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A Study of Post-Merger Capital Adjustments for Evaluating the Impact of Bank Acquisitions on Debt-to-Equity Ratios

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ABSTRACT
This paper focuses on the capital restructuring that occurs after M&As in the banking industry with a particular attention on changes in D/E ratios. The main purpose is to assess the impact of those changes on the merged bank entities' liability, risk and solvency. Acquisitions of any bank company constitute a major part of its action plan, which triggers capital restructuring to overcome the issues of assets acquisition or management of liabilities and market positioning; however, the effect of these restructuring on the D/E ratio is still an unexplored area. Thus, the study aims to address this research question of how the acquiring banks modify their capital structure to achieve the target D/E ratio post-acquisition, and how the change impacts their balance sheet longevity. This research work employs both descriptive and analytical research techniques; drawing data exclusively from secondary sources in form of the financial statements of the banks engaged in the M&As. The appraisal of the case study of Canara Bank with Syndicate Bank can certainly help in offering a clear insight to the financial changes which go on after these amalgamations. This is evidenced by the assessment of post-merger capital restructuring by benchmarking the operational efficiency of the acquired banks' performances to that of TCC by evaluating major financial parameters such as return on equity (ROE), non–performing loan ratios, and capital adequacy ratios (CAR). This research shows that various post-merger changes in the D/E ratios explain the risk management and financial solvency of the merged firm. Furthermore, the study focuses on the ability of managing these ratios as they are strategic variable in balancing between the high financial leverage and the risks. This work advances the knowledge on financial restructuring in the banking sector and offers important implications for regulators, practitioners, and investment firms regarding the quality of banking M&As over the long term.

Keywords: Capital Restructuring, Debt-to-Equity (D/E) Ratio, Bank Mergers and Acquisitions (M&As), Risk and Financial Solvency, Post-Merger Performance.

INTRODUCTION:

Research Background

The influence of acquisitions on post-acquisition capital adjustments to bank M&As is examined in this research, with special emphasis on the shift in D/E ratios. The significance of this study arises from the fact that M&As are usually followed by financial restructuring which alters the capital structure of the involved banks. Banks are participating in M&As to achieve the benefits of size, to expand their market share, and to strengthen their positions to counter the risk of market volatility. However, they also have certain controversies; for example, how to control the higher level of debts or how to manage the company's capital for adjusting the D/E ratio (Al-Binali, 2023). Fluctuations in the D/E ratios, particularly after an acquisition, therefore, reveal the financial health, risk exposure and sustainable solvency of the new company. This research looks at how acquiring banks approach capital restructuring to achieve desirable D/E ratios and further evaluates whether the changes achieved are indeed reflective of enhanced financial soundness and market positioning. Using industry and fiscal data pre- and post-merger to examine the capital adjustments the study seeks to add to the literature on financial management and compliance issues as well as risk management within the scope of banking M&As.

Research Rationale

The need for this study emanates from the fact that capital structure is a major determinant of the financial situation of a bank, particularly after M&As. M&A activities when are employed for achieving growth, market coverage, and improving the operations of a bank bring complication to the conception of capital structure. A difference in the D/E ratio after the merger alters the financial risk, statutes for compliance, and stability of the integrated bank entity. Since the regulatory authorities are tightening their screws on the banks, it becomes pertinent to understand the changes in D/E

ratios after acquisitions to understand how these banks manage these financial risks in their quest to ensure stability and profitability (Bianconi & Tan, 2019). The study aims to provide useful information on capital restructuring strategies adopted by banks after mergers investment firms, the relevant authorities, as well as the practitioners involved in the banking business in the evaluation of the future effects and efficiency of these acquisitions in the financial industry.

Research Aim and Objectives

To evaluate the impact of bank acquisitions on post-merger debt-to-equity ratios and examine how these adjustments influence financial stability and risk management.

Objectives

- ❖ To analyze changes in debt-to-equity ratios following bank mergers and acquisitions.
- ❖ To assess the effects of post-merger capital adjustments on the financial stability of the merged bank entity.
- ❖ To examine strategies employed by banks in restructuring capital to optimize debt-to-equity ratios post-acquisition.

Research Questions

- ❖ How do debt-to-equity ratios change following mergers and acquisitions in the banking sector?
- ❖ What impact do post-merger capital adjustments have on the financial stability of the merged bank entity?
- ❖ What strategies do banks employ to restructure capital and optimize debt-to-equity ratios after acquisitions?

Research Gap

This study seeks to fill this research gap which has been identified in existing literature; while bank M&A has been analysed extensively, relatively little is known about the exact nature of these value-creation mechanisms, especially the capital changes following M&As with special emphasis on changes to debt/equity (D/E) ratios by the merging banks. Most of the current research are mainly investigate on the overall financial performance like profitability and market development and less inclined to investigate the profound structural changes in the capital structure, a vital factor influencing the long-term stability incorporation's risk factor. Further, there is little empirical literature analysing the measures adopted by the banks to sustain efficient level of D/E ratios to address the regulation as well as market pressures. This study seeks to fill this gap through evaluations of the post-merger changes in D/E ratio to present insight on their effects to financial health status.

Summary

This chapter highlights a summary of the research study on post-merger capital adjustments about the debt-equity ratio in the banking Industry. It initiates with providing a research background such as the relevance of capital structure in case of bank mergers and develops the cause of exploring changes in D/E ratio upon acquisition. Regarding, this chapter identifies the research aim, objectives and questions that inform the study, given the poor understanding of capital restructuring strategies after mergers. Further, it also responds to the study gap whereby minimal literature is available on the applicability of post-merger capital adjustments in sustaining firms' financial health and regulatory requirements.

LITERATURE REVIEW

Impact of Mergers and Acquisitions on Capital Structure in the Banking Sector

As per Bohalima & Erlina (n.d.), the effectiveness or otherwise of M&As as it relates to the capital structure of the banking industry with specific reference to the D/E ratios. Acquisitions are therefore some of the weapons that banks that wish to grow market share, introduce new services, or obtain economies of scale use. However, these structural changes throw challenges relating to capital adjustments. After the mergers the companies go through many changes in their D/E ratios to successfully implement various means of consolidation or repackaging of assets and liabilities, to control more debts and to vary equity according to the balance of new whole firm. Studies carried out in this field delineate the specific characteristics of the banking sector regulation and risk, which essentially depend on financial leverage and solvency to ensure the enterprise's operating sustainability. The restructuring of capital after an acquisition is not merely a set of operations that focuses on finances; it entails a change of the entire properties of a bank's risk profile, return on equity and solidity.

Ullah & Rashid (2024) identified changes in the D/E ratio are the most accurate determinant of leverage since higher figures can be associated with higher risk and lower liquidity. Therefore, it is common to find post-merger banks that align strategies full of discipline to ensure that they meet the stringent regulatory measures in their capital structures and at the same time, ensure that the market has confidence in the banks. Also, the findings reveal that the effects of M&As on capital structure change with the size and financial strength of the merging firms. It may take less effort for bigger banking organizations to manage more profound changes in the capital structure, while this may be challenging for smaller players. This theme highlights the importance of the knowledge of post-merger capital adjustments and fluctuation of the D/E ratio to estimate the sustainability and financial stability of merged banking organisations.

Post-Merger Financial Stability and Risk Management

Chiaramonte et al. (2023), explored in this area implies that capital restructuring after M&As is critical to being able to meet legal requirements, regulations, as well as frameworks such as CAMELS that measure capital, assets, management, earnings, and liquidity. Both loan portfolio quality and risk management could be managed well after the merger; Canara Bank's NPL ratio was better, which proved that risk management was efficient after the merger; the CAR was also growing

steadily after the merger. The loan portfolio again increased during the year thus demonstrating the strength of the bank's liquidity and its sustainability on the financing and lending front. Although the values of ROE were less consistent after the merger, and the asset turnover ratio was deteriorating it brought the focus on to aspects of cost control necessary for continued profitability. This paper highlights the importance of sound risk management practices in the face of regulations by addressing regulatory risks that threaten financial stability. M&As in banks therefore need to support capital structure changes and these should be done in such a way that they complement other financial transformations in the organization to enhance organizational stability and trust among its stakeholders. According to Carlson, Correia, & Luck (2022), capital adjustments affect banking Stability and Risk Management after M&As. Many post-merger financial transformation issues are related to the balance between banks' capital structures where increased debt levels or capital infusions are usually needed to finance an acquisition and reorganise a newly formed bank to conform to regulatory requirements. This is a balancing game that impacts on the fortunes of a Bank and its risk profile more so now than in the past as exemplified by the Canara Bank Syndicate Bank merger deal. The integration produced significant changes in the following solACE financial parameters: the debt-to-equity ratio, which measures the bank's capital adequacy situation; the non-performing loan (NPL) ratio which addresses the risk aggregation situation; and the loan-to-deposit ratio (LDR), which signifies the scale and structure of the bank's lending activities systematically.

Theoretical Framework

The primary theories on which this research is based are the theories of financial stability and capital structure in the M&A context especially in the banking industry. Grounded in capital structure theory and the Modigliani-Miller theorem, changes in post-merger capital adjustment, broadly inclusive of debt-to-equity ratio shift, enable the understanding of the banking firm's financial leverage and risk (Darayseh & Alsharari, 2023). The CAMELS and EAGLES are analytical tools that provide broad indicators to infer the postmerger status of the committed capital adequacy, quality of assets, efficiency of management, profit, liquidity, and market position. These models play important roles in comprehending the merger's effects and see how capital restructuring also alters a bank's stability even concerning regulatory capital requirements. This framework enables to analysis of the nature of Canara Banks' financial adjustments after a merger and a fine-tuned analysis of how the shifts in the select ROE and NPL highlight the index of financial stability. This theoretical basis makes it possible to identify risk management practices that are crucial for the sustainable consolidation of merged banking organizations.

Conceptual Framework

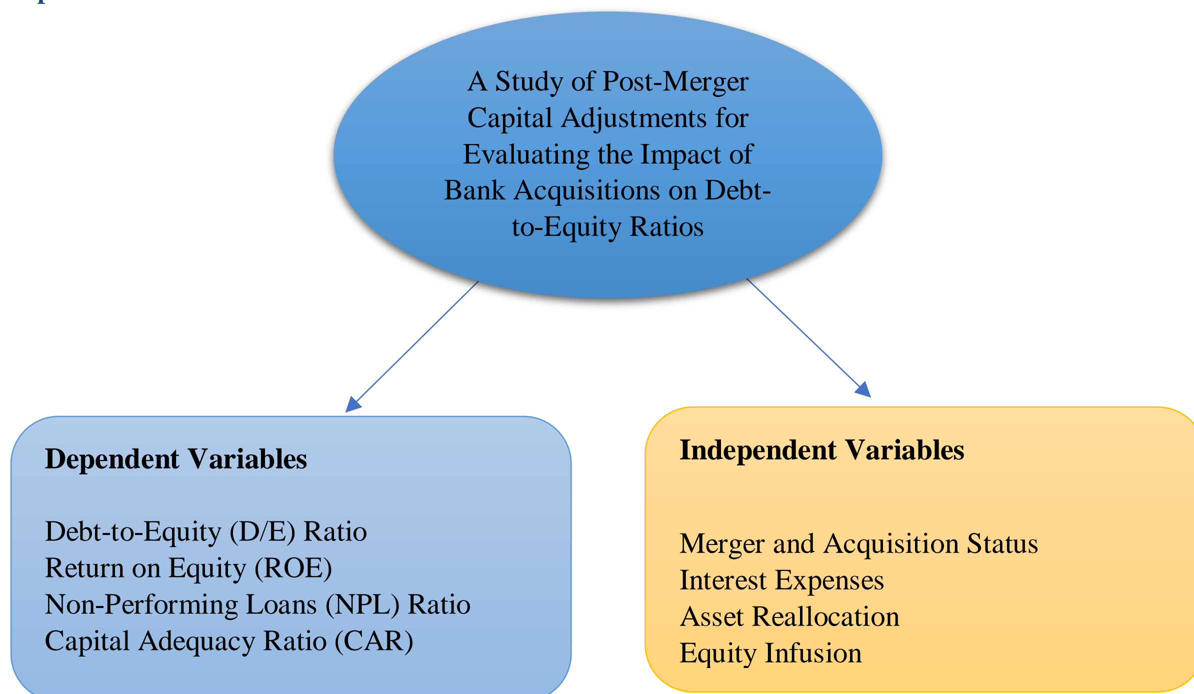


Figure 1

Literature Gap

Author	Year	Findings	Literature Gap
Ullah & Rashid	2024	Reviewed bank M&A strategies through literature.	No empirical focus on D/E ratio changes or capital restructuring impact on financial stability post-M&A.

Maani & Rajkumar	2024	Reviewed future research directions for bank mergers and acquisitions.	Lacks empirical analysis on post-merger financial metrics and capital adjustments.
Darayseh & Alsharari	2023	Identified determinants of mergers and acquisitions in the banking sector.	Limited analysis on post-merger capital adjustments and financial stability outcomes.
Fajuyagbe	2023	Examined capital structure optimization in Nigerian banks post-M&A.	Limited generalizability; lacks comparative analysis with other regions.
Muslim	2023	Evaluated financial performance pre- and post-acquisition.	Lacks in-depth analysis on capital structure optimization and D/E ratio changes specific to banking.
Mahamuni, Parkhi, Sunder et al.	2023	Analyzed operating performance post-merger in the beverage industry.	Findings not directly applicable to banking, especially in post-M&A capital restructuring.
Mishra & Divekar	2023	Studied cross-border acquisitions' impact on financial performance of Indian acquirers.	Limited focus on domestic bank mergers and long-term capital adjustment implications.
Karekezi, Wanjiku & Bwankarikari	2023	Investigated project governance in M&A outcomes in Rwanda.	Lacks focus on financial metrics like debt-to-equity ratios in post-merger analysis.
Hasan	2022	Assessed bank M&A trends during recent crises.	Minimal focus on long-term post-merger financial performance indicators such as D/E ratio.
Kalsie & Singh	2022	Analyzed post-merger performance in select financial deals.	Limited emphasis on capital adjustments affecting financial stability and risk management.
Das	2021	Analyzed post-acquisition performance in emerging markets.	Lacks focus on the banking sector and detailed examination of debt-to-equity ratio changes post-merger.
Golubov & Xiong	2020	Studied private acquirers' performance post-acquisition.	Does not address financial stability specific to the banking industry post-merger.
Kim, Batten & Ryu	2020	Examined bank diversification and stability amid financial crises.	Does not specifically address M&As and post-merger capital restructuring in banks.
Tarigan, Claresta & Hatane	2018	Analyzed motives behind M&As in Indonesian firms.	Limited relevance to banking sector-specific post-merger stability and risk management practices.

Table 1: Literature Gap
Source- Created by Learner

RESEARCH METHODOLOGY

This chapter focuses on the research methodology employed in the study focusing on the extent and effects of the Canara Bank and Syndicate Bank merger. To this end, this study investigates the following questions: what has been the effect of this merger on capital structure and debt to equity ratio, asset quality and other related measurements that is informative of the levels of financial stability and risks involved. Due to the utilization of historical financial data and interpretative analysis as empirical data, the study employs a second level, qualitative research methodology.

Research Design

The research method of this study is descriptive and analytical to determine the financial performance of Canara Bank pre- and post-merger. Descriptive research is suited for this study because it allows the researcher to analyse and compare the trends and ratios of financial data over time. It effectively facilitates the exploration of trends in the subject area such as an analysis of mergers and their impact on the financial performance especially in relationship to capital revisions and compliance considerations (Das, 2021). The descriptive research method used in the study enables the establishment of changes in the various financial ratios including Return on equity (ROE), Non-performing loans (NPLs) and the loan-to-deposit ratio (LDR) thus providing a structural come-up of the bank's post-merger financial performance.

Research Approach

The use of research approach is based on the qualitative method and data collection and analysis involves the use

of secondary data collected from financial statements and financial reports of the companies. It has been ascertained that the approach suitable for this study is qualitative research since financial adjustments after mergers are not only numerical but also hermeneutical (Fajuyagbe, 2023). Through examining the days' qualitative characteristics of financial performance this study seeks to provide a clearer understanding of the strategic and regulatory consequences of the merger by comparing capital adequacy and asset quality constructs. This approach replaces the use of mathematics and concentration on the value of concepts which are important to the financial changes.

Research Strategy

The research strategy adopted in this study includes a case study analysis of Canara Bank with a deal on the merger with Syndicate Bank. A quantitative research approach involves the use of a case study strategy in capturing the fine details of the event of interest in each context, in this case, the banking industry in India. Being based on a single event of a merger, the case study allows for presenting a detailed view of post-merger changes in financial results, KPIs, and capital adequacy standards (Golubov & Xiong, 2020). This strategy enables the client to track key financial trends in the bank from the year 2016 to 2022, before and after the merger. From this case, the study gives a detailed understanding of the implications that will be beneficial in other merging financial institutions.

Data Collection

The data in this study is therefore compiled purely from secondary sources that include the company's annual reports and other financial statements of Canara Bank. The secondary data covers a period of six consecutive years from 2016 to 2022 before and after the merger. Select indicators include ROE, NPL, CAR and LDR which are used to obtain an evaluation of the merger in terms of the financial stability and the state of risk management before and after the merger. Both the EAGLES and CAMELS models are used in an analysis of earnings, assets, management and other aspects of the financial performance. Secondary data is suitable for this study because it identifies accurate and reliable financial data that relate to the performance of the bank. Since the study is historical, using secondary data is very useful since it is easier, less costly and will provide a wider coverage.

Ethical Considerations

Ethical issues are useful in conducting a research study irrespective of the use of secondary data. However, it is essential to be confident in the authenticity of sources to which the researcher has access while conducting the study; something that can only be done by conforming to some professional guidelines in the process of sorting, filtering and analyzing the data, one has to respect the principle of non-disclosure of sensitive data (Hasan, 2022). The data used in this research are obtained from annual reports available to the public therefore there are no concerns of data sensitivity or privacy. However, the accurateness and integrity of the report as well as the interpretation of the results is of outmost importance. The instructions of the University with regard to citation of data and referencing of sources are followed to the letter, making it easy to account for all the sources used on the study.

In addition, some sampling bias is likely to be eliminated because the study gives more emphasis to the objective presentation of numbers and interpretation of results that are rooted on financial analysis. The data analysis is conducted with an understanding that Ethical considerations should be taken for instance in terms of not fabricating or twisting figures. Thus, the study targets a professional format and avoids manipulations of financial data related to Canara Bank to offer an ethical conclusion of its post-merger financial viability. In addition, there is no actual or rhetorical amplification of results, which makes the conclusions regarding the analyzed financial statistics accurate and reliable.

Data Analysis

How do debt-to-equity ratios change following mergers and acquisitions in the banking sector?

The D/E ratios normally experience a trend change after M&As in the banking industry because of the necessity of appropriate financial transformations that help match the ratios of the merged firms. Conventional acquisition might imply that the acquiring bank uses debt to either partially or fully finance the transactions hence indicating a higher D/E ratio at first. This one prescribes a higher level of leverage because the bank takes more in debt obligations from its balance sheet. In return, this debt is usually balanced by retaining more equity capital, from the retained profits, or new investments by stockholders (Kalsie & Singh, 2022). This balance between debt and equity defines the financial structure of the merged entity and may indicate a higher or lower risk and better or worse financial performance. During the post-merger period, the new and large bank management desires to bring down this excessive D/E ratio to a safer level and to conform to banking rules and regulations. This is done by way of expanding the retained earnings that are a part of the equity other than the borrowed funds (Karekezi, Wanjiku, & Bwankarikari, 2023). Changes over time represent a strategic change to the optimum level of capital management as reflected through the D/E ratio. They also look for mechanisms to reduce leverage levels over time to control for the D/E level while also reducing interest costs for increased profitability.

Industry-specific regulatory measures remain key to how banking organizations approach the management of the D/E ratios after mergers. Standard-setting bodies require authorization of sufficient capital reserves to absorb risk thus the need for the merged bank to meet threshold levels of D/E ratio. However, the effect of M&As on the D/E ratios may differ because of the following reasons: the financial structures of the merging banks (Kim, Batten, & Ryu, 2020). For instance, it may be possible to find that if both banks have sound equity bases, the merged entity may sustain

a lower D/E ratio. On the other hand, integration that includes one small bank that has high leverages may lead to the new entity facing higher initial leverages. In other words, changes in D/E ratios following the merger are more of a planned strategic financial management strategy in response to compliance regulations aimed at maintaining the overall solvency of the bank.

What impact do post-merger capital adjustments have on the financial stability of the merged bank entity?

Capital adjustments after mergers are important for the financial soundness of the merged organisation, in this case a bank. When banks engage in mergers, they must combine balance sheets, and sync the capital that forms debt, and equity to facilitate operations and compliance with sector regulations. Proper management of capital, especially proper debt-equity management can reduce risk and help in having a sound capital structure in the long run (Maani & Rajkumar, n.d.). It is noteworthy that capital adaptations mainly affect the bank's performance in terms of loan servicing news relation to its liabilities and profits. This paper posits that when the D/E ratio has been optimally attained the bank minimizes on interest obligations hence the probability of getting better profitability ratios such as the return on equity (Maani & Rajkumar, 2024). Moderate D/E ratio, which results from a good capital structure, is important for a merged entity to be able to meet the fundamental financial ratios of liquidity and solvency that filter out any shocks in the economic cycle. These changes lend further protection against financial loss, supporting the bank's capacity to stabilize profound deteriorations. Also, post-merger capital restructuring is useful in compliance reporting as banking regulators require firms to maintain certain levels of capital adequacy to guard against risks. Any merged business needs to make sure capital components meet those requirements, which sometimes involves keeping enough equity capital to cover losses. Whenever the capital structure is not reconsidered after mergers, this results in various adverse consequences such as regulatory infringement, magnified risks, and erode investors' confidence and therefore the firms' stability.

Banks	Pre-merger (Means)	Post-merger (Means)	Pre-post Merger (Means)	Pre-post Merger (SD)	t	p-value	Hypothesised Relation	Results
ICICI Bank & Bank of Madura	6.4496	10.3624	−3.91286	10.35760	−1.195	0.263	NS	NS
ICICI Ltd & ICICI Bank	5.7235	10.7688	−5.04528	11.05935	−1.443	0.183	NS	NS
Oriental Bank of Commerce & Global Trust Bank Ltd	9.7284	9.6044	0.12394	4.88365	0.080	0.938	NS	NS
Bank of Baroda & South Gujarat Local Area Bank Ltd	8.3172	11.1797	−2.86254	9.75213	−0.928	0.378	NS	NS
IDBI Ltd & IDBI Bank	6.3601	9.7784	−3.41836	11.07963	−0.976	0.355	NS	NS
Centurion Bank & Bank of Punjab	10.1994	16.4756	−6.27616	12.96456	−1.531	0.160	NS	NS
IDBI Ltd & United Western Bank Ltd	6.3065	10.4890	−4.18248	11.13199	−1.188	0.265	NS	NS

(Table 5 continued)

Figure 2

Source: (Mahamuni et al. 2023)

The global post-merger capital adjustments are not only reflected in internal financial parameters but are also perceived by the stakeholder (Mahamuni et al. 2023). When a bank has a good capital structure with higher D/E ratio, shareholders, depositors, and investors are assured, and stability in banks growth is achieved. On the other hand, improper management of capital adjustments brings in distrust and results in decreased stock prices or withdrawal of deposit. Therefore, post-merger capital adjustments not only consolidate the financial position of the new merged entity, but at the same time create market advantages resulting from sustainable financial management.

What strategies do banks employ to restructure capital and optimize debt-to-equity ratios after acquisitions?

Banks also use different mechanisms to adjust capital in the aftermath of M&As to have a desired D/E ratio. These strategies are designed so that the debt can be matched with enough equity to always meet legal requirements and maintain reasonable profitability levels.

First, there is the strategy of using the accumulated retained earned to expand total equity without the use of borrowed funds (Muslim, 2023). Using profits to increase equity, the banks can reduce the D/E ratio over the years. Organic capital accumulation is a financially more sensible approach to developing reserves of capital, thereby enhancing the banking industry's resilience to shocks while doing so sparingly through borrowing. Third, RE intermediates also improve the capital structure of the bank showing its ability to deal with difficulties related to financial structure.

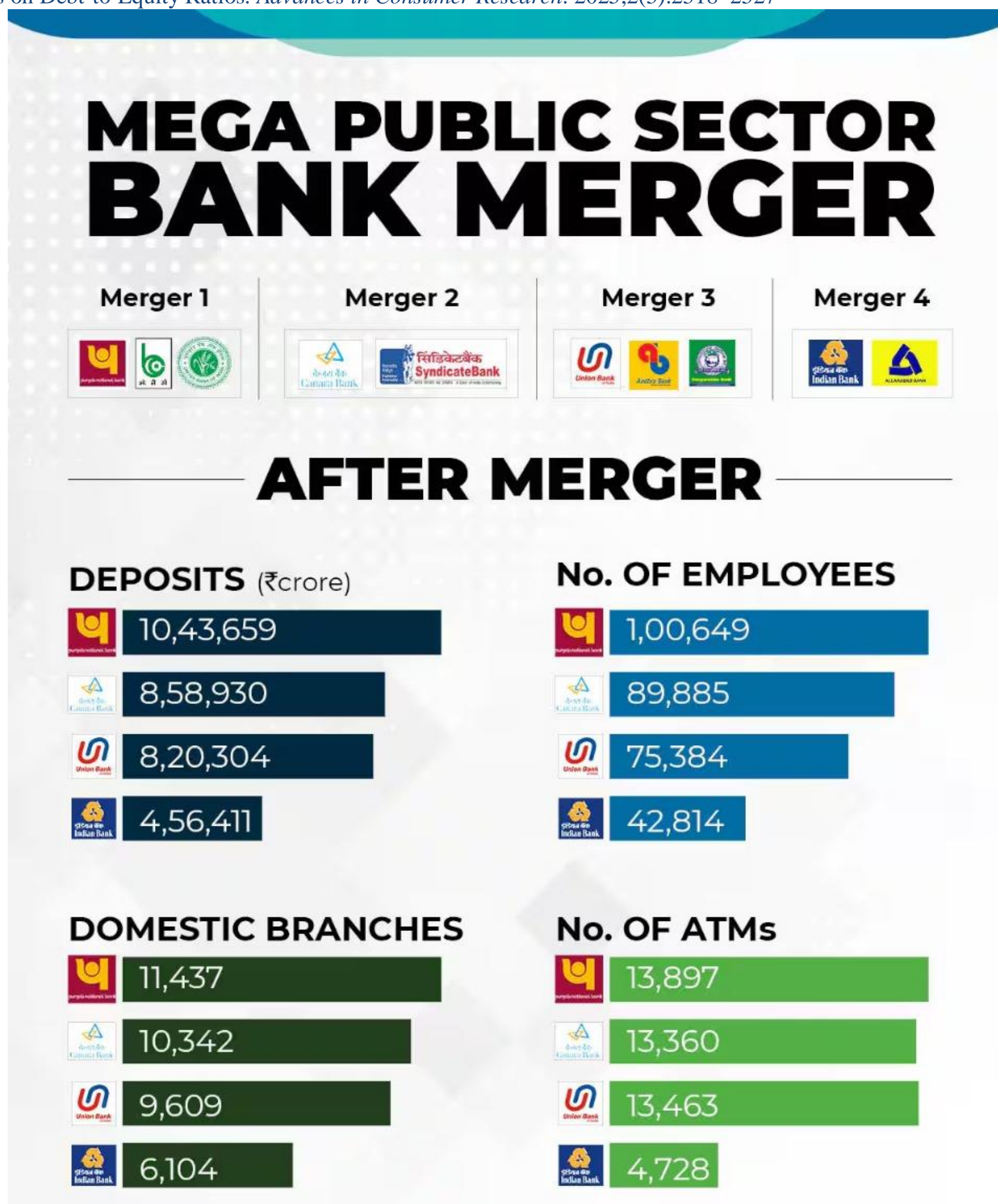
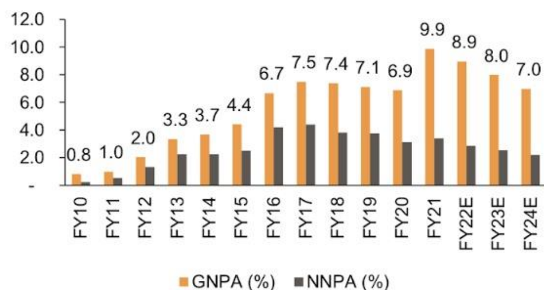


Figure 3

Source: (Mishra & Divekar, 2023)

Another well-defined method is equity financing whereby banks take an equity aspect to receive money through the floating of more shares (Mishra & Divekar, 2023). This strategy directly affects equity which results to a reduction of the D/E ratio. It will also improve the company's growth prospects by improving the liability to total-asset ratio. Although this type reduces the power of existing stockholders, it is a very effective mechanism of decreasing the degree of the bank's indebtedness and modifying its balance. Unfortunately, to the best of my knowledge, there is no accessible source on how equity issuance can benefit banks that require a large amount of capital immediately after the merger to restructure the capital base. Debt renegotiation is the other one, through which banks aim for the changer of existing loans, subsidized of interest rate, or stretching of debt tenor. Since, through restructuring of debts, pressure on the financial position in the form of liabilities is somewhat eased for the near term, it becomes easier for banks to have a comfortable D/E ratio. This way debt restructuring can also lower interest cost and hence has a direct impact on the company's ability to add to its capital base.



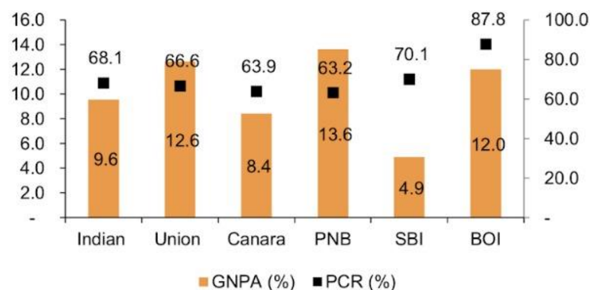


Figure 4

Source: (Maani & Rajkumar, 2024).

It is also worth stating that banks use asset reallocation as a post-merger tool as well. This comprises of selling off non-strategic 'looking glass' activities and utilizing the money to pay off debt. Besides a reduction of the D/E ratio, reallocation of assets makes it possible for those banks that have been serving many sectors to concentrate on sectors that are more profitable, a move that would enhance the overall performance of such businesses.

RESULT AND DISCUSSION

The findings show that the mean changes in the adjusted debt-to-equity (D/E) ratios are significantly different in the banking industry after mergers, primarily because of greater debts to fund acquisitions. First, D/E ratios increase due to the increase of leverage. But it has been perceived that the banks get involve in certain activities which pave way to alter this ratio in the future, like increasing the retained earnings, issuing equity and restructuring of debt. These adjustments depict gradual reduction in D/E ratios to reflect the extent, which the bank had endeavored to achieve balance in its financial structure and establishment of a more conservative policy from the merged bank hence reducing risk exposure. After the mergers, capital adjustments are of utmost importance to bolster the merged bank entity, financially. The analysis demonstrates that as banks strive to achieve more consistent D/E levels they not only reduce interest expenses but enhance ROE and liquidity ratios. When it comes to the question of balance in capital structure, this form will allow banks to address such legal requirements as those pertaining to capital adequacy much easily, which is pivotal in both winning the trust of investors and regulators. Banks are then able to use their capital efficiently in a way that creates a form of insurance against unfavourable events in the merged entity.

The study also presents evidence that domestic and foreign banks' strategies to restructure capital and improve D/E ratios involve mainly reinvestment of profits and issue of new capitals so that equity is improved without the accumulation of other debts. Also, debt recovery through debt refinancing or debt suspension whereby a bank takes time to recover the debt decreases the cost of interest on the amount borrowed. The reduction in fixed assets through selling non-strategic assets which are ones with unrelated market, also helps in reducing the D/E ratio and enhancing future financial stability by bringing more focus into core operational business. Thus, post-merger capital restructuring profoundly impacts not only the problem of short-term equity amalgamation but also long-term solidity of integrated bank. These results imply that it is crucial to reach an optimal D/E ratio since it is associated with improved regulation compliance and decreased norm violation chances as well as the propensity of the investors to invest. These capital restructuring strategies described above in aggregate help the construction of the financial structure of banks and this is crucial for sustainable development of competitiveness in banking industry.

CONCLUSION

According to the findings of this study, there is clear evidence that the M&As of banking organisations result in changes in the D/E, which affects the financial stability of a merged bank. In a number of situations, D/E ratios are higher after consolidation due to the use of more debt to finance mergers. However, it is important to understand that the formulation of these ratios is in a natural state and, through operational strategies such as retained earnings, equity and debt offerings, the banks make a conscious effort to fine-tune these parameters to the appropriate operational number. These readjustments help to strengthen the merged entity's financial profiles, regulatory compliance as well as risks resilience which has more balance in an organisation's goal to retain both profitability and efficiency. Banks, which have adequate capital and efficient management of risk, can lay the right platform for a firm structure to execute sustained operations and give impetus to competition in the industry.

Recommendation

Capital Optimization Strategies: Banks should therefore strive to adopt proper channels that will ensure they balance their D/E ratios through retained earnings and equity financing. This is useful in serving to boost equity levels while simultaneously reducing leverage which could compromise TB of assets over time.

Debt Restructuring Plans: There is also a need to put in place a debt strategy framework for post-merger banks that shaped up debt and draw out total refinancing and total maturity profile, that may further be supplemented by extended repayment period for their loans. It also contributes to better long-term viability than any short-term fix would ever achieve – if done right.

Asset Reallocation and Focused Investments: Banks should engage in divesting non-strategic or poorly performing assets and reinvest the proceeds in value propositions that would provide good returns, quickly and effectively. This also means that banks can be in a position to rationalize on capital investments and have a look at sectors that need more investment.

Enhanced Regulatory Compliance: Banks' consolidation should closely manage and modify capital adequacy ratios with the aim of remaining in compliance. This involves establishing internal compliance that addresses the legal requirements of the country and also those set down by international banking standards that acts as a mechanism to support the investors' confidence, the longer investments.

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