Corporate Governance and Post-M&A Performance in the Banking Industry: A Study

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Abstract

Corporate governance in the banking sector is essential for the success of mergers and acquisitions (M&A) since it significantly influences post-M&A performance. This research analysed the impact of corporate governance rules on post-merger and acquisition (M&A) performance, along with the key governance domains influencing financial stability and operational success. The research used quantitative methods and regression analysis to investigate governance frameworks and performance metrics after mergers and acquisitions. The results were gathered from 385 respondents of the questionnaire. The study identified a significant positive correlation between governance quality and performance after mergers and acquisitions. The research revealed that leadership, decision-making, risk management, compliance, and transparency were essential. The research demonstrated that exemplary governance enhances financial performance, operational efficiency, and stakeholder confidence. The research emphasized the need of systematic governance during integration. This research aims to enhance theoretical and practical understanding of the impact of corporate governance frameworks on banking mergers and acquisitions. It synthesizes many governance theories, including Agency Theory and Stakeholder Theory, together with their practical implications to enhance the understanding of governance methodologies. The suggestions of the study will enhance governance in mergers and acquisitions for banking executives and practitioners. The study's authors advocate for enhancing governance procedures and examining the long-term impacts of governance on integration success. The study demonstrated that effective corporate governance maintains performance after mergers and acquisitions.

Keywords; Banking Industry, Corporate Governance, Financial Performance, Mergers and Acquisitions, Post-M&A Integration, Risk Management, Transparency

INTRODUCTION

Mergers and acquisitions are among the key strategies employed by banks to pursue growth, strengthen competitiveness in the market, and attain financial stability. While M&A operations in the banking industry on account of globalization, regulatory reforms, and technological changes are resorted to for gaining market stretch, more operational efficiency, and shareholder value maximization (Satyanarayana et al., 2023). These transactions offer financial institutions with economy of scale, risk diversification, and higher financial performance (Apreku-Djan et. al., 2022). Nevertheless, the successful completion of merger and acquisition transactions in the banking sector is mostly contingent upon the smooth integration of the two businesses post-merger, a process influenced by various organizational and governance variables (Sengar et. al., 2021).

Corporate governance plays an important role in the functioning of banks post-merger and acquisitions. Institutionalized excellent governance makes the banks easy to integrate, reduces risks, and increases shareholder confidence (Salim et. al., 2016). Certain governance practices, including board oversight, compensation to the chief executive officer, and compliance with laws and regulations, work as deterrents to prevent opportunistic behavior, thereby ensuring that mergers achieve the desired financial and strategic objectives (Worek, 2017). Bad governance can lead to operational inefficiencies, financial instability, and integration failures, therefore reducing the expected advantages of mergers and acquisitions (Hussain et al., 2024).

The pace of mergers and acquisitions in the banking industry seems not to affect the realization and delivery of optimal quality post-merger performance. In effect, most banks have governance failures, which obstruct the attainment of structural synergies, thereby causing challenges in the integration and, thus financial underperformance (Oira, 2024). Additionally, while corporate governance is undoubtedly key to successful M&A, empirical evidence on governance policies being tied to post-merger results is not common in the banking sector (Delis et. al., 2022). This study seeks to fill this gap by investigating the role of corporate governance in post-M&A performance within the banking sector, henceforth offering crucial insight for scholars, legislators, and practitioners.

Objectives of the study

To evaluate how corporate governance influences Post-M&A performance in banking.

To identify key governance factors that contribute to successful integration and financial performance.

Excluding the introduction, the study is divided as follows: Section 2 gives an overview of the past studies by several writers on mergers and acquisitions within the banking sector. Section 3 sets the objectives of the study; Section 4 shows the Hypothesis of the study Section 5 provides a synopsis of the research methods employed. Section 6 examines the facts and results; Section 7 explains the discussion; Section 8 presents conclusions, implications, boundaries, and recommendations for future study. References are provided at last.

REVIEW OF LITERATURE

Theoretical Framework

Scholarly perspectives consistently highlight that effective corporate governance serves as a fundamental determinant of success in banking sector mergers and acquisitions (M&As). Agency theory, as articulated by Jensen and Meckling (1976), contends that managers may prioritize personal interests over shareholder value, leading to excessive acquisition premiums and empire-building tendencies. To mitigate such agency-related risks, the presence of independent boards and the adoption of incentive-linked remuneration mechanisms are often emphasized (Berger et al., 2017). Stakeholder theory (Freeman, 1984) emphasizes the importance of balancing the interests of various groups, including workers and regulatory agencies, to mitigate cultural conflicts and uphold the legitimacy of the organization (Schmeidl,2019; Harrison et al., 2010; Segal, 2023). Even though efficient governance is necessary for resource allocation and synergies, resource dependence theory (Pfeffer & Salancik,1978) states that mergers usually result from the pursuit of external assets like cutting-edge technologies, strategic partnerships, and market entry. Stewardship theory (Donaldson & Davis, 1991) states that managers are "stewards" of the corporation and must act in the best interests of shareholders. This hypothesis assumes managers are naturally motivated to help the company flourish and that their aims match those of the organization. Thus, a governance structure based on this principle would emphasize trust, collaboration, and power above strict control and surveillance. People believe this strategy will assist post-merger integration and economic performance by fostering a unified, cooperative corporate culture.

Institutional theory examines how laws, regulations, social norms, and cultural conventions impact a corporation's operations. It claims that firms utilize specific structures and processes for efficiency, legality, and legal or reputational protection. These outside influences may impact board membership and merger approval. This theory holds that M&A governance is shaped by its sociopolitical setting, not only its internal factors.

LITERATURE REVIEW

Corporate Governance Mechanisms in Banking M&A. Mergers and acquisitions undertaken by banks are impacted by corporate governance. The success of the project is determined by the framework. As stated by Bellomo et al. (2018), effective governance helps to enhance procedures, safeguard shareholders, and simplify the integration process after a merger. This structure has an impact on the monitoring of mergers and acquisitions transactions as well as the strategic direction and direction of the board. It has been shown by Wang et al. (2015) that the inclusion of continuous independent directors leads to an increase in oversight functions, which in turn reduces management opportunism and behavior that is self-serving. According to Didenko et al. (2021), the different backgrounds and experiences of board members have an impact on the strategic decision-making skills of board members, which in turn affects the post-merger financial performance. In addition, governance ensures that the objectives of managers are in line with the long-term value of the firm via the use of executive remuneration. Chief executive officers are more likely to engage in mergers and acquisitions that are beneficial to shareholders if performance-based remuneration schemes are well-designed (He et al., 2022). This is in contrast to CEOs who are motivated by personal interests or the desire to construct an empire. One example of inadequate governance is when the CEO is given an excessive amount of control. This may result in acquisitions that do not align with the company's goals, which can have a negative impact on both strategic coherence and value (Sghaier et al., 2024).

Corporate governance is mostly about a company's capacity to manage risk and follow the rules. Banking is heavily regulated, therefore following governance rules throughout integration makes sure that everything stays stable and protects companies from hazards to their brand and legal status. Efficient risk management systems make the transition easier, minimize the operational and financial risks that come with mergers and acquisitions, and boost the company's long-term performance following the merger (Otieno et al., 2024).

Post-M&A Performance Metrics in the Banking Industry

Banks conduct a financial study after a business combines to get operational and financial metrics that are used to assess the company's performance. Return on Equity (ROE) and Return on Assets (ROA) are two metrics used to evaluate how well banks are making money and running their businesses. According to research, banks with strong management often have superior financial results after mergers and acquisitions because of their efficient capital allocation and risk management plans (Shakil et al., 2019). Another important consideration is how smoothly the company runs. According to Hussain (2014), banks that successfully integrate their operations, staff, and marketing strategies tend to have superior cost-to-income ratios and retain more customers. The success of long-term mergers and acquisitions depends on corporate governance. It ensures that every component of the company functions as a whole. If the market increased, the merger or acquisition was successful. Strong governance mechanisms are required because of the cross-border merger's demonstration of cultural and legal differences (Kiessling et al., 2021). According to Salim et al. (2016), successful banks usually gain more customers and market share after a merger or acquisition.

Challenges in Corporate Governance and M&A Success

When governance frameworks fail to avert management opportunism, mergers and acquisitions (M&As) within the banking sector often encounter challenges. In this regard, it is important to note that CEOs frequently want mergers for their personal benefit rather than to boost shareholder value (Shleifer & Vishny, 1997). If adequate controls aren't in place, acquisition premiums may be too high, target companies may be overvalued, and financial stability may go down following a merger (Jensen, 1986). Governance frameworks that don't have effective accountability procedures, independent boards, or performance-based incentives make these issues worse by giving managers too much authority. When there aren't enough ways to keep an eye on mergers and acquisitions, they lose their strategic usefulness. This makes institutions more likely to have problems after the merger and take on more risk. When banks combine or buy each other, it might be hard to keep everything in order because of unclear rules and bad management. Different countries have different laws and rules for banks, which makes it hard for banks to merge. These kinds of challenges not only make the merger take longer and cost more, but they also make it more expensive to follow the rules and make it harder to concentrate on more essential strategic objectives. Banks risk legal issues and harm to their reputation during and after a merger if they don't follow the rules correctly. According to a study (Filatotchev & Wright, 2005), banks that have clear reporting frameworks and well-organized compliance systems are better at seeing and dealing with any difficulties, which makes integration simpler. When banks combine, they may achieve both stability and growth if their governance is good because it balances regulatory obligations with strategic ambitions.
The success of a merger depends a lot on how well the cultures of the two companies mix, which is affected by how they are governed. If two firms have very different ways of leading, what they demand from their employees, and how they see the world, problems might happen when they merge. People may not want to change, lose interest, or get into fights. Lack of governance frameworks makes cultural conflicts worse since they don't provide rules or ways to talk to everyone. Ineffective leadership often leads to disagreements between lower-level managers and their staff, which lowers productivity (Hernández-Linares et al., 2018). Gautam et al. (2023) found that the governance mechanisms in place have a big impact on how well mergers and acquisitions work. These structures affect how well strategic supervision works and how well integration problems may be solved. Some examples of these kinds of structures include director expertise, board independence, and

concentration of ownership. The governance frameworks of bank mergers have an effect on the long-term viability of the organizations involved both before and after the merger.

RESEARCH GAP

Despite the quantity of research on corporate governance and mergers and acquisitions (M&A), there are still certain gaps. The focus on banking mergers and acquisitions is limited since most research on corporate governance include a wide range of mergers and acquisitions, leaving out the banking sector's unique risk and regulatory area. Second, since existing studies mostly target established markets and do not include empirical research on governance efficacy in emerging nations, there is little research that is particular to each area. Comparative study across sectors might assist explain effective practices. Third, although the majority of research use theoretical frameworks, there are few real studies that link governance structures to operational success after mergers and acquisition. Furthermore, although financial performance is rigorously evaluated, the function of governance in promoting the seamless integration of systems, culture, and labor after mergers and acquisitions is underexplored. Concerning long-term survival, the evolution of governance systems in banks after mergers and acquisitions is poorly known. Addressing these constraints would help to develop research topics that improve understanding of governance and post-M&A performance in the banking sector.

RESEARCH QUESTION

"How does corporate governance impact the post-merger and acquisition (M&A) performance of banks?"

What key corporate governance factors influence successful post-M&A integration and financial performance in the banking sector?

RESEARCH HYPOTHESES

The research hypotheses are formulated based on the objectives outlined in the introduction, focusing on the relationship between corporate governance mechanisms and post-M&A performance in the banking industry. These hypotheses will test whether strong governance structures positively influence financial outcomes, integration efficiency, and risk mitigation post-merger. By aligning hypotheses with study objectives, the research ensures a structured investigation into the critical governance factors driving M&A success.

“Corporate governance significantly influences post-M&A performance in the banking industry.”

“Key governance factors significantly contribute to successful integration and financial performance in the banking industry post-M&A”

RESEARCH METHODOLOGY

Research Design

“This study employs a quantitative research approach to analyze the correlation between corporate governance procedures and post-M&A performance within the banking sector. A quantitative technique is utilized to systematically evaluate governance mechanisms, including board composition, executive remuneration, regulatory compliance, and risk management, and their effects on financial and operational performance following mergers and acquisitions. Due to the complex nature of governance frameworks, primary data is gathered via a structured questionnaire aimed at essential banking professionals engaged in M&A activities. The main aim of this research is to investigate and measure the impact of various governance aspects on post-M&A success.”

RESEARCH APPROACH

The association between corporate governance practices and post-M&A success in the banking sector is investigated in this study using a quantitative research methodology Following mergers and acquisitions, a quantitative method is used to methodically assess governance systems including board composition, CEO compensation, regulatory compliance, and risk management and their impact on financial and operational performance. Because of the complicated character of governance structures, the main data is obtained via a structured questionnaire targeted at important banking professionals involved in M&A operations. The study primarily seeks to examine and quantify how different governance features affect post-merger success.

Population and Sampling

The target group of the study consists of banking industry experts directly involved in M&A transactions. This includes:

Board Members: Responsible for strategic oversight and governance policies.

Executives (CEOs, CFOs, COOs): Directly engaged in M&A decision-making and post-merger integration.

Senior Managers: Overseeing financial and operational restructuring post-M&A.

Compliance Officers and Risk Managers: Ensuring compliance with regulations and implementing risk mitigation methods during mergers.

Purposive sampling is employed to ensure participants possess relevant M&A and governance experience. As a result of the specialized character of the research, selecting participants who have direct M&A involvement ensures the reliability of their responses. The sample is determined through a logical formula, which shows that 385 respondents are needed for the study. A questionnaire was sent to 400 respondents, and after screening the responses, 389 questionnaires were received. Out of these, 385 responses were deemed valid and fully completed. The research looked at different banks involved in recent M&A transactions, ensuring a diversity of governance structures and M&A experiences.

DATA COLLECTION PROCESS

The study collected data from questionnaires and the study questionnaire was sent to 400 respondents.

DATA ANALYSIS METHODS

The study employs regression, factor analysis, and MANOVA to accurately examine the results. The statistical analysis is conducted using SPSS and MS Excel, ensuring rigorous and accurate data interpretation.

RESULT

Table 1: The Respondents' Demographic Profile

Sr. No.	Demographic Characteristics	Category	N	%
1	Gender	Female	186	48.3%
		Male	199	51.7%
2	Age	Less than 30 Years	113	29.4%
		30-40 Years	122	31.7%
		41-50 Years	92	23.9%
		Above 50 Years	58	15.1%
3	Bank Type	Private Sector Bank	128	33.2%
		Public Sector Bank	257	66.8%
4	Educational Qualification	Bachelor’s Degree	134	34.8%
		Master’s Degree	159	41.3%
		Doctorate (PhD)	27	7.0%
		Professional Certifications (CA, CFA, CP)	65	16.9%
5	Years of Experience	Less than 5 years	164	42.6%
		5-10 years	110	28.6%
		11-20 years	75	19.5%
		More than 20 years	36	9.4%
6	Role/Designation	Board Members	49	12.7%
		Compliance Officers and Risk Managers	91	23.6%
		Executives (CEOs, CFOs, COOs)	95	24.7%
		Senior Managers	150	39.0%

“Table 1 represents the respondents' demographic characteristics, with a slightly male majority, which is 51.7%, and a significant number of females, which is 48.3%. The majority of the respondents are aged between 30-40 Years, which is 31.7%, followed by the respondents Less than 30 Years, which is 29.4%. Based on Bank Type majority of respondents have belonged to a public sector bank which is 66.8% and a significant number of respondents have belonged to a private sector bank which is 33.2%. Educational Qualification shows most of the respondents have a master’s degree which is 41.3%, followed by the respondents who have a bachelor’s degree which is 34.8%, followed by the respondents who have a Professional Certificate which is 16.9% and smaller but notable groups are Doctorate which is 7%. Experience levels are diverse, with most of the respondents having Less than 5 years of experience which is 42.6%, followed by the respondents who experienced between 5-10 years which is 28.6%, followed by the respondents who experienced between 11-20 years, which is 19.5% and with a smaller but notable group that have experienced More than 20 years which is 9.4%. The roles of respondents are predominantly senior managers (39.0%) and executives such as CEOs, CFOs, and COOs (24.7%), with notable representation from compliance officers and risk managers (23.6%) and board members (12.7%) representing the key factors such as gender, age, educational qualification, Bank Type, Role/Designation, and experience levels, which play a crucial role in shaping post-M&A performance by influencing corporate governance practices, decision-making effectiveness, and organizational integration in the banking industry."

Obj 1 "To evaluate how corporate governance influences Post-M&A performance in banking."

"H1: Corporate governance significantly influences post-M&A performance in the banking industry."

Table 2: Regression Analysis

Hypothesis	Regression Weights	Beta Coefficient	R	R2	F	t-value	p-value	Hypotheses Result
Hypothesis 1	**Corporate governance > Post-M&A performance**	**0.597**	**0.597**	**0.356**	**211.965**	**14.559**	**0.000**	**Supported**

"Table 2 shows a strong positive association between corporate governance and post-M&A performance in banks with a moderate to high impact as shown by the beta coefficient (β = 0.597). The R-value (R = 0.597), as well as $R^2 = 0.356$, also indicates that 35.6% of the variance in post-M&A performance is accounted for by corporate governance. The model is significant statistically as indicated by an F-value of 211.965, a t-value of 14.559, and a p-value of 0.000 ($p < 0.05$), which further indicates that the relationship is improbable because of chance. The findings in support of Hypothesis 1 indicate that more effective corporate governance practices do play a great role in facilitating improved post-M&A performance among banks."

Obj 2 "To identify key governance factors that contribute to successful integration and financial performance."

"H2: Key governance factors significantly contribute to successful integration and financial performance in the banking industry post-M&A."

"Table 3: KMO and Bartlett's Test Table"

"KMO and Bartlett's Test"		
"Kaiser-Meyer-Olkin Measure of Sampling Adequacy."		.782
"Bartlett's Test of Sphericity"	"Approx. Chi-Square"	1626.268
	df	66
	Sig.	.000

"Table 3 represents the suitability of data for the factor analysis. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy value of 0.782 suggests that the sample is good for factor analysis since values greater than 0.7 are good. Bartlett's Test of Sphericity is significant (χ^2 = 1626.268, df = 66, p = 0.000), indicating that the correlation matrix is not an identity matrix, and that factor analysis is appropriate, supporting the validity of the underlying constructs related to the successful integration and financial performance."

"Table 4: Communalities Table"

Communalities		
	"Initial"	Extraction
TD1	"1.000"	.748
TD2	"1.000"	.628
TD3	"1.000"	.564
RMC1	"1.000"	.516
RMC2	"1.000"	.630
RMC3	"1.000"	.572
RMC4	"1.000"	.579
LDM1	"1.000"	.692
LDM2	"1.000"	.570

LDM3	"1.000"	.609
LDM4	"1.000"	.700
LDM5	"1.000"	.732
"Extraction Method: Principal Component Analysis."		

"Table 4 of Communalities represents the variance in each variable explained by the extracted factors as computed by Principal Component Analysis (PCA). The initial values are fixed at 1.000, representing the total variance before extraction. The extraction values indicate the proportion of variance captured by the factors. All the variables have high communalities, ranging from TD1 (0.748), LDM5 (0.732), to LDM1 (0.692), which means that a large percentage of their variance is accounted for by the factors extracted. Others, such as RMC1 (0.516) and TD3 (0.564), are moderate but still acceptable. In general, the results indicate that the chosen variables are adequately represented by the extracted factors and, therefore, appropriate for factor analysis."

Table 5: Total Variance Explained

"Total Variance Explained"									
Component	Initial Eigenvalues			"Extraction Sums of Squared Loadings"			"Rotation Sums of Squared Loadings"		
	"Total"	"% of Variance"	"Cumulative %"	"Total"	"% of Variance"	"Cumulative %"	"Total"	"% of Variance"	"Cumulative %"
1	3.436	28.630	28.630	3.436	28.630	28.630	3.308	27.568	27.568
2	2.721	22.673	51.303	2.721	22.673	51.303	2.299	19.158	46.725
3	1.384	11.535	62.838	1.384	11.535	62.838	1.934	16.113	62.838
4	.764	6.365	69.203						
5	.664	5.533	74.736						
6	.630	5.252	79.988						
7	.559	4.656	84.644						
8	.498	4.147	88.791						
9	.403	3.357	92.148						
10	.369	3.077	95.225						
11	.330	2.749	97.974						
12	.243	2.026	100.000						
Extraction Method: Principal Component Analysis.									

"Table 5 indicates that the first three components together represent 62.84% of the total variance in the data, which represents a significant amount of the data. The initial eigenvalues indicate that the first component represents 28.63% of the variance, and the second and third components represent 22.67% and 11.54%, respectively. On rotation, the dispersion is more equalized, and the first factor contributes 27.57%, the second factor 19.16%, and the third factor 16.11% towards the total variance, which helps in the factors' interpretability. The components four through twelve have eigenvalues less than 1.0, reflecting that they contribute minimal variance, thus making them inconsequential to this analysis. The findings pinpoint three primary underlying drivers that are centrally influential to the study variables and can potentially correspond to dimensions such as governance framework, financial outcomes, and integration procedures within Corporate Governance and Post-M&A Performance in the Banking Sector."

Table 6: Rotated Component Matrix Table

Rotated Component Matrix			
	Component		
	1	2	3
TD1			.843
TD2			.786
TD3			.713
RMC1		.689	
RMC2		.789	
RMC3		.748	

RMC4		.735	
LDM1	.831		
LDM2	.754		
LDM3	.779		
LDM4	.829		
LDM5	.852		
"Extraction Method: Principal Component Analysis." "Rotation Method: Varimax with Kaiser Normalization."			
a. Rotation converged in 4 iterations.			

"Table 6 identifies three important factors of Corporate Governance and Post-M&A Performance in the Banking Sector that represent different dimensions necessary for the success of post-M&A integration. Component 1 indicates a high loading in variables that focus on leadership and decision-making (LDM1, LDM2, LDM3, LDM4, and LDM5) and highlights how effective leadership contributes to post-M&A performance. Component 2 is linked with risk management and compliance factors (RMC1, RMC2, RMC3, and RMC4), indicating the importance of governance mechanisms to ensure financial solidity and effective integration. Component 3 has a high load on transparency and disclosure factors (TD1, TD2, and TD3), emphasizing the need for open communication and information revelation in fostering trust and improving performance. Together, these three elements offer a holistic picture of how leadership, risk management, and transparency affect post-M&A performance in banking."

Table 7: Multivariate Tests Table

Multivariate Tests						
Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	"Pillai's Trace"	.354	104.088^b	2.000	380.000	.000
	"Wilks' Lambda"	.646	104.088^b	2.000	380.000	.000
	"Hotelling's Trace"	.548	104.088^b	2.000	380.000	.000
	"Roy's Largest Root"	.548	104.088^b	2.000	380.000	.000
TransparencyandDisclosure1_A	"Pillai's Trace"	.018	3.448^b	2.000	380.000	.033
	"Wilks' Lambda"	.982	3.448^b	2.000	380.000	.033
	"Hotelling's Trace"	.018	3.448^b	2.000	380.000	.033
	"Roy's Largest Root"	.018	3.448^b	2.000	380.000	.033
RiskManagementandCompliance1_A	"Pillai's Trace"	.017	3.212^b	2.000	380.000	.041
	"Wilks' Lambda"	.983	3.212^b	2.000	380.000	.041
	"Hotelling's Trace"	.017	3.212^b	2.000	380.000	.041
	"Roy's Largest Root"	.017	3.212^b	2.000	380.000	.041
LeadershipandDecisionMaking1_A	"Pillai's Trace"	.020	3.836^b	2.000	380.000	.022
	"Wilks' Lambda"	.980	3.836^b	2.000	380.000	.022
	"Hotelling's Trace"	.020	3.836^b	2.000	380.000	.022
	"Roy's Largest Root"	.020	3.836^b	2.000	380.000	.022
a. "Design: Intercept + TransparencyandDisclosure1_A + RiskManagementandCompliance1_A + LeadershipandDecisionMaking1_A"						
b. Exact statistic						

"Table 7 represents a significant effect for each independent variable about corporate governance and banking performance following M&A. The intercept indicates high significance across all four multivariate tests—Pillai's Trace, Wilks' lambda, Hotelling's Trace, and Roy's Largest Root-- $F (4, 53) = 104.088$, $p = .000$, which indicates a good overall fit to the model. There is a statistically significant effect of Transparency and Disclosure on successful integration and financial performance, $F (4, 53) = 3.448$, $p = .033$, across all four tests, indicating that it is the aspect of corporate governance transparency contributing. Risk Management and

Compliance also have a statistically significant effect ($F(4, 53) = 3.212$, $p = .041$) on the successful integration and financial performance $F(4, 52)$ across all multivariate tests, demonstrating that compliance practices are significant for corporate governance performance after M&A. Leadership and Decision-Making demonstrated a large effect on the successful integration and financial performance of amalgamated $F(4, 52) = 3.836$, $p = .022$, suggesting the quality of leadership could have limited implications. In conclusion, the results provide support that there is significance across all independent variables in this relation of corporate governance performance in banking post M&A."

DISCUSSION

The study's findings help explain how corporate governance norms affect banking performance after mergers and acquisitions. Reformed organizations' financial and operational performance are strongly influenced by structured governance structures, according to empirical study. The research found a significant correlation between governance quality and post-M&A success ($\beta = 0.597$, $p < 0.001$), with governance-related characteristics accounting for 35.6% of performance variance. The findings show that banks with transparent governance, robust risk management, and effective board monitoring can handle integration better. Complementary factor analysis split governance into Leadership and Decision-Making, Risk Management and Compliance, and Transparency and Disclosure. To simplify integration and value creation, strong leadership is needed. The second discusses how risk management and compliance frameworks reduce merger and acquisition financial and operational risks. Transparency and honesty are crucial to stakeholder trust and reducing information gaps that might hinder post-merger transitions. Current corporate governance models match these conclusions' theoretical implications. Agency theory states that independent board supervision and performance-linked incentives prevent managers from becoming opportunistic, improving merger and acquisition choices (Singh & Das, 2018). According to stakeholder theory, post-merger success depends on addressing stakeholder interests and expectations, therefore transparency and equality are essential (Rani et al., 2020). Governance increases resource accessibility and operational synergies via efficient integration, according to resource dependence and efficiency theories (Ullah et al., 2023). These findings aid bankers and policymakers in decision-making. The board requires more independent and diverse members, risk management procedures must be standard, and regulatory standards must promote transparency to improve integration outcomes. Governance must be reevaluated and adjusted to keep up with market conditions and norms (Irfan et al., 2023; Fahad, 2025).

The analysis confirms earlier research that governance is crucial to post-merger success (Singh & Das, 2018; Ullah et al., 2018) and uncovers unique governance traits that aid integration. According to Saleh (2022), despite the fact that several studies have shown that performance typically declines after an acquisition, effective governance may be able to assist in reducing these risks, which in turn may make operations more proficient and stable. It is impossible for governance to offer a comprehensive explanation for performance outcomes due to the fact that market dynamics, cultural congruence, and macroeconomic events may all have an impact on the outcomes themselves. It is necessary for governance to have the authority to make decisions and to take the lead, but the concepts of risk management and transparency are not well defined in this context. The evidence presented here demonstrates that continuing integration issues need further attention. The findings of the study led the researchers to the conclusion that effective governance, which includes risk management, transparency, and leadership, is essential to the continued success of the banking industry after the merger. In order to get a more thorough understanding of the complex processes that influence post-merger performance, it is recommended that future study include not just comparisons across countries but also other organizational and environmental factors.

Table 8: Comparison of Mergers and Acquisitions Studies

Citation	Title	Findings	Gap	How the Present Study Fills the Gap
Singh, S., & Das, S. (2018)	"Impact of post-merger and acquisition activities on the financial	Identified that post-M&A activities significantly influence bank performance, emphasizing strategic policies. The study focused on	Lacks analysis of the impact of M&A on different bank sizes and does not compare	The present study compares the financial performance of banks of different sizes and types (Islamic vs conventional) in detail.

	performance of banks in India”	procedural, physical, and socio-cultural aspects.	Islamic vs conventional banks.	
Ullah, N., et al. (2023)	“The impact of bank size on pre- and post-M&A performance and stability in GCC and Pakistan”	Bank size significantly impacts M&A performance and stability. Smaller banks outperform in performance, while larger banks are more stable. Differences observed between Islamic and conventional banks.	Limited focus on specific financial indicators, efficiency, and profitability. Does not address governance aspects post-M&A.	The present study examines a comprehensive range of financial indicators and includes governance variables to assess performance.
Irfan, M., et al. (2023)	“Corporate Governance and Performance of Financial Institutions post-M&A in Pakistan”	Efficiency score improved with the inclusion of corporate governance variables, but pure efficiency was insignificant. Highlights the importance of governance changes post-M&A.	Does not examine the pre-merger context or compare different financial metrics across banks.	The present study includes both pre- and post-merger analysis with a broad set of financial metrics, providing a comprehensive view.
Fahad, M., et al. (2025)	“Impact of Pre and Post-Mergers on Financial Performance of Selected Banks in Pakistan”	Significant positive differences in financial indicators like ROA, Net Interest Margin, and Debt to Equity in some banks. Regression analysis shows varied results for different metrics across banks.	Limited generalizability due to the focus on only four banks and specific financial indicators.	The present study expands the scope by including more banks and a wider range of financial metrics, enhancing the robustness of findings.
Rani, P., et al. (2020)	“Motives, Governance, and Long-Term Performance of M&A in Asia”	Synergy-motivated M&As outperform agency-motivated ones. Governance quality at the firm level positively influences long-term performance.	Lacks specific focus on financial performance indicators and stability aspects post-M&A.	The present study incorporates detailed financial performance analysis along with governance and stability considerations post-M&A.
Saleh, M. (2022)	“Indonesian Banking Performance of Pre and Post of Mergers and Acquisitions”	Banking performance before and after M&A analyzed using a risk approach. The study highlights changes in banking company value over a three-year period before and after M&A.	Focuses solely on risk and company value, neglecting broader financial and governance aspects.	The present study provides a multi-dimensional analysis, including profitability, efficiency, and stability metrics.

CONCLUSION

In this study, a comprehensive investigation was conducted to investigate the influence that corporate governance systems have on the efficiency of merger and acquisition (M&A) activities in the retail banking industry. The results provide credence to the long-held belief that strong control models are necessary for improving both the financial and practical outcomes that follow a merger and acquisition. Following the completion of a merger and acquisition, a very substantial positive link was found to exist between governance procedures and achievement. In terms of performance results, governance issues were responsible for 35.6% of the available variation. The study's results show that good control is needed to handle the many complicated factors that come up when two new companies join together. This could be done with the help of standard risk management systems, strict board control, and more openness.

The study found that three important control elements have a big effect on how well companies do after mergers and acquisitions. The first part, which is about leading and making choices, is very important because it makes it easier to join plans and make good decisions at the right time. You should use risk management and compliance as two ways to protect yourself from the financial and practical risks that are often connected to mergers and acquisitions. Existing company owners' greater level of trust in one another may be attributed to the third factor, which is being truthful and open. This may be achieved by conducting the merger process in a way that minimizes information gaps and promotes responsibility. If all the elements of governance are combined to create a strong governance structure, banks may be more stable and perform better after a merger. The findings of these studies show that in order to ensure long-term safety and unity, strengthening the structure of government institutions requires strong leadership, efficient risk management, and openness.

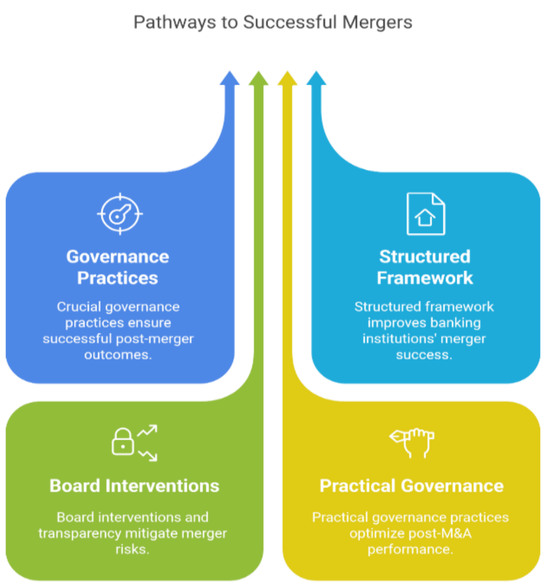

Figure 1: Pathways to successful mergers

Source: Self-prepared by author

This research offers practical and theoretical insights into corporate governance in the banking sector, with a particular emphasis on mergers and acquisitions. This study improves conceptual comprehension by elucidating the correlation between governance processes and post-M&A performance, thereby demonstrating the impact of governance frameworks on institutional outcomes. By employing established frameworks such as Agency Theory, Stakeholder Theory, Resource Dependency Theory, and Efficiency Theory, this study enhances theoretical discourse by demonstrating how resilient governance structures can mitigate the challenges associated with mergers. Agency Theory underscores the necessity of independent board supervision and performance-based compensation to resolve conflicts of interest between shareholders and management. Stakeholder theory underscores the importance of making decisions that are both equitable and transparent, while also considering the unique needs of various groups. The necessity of governance structures that preserve strategy coherence during the integration process while enhancing resource use is emphasized by theories of resource reliance and efficiency.

The article discusses governance measures that facilitate the establishment of effective governance systems and the enhancement of bank performance in the aftermath of a merger. In order to mitigate uncertainty and foster trust among stakeholders, the board is responsible for formulating effective risk management strategies, promoting transparency and disclosure, and making strategic decisions. These findings are extremely beneficial for regulators and financiers who are seeking to improve the performance of institutions following their merger. The research reveals that the banking industry's effective integration and long-term viability are both theoretically predicated on strong governance and practical necessity.

Recommendations for the study

This article examines the banking sector's mergers and acquisitions and corporate governance from both theoretical and practical perspectives. This research investigates the impact of governance frameworks on institutional outcomes by analyzing governance practices and post-M&A performance. This study employs Agency Theory, Stakeholder Theory, Resource Dependency Theory, and Efficiency Theory to demonstrate how robust governance frameworks can mitigate merger-related complications. Agency Theory posits that shareholder-management disputes necessitate performance-based remuneration and independent board monitoring. In accordance with stakeholder theory, decisions must be equitable, transparent, and responsive to the requirements of various groups. Resource dependency and efficiency theories underscore the importance of governance structures that enhance strategy coherence and resource consumption during integration. Regulations assist banks in the establishment of effective governance systems and the enhancement of performance subsequent to mergers. In order to reduce uncertainty and foster stakeholder confidence, the board must make strategic decisions, establish risk management protocols, and encourage transparency and openness. These results are beneficial to regulators and financiers who are interested in enhancing the performance of mergers. This paper asserts that the banking sector necessitates both theoretical and practical good governance in order to coexist and thrive.

Limitations of the study

Even while this study gives us valuable insight into corporate governance in M&A contexts, there are limits on how much of it we can use. Keeping this in mind is crucial. Notable among the study's shortcomings is its exclusive focus on a certain geographical area. There are strict geographical limitations on the study's scope, and its emphasis is on the banking sector. It is probable that the findings cannot be applied universally due to the investigation's limited scope. Their potential usefulness may therefore be severely restricted to certain industries or regions with quite diverse legal and administrative structures. One big problem is that the research can only look at things from one point in time—the present—because it is based on cross-sectional data. Over time, it becomes increasingly difficult to understand how corporate governance systems impact performance after a merger or acquisition due to its design. Reason being, tracking these variables' evolution across time is a formidable challenge.

Future Research Directions

To get around the problems listed above, future study should use continuous methods to look at success over long periods of time. We can use this method to learn more about how long-lasting effects governance systems have on institutions after mergers and acquisitions and how those effects show up in their performance. A long-term study will reveal how limitations on merger and changes in the market impact the systems of government. It's also a good idea to look into other businesses and places. The outcomes would show how well the governance model works in various social, cultural, and legal settings. Looking at legal systems and how they affect governance practices can help lawmakers who want to make governance more consistent in a number of situations.

This study shows how important good corporate governance is for the success of banks after they join or buy other banks. To deal with merger and purchase problems and unknowns, businesses must follow certain rules. Rules include having a clear company mindset, good leadership, and the ability to handle risks. Even as the financial sector changes, good governance is still important for keeping institutions stable and ensuring their long-term success. The results show that systems of government need to be flexible and always being changed to deal with new problems and chances. It's possible that banks and other financial firms that have more open control arrangements are better at growth, taking on more responsibility, and merging with other companies.

Ethics and Funding Declarations:

We have used the ethical methods of writing the paper and there is no funding involved in the publication.

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