE STUDY

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Abstract

Corporate world is changing rapidly making the present business environment more complex where companies are finding it increasingly difficult to survive and grow. To meet this challenge, companies are resorting to merger as a strategic option. But mergers raise a lot of queries and curiosity in people's mind. Some of the questions are serious enough to capture our attention. Will the financial performance of the company be improved after mergers? Will it be able to create value for the company as well as for the shareholders? Is the merger of two culturally different organizations could result in conflict during the post merger period? These are the common questions that arise in connection with all future plans for mergers.

In the present paper an attempt has been made to analyze the financial performance of selected five Indian companies through traditional and modern financial methods to determine whether merger has led to any impact on its financial performance through control sample methodology. The objective is also to analyze the impact of merger on HRM Policies and Practices through Non-parametric Kruskal -Wallis H Test by applying SPSS Software.

Key Words: Corporate Restructuring, Mergers, Control Sample Methodology, Kruskal -Wallis H Test.

INTRODUCTION

India in the recent years has witnessed tremendous growth in the M&A deals. It has been actively playing in all industrial sectors. It is widely spreading far across the stretches of all industrial verticals and on all business platforms. As par Section 2(IB) the Income Tax Act 1961, generally merger means fusion of two or more companies through the direct acquisition by one of the net assets of the other or others to form a new company. When the shareholder of more than one company, usually two decides to pull the resources of the company under the common entity, merger is the result. Accordingly in a merger two or more companies combine into a single unit and lose their separate identity.

In this backdrop, the present paper makes an attempt to examine the financial performance under traditional system on the basis of Earning per share, Dividend per share, Return on Investment, Return on Net worth and modern system based on Economic Value added(EVA).This study has also critically examined the implications of mergers from the perspective of HRM. In our framework of analysis; Culture, HRM Policies and Practices and the Probable reasons for merger have been considered as the three main dimensions for measuring the impact of merger from HR perspective.

LITERATURE REVIEW

For this purpose we have divided the past studies into two parts: the studies done abroad & the studies done in India.

Emilyn Cabanda, Marianne Pajara-Pascual *(2007),* have examined the corporate (financial and operating) performance of William, Gothong, and Aboitiz (WG&A) Philippine Shipping Companies following the merger event from the economic-finance perspective. They have taken three periods for analysis: (1) three years prior to merger, (2) three years immediately after merger for the short-run analysis, and (7) seven years after the merger for the long-run analysis. The conventional accounting and financial approaches were adopted in analyzing the effects of merger in the corporate performance of the shipping companies. They tested the major hypothesis whether there have been significant improvements in the corporate performance of WG&A following the merger event, using a parametric statistical t test. They found mixed results from pre- and post-merger values. They concluded that merger in the Philippine shipping industry did not lead to all improved corporate performance both in short-run and long- run period.

Keisha Chambers &Andrew Honeycutt *(2009)* have examined the impact on employee morale and turnover intention related to a mega merger between two telecommunications conglomerates. They concluded that the merger and acquisition had the greatest impact on low morale and high turnover intentions. They also found out that employee's perceptions of work related issues are also important to the organization in reducing turnover and retaining employees.

Rakshit (2006) examined whether Dabur India Ltd (DIL) had been able to generate value for its shareholders and computed the performance of the company by applying traditional performance indicator like ROI and the new corporate performance measure based on EVA. The financial data of DIL, selected for this study was collected from the published Annual Reports for the period 1998-99 to 2002-03. Capitaline-2000 Database Package was used for the collection of BSE Sensex and DIL Share Price data. He concluded that the EVA based performance measurement system is the basis on which the company should take appropriate decisions related to the choice of strategy, capital allocation, merger & acquisitions and divesting business .

Arora Ekta *(2010)* has examined the role of HR professionals in Mergers and Acquisitions. He concluded that it is of utmost importance to involve HR Professionals in mergers and acquisitions discussions as it has an impact on key people issues and they can play an active role in the change process by offering interventions that will help ensure a successful merger.
From the above survey of literature, it is clear that few research work has been done in this area. **Thus, we observe, the area is still uncultivated and there is a gap of knowledge. Hence, bearing in mind the research gap, we have taken up our present study.**

DATABASE AND METHODOLOGY

For the first part of the study, financial data has been procured from secondary sources mainly from corporate financial reporting including published annual reports of the selected companies, Bombay Stock Exchange Directory and other reliable published sources. Furthermore, the 10 year Treasury Gold Bond Rates for different years have been collected from the Treasury Division of the Reserve Bank of India (RBI). In most of the cases, the 'Capitaline 2000' data base package has also been consulted for collecting these data. We have taken five merged companies and five control companies from five different industries. The financial performance of the companies has been evaluated both through traditional system (Earning per share, Dividend per share, Return on Investment, Return on Net worth) and modern system (Economic Value Added) of evaluation. In order to analyze all the traditional as well as modern financial parameters, the '*Control Sample Methodology*' has been applied. Control Sample Methodology means, we have selected one non-merger company from the same industry on the basis of highest turnover and also that company is the competitor of the merged company. This methodology will facilitate to know the impact of merger on financial performance.

From shareholders' point of view, the Earning Per Share (EPS) ratio is considered to be an important technique for measuring the profitability of a firm. This ratio actually indicates the earnings of the company based on per equity share. EPS can be calculated as follows:-

$$EPS=\frac{net\ Profit\ after\ tax-Preference\ Dividend}{Number\ of\ ordinary\ shares\ outstanding}$$

Dividend Per Share (DPS) ratio indicates what portion of profit has been distributed as dividend to the shareholders and it also indicates the extent of the profit retained in the firm for reinvestment and growth. This ratio is computed as:

$$\text{Dividend Per Share (DPS)} =\frac{\text{Amount of Total Dividend}}{\text{Number of outstanding equity shares}}$$

Among the various traditional techniques of measuring financial performance of a business firm from the angel of profitability, the Return on Investment (ROI) is considered to the best and is widely used for such purpose.

$$ROI=\frac{Net\ Profit\ before\ interest\ after\ tax}{Capital\ Employed}x100$$

Where Capital Employed= Fixed Assets+ Current Assets - Current Liabilities.
Return on Net Worth (RONW) is an indicator of company's profitability by measuring how much profit the company generates with the money invested by common stock owners.

$$RONW= \frac{Net\ operating\ profit\ after\ taxes\ but\ before\ Preference\ Dividend}{Shareholders\ Equity}x\ 100$$

Where Shareholders Equity or Net Worth = Ordinary Share Capital + Preference Share Capital + Share Premium+ Reserve and Surplus-Accumulated Losses. But, the traditional financial measures are unable to measure the true economic profit of a business enterprise. Thus, The Economic Value Added (EVA) is used to represent value generating power of an organization. It is basically a registered trade mark of *Stern Stewart & Co* for a particular method of calculating economic profit. Basically, EVA is the residual income a company earns after capital costs are deducted. It is defined as any profit earned over and above the cost of capital.

The EVA is computed by using the following formula:
EVA= (NOPAT) –WACC x (CE)
Where, (NOPAT) denotes net operating profit after tax, WACC indicates weighted average cost of capital, and (CE) stands for capital employed.

For the second part of the study relating to the measurement of managerial performance of our sample companies in the area of HRM, primary data were collected on the important aspects of HRM by survey method based on Likert's 5 point Scale. The Likert-type scale begins with a series of statements, each of which expresses an attitude that is either clearly favourable or clearly unfavourable. We have selected Culture, HRM Policies & Practices and Probable Reasons for mergers as the major dimensions for the survey. We have taken 5 dimensions under cultural dimension namely i) Cultural differences pose a big problem in mergers ii) Adjusting with the needs of new culture and work practices is a difficult process for the employees iii) Company has to develop a proactive strategy to assimilate diverse cultures resulting from mergers iv) The cultural problem becomes more difficult in the case of cross border merger v) Development of a new culture in a post merger scenario is a long term process. Similarly our 5 statements under HRM Policies & Practices dimension are: i) Mergers lead to change in jobs with new roles and assignments ii) To cope with the new job demands retraining of the employees is necessary iii) The company should work out a scheme of planned change & development iv) There is no need for recruitment in the forseeable future for the company undergoing mergers v) Downsizing is necessary for long term survival. We have taken the following reasons for mergers namely a) For the sake of survival b) Horizontal integration for market dominance c) Economies of Vertical integration for channel control d) Strategic benefit e) To adopt good technology f) To gain core competence and g) For financial gain and personnel power. The responses from the HR people of 5 sample companies have been expressed in terms of the following five categories: strongly agree (SA), agree (A), undecided (U), disagree (D), and strongly disagree (SD). To score the scale, the response options are credited 5, 4, 3, 2, or 1 from the favorable to the unfavorable end. For example, "strongly agree" with an extreme favourable statement would receive a score of 5, while "strongly disagree" with an extremely unfavourable statement would earn a score of 1.

MAJOR FINDINGS OF THE STUDY

Study of Earning Per Share (EPS)

In order to know the impact of mergers on EPS, the movement of EPS or the direction of the changes in EPS in the post-merger period should be analyzed. Instead of studying the absolute value of EPS, relative value i.e. earning per rupee value of shares (EPRVS) has been calculated where the EPS has been divided by the face value of the share because this will put all the companies on same footing which will ensure a smooth comparison.
Results of EPRVS of the sample companies can be cited in the table: 1

Table: 1

Change In Eprvs	Merged Companies		Control Companies	
	Immediate Impact		Immediate Impact	
	Number	Percentage	Number	Percentage
INCREASE IN EPRVS	5	100%	3	60%
DECREASE IN EPRVS	-	-	2	40%
UNALTERED EPRVS	-	-	-	--
	Sustainable Impact		Sustainable Impact	
	Number	Percentage	Number	Percentage
INCREASE IN EPRVS	3	60%	4	80%
DECREASE IN EPRVS	2	40%	1	20%
UNALTERED EPRVS	--	--	--	--

Source: Self-Generated Data

The above table shows the comparison of change in EPRVS of the merged companies and control companies in respect of the immediate impact and sustainable impact. It shows that the percentage increase in EPRVS of the merged companies in respect of immediate impact is100% compared with 60% of the control companies. Similarly, regarding the sustainable impact, increase in EPRVS of the merged companies is 60% and control companies are 80%.

Now, paired t test has been applied to find whether the apparent increase of EPRVS for most of the merged companies and its corresponding control companies is statistically significant. The test result is given in Table 2.

Table:2,Results Of Paired Samples T Test of Eprvs

COMPANY	IMPACT	t	df	Sig(2 tailed)
Merged Company	Immediate	4.00	4	**Mod t>t$_{.025}$** i.e.4.00>2.78(**STATISTICALLY SIGNIFICANT)**
	Sustainable	1.42	4	**Mod t<t$_{.025}$.** i.e.1.42<2.78(**NOT STATISTICALLY SIGNIFICANT)**
Control Company	Immediate	0.4	4	**Mod t<t$_{.025}$.** i.e.0.4<2.78(**NOT STATISTICALLY SIGNIFICANT)**
	Sustainable	2.61	4	**Mod t<t$_{.025}$.** i.e 2.61<2.78(**NOT STATISTICALLY SIGNIFICANT)**

Source: Self-Generated Data

Paired Samples t test of the merged companies and control companies in respect of immediate impact have been computed by taking the respective figures of last year of Period I& first year of Period II. Relating to sustainable impact of the merged and control companies, paired samples t test have been calculated by taking the respective figures of average of period I and average of period II. It shows statistically significant result in respect of immediate impact of merged companies. While for the others no statistically significant results are noticed.So, it may be concluded that the performance in respect of earning per share of merged companies improved immediately but not for a long time.

Study of Dividend Per Share (DPS)

Here also, instead of studying the absolute value of DPS, relative value i.e. dividend per rupee value of shares (DPRVS) has been calculated where the DPS has been divided by the face value of the share because this will put all the companies on same footing which will ensure a smooth comparison.

Results of DPRVS of the merged and control companies can be cited in the table: 3

Table:3

Change In Dprvs	Merged Companies		Control Companies	
	Immediate Impact		Immediate Impact	
	Number	Percentage	Number	Percentage
Increase In Dprvs	5	100%	3	60%
Decrease In Dprvs	-	-	-	-
Unaltered Dprvs	-	-	2	40%
	Sustainable Impact		Sustainable Impact	
	Number	Percentage	Number	Percentage
Increase In Dprvs	5	100%	3	60%
Decrease In Dprvs	-	-	2	40%
Unaltered Dprvs	-	-	-	-

Source: Self-Generated Data

From this table it is observed that 100% of the merged companies have reported an increase in DPRVS in the year immediately after the year of merger while such percentage for the control companies is only 60%. In case of 40% of the control companies, DPRVS has remained the same. Regarding sustainable impact, the increase in DPRVS is 100% and that of control companies, it is 60%. DPRVS has reduced for 40% of the control companies.

Thus a positive impact of merger is reported. Now paired t test has been applied to find whether the apparent increase of DPRVS for most of the merged companies are statistically significant. The same t test is also performed on control companies.

Table:4,Results of Paired Samples T Test of Dprvs

COMPANY	IMPACT	t	df	Sig(2 tailed)
Merged Company	Immediate	1.2	4	**Mod T<T$_{.025}$**.I.E.1.2<2.78(**Not Statistically Significant)**
	Sustainable	2.80	4	**Mod T>T$_{.025}$**.I.E.2.80>2.78(**Statistically Significant)**
Control Company	Immediate	1.12	4	**Mod T<T$_{.025}$**.I.E.1.12<2.78(**Not Statistically Significant)**
	Sustainable	0.54	4	**Mod t<t$_{.025}$**.i.e.0.54<2.78(**Not Statistically Significant)**

Source: Self-Generated Data

The above table shows statistically significant result regarding sustainable impact of the merged companies. While for the other three no significant results are observed. So, it may be concluded that merger has sustainable positive impact on the dividend performance of the merged companies.

Study of Return On Investment (ROI)

Return on Investment (ROI) is considered to be the best traditional technique for evaluating the financial performance of a firm from the angle of profit earning ability. The findings of the study of ROI of the sample companies are presented below:

Table:5

Change In Roi	**Merged Companies**		**Control Companies**	
	Immediate Impact		**Immediate Impact**	
	Number	**Percentage**	**Number**	**Percentage**
Increase In Roi	3	60%	1	20%
Decrease In Roi	2	40%	4	80%
Unaltered Roi	-		-	-
	Sustainable Impact		**Sustainable Impact**	
	Number	**Percentage**	**Number**	**Percentage**
Increase In Roi	4	80%	2	40%
Decrease In Roi	1	20%	3	60%
Unaltered Roi	-	-	-	-

Source: Self-Generated Data

The above table reflects that 60% of the merged companies have reported increase in ROI in the year immediately after the year of merger where as the corresponding percentage for non- merger companies are 20%. For 40% of the merged companies ROI has reduced while it is 80% for the control companies. Moreover, in terms of relatively sustainable impact a comparatively good picture is observed here. 80% of the merged companies have increased their average ROI in post merger period. While only 40% of the control companies have improved their average ROI in the post merger period.
The results of paired samples t test of ROI have been presented in the following table.

Table:6,Results of Paired Samples T Test of Roi

COMPANY	**IMPACT**	**t**	**df**	**Sig(2 tailed)**
Merged Company	**Immediate**	0.24	4	**Mod T<T$_{.025}$.** I.E.0.24<2.78(**Notstatistically Significant)**
	Sustainable	2.79	4	**Mod T>T$_{.025}$.** I.E.2.79>2.78(**Statistically Significant)**
Control Company	**Immediate**	1.44	4	**Mod T<T$_{.025}$.** I.E.1.44<2.78(**Notstatistically Significant)**
	Sustainable	0.96	4	**Mod T<T$_{.025}$.** I.E.0.96<2.78(**Notstatistically Significant)**

Source: Self-Generated Data

The table shows that merger has brought statistically significant sustainable impact. But no significant results are noticed for the others.
So, it may be concluded that the merger has sustainable impact on the ROI of the merged companies.

Study of Return on Net Worth (RONW)

Return on Net Worth (RONW) is considered to be another traditional technique for evaluating the financial performance of a firm from the angle of profit earning ability. The findings of the study of RONW of the sample companies are presented as follows:

Table: 7

Change In Ronw	**Merged Companies**		**Control Companies**	
	Immediate Impact		**Immediate Impact**	
	Number	**Percentage**	**Number**	**Percentage**
Increase In Ronw	2	40%	-	-

Decrease In Ronw	3	60%	5	100%
Unaltered Ronw				
	Sustainable Impact		**Sustainable Impact**	
	Number	**Percentage**	**Number**	**Percentage**
Increase In Ronw	2	40%	1	20%
Decrease In Ronw	3	60%	4	80%
Unaltered Ronw	-	-	-	-

Source: Self-Generated Data

The above table reflects that 40% of the merged companies have reported increase in RONW in the year immediately after the year of merger where as the corresponding percentage for control companies are 0%. The value of RONW has reduced for 60% of the merged companies while it is 100% for the control companies. Moreover, relatively sustainable impact represents the movement of average values of RONW from pre- merger period to post- merger period. However, the percentage increase is better (40%) in case of merged companies in respect to the control companies (20%).
The results of paired samples t test of RONW have been presented in the following table.

Table:8,Results of Paired Samples T Test of Ronw

COMPANY	IMPACT	t	df	Sig(2 tailed)
Merged Company	**Immediate**	0.59	4	**Mod T<T$_{.025}$.** I.E.0.59<2.78(**Not Statistically Significant)**
	Sustainable	0.73	4	**Mod T>T$_{.025}$.** I.E.0.73<2.78(**Not Statistically Significant)**
Control Company	**Immediate**	2.00	4	**Mod T<T$_{.025}$.** I.E.2.00<2.78(**Not Statistically Significant)**
	Sustainable	1.02	4	**Mod T<T$_{.025}$.** I.E.1.02<2.78(**Not Statistically Significant)**

Source: Self-Generated Data

From the above table, no significant values are observed for the merged and control companies. So, it may be concluded that merger has not brought any positive immediate and sustainable impact on RONW of the merged companies.

Study of Economic Value added (EVA)
Presently the most popular method for measuring financial health of a company is economic value added. It is considered to be an effective as well as an efficient mechanism in measuring value generation ability of a business entity. Since EVA is an absolute value, EVA as a percentage of capital employed (EVACE) has been calculated so that all the companies can be put on an equal footing. The findings of the study of EVACE of the sample companies are presented as follows:

Table:9

Change In Evace	Merged Companies		Control Companies	
	Immediate Impact		**Immediate Impact**	
	Number	**Percentage**	**Number**	**Percentage**
Increase In Evace	4	80%	1	20%
Decrease In Evace	1	20%	4	80%
Unaltered Evace	-	-	-	
	Sustainable Impact		**Sustainable Impact**	
	Number	**Percentage**	**Number**	**Percentage**
Increase In Evace	3	60%	2	40%
Decrease In Evace	2	40%	3	60%
Unaltered Evace	-	-	-	-

Source: Self-Generated Data

The above table reveals that 80% of the merged companies have improved their EVACE in respect of immediate impact and 60% for the sustainable impact. But this is not so for control companies. About 20% of the control companies have increased in the value of EVACE in respect of immediate impact and 40% for sustainable impact.
Now, paired t test has been applied to find whether the apparent increase of EVACE for the merged companies are statistically significant. The same test is also performed on control companies.

Table:10,RESULTS OF PAIRED SAMPLES T TEST OF EVACE

COMPANY	IMPACT	t	df	Sig(2 tailed)
Merged Company	**Immediate**	1.27	4	**Mod T>T$_{.025}$.** I.E.1.27<2.78(Not Statistically Significant)
	Sustainable	2.78	4	**Mod T=T$_{.025}$.** I.E.2.78=2.78(**Statistically Significant)**
Control Company	**Immediate**	1.55	4	**Mod T<T$_{.025}$.** I.E.1.55<2.78(Not Statistically Significant)
	Sustainable	0.97	4	**Mod T<T$_{.025}$.** I.E.0.97<2.78(Not Statistically Significant)

Source: Self-Generated Data

Paired Samples t test table shows statistically significant value in respect of sustainable impact of the merged companies. While for rest of the three, results are insignificant.

So, it may be concluded that merger has positive immediate impact on the economic value added of the merged companies.

DATA ANALYSIS RELATING TO THE IMPACT OF MERGER ON HRM POLICIES AND PRACTICES

Human Resource Management (HRM), being a vital part of management, has potential to make strategic contributions to the growth and development of organizations. It is concerned with the most effective planning, acquisition, motivation and utilization of human resources for the attainment of organizational goals and the continued viability and success of the organization. Here, we have tried to find out the impact of mergers on HRM Policies and Practices. Here, we have presented the analytical part with the help of selected tools and techniques and presented interpretation on the basis of the results obtained. In our framework of analysis; Culture, HRM Policies and Practices and the Probable reasons for merger have been considered as the three main dimensions for measuring the impact of merger from HR perspective.
The data have been presented in Table 11.

Table 11

HR DATA OFMANAGERIAL IMPACT OF MERGERS

Company Code	C1	C2	C3	C4	C5	HR 1	HR 2	HR 3	HR4	HR5	Ra	Rb	Rc	Rd	Re	Rf	Rg
1	4	2	4	4	5	5	4	4	2	4	4	5	4	4	4	4	4
2	5	3	4	4	5	5	5	4	3	4	4	4	4	5	4	5	4
3	5	5	4	5	5	4	4	4	3	3	4	5	4	5	4	4	4
4	4	4	5	4	4	5	4	4	4	4	4	5	4	5	4	4	4
5	5	5	5	4	4	4	4	4	3	3	5	5	4	5	4	4	4

Source: Self generated data

Thus from the above table it is clear that all the responses have been marked in a 5 point scale against each statement company wise. 5 indicates strongly agree (SA);4 means agree(A); 3 indicates undecided(U);2 means disagree(D) and 1 indicates strongly disagree. In our study there are five companies marked through the company codes as 1, 2------5 and there are three dimensions namely culture, HRM Policies and Practices and the probable reasons of mergers. Each dimension consists of 5 statements ranging from CI- C5 under cultural dimension, HR1-HR5 under the HRM Policies and Practices Dimension, Ra-Rg under the probable reasons for mergers dimension. Code 1 represents Tata Motors Ltd, Code 2 as Banswara Syntex, Code 3 as OCL India Ltd, Code 4 as HDFC Bank, Code 5 as IOC.

Data Analysis of the 'Cultural' dimension

Now, in order to see whether all the statements (C1, C2, C3, C4 & C5) under the 'Cultural' dimension mentioned in the table 11 are equally important or not, we have used Non-parametric Kruskal -Wallis H Test by applying SPSS Software. For that purpose we are analyzing the data mentioned under C1-C5 against the company codes 1-5 in the said table.
Our hypotheses is-
$H_{0:}$ All the statements of 'Cultural' Dimension have equal effect i.e. they are equally important.
$H_{a:}$ All the statements of 'Cultural Dimension' do not have equal effect i.e. they are not equally important.
Our significance Level is $\alpha = 0.05$

So, the Null Hypotheses will be rejected if p-value ≤ 0.05[i.e. if H > 9.488, the value of χ^2 0.05 for 4 degrees of freedom].
H is given by the formula below

$$H = \frac{12}{n(n+1)} \Sigma \frac{R}{n} - 3(n+1)$$

where H is the Kruskal Wallis Test; n is the number of measurements; R_i is the sum or addition of the ranks; n_i is the number of experiments in a row.
The Test Statistic Table is presented below:

Test Statistics[a,b]	
	SCORE
Chi-Square	2.712
df	4
Asymp. Sig.	.607
a. Kruskal Wallis Test	
b. Grouping Variable: CULTURE	

The Test Statistics table presents the Chi-square value (Kruskal-Wallis H), the degrees of freedom and the significance level. Since p value .607 > 0.05, and here H (2.712) < 9.488, so we are accepting the Null Hypotheses.

Therefore, we can report that there is no statistically significant differences between the different statements of 'Cultural' Dimensions (H (4) = 2.712, *p* = .607).

So, at the 0.05 level of significance, there exists enough evidence to conclude that **all the statements under the Cultural Dimension are equally important.** In other words the respondents have given equal importance for all the statements of cultural dimension.

Data Analysis of the 'HRM Policies and Practices' dimension

Similarly, in order to see whether all the statements (HR1, HR2, HR3, HR4 and HR5) mentioned under 'HRM Policies and Practices' dimension in table 11 are equally important or not, we have used Kruskal -Wallis H Test by applying SPSS Software. For that purpose we are analyzing the data mentioned under HR1-HR5 against the company codes 1-5 in the said table.
Our hypotheses is-
$H_{0:}$ All the statements under 'HRM Policies and Practices' dimension are equally important
$H_{a:}$ All the statements under 'HRM Policies and Practices' dimension are not equally important
Our significance Level is α = 0.05

So, the Null Hypotheses will be rejected if p-value ≤ 0.05. [i.e. if H > 9.488, the value of χ^2 0.05 for 4 degrees of freedom, where H is the Kruskal Wallis Test]
The Test Statistic Table derived through SPSS Software is presented below:

Test Statistics[a,b]	
	RESULTS
Chi-Square	14.455
df	4
Asymp. Sig.	.006
a. Kruskal Wallis Test	
b. Grouping Variable: HR POLICIES AND PRACTICES	

The Test Statistics table presents the Chi-square value (Kruskal-Wallis H), the degrees of freedom and the significance level. Since p value, 0.006 < 0.05, and H (14.455) > 9.488, we reject the Null Hypotheses and accepting the alternative hypotheses. Therefore we can report that there is statistically significant differences between the different statements under HRM Policies and Practices dimensions (H (4) = 14.455, *p* = 0.006). In other words at α = 0.05 level of significance, there exists enough evidence to conclude that **all the statements under HRM Policies and Practices Dimensions are not equally important** i.e. the respondents have not given equal importance to all the statements under 'HRM Policies and Practices' dimension.

Data Analysis of the 'Reasons for mergers' dimension

Also, in order to see whether the statements (Ra, Rb, Rc, Rd, Re, Rf and Rg) under Reasons for Mergers' Dimensions are equally important or not, we have used Kruskal -Wallis H Test by applying SPSS Software. For that purpose we are analyzing the data mentioned under Ra-Rg against the company codes 1-5in the said table.

Our hypotheses is-

$H_{0:}$ All the 'Reasons for mergers' are equally important
$H_{a:}$ All the 'Reasons for mergers' are not equally important
Our significance Level is α = 0.05

So, the Null Hypotheses will be rejected if p-value ≤ 0.05. [i.e. if H > 12.592 the value of χ^2 0.05 for 6 degrees of freedom, where H is the Kruskal Wallis Test]
The Test Statistic Table as obtained by applying SPSS Software is presented below:

Test Statistics[a,b]	
	SCORES
Chi-Square	18.768
df	6
Asymp. Sig.	.005

a. Kruskal Wallis Test
b. Grouping Variable: REASONS FOR MERGERS

The Test Statistics table presents the Chi-square value (Kruskal-Wallis H), the degrees of freedom and the significance level. Since p value = 0.005 < 0.05 = α, and H (18.768) > 12.592 we reject the Null Hypotheses.

Therefore we can report that there is statistically significant differences between the different 'Reasons for mergers' (H (6) 18.768**,** *p* = 0.005). In other words, at α = 0.05 level of significance, there exists enough evidence to conclude that the **'Reasons for mergers' are not equally important** i.e. the respondents did not give equal importance to all the reasons mentioned under this dimension.

Calculation of median, mean absolute deviation around median and relative measure of dispersion

Thus, we have seen that all the statements relating to HRM Policies and Practices are not equally important for the respondents. This is also similar for the Reasons of mergers. Now, in order to see that which statement has got maximum importance by the respondents, we have calculated Median, Mean Absolute Deviation around Median and Relative Measure of Dispersion by taking the data of 'HRM Policies and Practices' and 'Probable reasons' for Mergers. This has been displayed in table 12 .

Table:12

HR DATA OF MANAGERIAL IMPORTANCE OF MERGERS ON 'HRM POLICIES AND PRACTICES' AND 'PROBABLE REASONS FOR MERGERS'												
Company Code	**HR1**	**HR2**	**HR3**	**HR4**	**HR5**	**Ra**	**Rb**	**Rc**	**Rd**	**Re**	**Rf**	**Rg**
1	5	4	4	2	4	4	5	4	4	4	4	4
2	5	5	4	3	4	4	4	4	5	4	5	4
3	4	4	4	3	3	4	5	4	5	4	4	4
4	5	4	4	4	4	4	5	4	5	4	4	4
5	4	4	4	3	3	5	5	4	5	4	4	4
Median	**5**	**4**	**4**	**3**	**4**	**4**	**5**	**4**	**5**	**4**	4	4
Mean Absolute deviation around median	-0.4	0.2	0	0	-0.4	0.2	-0.2	0	-0.2	0	0.2	0
Relative measure of dispersion (in %)	-8	5	0	0	-10	5	-4	0	-4	0	5	0

Source: Self generated data

Where Relative measure of dispersion= (Mean Absolute deviation around median/ Median) x100

From the above, it is clear that the highest median value (here 5) is attributed by the statement HR1 (HR1: Mergers lead to change in jobs with new roles and assignments) among the HRM Policies and Practices dimension which indicate that the

respondents have agreed upon these statements. While most of the respondents have given importance on the second (Rb: Horizontal integration for market dominance) and fourth (Rd: Strategic Benefit) probable reasons for mergers as is evident from the highest median value (here 5) thus indicating that the respondents have strongly agreed upon. The lowest relative measure of dispersion of -10% of HR5 (HR5: Downsizing is necessary for long term survival) among the HRM Policies and Practices dimension and -4% of Rb (Rb: Horizontal integration for market dominance) and Rd(Rd: Strategic Benefit) for the probable reasons of mergers clearly indicates that the degree of dispersion among the respondents relating to these particular statements is very less. In other words most of the respondents have agreed upon these two statements.
With the median values and relative measure of dispersion of HRM Policies and Practices, we have prepared the following table with the bar diagram.

Table 13,Table showing median value and relative measure of dispersion for HRM Policies and Practices

Statements On HRM Policies & Practices	Median Value	Relative Measure of Dispersion
HR1	5	-8.00
HR2	4	5.00
HR3	4	0.00
HR4	3	0.00
HR5	4	-10.00
TOTAL	20	-13.00

Source: Self generated data

HR1: Mergers lead to change in jobs with new roles and assignments.
HR2: To cope with the new job demands retraining of the employees is necessary.
HR3: The company should work out a scheme of planned change & development.
HR4: There is no need for recruitment in the foreseeable future for the company undergoing Mergers.
HR5: Downsizing is necessary for long term survival.
From the above it is also evident that the statement HRI is having the highest median and the lowest median is contributed by HR4. Again, **HR5 is having the lowest relative measure of dispersion which indicates that there is least degree of dispersion among the respondents against this statement i.e. most of the respondents have strongly agreed upon this statement (**HR5: **'**Downsizing is necessary for long term survival.)

We have also presented a table with the bar diagram showing the median value and relative measure of dispersion of different factors or reasons for mergers.

Table 14Table Showing Median Value And Relative Measure of Dispersion on Factors Responsible For Mergers.

Factors	Median Value	Relative Measure of Dispersion
The sake of survival(Ra)	4	5
Horizontal integration for market dominance(Rb)	5	-4
Vertical integration for channel control(Rc)	4	0
Strategic Benefit(Rd)	5	-4
To adopt good technology(Re)	4	0
To gain core competence(Rf)	4	5
Financial gain and personnel power(Rg)	4	0
Total	30	2.00

Source: Self generated data

From the above it is evident that the statements Rb (Horizontal integration for market dominance) and Rd (Strategic Benefit) are having the highest median value and lowest relative measure of dispersion.

CONCLUSION

The present paper has established that merger has improved definitely financial performance of the merged companies. In this study we have seen a positive effect of merger on EPRVS data of the merged companies in short run but we have not got any significant impact in the long run. The final analysis of the DPRVS data reveals that merger has improved the dividend paying capacity of the merged companies not immediately but gradually which is sustainable. Similarly, the overall profitability of the merged companies (measured by ROI) has improved not immediately but in the long run. Under modern method, positive sustainable impact of merger is also observed in case of value adding ability of the merged companies. But the control companies have failed to provide any betterment in their financial performance from the viewpoint of traditional system on the basis of Earning per share, Dividend per share, Return on Investment and Return on Net worth as well as modern financial system measured on the basis of EVA. On the other hand, in the area of HRM, the 'Cultural Dimension' has got equal importance because there is no statistically significant difference among the statements. In other words, all the statements under the 'Cultural Dimension' have equal effect or impact on mergers. While regarding the HRM Policies and Practices' Dimension we have seen there are statistically significant differences. This is true also for 'Probable Reasons for Mergers' which indicate that they have unequal effects on mergers.

The study thus suggested the underlying rationales for merger activity and evaluated merger as one possible startegic option for restructuring of a company. It is surfaced that merger could be one appropriate method to gain the focus needed and to improve the profit and value generation capabilities of a firm. Nevertheless, the study established that merger is a move which changes the company as a whole. Companies can sail successfully getting the corporate wind in their favour through merger. However, this finding of the study based on few selected companies cannot be generalised for the industry as well as the economy as a whole in the long run, which demands a broad based research study.

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ANNEXTURE -1

List of Selected Merged Companies and Corresponding Control Companies

Sl.No	Merged company	Target Company	Control Companies	Industry	Year of Merger
1	Tata Motors Ltd	Tata Finance Ltd(Merged)	Force Motors	Motor	2005-06
2	Banswara Syntex	Banswara Textile Mills Ltd(merged)	Sangam India Ltd	Textile	2005-06
3	OCL India Ltd	Dalmia Cement (Meghalaya) Ltd	Binani Cement Ltd	Cement	2007-08
4	HDFC Bank	Centurion Bank of Punjab Ltd(merged)	ICICI Bank Ltd	Bank	2008-09
5	IOC	Bongaigaon Refinery & Petrochemicals Ltd(merged)	Hindustan Petroleum Corporation Ltd	Petroleum	2008-09

Source: Self-Generated Data.