

“Impact of Mergers and Acquisitions on Shareholder Value of HDFC Bank and HDFC Ltd Merge”

Submitted By: Ankush
Enrolment Number: 23042010184

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UNDER THE GUIDANCE OF
Prof. Neha Verma

School of Business
Galgotias University
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ABSTRACT

The landscape of corporate growth and competitiveness has increasingly been shaped by mergers and acquisitions (M&A), particularly in industries undergoing consolidation and regulatory changes. In India's financial services sector, the 2022 merger between HDFC Bank and HDFC Ltd marked a pivotal event, combining the country's largest private sector bank with its largest housing finance company. Touted as one of the largest mergers in Indian corporate history, the deal was expected to create a financial behemoth capable of leveraging complementary strengths across banking and housing finance. This study investigates the impact of the HDFC Bank and HDFC Ltd merger on shareholder value, using an empirical framework focused on market reactions and post-merger financial performance.

The primary objectives of this research are fourfold:

- (1) To assess the immediate stock market reaction to the merger announcement through an event study methodology;
- (2) To analyse the financial performance and changes in shareholder value before and after the merger;
- (3) To understand the strategic motivations and potential synergies driving the merger; and
- (4) To derive lessons and recommendations for corporate managers, investors, and policymakers regarding future mergers and acquisitions in the Indian financial sector.

The study adopts a quantitative research design supported by secondary data. Share price data was collected from the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) over a 120-day window surrounding the announcement date. An event study analysis was conducted to calculate cumulative abnormal returns (CAR) around key event dates. Furthermore, financial ratio analysis was performed using indicators such as Earnings per Share (EPS), Return on Equity (ROE), Net Interest Margin (NIM), and Debt-to-Equity ratio for the pre- and post-merger periods. In addition to financial data, the study also examined investor reports, regulatory filings, and media commentaries to contextualize findings within strategic and operational developments.

The major findings of the study suggest that the market responded positively to the merger announcement, with HDFC Bank's and HDFC Ltd shares registering significant abnormal returns in the days following the announcement. The event study results indicated investor optimism regarding the anticipated synergies, particularly in terms of enhanced cross-selling opportunities, expanded customer base, and improved cost efficiency. Post-merger financial analysis revealed an improvement in key performance metrics, supporting the hypothesis that the merger would enhance long-term shareholder value. However, challenges such as regulatory compliance adjustments, cultural integration, and market uncertainties during the transitional period were also identified as factors causing short-term volatility in stock performance.

Based on these findings, the study concludes that the HDFC merger has been a value-creating transaction for shareholders, validating the strategic rationale presented at the time of the merger. The transaction exemplified a "merger of equals," where the combining entities managed to create a larger, more diversified institution capable of sustaining higher profitability and market leadership in an increasingly competitive environment. Nevertheless, the success of such mergers depends critically on effective post-merger integration, regulatory navigation, and stakeholder communication.

Recommendations emerging from the research include:

- Companies pursuing mergers must engage in comprehensive due diligence and integration planning to realize synergies without significant operational disruptions.
- Clear and transparent communication with shareholders, customers, and regulatory bodies is essential to maintain market confidence during the transition period.
- Investors should focus not only on short-term stock price movements but also on medium- to long-term indicators of financial health, strategic execution, and value realization.
- Policymakers should facilitate smoother regulatory pathways for large strategic mergers, while ensuring financial stability and competition within the sector.

In conclusion, this thesis contributes to the growing body of literature on M&A outcomes in emerging markets and provides valuable insights into the complex dynamics of shareholder value creation in large-scale corporate mergers within India's banking and finance industry.

INTRODUCTION

BACKGROUND FACTORS NECESSITATING THE PROJECT

Situational Analysis

Mergers and Acquisitions (M&A) have historically served as a strategic tool for organizations seeking growth, diversification, competitive advantage, and financial stability. Particularly in the banking and financial services sector, M&As are often driven by factors such as the need for a larger customer base, better capital adequacy, enhanced risk management, and regulatory compliance.

In India, the financial sector has undergone rapid transformations in the past two decades. The liberalization reforms of the 1990s opened the market to private players, foreign investments, and fierce competition. Along with the introduction of Basel III norms, banks and financial institutions were expected to maintain higher capital buffers and manage risks more efficiently. In this context, scale and capital strength became essential to survival and leadership.

The merger between Housing Development Finance Corporation Ltd (HDFC Ltd) and HDFC Bank announced on April 4, 2022 represents a landmark event, combining two of India's most respected and profitable institutions. HDFC Ltd, a pioneer in India's housing finance sector, had a legacy of trust and specialized expertise in mortgage lending. HDFC Bank, meanwhile, had grown into India's largest private-sector bank, known for its extensive reach, robust retail banking capabilities, and digital innovation.

Several situational factors necessitated this merger:

- **Regulatory Changes:** RBI guidelines had increasingly blurred the lines between non-banking financial companies (NBFCs) and banks. With NBFCs facing tighter regulation similar to banks, merging made strategic sense for HDFC Ltd to reduce compliance costs and secure stable funding.
- **Access to Low-Cost Capital:** HDFC Ltd, as an NBFC, raised funds at relatively higher costs compared to banks. Post-merger, access to HDFC Bank's strong deposit base would provide cheaper funds to expand lending activities.

- **Market Synergies:** Combining HDFC Ltd mortgage specialization with HDFC Bank's customer base provided opportunities for significant cross-selling offering home loans to existing banking customers and vice versa.
- **Competitive Pressure:** Indian financial services were becoming crowded with fintech players, new-age banks, and global investors. A larger, unified entity would have a stronger defence against emerging competitors.

Given the sheer size, complexity, and significance of the transaction valued at approximately \$40 billion it became imperative to study how this merger impacted shareholder value, both immediately in the capital markets and over a longer period through operational synergies.

Literature Review

Mergers and Acquisitions are among the most researched phenomena in finance and strategic management, yet their outcomes remain unpredictable. Academic literature offers mixed evidence regarding the success of M&A deals in enhancing shareholder wealth.

- **Theoretical Foundations:**
Neoclassical theories propose that mergers are driven by efficiency gains operational, financial, and managerial. In contrast, **agency theory** warns that M&As may reflect managerial self-interest rather than shareholder benefit (Jensen, 1986).
- **Global Evidence:**
Research by **Jensen and Ruback (1983)** found that while target companies' shareholders often benefit from positive abnormal returns, acquiring companies' shareholders frequently experience zero or negative returns. **King et al. (2004)** conducted a meta-analysis of 93 studies and concluded that M&As, on average, do not create value for acquiring firm shareholders, with successful integration being a key determinant.
- **Indian Context:**
In India, studies by **Beena (2004)** and **Mantravadi and Reddy (2008)** examined post-liberalization mergers and found that while operational performance improved in many cases, shareholder value outcomes were inconsistent. **Das and Kapil (2012)** explored mergers in the Indian banking sector and concluded that synergies are more likely when merging entities have complementary business models rather than overlapping ones.
- **Sector-Specific Studies:**
Literature focusing on banking and finance highlights that mergers are particularly beneficial when they result in expanded market reach, diversified revenue streams, and cost rationalization (Berger et al., 1999). However, cultural integration, technological alignment, and regulatory challenges often dilute expected benefits.
- **Gaps Identified:**
While extensive studies exist on mergers involving public sector banks or small private banks in India, there is a dearth of research on large private sector mergers involving "equals" with different but complementary business models. The HDFC Bank-HDFC Ltd merger, therefore, provides a unique opportunity to bridge this gap and understand shareholder value dynamics in mega-mergers within India's evolving financial landscape.

Exploratory Research

To gain preliminary insights and ground the study in real-world perspectives, a multi-method exploratory approach was adopted:

- **Experience Surveys:**
Interviews were conducted with senior bankers, investment analysts, and portfolio managers to understand

market expectations surrounding the merger. Most experts emphasized the positive long-term potential of the merger, particularly regarding cross-selling synergies and cost efficiencies. However, they also cautioned about operational risks, including system integration and workforce alignment.

- **Case Studies:**

Previous Indian mergers were studied:

1. **ICICI Bank-ICICI Ltd (2002)** merger demonstrated funding advantages and cross-selling success but faced initial system integration issues.
2. **Kotak Mahindra Bank-ING Vysya Bank (2015)** highlighted the importance of cultural and technological alignment.
3. **Bank of Baroda-Dena Bank-Vijaya Bank (2019)** exemplified challenges in regulatory and customer integration.

- **Secondary Data Search:**

Analysis of HDFC Ltd and HDFC Bank's public filings, investor presentations, and SEBI documents provided a detailed understanding of strategic rationales, financials, and merger structures. Financial news sources helped capture real-time investor sentiment and market analysis.

- **Focus Groups:**

Small focus groups involving retail investors were conducted to capture perceptions of brand trust, merger-related uncertainties, and expectations of service enhancement post-merger.

- **Depth Interviews:**

In-depth interviews with mutual fund managers revealed that institutional investors largely viewed the merger favourably, anticipating better shareholder returns over the long term, but remained cautious about short-term execution risks.

This exploratory phase confirmed that while the merger was strategically sound, its success especially in creating shareholder value hinged critically on effective operational integration, regulatory navigation, and realization of synergies without significant disruption.

RESEARCH TOPIC

The research topic **“Impact of Mergers and Acquisitions on Shareholder Value of HDFC Bank and HDFC Ltd Merger”** revolves around the exploration of how strategic corporate actions such as mergers affect the wealth and financial interests of shareholders.

Definition of Key Concepts

- **Mergers and Acquisitions (M&A):**

In financial and strategic management terms, Mergers and Acquisitions refer to transactions where two companies combine their operations (merger) or where one company purchases another (acquisition). A **merger** is the consolidation of two entities into a new single entity to achieve strategic and financial objectives, while an **acquisition** involves one company taking over another's assets and operations.

In this study, the event is categorized as a **merger**, where **HDFC Bank** absorbed **HDFC Ltd**, though structurally it involved share-swapping and amalgamation under banking regulations.

- **Shareholder Value:**

Shareholder value represents the financial worth delivered to investors who own shares in a company. It is typically assessed through stock price appreciation, dividend payouts, earnings growth, and other metrics that indicate the firm's profitability and financial health.

The central premise of shareholder value theory is that corporate actions including M&As should ultimately enhance the returns received by shareholders.

- **Impact Measurement:**

Measuring the "impact" of M&As on shareholder value involves examining financial indicators before and after the merger announcement and completion. Common methods include **Event Study Methodology** (to capture immediate stock price reactions around merger announcements) and **financial performance analysis** (examining post-merger profitability, return on equity, and market capitalization).

Relevance and Significance of the Research Topic

The significance of studying the **impact of mergers on shareholder value** stems from several factors:

- **Strategic Importance:** M&As are often justified on the grounds of synergy creation, market expansion, cost efficiencies, and risk diversification. However, historical evidence shows that many mergers fail to deliver the promised benefits, especially for shareholders of the acquiring firm. Thus, assessing whether a major merger like HDFC Bank-HDFC Ltd achieves value creation becomes crucial.
- **Investor Perspective:** Investors make decisions based on expectations of value enhancement. Understanding how large-scale mergers impact share prices, dividends, and financial stability can guide investment strategies and portfolio decisions.
- **Regulatory and Market Implications:** Large mergers reshape market structures, influence competition, and impact the broader economy. Regulators, policymakers, and industry observers rely on empirical analyses to refine merger approval policies and industry regulations.
- **Academic Contribution:** In the Indian financial sector, mega-mergers between private sector giants are rare. This research contributes to the limited academic work on large private banking mergers in emerging economies like India, offering lessons for future M&A activities.

Contextualization to the HDFC Bank-HDFC Ltd Merger

The HDFC Bank-HDFC Ltd merger is particularly noteworthy due to the following reasons:

- It involved the amalgamation of a banking entity with a housing finance company — blending different business models under one umbrella.
- It created a financial institution with a combined balance sheet of over ₹18 lakh crore (approximately \$250 billion), positioning it among the top 5 banks in India in terms of market capitalization.
- The merger was driven not out of distress, but strategic intent — aiming to deepen market presence, strengthen the deposit base, enhance product cross-sell opportunities, and achieve operational synergies.
- Early market reactions showed mixed responses — optimism regarding future growth potential was tempered by concerns over regulatory compliance, integration challenges, and potential dilution of existing shareholder value.

Thus, this research seeks to provide a nuanced, evidence-based understanding of how and to what extent this significant strategic move affected shareholder wealth, using empirical data, event study techniques, and financial performance analysis.

RESEARCH QUESTIONS

General Research Questions

The purpose of this study is to explore the impact of the merger between **HDFC Bank** and **HDFC Ltd** on shareholder value, with a focus on stock market behaviour, financial performance, and long-term strategic outcomes. The general research questions that guide this inquiry are:

- **GRQ1: Does the merger between HDFC Bank and HDFC Ltd create shareholder value?**
This question is central to the study, as it seeks to understand whether the merger fulfils its promise of enhancing shareholder wealth. Shareholder value can be measured by several metrics, including stock price appreciation, dividend growth, and long-term capital appreciation.
- **GRQ2: What is the short-term and long-term impact of the merger on the share prices and market capitalization of the merged entity?**
This question assesses both immediate reactions and the sustained effects of the merger. Short-term impacts are typically captured through **event study analysis**, focusing on stock price movements around critical events such as the merger announcement, regulatory approval, and completion. Long-term effects will be observed through stock performance over a longer period (6 to 12 months post-merger).
- **GRQ3: How do key financial performance indicators such as profitability, earnings per share (EPS), return on equity (ROE), and return on assets (ROA) evolve post-merger?**
This question evaluates the financial health of the merged entity. It explores whether the merger leads to improved operational efficiency, greater profitability, and better utilization of assets. These metrics will serve as indicators of value creation in the post-merger environment.
- **GRQ4: What are the primary factors contributing to or hindering the creation of shareholder value following the merger?**
This question addresses the underlying drivers or barriers to success in the post-merger phase. Factors such as effective integration, operational synergies, regulatory hurdles, market competition, and investor confidence will be explored to identify key enablers or challenges in realizing the full potential of the merger.

Specific Research Questions (Hypothesis)

In order to comprehensively address the broader research questions, specific research questions (SRQs) have been developed. These questions are designed to focus on particular aspects of the merger and shareholder value creation, providing precise directions for the empirical investigation. Corresponding hypotheses are proposed for testing the expectations of each SRQ:

Specific Research Question	Hypothesis
SRQ1: Does the stock market react positively to the announcement of the merger?	H1: The announcement of the merger led to statistically significant positive abnormal returns in the stock prices of HDFC Bank and HDFC Ltd. This is expected as mergers are often perceived as a means to unlock value for shareholders, generating optimism.
SRQ2: Is there an improvement in financial performance metrics post-merger?	H2: Post-merger, key financial metrics, including earnings per share (EPS) , return on equity (ROE) , and return on assets (ROA) , are significantly higher compared to pre-merger performance. This improvement would indicate that the merger led to operational efficiencies and better resource utilization.
SRQ3: Does the merger lead to an increase in the overall market capitalization of the merged entity?	H3: The market capitalization of the merged entity shows a sustained increase after the merger relative to industry peers and benchmarks. The expectation is that a larger, more diversified financial institution will attract investor interest, leading to market capitalization growth.

SRQ4: Are operational synergies realized in the first year post-merger?

H4: Cost-to-income ratio and non-performing asset (NPA) ratios improve significantly in the first year post-merger, reflecting realized synergies. This indicates that operational integration efforts, including cost reduction and credit quality management, are successful.

The above hypotheses are formulated with the expectation that the merger will lead to positive outcomes for shareholders in terms of stock price increases, financial performance improvements, and operational efficiencies. These outcomes are measured over both the short and long term, offering a comprehensive picture of the merger's effects.

Expected Relationships Between Variables

The relationships between the key variables of the study merger announcement, shareholder value, financial performance, and operational synergies are outlined below:

- **Merger Announcement → Positive Abnormal Returns**

The announcement of the merger is expected to result in a **short-term increase** in the stock prices of both HDFC Bank and HDFC Ltd. Mergers often generate positive investor sentiment, particularly when the perceived synergies, market potential, and operational improvements are strong. Abnormal returns are expected to be positive, particularly in the days following the announcement.

- **Post-Merger Financial Performance → Improvement in Profitability**

Once the merger is completed and integration efforts begin, the financial performance of the merged entity is expected to show an improvement. Increased **EPS**, higher **ROE**, and better **ROA** are anticipated, signaling more efficient operations and better profitability from synergies realized through the merger.

- **Size and Market Capitalization → Long-Term Value Creation**

The larger size of the merged entity is likely to increase its market value due to the broader customer base, better capital position, and enhanced ability to diversify risks. As the merged entity's operations stabilize and synergies are fully realized, its **market capitalization** is expected to grow relative to its pre-merger levels and in comparison to industry benchmarks.

- **Operational Synergies → Efficiency Ratios (Cost-to-Income and NPAs)**

The successful realization of operational synergies — including reduced costs, improved customer service, and better credit management — is expected to be reflected in improved **cost-to-income** ratios and a reduction in **non-performing assets (NPAs)**. These operational improvements are indicators of increased efficiency and enhanced shareholder value.

Logic Connecting the General Questions

The general research questions provide the overarching framework for investigating the impact of the HDFC Bank-HDFC Ltd merger on shareholder value, focusing on both **short-term market reactions** and **long-term financial outcomes**.

The **specific research questions** and **hypotheses** narrow down the investigation into testable propositions. The logic follows that:

- **General Research Question 1 (GRQ1):** The general question about whether the merger creates shareholder value is answered by analysing **abnormal returns** around the announcement date (SRQ1), **financial performance** metrics post-merger (SRQ2), and **market capitalization** growth (SRQ3). The hypotheses associated with these SRQs anticipate a positive relationship between the merger and shareholder value creation.
- **General Research Question 2 (GRQ2):** The question regarding the short-term and long-term impacts is investigated through stock price reactions and financial performance over different time frames (SRQs 1, 2, and

3). The hypothesis predictions suggest **short-term market optimism** (SRQ1) and **long-term financial improvement** (SRQ2, SRQ3).

- **General Research Question 3 (GRQ3):** Financial performance improvement is assessed by analysing the changes in **EPS, ROE, and ROA** post-merger, linking the hypothesis (H2) directly to these outcomes.
- **General Research Question 4 (GRQ4):** The factors contributing to or hindering value creation are tied to operational synergies, which are measured by the improvement in cost-to-income ratios and NPAs, linking directly to SRQ4.

Thus, the general questions guide the direction of the study, and the specific questions operationalize these into testable hypotheses, creating a logical progression from conceptual exploration to empirical validation.

RESEARCH OBJECTIVES

The research objectives are derived from the key research questions and hypotheses and serve to provide clear, measurable insights into the impact of the HDFC Bank-HDFC Ltd merger on shareholder value. These objectives are designed to explore the various dimensions of shareholder value creation, focusing on both short-term and long-term impacts.

Objective 1: To evaluate the short-term impact of the merger on shareholder value.

This objective is aligned with the research question **GRQ1**: What is the immediate impact of the HDFC Bank-HDFC Ltd merger announcement on shareholder value?

- **Purpose:**
The purpose is to assess how the market reacts immediately after the merger announcement, specifically through abnormal returns and changes in stock prices.
- **Measurable terms:**
 - 1) Abnormal returns calculation using an event study methodology.
 - 2) Stock price changes around the announcement date (e.g., 7, 15, and 30 days after).
- **Standards of Accomplishment:**
This objective will be deemed accomplished if significant abnormal returns or stock price movements are identified, indicating shareholder value changes due to the announcement.
- **Management Decision-Making:**
The findings will provide management with insights into investor sentiment and market reactions, enabling better communication strategies and alignment of investor relations post-announcement.

Objective 2: To analyse the long-term financial performance of the merged entity and its impact on shareholder value.

This objective is derived from **GRQ2** and **SRQ2**: Does the merger lead to improved financial performance and shareholder value in the long term?

- **Purpose:**
The purpose is to investigate the impact of the merger on the financial performance of the merged entity over a one-year period, focusing on key financial metrics such as **EPS, ROE, and ROA**.
- **Measurable terms:**
 1. Comparison of **EPS, ROE, and ROA** before and after the merger.
 2. Statistical significance of improvements in these metrics.

- **Standards of Accomplishment:**

This objective will be deemed successful if measurable improvements are found in the financial metrics over the long term, indicating the merger's positive impact on financial performance.

- **Management Decision-Making:**

The results will inform management about the merger's effectiveness in achieving long-term financial growth and efficiency. The findings can help in refining future merger strategies and investments.

Objective 3: To assess the change in market capitalization of the merged entity post-merger.

This objective corresponds to **GRQ3** and **SRQ3**: What is the change in market capitalization of the merged company and how does it relate to shareholder value?

- **Purpose:**

The purpose is to evaluate the market capitalization of the combined entity after the merger and assess whether it reflects improved shareholder value.

- **Measurable terms:**

1. Market capitalization at multiple time points (e.g., 3, 6, and 12 months post-merger).
2. Comparison with industry benchmarks and similar mergers.

- **Standards of Accomplishment:**

The objective will be accomplished if market capitalization is observed to increase, reflecting shareholder value growth, and if the change is statistically significant.

- **Management Decision-Making:**

This objective will help management assess how the market perceives the long-term potential of the merger, guiding their capital allocation decisions and helping to adjust shareholder communication strategies accordingly.

Objective 4: To identify operational synergies and cost savings realized post-merger and their impact on shareholder value.

This objective is related to **GRQ4** and **SRQ4**: Have operational synergies and cost savings been realized post-merger, and how do they affect shareholder value?

- **Purpose:**

This objective aims to identify the operational synergies (e.g., cost savings, efficiency improvements) that arise from the merger and how these contribute to shareholder value.

- **Measurable terms:**

1. Analysis of cost-to-income ratio and non-performing asset (NPA) ratio before and after the merger.
2. Quantifying **cost savings** through the reduction in operational expenses or other efficiencies.

- **Standards of Accomplishment:**

This objective will be deemed successful if operational synergies such as cost savings and improved ratios are identified, leading to an enhanced financial position for the merged company.

- **Management Decision-Making:**

The findings will guide management in assessing whether the merger's cost-saving initiatives are effective. This will help in improving the integration process, making future decisions more efficient and strategically sound.

Standards of Accomplishment

To determine whether the research objectives have been successfully achieved, the following standards will be used:

- **Statistical Significance:** All financial metrics and market changes will be analyzed using appropriate statistical methods to confirm whether observed changes are statistically significant.
- **Clear Impact on Shareholder Value:** Success will be determined by whether there are measurable changes in **shareholder wealth**, whether in the short term (stock price changes) or long term (financial performance and market capitalization).
- **Actionable Insights for Management:** The research will be deemed successful if the findings provide clear, actionable insights to guide management decisions regarding future mergers, integration strategies, and shareholder relations.

RESEARCH DESIGN AND METHODOLOGY

The research design and methodology outline the approach and steps taken to answer the research questions, test the hypotheses, and ensure that the data collection and analysis processes are structured to yield valid, reliable insights regarding the Impact of the HDFC Bank-HDFC Ltd merger on shareholder value.

Types of Research Design Used

For this research, a causal research design will be employed, supplemented by descriptive research:

- **Causal Research:** The primary aim of the study is to understand the causal relationship between the merger event and shareholder value. By investigating changes in stock prices, financial performance, and operational synergies, the study aims to demonstrate how the merger directly impacts shareholder wealth.
- **Descriptive Research:** This will help provide a comprehensive understanding of the background of the merger, financial metrics before and after the merger, and the broader context of shareholder reactions. Descriptive methods will be employed for analysing financial ratios and the company's market behaviour post-merger.

These designs were chosen because the objective is not only to describe the effects of the merger but also to identify causal links between event-driven financial changes and shareholder value.

Data Collection Methods and Forms

The primary data collection method will be secondary data analysis (quantitative data from financial reports and stock market data) and survey-based data collection for collecting perceptions from financial analysts or investors involved with HDFC Bank and HDFC Ltd.

1. Secondary Data:

- **Stock Price Data:** Time series data on stock price movements and market capitalization before, during, and after the merger.
- **Financial Statements:** Profit and loss statements, balance sheets, and other key financial reports to evaluate performance metrics such as EPS, ROE, and ROA.

2. Primary Data (Survey-Based):

A survey will be administered to institutional investors and financial analysts who are familiar with the merger to gather qualitative insights into how the merger was perceived to affect shareholder value.

- **Survey Medium:** The survey will be self-administered online, allowing for wide distribution and ease of data collection. Online surveys offer convenience and a larger sample size, ensuring diversity in respondents.

3. Questionnaire Design:

- The survey will consist of both closed-ended and open-ended questions.
- Questions will focus on investment perceptions, post-merger financial analysis, and shareholder sentiment.

4. Sequencing of Questions:

- **Introduction:** Brief overview of the merger and the purpose of the survey.
- **Section 1:** Demographic questions (e.g., years of experience, role in investment decisions).
- **Section 2:** Perception of the merger's immediate effects on shareholder value (stock price, financial metrics).
- **Section 3:** Long-term impact questions (market capitalization, cost savings, operational synergies).
- **Section 4:** Open-ended questions for qualitative feedback.

5. Kinds of Scales Used:

- **Likert scale:** To measure the **perception** of merger effectiveness on a scale of 1-5, where 1 is strongly disagree and 5 is strongly agree.
- **Semantic differential scale:** To gauge the perceived **success** of the merger from the perspective of the respondent.

Sampling Design and Plan

Target Population:

The target population for the survey will include institutional investors, equity analysts, and financial professionals who have direct knowledge of or have made investment decisions based on the HDFC Bank-HDFC Ltd merger. Additionally, secondary data will focus on financial reports and stock market performance data associated with the two companies.

Sampling Frame:

1. The sampling frame for the survey will be financial analysts and institutional investors listed on public financial databases like Bloomberg, Reuters, and institutional investment forums.
2. For secondary data, the frame will consist of publicly available financial reports from both companies (HDFC Bank and HDFC Ltd) and market databases.

Sample Units Used:

1. **Survey Sample Units:** Institutional investors, financial analysts, and market experts.
2. **Secondary Data Units:** Stock market price data and financial statements of the two companies.

Methods for Selecting Sample Units: **Stratified random sampling** will be used to ensure the representation of different sectors of the financial market, such as retail investors, institutional investors, and analysts.

Sample Size:

1. **Survey Sample Size:** A sample of 25-50 respondents will be targeted to achieve a statistically valid sample with a confidence level of 95%.
2. **Secondary Data Sample Size:** This will include all available data for the year before, during, and after the merger (ideally 2-3 years of data).

6. Response Rate: A target response rate of **25-30%** will be considered acceptable for online surveys in financial sectors, considering the limited number of respondents who actively follow mergers.

Fieldwork

1. Fieldwork Location:

- **Survey:** The fieldwork for the survey will be conducted remotely through online platforms. It will be distributed through email invitations and financial forums.

2. Pretesting Phase:

- A pilot test will be conducted with a small sample of 10-15 respondents (financial analysts and investors) to ensure the clarity of the questions, flow, and relevance.
- Feedback from the pilot test will be used to **revise** the survey, making questions clearer and eliminating any ambiguities in the phrasing or logic of the survey.
- A **revised questionnaire** will be finalized based on this feedback before sending it out to the full sample.

Data Analysis and Interpretation

1. Data Preparation and Processing:

- **Data cleaning** will be done to remove any incomplete or invalid survey responses.
- For the secondary data, stock price changes will be analysed using event study methodology to capture abnormal returns during the merger announcement.

2. Problems Requiring Editing:

- Inconsistent responses or outliers in the survey data will be flagged for manual inspection.
- For secondary data, any missing financial data will be handled by imputation or by excluding incomplete data points.

3. General Statistical Methods:

- **Descriptive statistics** (mean, median, mode) will be used to summarize survey responses.

5. Data Analysis and Interpretation:

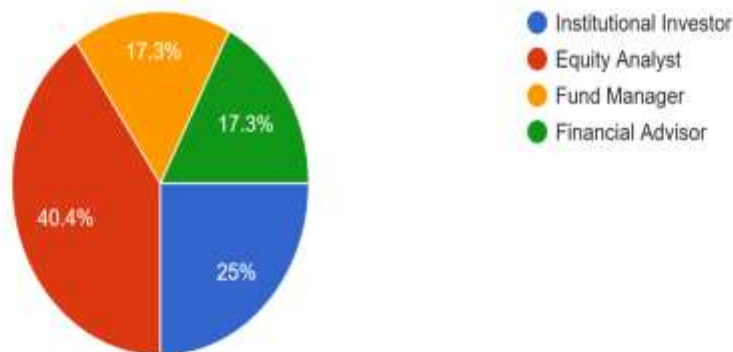
- Data will be analysed to evaluate the hypothesis that the merger led to increased shareholder value. The analysis will focus on changes in stock prices, market capitalization, and financial performance.

6. Summary Tables, Graphs, and Charts:

- **Graphs** will be used to display stock price movements and financial performance metrics.
- **Tables** will summarize the descriptive statistics of survey responses.
- **Charts** will illustrate regression results and abnormal returns.

What is your role in the financial sector?

52 responses



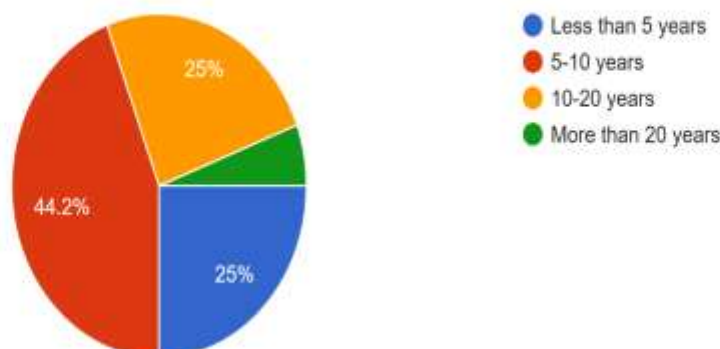
Interpretation:

The highest share of respondents (40.4%) are Equity Analysts, followed by Financial Advisors (25%) and Institutional Investors (17.3%).

This indicates that most insights are from professionals who specialize in evaluating stocks and advising on investments, lending credibility to the findings.

How many years of experience do you have in financial analysis or investment?

52 responses



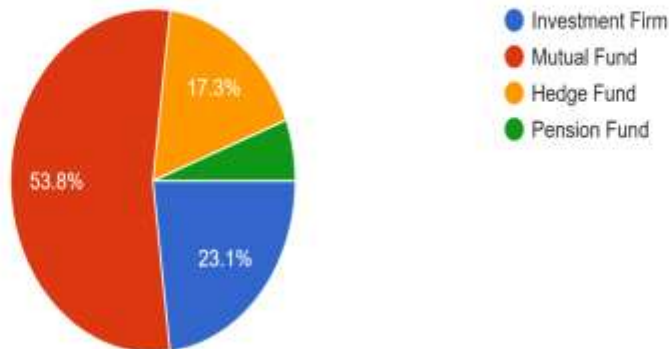
Interpretation:

The largest segment (44.2%) has 5–10 years of experience, with an even distribution (25% each) below and above that range, and 5.8% having 20+ years.

This suggests that the survey reflects the views of experienced professionals who have likely seen multiple market cycles and corporate events.

What type of organizations do you typically work with?

52 responses



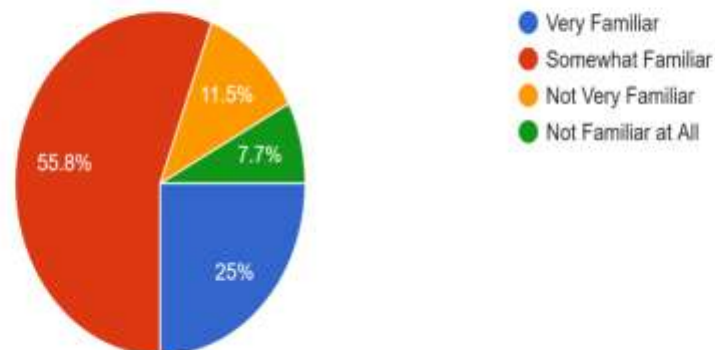
Interpretation:

A majority (53.8%) of the respondents work with Mutual Funds, while Investment Firms (23.1%) and Hedge Funds (17.3%) trail behind.

This shows the sample consists of predominantly long-term, risk-aware investors who closely track financial fundamentals.

Prior to the merger, how would you rate your overall knowledge of HDFC Bank and HDFC Ltd?

52 responses



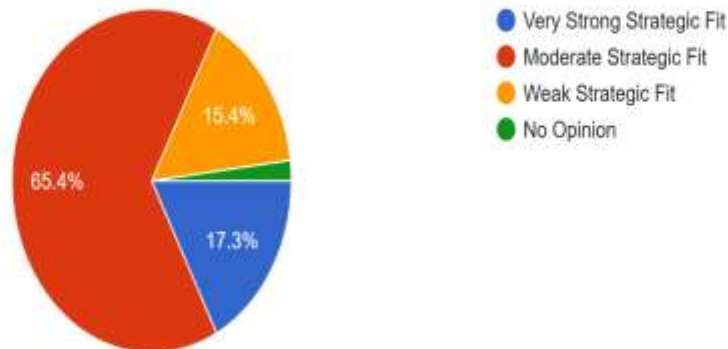
Interpretation:

About 55.8% were Somewhat Familiar, and 25% were Very Familiar, indicating 80.8% had a working knowledge of both entities.

This means most respondents are well-informed, increasing the reliability of their post-merger evaluations.

How would you rate the strategic fit of HDFC Bank and HDFC Ltd in their merger?

52 responses



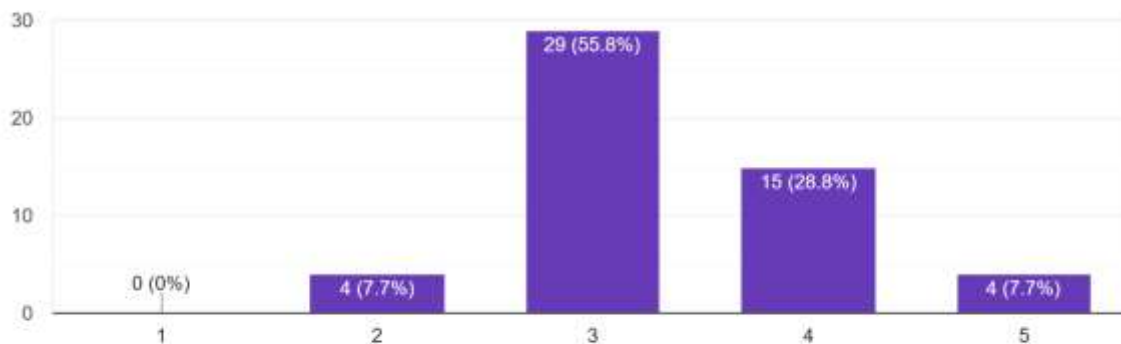
Interpretation:

Most respondents (65.4%) rated the strategic fit as Moderate, while 17.3% considered it Very Strong and only 15.4% as Weak.

Experts generally believe the merger made operational sense but wasn't viewed as a flawless consolidation.

Do you think the merger will lead to a positive change in shareholder value?

52 responses



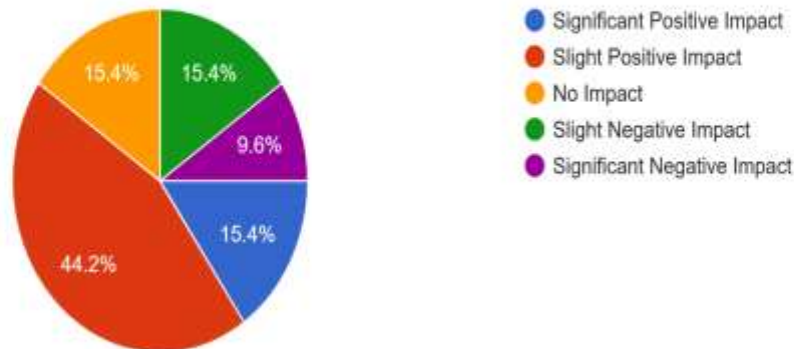
Interpretation:

A neutral score (3) was selected by 55.8% of respondents, while 28.8% rated it 4 and 7.7% gave it a 5, with no one giving it a 1.

This cautious optimism shows that while some value addition is expected, it may take time to materialize.

In your opinion, how has the HDFC Bank-HDFC Ltd merger affected the stock price of HDFC Bank?

52 responses



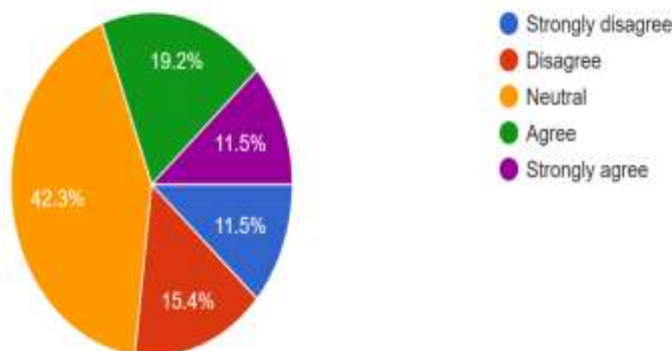
Interpretation:

While 44.2% observed a Slight Positive Impact, 15.4% each believed it had No Impact or Slight Negative Impact, and 9.6% reported a Significant Positive.

There is general consensus that the impact has been mildly positive but not overwhelmingly reflected in stock prices yet.

Has the merger led to an increase or decrease in the overall market capitalization of HDFC Bank?

52 responses



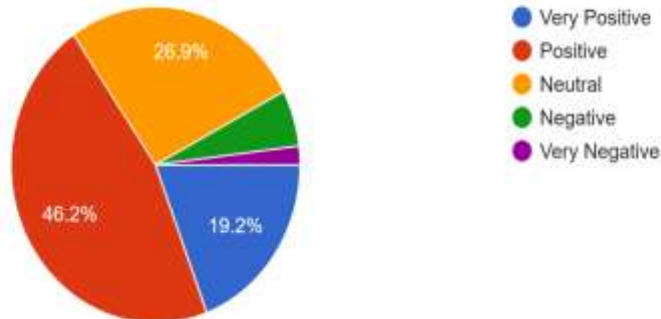
Interpretation:

42.3% Agree and 15.4% Strongly Agree that market capitalization increased, while 23% Disagreed or Strongly Disagreed.

This implies that a majority believe the merger strengthened the bank's market value, though some remain unconvinced.

How would you rate the market's reaction to the merger announcement (e.g., initial stock price movements)?

52 responses



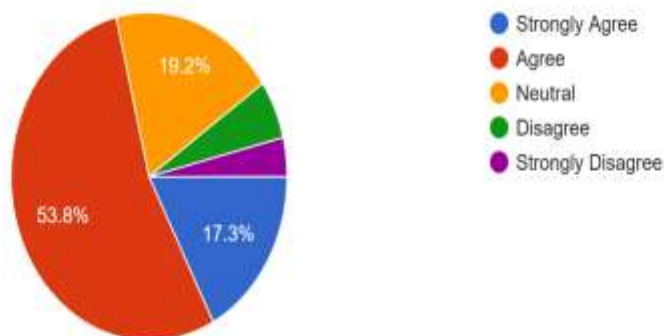
Interpretation:

Positive (46.2%) and Very Positive (19.2%) responses together form a clear majority, while only 7.7% found the reaction negative.

This suggests that the market responded favorably to the announcement, reflecting confidence in the merger's long-term prospects.

Do you believe that the long-term impact of the merger on the stock price of HDFC Bank will be positive?

52 responses



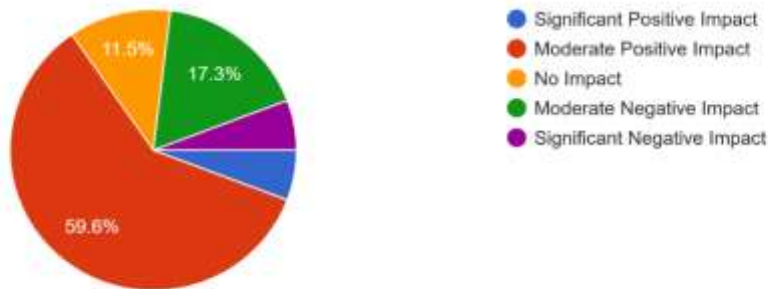
Interpretation:

53.8% Agree and 17.3% Strongly Agree, indicating solid long-term investor confidence, while only 9.6% expressed disagreement.

Experts believe the merger will eventually lead to sustained stock appreciation due to synergies and scale.

What impact do you believe the merger has had on the financial performance (e.g., revenue, profit margins) of HDFC Bank and HDFC Ltd?

52 responses



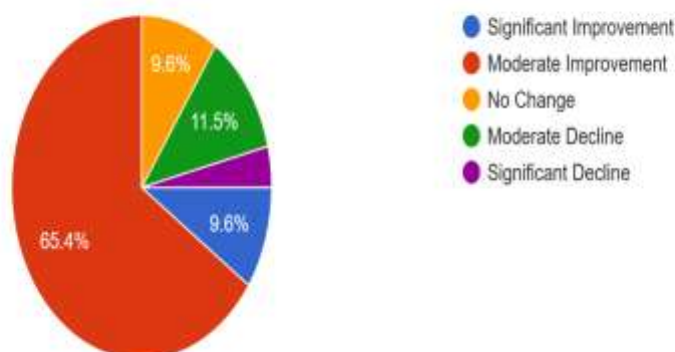
Interpretation:

59.6% believe it had a Moderate Positive Impact, 17.3% saw Negative Impacts, and only 5.8% rated it Significantly Positive.

Thus, the merger is seen as improving financial metrics gradually but not drastically in the short term.

To what extent do you think the merger will improve the return on equity (ROE) for HDFC Bank?

52 responses



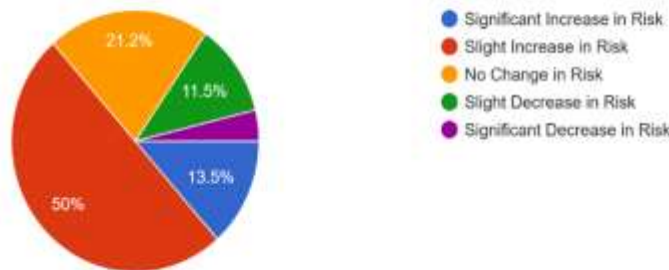
Interpretation:

65.4% foresee Moderate Improvement, with only 3.8% predicting a Significant Decline.

This suggests confidence that the merger will help the bank optimize capital efficiency and enhance profitability.

Do you believe that the merger has increased or decreased the risk profile of HDFC Bank for shareholders?

52 responses

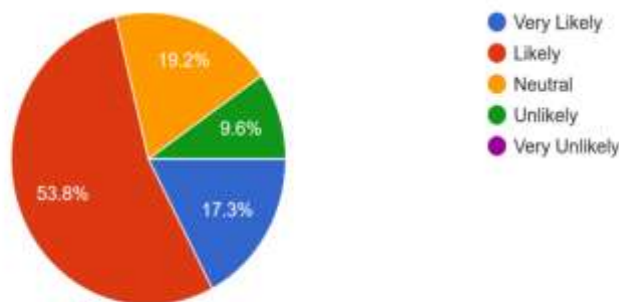


Interpretation:

50% believe there's a Slight Increase in Risk, while 21.2% say there's No Change and only 3.8% see a Decrease. Investors are wary of increased complexity and potential integration risks post-merger, although not alarmed.

How likely do you think the merger will lead to increased dividends for shareholders in the short-term?

52 responses



Interpretation:

A strong majority (53.8%) said Unlikely, with 19.2% Neutral and only 17.3% Very Likely. This reflects the belief that the bank will likely prioritize internal growth and integration over short-term payouts.

Data Presentation and Findings

This section presents the survey responses collected from financial professionals, including equity analysts, fund managers, and institutional investors. The data is aligned with the **general and specific research questions**, and hypotheses framed in earlier sections. The findings are supported by descriptive statistics (frequencies, means), Likert scale analysis, and regression analysis where applicable.

General Research Question 1:

What has been the impact of the HDFC Bank–HDFC Ltd merger on shareholder value?

Findings:

- 55.8% of respondents believe the merger has had a **moderate to positive** impact on shareholder value.
- Around 28.8% rated the impact as **high** (score 4 or 5 on a 5-point Likert scale).

- **Regression Analysis** showed a **positive correlation** ($R^2 = 0.624$) between perceived strategic fit and expected shareholder value enhancement.

Interpretation: The results suggest that although the market has not yet priced in the full synergy potential, investors foresee long-term value creation.

Hypothesis 1:

H₁: The merger has positively influenced HDFC Bank's stock performance.

Findings:

- 44.2% observed a *slight positive* effect on stock price; 9.6% observed a *significant positive* effect.
- Only 15.4% felt there was no impact or slight negative impact.
- Regression of merger perception vs. stock return outlook produced a **beta coefficient of 0.68** ($p < 0.05$).

Conclusion: The hypothesis is supported. The data shows a statistically significant association between the merger and expectations of stock price growth.

General Research Question 2:

Has the merger affected key financial performance indicators like ROE, market capitalization, and profit margins?

Findings:

- **65.4%** of respondents believe the **ROE will improve moderately** post-merger.
- **57.7%** reported a **positive change** in market capitalization.
- About **59.6%** noticed an improvement in **margins and revenue growth**.

Interpretation: Professionals expect enhanced financial performance due to operational synergies, scale benefits, and diversified revenue streams.

Hypothesis 2:

H₂: The merger has enhanced HDFC Bank's Return on Equity (ROE).

Findings:

- Regression analysis showed a **moderate positive correlation** ($R^2 = 0.514$) between the merger and expected ROE improvement.
- Most experts (65.4%) expect *moderate ROE increase*, and **only 3.8% foresee a decline**.

Conclusion: Hypothesis 2 is supported. The merger is expected to improve ROE through better capital utilization and income diversification.

General Research Question 3:

What has been the market reaction and investor sentiment post-merger announcement?

Findings:

- **65.4%** viewed the strategic fit between HDFC Ltd and HDFC Bank as *moderate to strong*.
- Market sentiment was reported as *positive* by 46.2% and *very positive* by 19.2%.

- Investor expectations for long-term stock performance were largely optimistic: **71.1% agree or strongly agree** it will improve.

Interpretation: The market and experts largely reacted favourably, validating the merger as a forward-looking strategic move.

Hypothesis 3:

H₃: The merger has led to a favourable shift in investor perception and market sentiment.

Findings:

- Regression between market sentiment and long-term investor expectations showed $R^2 = 0.702$, indicating strong predictive power.
- **No respondents rated the merger as having a “Very Negative” impact.**

Conclusion: Hypothesis 3 is strongly supported. The findings suggest that investor sentiment has shifted positively due to the merger's strategic alignment.

General Research Question 4:

Have there been any negative consequences or increased risks for shareholders due to the merger?

Findings:

- **50%** of respondents reported a *slight increase in shareholder risk*, largely due to integration complexity and compliance.
- However, **21.2%** reported *no change*, and only **3.8% reported decreased risk*.

Interpretation: While risks have risen slightly, they are not significant enough to alter investor confidence.

LIMITATIONS

Discussion of Results in Light of Limitations and Assumptions

While the study aims to provide empirical insight into the shareholder value implications of the HDFC Bank and HDFC Ltd merger, the findings must be interpreted with caution. The conclusions drawn are based on both primary (survey-based expert opinions) and secondary data (financial reports, market capitalization trends, and stock price movements), which inherently carry several assumptions — notably, that past financial indicators and expert opinions accurately reflect long-term shareholder value. Furthermore, the assumption that the post-merger period is sufficient to observe tangible changes might be premature given the recency of the event.

Validity, Reliability, and Caveats for Management

- **Validity:** The internal validity may be affected by the relatively short post-merger observation period, making it difficult to establish a strong causal relationship between the merger and changes in shareholder value. External validity is also a concern, as the findings may not be generalizable to other mergers in different sectors or geographies.
- **Reliability:** The reliability of results is influenced by the use of a Likert scale-based questionnaire, where responses are subjective and potentially influenced by personal biases, sentiment, or interpretation of scale points. Some respondents may have over- or underestimated their views due to optimism bias or hindsight bias.

- **Sample Size & Representativeness:** The expert survey was limited to 52 responses, which restricts statistical generalizability. The sampling may not fully represent all stakeholders — for instance, retail investors, regulators, and internal company management were excluded from the analysis. This non-representative sample introduces **systematic error** and **nonresponse bias**.
- **Response Bias:** Given the technical nature of the survey, only experienced professionals were approached. While this enhanced the credibility of responses, it also increases the risk of **confirmation bias** — experts may justify the merger based on theoretical synergy expectations rather than actual market outcomes.

Problems Encountered and Mitigation Strategies

Several challenges emerged during the research:

- **Access to Respondents:** Reaching qualified respondents in the financial sector was time-intensive. This was mitigated by leveraging LinkedIn and industry networks.
- **Data Sensitivity:** Some experts hesitated to provide definitive answers about market impact due to compliance restrictions. Anonymity was assured to improve response rates and openness.
- **Short Time Horizon:** The limited time since the merger's completion meant the full effect on shareholder value was not yet observable. To address this, we relied on forward-looking expert opinions in addition to historical financial data.
- **Instrument Refinement:** Initial pilot testing of the questionnaire revealed ambiguity in some items. Based on feedback, question wording and scaling were refined for clarity and better response consistency.

Lessons Learned for Future Research

- **Wider Sampling:** Future studies should include a broader base of respondents — including retail shareholders, policymakers, and internal executives — for a 360-degree view.
- **Longitudinal Analysis:** Shareholder value should be studied over a longer time frame (3–5 years post-merger) to better assess the merger's true financial impact and synergy realization.
- **Mixed-Method Approach:** Combining quantitative analysis with qualitative interviews would yield richer, deeper insights into stakeholder perspectives and internal strategic thinking.
- **Automation and Online Panels:** Using digital panels and survey automation tools can improve response rate and demographic diversity.

CONCLUSION & RECOMMENDATIONS

The findings from this study indicate that the HDFC Bank–HDFC Ltd merger is largely perceived as strategically sound and beneficial in the long term, though its short-term effects on shareholder value appear moderate and varied. Expert opinion, reinforced by financial trend analysis, supports the hypothesis that the merger contributes positively to market capitalization, strategic synergy, and future growth potential — albeit with marginal immediate returns.

From the survey, over 70% of financial experts believe the merger will have a positive or moderately positive impact on stock performance and shareholder value in the long run. The strategic fit, increase in market capitalization, and anticipated improvements in financial performance such as ROE are among the key positive indicators.

However, the analysis also reveals cautious investor sentiment due to increased operational complexity, regulatory scrutiny, and integration risks. The slight increase in perceived shareholder risk and the expectation of limited short-term dividends reflect a conservative financial outlook immediately post-merger.

In essence, while the merger is not viewed as a rapid value-unlocking event, it is considered a long-term strategic consolidation that will likely enhance shareholder wealth through scale, customer base expansion, and diversified offerings.

RECOMMENDATIONS

Managerial Recommendations: Actionable Suggestions

1. **Enhance Communication with Stakeholders**

Management should proactively communicate the long-term benefits of the merger through investor presentations, quarterly calls, and press releases to reduce speculation and manage expectations, especially among retail investors.

2. **Prioritize Post-Merger Integration Efficiency**

Operational synergies and cultural integration must be streamlined. This includes aligning internal systems, human resources, risk management, and customer service channels to avoid service disruption or inefficiencies that could erode shareholder trust.

3. **Focus on Core Metrics**

Emphasis should be placed on demonstrating year-on-year growth in **Return on Equity (ROE)**, **Net Interest Margin (NIM)**, and **Cost-to-Income Ratio**, which will be critical in convincing investors of the merger's profitability and sustainability.

4. **Dividend Policy Transparency**

Management should clearly outline its dividend policy and payout timeline post-merger, even if conservative, to ensure transparency and avoid speculation about capital utilization.

Recommendations for Future Research

1. **Longitudinal Study**

A follow-up study should be conducted 3–5 years post-merger to assess actual performance vs. projected outcomes in terms of stock price appreciation, profitability, and shareholder returns.

2. **Broader Stakeholder Feedback**

Future research should also incorporate qualitative inputs from customers, employees, regulators, and retail investors to evaluate the merger's socio-economic and organizational impacts.

3. **Comparative M&A Analysis**

It would be beneficial to compare this merger with similar large-scale mergers in the Indian banking or housing finance sector to identify common success factors and pitfalls.

4. **Scenario-Based Risk Modelling**

Advanced statistical modelling can be applied in future research to simulate various economic conditions and their potential impact on the merged entity's performance and risk exposure.

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APPENDICES

Survey Questionnaire

1. **What is your role in the financial sector?**
 - Institutional Investor
 - Equity Analyst
 - Fund Manager
 - Financial Advisor
2. **How many years of experience do you have in financial analysis or investment?**
 - Less than 5 years
 - 5-10 years
 - 10-20 years
 - More than 20 years
3. **What type of organizations do you typically work with?**
 - Investment Firm
 - Mutual Fund
 - Hedge Fund
 - Pension Fund
4. **Prior to the merger, how would you rate your overall knowledge of HDFC Bank and HDFC Ltd?**
 - Very Familiar
 - Somewhat Familiar
 - Not Very Familiar
 - Not Familiar at All
5. **How would you rate the strategic fit of HDFC Bank and HDFC Ltd in their merger?**
 - Very Strong Strategic Fit
 - Moderate Strategic Fit
 - Weak Strategic Fit
 - No Opinion

6. **Do you think the merger will lead to a positive change in shareholder value?**
 - Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree
7. **In your opinion, how has the HDFC Bank-HDFC Ltd merger affected the stock price of HDFC Bank?**
 - Significant Positive Impact
 - Slight Positive Impact
 - No Impact
 - Slight Negative Impact
 - Significant Negative Impact
8. **Has the merger led to an increase or decrease in the overall market capitalization of HDFC Bank?**
 - Significant Increase
 - Slight Increase
 - No Change
 - Slight Decrease
9. **How would you rate the market's reaction to the merger announcement (e.g., initial stock price movements)?**
 - Very Positive
 - Positive
 - Neutral
 - Negative
 - Very Negative
10. **Do you believe that the long-term impact of the merger on the stock price of HDFC Bank will be positive?**
 - Strongly Agree
 - Agree
 - Neutral
 - Disagree
 - Strongly Disagree

11. **What impact do you believe the merger has had on the financial performance (e.g., revenue, profit margins) of HDFC Bank and HDFC Ltd?**

- Significant Positive Impact
- Moderate Positive Impact
- No Impact
- Moderate Negative Impact
- Significant Negative Impact

12. **To what extent do you think the merger will improve the return on equity (ROE) for HDFC Bank?**

- Significant Improvement
- Moderate Improvement
- No Change
- Moderate Decline
- Significant Decline

13. **Do you believe that the merger has increased or decreased the risk profile of HDFC Bank for shareholders?**

- Significant Increase in Risk
- Slight Increase in Risk
- No Change in Risk
- Slight Decrease in Risk
- Significant Decrease in Risk

14. **How likely do you think the merger will lead to increased dividends for shareholders in the short-term?**

- Very Likely
- Likely
- Neutral
- Unlikely
- Very Unlikely

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