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Original Research Article

Assessing the Financial Impact of Fintech Mergers and Acquisitions: A Comparative Analysis of Pre- and Post-Acquisition Performance

Adeola Omotayo Adebagbo, ACCA[1*], Eric Addo-Osei, CFA[2]
[1]Glasgow Caledonian University, Glasgow, United Kingdom.
[2]Columbia Business School, New York, USA.

***Corresponding author:** Adeola Omotayo Adebagbo

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Abstract: This study investigates the financial impact of mergers and acquisitions within the FinTech sector by examining the pre- and post-acquisition performance of two firms (JP Morgan Chase and Goldman Sachs) over five years. The research adopts a comparative quantitative approach to assess whether acquisitions lead to measurable improvements in financial performance focusing on Return on Assets, Return on Equity, and total net revenue. Results indicate that while Return on Equity consistently improved after acquisition, suggesting enhanced shareholder returns, Return on Assets either plateaued or declined, reflecting limited gains in asset productivity. Additionally, revenue growth was found to be short-lived, with both cases experiencing stagnation after initial post-acquisition increases. These findings suggest that financial performance improvements may be influenced more by changes in capital structure than by operational efficiency or market expansion. The study concludes that while acquisitions in the FinTech space can deliver short-term financial benefits, but long-term value creation is contingent upon strategic integration, sustained innovation, and market adaptability. The analysis contributes to existing literature by offering a grounded, data-driven perspective on the real financial implications of FinTech acquisitions, urging firms to focus beyond transactional gains toward longer-term performance sustainability.
Keywords: FinTech, acquisition, financial performance, return on equity, operational efficiency.

1. INTRODUCTION

The rapid advancement of financial technology has significantly transformed the landscape of the global financial ecosystem. FinTech, as it is commonly known, encompasses a broad range of technological innovations aimed at enhancing or automating the delivery and use of financial services. These developments are primarily fueled by the convergence of digital innovation, changing consumer expectations, and the increasing demand for personalized and efficient financial solutions. As digital platforms become more sophisticated, traditional financial institutions are facing immense pressure to adapt or risk obsolescence (Gozman, Liebenau, and Mangan, 2018; Kou, Akdeniz, Dincer, and Yuksel, 2021). In response to this disruption, many companies operating within the financial services space have embraced mergers and acquisitions (M&A) as a strategic tool to gain access to technological capabilities, innovative products, and new customer segments. The strategy of acquiring FinTech firms has gained momentum, offering acquiring firms opportunities to embed advanced digital infrastructure quickly and to maintain competitive relevance in a changing market. According to Hossain (2021), M&A strategies are often motivated by the potential to achieve financial and operational integration outcomes, enabling firms to expand their service portfolios, improve efficiency, and enhance profitability. These acquisitions usually allow the acquiring firms to bypass the long and complex process of in-house development by instead absorbing innovation from existing FinTech entities.

The trend toward FinTech acquisitions is not merely driven by competitive dynamics but also by strategic repositioning and long-term value creation. Theoretically, this aligns with the concept of integration value, which suggests that the combined value of two companies post-merger should exceed the sum of their values (King, Dalton, Daily, and Covin, 2004). Studies by Berkovitch and Narayanan (1993) further support this notion by asserting that mergers are frequently pursued with the intent to realize economic gains through complementary resources, market expansion, and technological integration. However, despite the theoretical appeal, the actual financial outcomes of such transactions remain subject to empirical scrutiny. While some studies indicate positive performance improvements post-acquisition (Akhtar & Nosheen,

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2022; Munangi & Sibindi, 2022), others have documented inconsistent or even negative results over time (Agrawal, Jaffe, and Mandelker, 1992; Cosh & Hughes, 2008).

One of the primary challenges in evaluating the success of FinTech mergers and acquisitions lies in measuring financial performance over both the short and long term. Return on Equity (ROE) and Return on Assets (ROA) are commonly used indicators for this purpose, offering insights into profitability, efficiency, and resource utilization (Tan, Floros, and Anchor, 2017). However, these metrics may not fully capture the intangible and delayed benefits that come with technological integration, such as improved customer experience, enhanced digital capabilities, and future scalability. Furthermore, factors like integration complexity, cultural mismatch, and regulatory challenges can significantly affect the realization of anticipated integration outcomes (Stahl & Voigt, 2008).

Given the mixed findings in the existing literature, there is a pressing need for more empirical evidence to evaluate the actual impact of FinTech mergers and acquisitions on acquiring firms' financial performance. Understanding how financial indicators shift pre- and post-acquisition can offer valuable insights for decision-makers, investors, and regulators alike. By focusing on these financial metrics, this study aims to contribute to the growing body of research that seeks to bridge the gap between strategic intentions and financial outcomes in the context of FinTech M&A.

Research Questions

1. What is the impact of FinTech mergers and acquisitions on the financial performance of acquiring firms as measured by ROA, ROE, and total net revenue?
2. How does financial performance differ between pre-acquisition and post-acquisition periods?
3. To what extent do acquisitions lead to sustained improvements in profitability and efficiency?

2. LITERATURE REVIEW

The phenomenon of mergers and acquisitions (M&A) within the FinTech industry has garnered substantial academic attention due to its increasing prevalence and the complex implications it has for financial performance, market structure, and innovation strategies. Existing literature presents a wide range of theoretical frameworks and empirical findings that explore both the motivations behind these transactions and their resultant effects. One of the most cited theoretical foundations for M&A activity is the integration value theory, which posits that the combined value of two firms following a merger should be greater than the sum of their standalone values. King, Dalton, Daily, and Covin (2004) argue that integration value can be realized through cost savings, revenue enhancement, tax gains, and improved strategic positioning. Their meta-analysis across various industries, including finance, underscores that the realization of integration value remains a critical factor in determining post-merger success.

The literature highlights several core motivations for FinTech M&A. According to Hossain (2021), acquiring firms are often driven by the opportunity to create strategic and financial integration outcomes through access to new technologies, improved customer experiences, and enhanced product offerings. Renaud (2016) expands on this by asserting that the integration of technological capabilities through acquisitions allows for faster and more efficient market entry, particularly when compared to internal research and development efforts. This sentiment is echoed by Bower (2002), who identifies technology convergence as a significant force driving M&A in highly digitized sectors. The strategic motive is further supported by Modesti (2008), who points to the need for firms to reposition themselves in rapidly evolving markets where innovation is constant and traditional competitive advantages are eroding.

However, while these motives suggest potential gains, other scholars caution that M&A outcomes in the FinTech domain are far from guaranteed. Agrawal, Jaffe, and Mandelker (1992) provide compelling evidence that acquirers often experience long-term underperformance in the aftermath of mergers. Their findings, based on stock returns and operational data, reveal that initial market optimism is frequently not sustained over time. Similarly, Cosh and Hughes (2008) argue that larger firms, despite having more resources, tend to struggle with realizing the full benefits of acquisitions due to bureaucratic complexity and cultural mismatches. They emphasize that poor post-merger integration and misaligned incentives often dilute potential integration value gains. These findings suggest that while M&A may be a viable growth strategy, it is not inherently value-creating without effective execution and long-term strategic planning.

The role of managerial motives and hubris has also been scrutinized in M&A literature. Roll (1986) introduces the hubris hypothesis, which asserts that managers may overestimate their ability to generate value from acquisitions, leading to overpayment and poor returns. Rau and Vermaelen (1998) support this perspective through their examination of firms with high market valuations, finding that such firms are more likely to pursue value-destroying acquisitions. In a similar vein, Berkovitch and Narayanan (1993) explore the tension between integration value and agency theories. While they acknowledge the existence of economically rational motives such as integration value, they also highlight the presence of self-serving behaviors that can undermine M&A success, particularly when management goals deviate from shareholder interests. From a financial performance perspective, metrics such as Return on

Equity (ROE) and Return on Assets (ROA) are widely employed in assessing M&A outcomes. Tan, Floros, and Anchor (2017) argue that these indicators offer robust insights into a firm's profitability and efficiency, primarily when evaluated in pre- and post-acquisition windows. ROE, in particular, reflects the firm's ability to generate shareholder value, whereas ROA assesses how efficiently assets are being used to generate earnings. Nevertheless, Deng, Kang, and Low (2013) caution that these metrics alone may not capture the full picture, especially in industries where intangible assets and innovation play a central role. They suggest incorporating alternative indicators such as market share, cost-to-income ratio, and innovation output for a more comprehensive evaluation.

In the context of FinTech, several empirical studies have documented both positive and negative impacts of acquisitions. Akhtar and Nosheen (2022) find that acquiring FinTech capabilities can enhance operational efficiency and financial performance, particularly through cost optimization and digitization. Munangi and Sibindi (2022) also report improved profitability in financial institutions post-FinTech acquisition, driven by the integration of mobile platforms and data analytics. Conversely, Suryaningrum, Irfani, Rahman and Nugraheni (2023) highlight cases where acquisitions led to only marginal improvements in ROE, while operational inefficiencies and delayed integration impeded more substantial gains. Another critical consideration in the literature is the long-term horizon required for evaluating M&A performance. Healy, Palepu, and Ruback (1992) emphasize that short-term market reactions can be misleading, as the actual benefits or drawbacks of a merger often take several years to materialize. Their study advocates for the use of multi-year performance assessments, including accounting-based measures, to understand sustained impacts. This view is shared by Fu, Lin, and Officer (2013), who argue that performance volatility in the first few years post-acquisition is common and does not necessarily indicate failure or success.

The literature on FinTech mergers and acquisitions reveals a complex interplay between strategic motives, execution capabilities, and financial outcomes. While theoretical models such as integration value theory provide a rationale for pursuing M&A, empirical evidence paints a more nuanced picture, suggesting that outcomes vary significantly depending on the context, motives, and post-acquisition management. This study seeks to contribute to this body of knowledge by offering a comparative analysis of financial performance before and after acquisition, using standard performance metrics and drawing from a recent sample of FinTech M&A cases.

3. CONCEPTUAL PERSPECTIVES ON FINTECH MERGERS AND ACQUISITIONS

Understanding the financial implications of FinTech mergers and acquisitions requires more than a theoretical framework. It demands a practical engagement with how firms conceptualize value creation, navigate integration complexities, and translate strategic intent into measurable financial outcomes. Two core areas emerge as central to this discussion: the realization of financial integration outcomes and operational efficiencies, and the challenges in sustaining post-acquisition performance. These perspectives offer a balanced lens through which the success or failure of FinTech acquisitions can be meaningfully evaluated.

3.1 Financial Integration Outcomes and Operational Efficiency

The notion of integration value lies at the heart of M&A theory. However, in the context of FinTech, integration value cannot be reduced to mere arithmetic gains. Instead, it involves the dynamic interaction between financial leverage, technological capabilities, and innovation pipelines that collectively determine the value generated post-acquisition. King, Dalton, Daily, and Covin (2004) emphasize that integration value is only meaningful when it translates into operational effectiveness and financial uplift. Nevertheless, integration value is not self-executing. Its realization depends on the acquirer's ability to efficiently integrate new technologies and processes into existing structures, without disrupting continuity or overburdening resources.

Many firms enter FinTech acquisitions with the expectation that technological integration will streamline operations, lower costs, and improve margins. Bower (2002) articulates this well in his categorization of M&A types, suggesting that acquisitions driven by capability enhancement, particularly in high-technology sectors, can lead to transformational outcomes. This perspective resonates in FinTech, where acquiring data analytics, digital onboarding, or automation tools can reshape operational performance. However, the benefits are only sustained when these technologies are successfully embedded across business units. Integration that stops at acquisition, without proper internal adoption, often results in underperformance, a nuance overlooked in integration value discussions.

Renaud (2016) further supports the argument that acquisitions offer a rapid route to capability expansion. This, however, raises questions about the trade-offs between speed and depth of value creation. Acquiring a firm for its technology may yield immediate infrastructure gains. However, unless paired with a long-term alignment strategy, the acquiring firm may struggle to extract its full economic value. William (2009) adds that technological integration outcomes can only be realized if they are accompanied by knowledge transfer and skill development within the acquiring organization.

In other words, the success of FinTech M&A is not only about what is acquired but also about how the acquired assets are absorbed and activated internally. Tan, Floros, and Anchor (2017) provide a financial angle to this debate by emphasizing the role of performance metrics like ROE and ROA in capturing post-acquisition efficiency. While ROE may improve quickly due to strategic capital restructuring or enhanced shareholder equity, ROA tends to respond more slowly, often reflecting the pace at which asset utilization becomes optimized. This divergence in timing and impact suggests that performance should be evaluated not only in absolute terms but also in the sequencing of returns. An initial spike in ROE, followed by stagnating ROA, may indicate that financial engineering preceded actual operational gains, a pattern observed in many high-profile M&A cases. Additionally, the cost-to-income ratio emerges as a complementary indicator of operational efficiency. DeYoung, Lang, and Nolle (2007) argue that digitalization through FinTech capabilities should ideally lead to cost compression and improved operating leverage. However, cost savings are not automatic. They depend on process reengineering, cultural receptiveness to change, and sometimes workforce restructuring. Without these enabling conditions, the supposed integration value may remain theoretical, failing to translate into improved financial ratios or shareholder value.

3.2 Challenges in Post-Acquisition Performance Realization

Despite the optimistic narratives around FinTech M&A, post-acquisition performance often deviates from expectations. The disconnect between pre-deal forecasts and realized outcomes frequently arises from integration complexities, strategic misalignment, or managerial overconfidence. Roll's (1986) hubris hypothesis offers a compelling lens through which to understand this miscalculation. Managers, particularly in growth-oriented firms, may overestimate their ability to extract value from acquired assets, leading to overvaluation and underperformance. This behavioural explanation aligns with findings by Rau and Vermaelen (1998), who observed that acquirers with inflated stock prices are more likely to pursue aggressive acquisitions that underdeliver.

Even when deals are grounded in sound strategic logic, execution hurdles can undermine outcomes. Stahl and Voigt (2008) show that cultural differences between merging entities have a significant effect on sociocultural integration, which in turn impacts integration value realization. In FinTech, where many acquisitions involve startups with agile, innovation-centric cultures, integration into more traditional, hierarchical structures can cause a clash in work practices, decision-making speeds, and risk appetites. These misalignments are not always visible during due diligence and often emerge only during post-acquisition integration, where they can stall momentum and disrupt operations. Moreover, the regulatory dimension cannot be ignored. Leong, Tan, Xiao, and Tan (2017) caution that FinTech acquisitions often expose acquiring firms to new compliance regimes, data security risks, and operational liabilities. These externalities can offset internal efficiency gains, especially when integration timelines are tight and compliance processes are underdeveloped. From a financial standpoint, the result may be cost overruns, delayed integration outcomes, and subdued returns, a sequence that affects both short-term profitability and long-term valuation.

The volatility of financial performance post-acquisition is another recurring theme in the literature. Agrawal and Jaffe (2000) report that even when M&As generate initial performance improvements, these are often not sustained over time. Their analysis suggests that the market tends to overreact to M&A announcements, pricing in anticipated gains that may never fully materialize. This is particularly true in technology-driven sectors where the competitive landscape evolves rapidly, and acquired technologies may quickly become obsolete or surpassed by newer innovations. Healy, Palepu, and Ruback (1992) argue that proper evaluation of M&A performance requires a longer-term horizon and must go beyond market-based indicators. Accounting-based metrics, when tracked over multiple years, offer a more stable view of how well an acquisition has been integrated and whether its performance gains are sustainable. This argument is reinforced by Fu, Lin, and Officer (2013), who highlight the importance of assessing acquisitions over time to differentiate between temporary financial spikes and enduring value creation. While FinTech M&A holds the promise of accelerated innovation and operational gains, it is equally marked by risks that can diminish or entirely negate intended benefits. Financial integration outcomes, though attractive on paper, must be earned through deliberate integration, strategic alignment, and continuous performance monitoring. The challenge lies not in acquiring value, but in actualizing it—and that is where many transactions falter.

4. METHODOLOGY

This study adopts a quantitative, comparative research design to examine the financial effects of FinTech mergers and acquisitions on acquiring entities. The primary objective is to determine whether there are significant differences in financial performance indicators before and after acquisitions. A positivist philosophical framework underpins this methodology, consistent with the belief that objective reality can be measured using empirical data and statistical analysis (Kristanto and Soeling, 2022). This approach enables a structured investigation into the relationships between financial variables and acquisition outcomes, drawing conclusions based on observable and measurable evidence.

This research employed a multi-faceted analytical approach combining descriptive statistics, correlation analysis, regression analysis, and comparative analysis to examine financial performance data. Descriptive statistics summarized the data through means, standard deviations, and frequencies to understand distribution patterns and central tendencies (Patrick, Pingle, and Pingle, 2022). Pearson correlation analysis investigated associations between dependent variables (ROA and ROE) and independent variables (leverage, liquidity, and cost-income ratio) to determine relationship magnitude and direction (Yin, 2003). Multiple regression analysis assessed the impact of independent variables on financial performance metrics, with acquisitions treated as a binary variable (0 for no acquisitions, 1 for acquisitions) to evaluate their influence. Comparative analysis evaluated differences in fintech acquisition strategies between JP Morgan Chase and Goldman Sachs, examining acquisition modes, target company types, strategic rationale, and resulting financial outcomes including revenue, profitability, and market positioning changes. This comprehensive methodology enabled identification of significant relationships and provided data-driven insights into how fintech mergers and acquisitions impact the financial performance of these leading financial institutions.

The research relies on secondary data collected from publicly available financial statements, including annual reports, regulatory filings, and financial performance summaries. These data sources provide essential indicators such as Return on Equity (ROE), Return on Assets (ROA), and total net revenue. The selected indicators are commonly used in financial performance evaluation and allow for meaningful comparison between pre- and post-acquisition periods (Tan, Floros, and Anchor, 2017). Additional data was sourced from recognized databases and industry reports to validate and support the reliability of financial trends (Stewart & Jürjens, 2018).

Three key financial indicators were chosen for this analysis. ROE is used to measure the ability of a firm to generate profit relative to shareholder equity. It reflects how effectively a company is using invested capital to grow earnings and is particularly relevant in assessing strategic outcomes of acquisitions (Deng, Kang, and Low, 2013). ROA measures how efficiently a company utilizes its assets to generate income. It is an important metric when evaluating whether the acquisition of new capabilities and resources has translated into operational efficiency (Rickinghall, 2022). Total net revenue provides insight into the top-line effects of an acquisition, indicating whether the acquiring firm has increased its market reach or product offerings post-merger. For the analysis of these indicators, the study employs three primary statistical methods. Descriptive statistics are used to provide an overview of financial trends across the selected years, offering insights into average performance, variation, and directional movement. This helps to establish baseline comparisons between the pre- and post-acquisition periods (Guetterman, Fetters, and Creswell, 2015). Correlation analysis is applied to examine the strength and direction of relationships between independent and dependent variables, particularly the interaction of leverage, liquidity, and cost-income ratio with ROA and ROE (Kannadhasan, Aramvalarthan, and Manohar, 2016). Finally, regression analysis is used to determine the statistical significance of the impact of acquisitions on financial performance. In this model, acquisition is treated as a binary independent variable, coded as 0 for pre-acquisition and 1 for post-acquisition, to isolate its effect on financial outcomes (Akyildirim et al., 2021).

To ensure the credibility of findings, efforts were made to triangulate data across multiple sources and confirm consistency over time (Hornuf, Klus, Lohwasser, and Schwienbacher, 2020). This enhances both the validity and reliability of the analysis. While the quantitative focus limits the depth of organizational or cultural insights, it strengthens the objectivity of the financial performance evaluation. This methodological approach supports the study's aim of producing evidence-based insights into the effects of FinTech acquisitions. By applying established financial metrics and robust statistical tools to historical data, the study can effectively assess whether acquisition activity has resulted in improved profitability and efficiency over time.

5. RESULTS AND DATA ANALYSIS

5.1 Financial Performance Before and After Acquisition: Case A (Figure 1)

The examination of financial performance in Case A provides critical insight into how acquisitions influence core profitability and revenue outcomes over time. Specifically, the evaluation focuses on Return on Assets (ROA), Return on Equity (ROE), and total net revenue over five years, spanning both the pre-acquisition (2017 and 2018) and post-acquisition (2020 through 2022) performance windows. This analytical approach isolates patterns, trends, and anomalies in financial behaviour before and after the structural transition, enabling a grounded assessment of whether acquisition activities translate into tangible financial gains or reflect temporary or superficial financial shifts.

Beginning with ROA, Case A reveals a subtle and arguably inconsistent trajectory. In the pre-acquisition period, ROA improved from 0.86 percent in 2017 to 1.29 percent in 2018. This gain reflects a 50 percent increase, suggesting that during this time, the company was enhancing its ability to extract profit from its asset base. This improvement may have stemmed from effective capital allocation, robust earnings relative to its total asset structure, or increased operational efficiency in business execution. However, the post-acquisition period does not sustain this growth. ROA fell

to 0.93 percent in 2020 and then marginally increased to 1.02 percent in 2021, before declining again to 0.91 percent in 2022. What emerges here is a notable stagnation, or even regression, in asset productivity after the acquisition, particularly when benchmarked against the final pre-acquisition year.

This raises questions about the source of operational traction post-acquisition. Rather than driving long-term asset profitability, the integration appears to have introduced some drag on the ability to generate profit from total assets. Scholars such as Healy, Palepu, and Ruback (1992) have noted that one of the challenges in post-acquisition periods is that investments made during the acquisition may not yield immediate returns. The returns may be backloaded due to restructuring costs, integration delays, or learning curves associated with new operations. This view is further supported by Agrawal and Jaffe (2000), who argue that asset efficiency often suffers in the short to medium term due to the dislocation of processes and the complexity of post-transaction adjustments.

Turning to ROE, the story diverges significantly. ROE in Case A shows a clear and impressive upward trend over the five years. It increased from 10.07 percent in 2017 to 12.52 percent in 2018, already showing solid performance in the pre-acquisition phase. Post-acquisition, the gains become more pronounced, rising to 15.32 percent in 2020, peaking at 17.48 percent in 2021, and slightly retracting to 14.98 percent in 2022. These values suggest that the acquisition has positively impacted the company's ability to generate earnings relative to shareholder equity. It may also point to successful financial restructuring, improved returns on retained earnings, or more aggressive capital management.

From the perspective of existing research, ROE often reflects the effectiveness of financial policy and capital allocation, rather than direct operational changes alone. Tan, Floros, and Anchor (2017) have demonstrated that ROE is a more sensitive indicator of profitability changes following strategic transactions, particularly where financial leverage or equity base adjustments are involved. In this case, the post-acquisition increase in ROE suggests that even though ROA growth plateaued, the returns to equity holders were maximized. This discrepancy between ROA and ROE implies that financial leverage may have increased post-acquisition. This finding aligns with observations by Deng, Kang, and Low (2013), who warn that enhanced ROE with flat ROA may mask rising debt burdens that could affect long-term solvency. The final financial indicator analyzed in Figure 1 is total net revenue. Here again, we observe a dual-phase trend. Revenue grows steadily from 100.7 billion dollars in 2017 to 115.6 billion dollars in 2018, reflecting a 14.8 percent increase. This is consistent with the ROA and ROE increases during this period and confirms a period of organic or pre-acquisition growth. However, between 2020 and 2022, net revenue remained virtually static at 121.6 billion dollars each year. Despite a positive post-acquisition spike in 2020, no further upward movement is recorded in subsequent years.

This revenue stagnation prompts several interpretations. First, the acquisition may have yielded immediate one-time gains or market expansion benefits in 2020, which were not sustained. Second, revenue may have been offset by post-acquisition inefficiencies or cost increases. Third, external market factors, such as the global economic shock of 2020, may have dampened further revenue acceleration. Zhou and Li (2022) explain that events like the COVID-19 pandemic produced significant uncertainty and systemic disruptions, particularly in industries undergoing digital transformation. Their study on financial interlinkages during periods of stress emphasizes that even well-capitalized entities may face difficulty sustaining top-line growth under such volatile conditions. Another factor worth considering is the relationship between strategic investment and performance cycles. Fu, Lin, and Officer (2013) highlight that performance following an acquisition often follows a U-curve. Initially, performance lifts due to consolidation and new resource availability, but it may dip as the organization undergoes internal restructuring, cultural alignment, and system integration. Only in later stages, if managed effectively, does the full benefit of the investment emerge. The flat revenue in this case may therefore reflect a transitional phase rather than a performance ceiling.

Taken together, the analysis of Figure 1 reveals a nuanced financial narrative. The acquisition appears to have supported more substantial returns to shareholders, evidenced by the steady ROE increase. However, it did not correspond with sustained improvements in asset productivity or revenue expansion. The divergence between ROE and ROA post-acquisition hints at structural changes in capital or equity policy, possibly through debt-financed strategies. Moreover, the plateau in revenue growth suggests that either market expansion was short-lived or operational friction diluted the anticipated benefits. These patterns are consistent with findings by Cosh and Hughes (2008), who warn that even strategic acquisitions often fall short of long-term performance expectations due to the gap between deal rationale and post-deal execution realities. Therefore, while the acquisition may be considered partially successful in enhancing shareholder returns, it does not appear to have fully delivered on broader financial performance metrics. It underscores the need for post-acquisition strategies that focus not only on financial restructuring but also on revenue innovation and sustainable asset management. Without such a multidimensional focus, the benefits of acquisition risk are constrained to narrow financial gains rather than holistic growth.

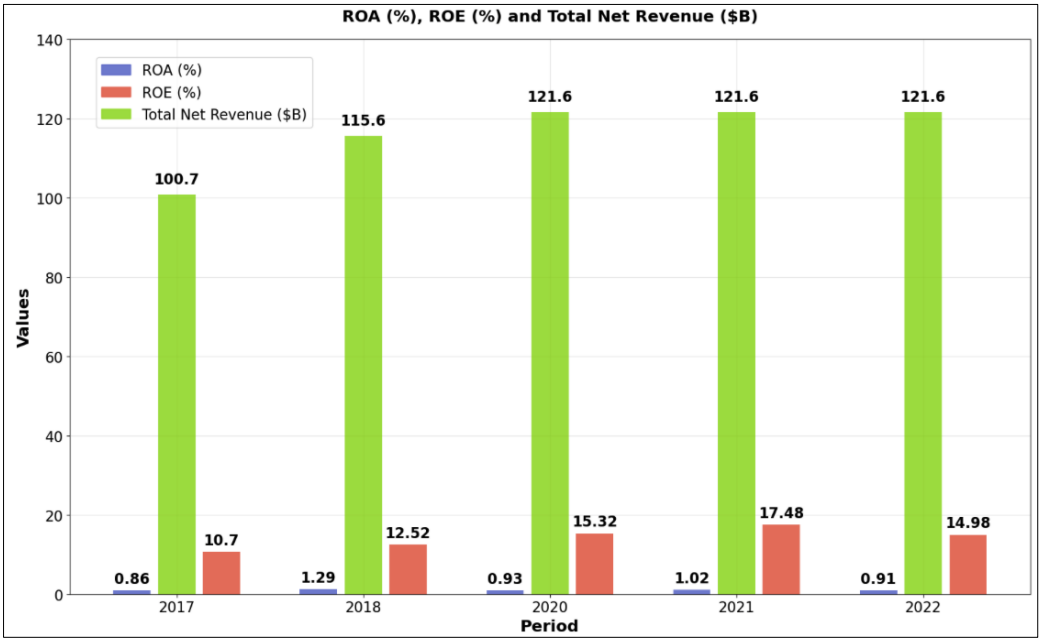

Figure 1: Financial Metrics Comparison – Case A (Pre vs Post Acquisition)

5.2 Financial Performance Before and after Acquisition: Case B (Figure 2)

The financial trajectory presented in Case B reflects a distinct pattern compared to that of Case A. While the same key financial metrics are analyzed, Return on Assets (ROA), Return on Equity (ROE), and total net revenue, the pace and nature of change over the five years differ notably. Case B offers an important counterpoint by illustrating how the same strategic approach of acquisition may yield uneven effects depending on firm-specific factors such as scale, pre-existing operational efficiency, market positioning, or post-acquisition management. The following discussion interprets each indicator in depth and situates it within relevant academic debates. The first financial metric, ROA, reveals a pattern of improvement from the pre-acquisition period into the early post-acquisition phase. In 2017, ROA was 0.33 percent, followed by a rise to 0.58 percent in 2018. This nearly 76 percent increase marks a substantial gain in asset productivity prior to the acquisition, which may be attributed to improvements in operational performance, optimized asset deployment, or reduced inefficiencies. This growth phase mirrors the trends discussed by Gozman, Liebenau, and Mangan (2018), who emphasize that lean and digitally-focused firms often experience accelerated gains in asset efficiency due to high adaptability and rapid innovation cycles.

However, the post-acquisition years introduce a shift in the trend. In 2020, ROA rose again to 0.76 percent, followed by a peak of 0.93 percent in 2021. These two years suggest that the acquisition may have contributed to further optimization of asset use. Nonetheless, the gain is short-lived. ROA fell to 0.85 percent in 2022, which, while still higher than the pre-acquisition years, indicates a plateauing effect. It is unclear from the data whether this decline is the beginning of a regression or a temporary fluctuation. However, it echoes the argument presented by Akhtar and Nosheen (2022), who found that financial gains from FinTech integration are often frontloaded and taper off unless continuous innovation and cost discipline are maintained.

The moderate volatility in ROA post-acquisition draws attention to potential issues in operational scaling, integration pace, or alignment of new technologies with existing asset portfolios. Rickinghall (2022) observes that although technology-driven acquisitions have the potential to improve asset efficiency, actual gains depend heavily on how quickly the new systems are embedded and used effectively. In cases where integration is delayed or where duplicated systems remain in use, the cost base may increase without a corresponding rise in asset-driven revenue, thereby dragging down ROA. ROE, as a second core metric, provides a more dramatic illustration of financial transformation. The initial ROE figures, 4.03 percent in

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2017 and 7.22 percent in 2018, are relatively low, reflecting limited profitability relative to equity. However, the post-acquisition data tells a different story. ROE jumped significantly to 18.93 percent in 2020. This 162 percent increase compared to the prior year marks the most aggressive upward movement among the metrics analyzed across both cases. In the following years, ROE stabilizes at 17.31 percent in 2021 and then dips to 15.02 percent in 2022.

Several interpretations are possible here. The sharp rise in ROE immediately following the acquisition suggests an effective use of shareholder capital to drive profitability, at least in the short term. This could be a result of revenue enhancement, cost restructuring, or an improved product mix offered through the newly acquired technology platform. It may also reflect changes in capital structure, notably if equity was reduced or debt was leveraged to amplify returns. This possibility is supported by the findings of Deng, Kang, and Low (2013), who highlight that ROE can be influenced as much by financing decisions as by operational performance. However, the subsequent decline from 18.93 percent to 15.02 percent raises important concerns. Although still considerably higher than pre-acquisition levels, this reduction suggests that the initial burst in profitability may not have been entirely sustainable. Scholars such as Agrawal, Jaffe, and Mandelker (1992) have pointed out that acquisitions often produce short-term gains due to one-time efficiencies or market optimism, but that maintaining high ROE over time requires structural improvements and market expansion. The findings of Cosh and Hughes (2008) similarly show that the performance of acquiring firms often peaks within one- or two-years post-acquisition before facing stagnation or decline.

Another dimension worth considering is whether this ROE increase reflects substantive improvements in firm operations or cosmetic changes. According to Rau and Vermaelen (1998), increases in ROE that coincide with flat or declining ROA may point to financial engineering rather than true productivity gains. In the context of Case B, ROA does improve post-acquisition but not at the same pace as ROE. This disparity suggests the potential presence of enhanced financial leverage, a mechanism that boosts equity returns at the cost of increased financial risk. If not carefully managed, such leverage can magnify losses in future periods, especially during market downturns or operational disruptions.

The third and final indicator in Figure 2, total net revenue, provides essential context for understanding the source of the gains in both ROE and ROA. From 2017 to 2018, revenue grew from 30.8 billion to 36.6 billion dollars, marking an 18.8 percent increase. This solid growth indicates that, even before the acquisition, the firm was on a strong revenue trajectory. In the post-acquisition period, revenue grows to 44.6 billion dollars in 2020, then slightly dips to 44.5 billion in 2021, and again to 44.4 billion in 2022. This slight downward trend suggests that while the firm managed to expand its revenue base during the initial post-acquisition year, it failed to build upon that momentum in the subsequent periods.

These results align with the findings of DeYoung, Lang, and Nolle (2007), who argue that digital platform investments often result in short-term revenue boosts, particularly if the firm capitalizes on cross-selling, expanded reach, or enhanced customer onboarding. However, the sustainability of such growth depends on continuous product innovation, customer retention strategies, and operational scaling. The slight contraction in revenue, although not drastic, may reflect market saturation, competitive pressure, or inefficiencies introduced during the integration process. Zhou and Li (2022) also emphasize the macroeconomic context, noting that the impact of global events such as the COVID-19 pandemic has introduced significant volatility in revenue generation across industries. Their research on risk transmission between technology and finance sectors demonstrates that firms operating at the intersection of these sectors, such as those undergoing FinTech acquisitions, may be disproportionately affected by sudden shifts in demand, regulatory tightening, or investor sentiment.

The data from Case B paints a picture of rapid financial improvement post-acquisition, particularly in ROE and revenue, followed by a period of stabilization and marginal decline. The initial performance surge suggests that the acquisition delivered immediate benefits, likely driven by strategic growth and capital optimization. However, the inability to sustain upward momentum in either ROE or revenue raises caution about over-reliance on early gains as indicators of long-term success. The moderate volatility in ROA further implies that while returns to shareholders improved, the company may not have optimized its asset base to the same degree, pointing to untapped potential or emerging inefficiencies.

The academic literature supports the interpretation that acquisitions can deliver short-term performance gains, especially when new technologies are leveraged effectively. However, these gains are not automatic and require sustained investment in integration, innovation, and execution. As Healy, Palepu, and Ruback (1992) remind us, true acquisition performance is not revealed in the first year alone but over several cycles. Case B illustrates that the initial promise of acquisitions must be matched with a consistent strategic focus to prevent regression or stagnation.

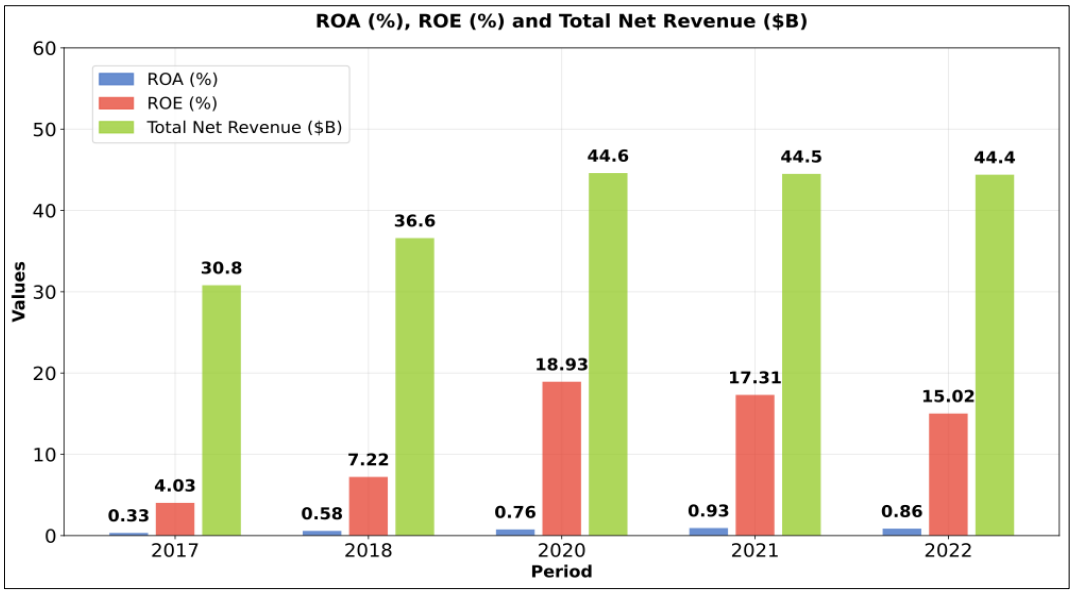

Figure 2: Financial Metrics Comparison – Case B (Pre vs Post Acquisition)

5.3 Comparative Summary of Financial Indicators Across Cases (Figure 3)

The comparative analysis in Figure 3 provides a synthesized view of the average financial performance indicators across both cases over the designated pre-acquisition and post-acquisition periods. By consolidating data from the earlier tables, this section evaluates changes in Return on Assets (ROA), Return on Equity (ROE), and total net revenue, allowing for a broader discussion of the overall effects of FinTech acquisitions on financial performance. This comparison offers several important insights into not only the direction of change but also the relative magnitude of performance shifts and the underlying dynamics that may explain these variations.

Starting with ROA, the average pre-acquisition figure across both cases was 1.08 percent, while the average post-acquisition figure dropped to 0.95 percent. This decline of approximately 12 percent is significant and counterintuitive when viewed against the common expectation that acquiring new technological capabilities should improve operational efficiency. ROA is a measure of how effectively a firm uses its total assets to generate profit. Therefore, a decline suggests that despite the inflow of potentially productive assets or platforms through acquisition, the firms were not able to generate proportionate gains in income from those assets.

This outcome is consistent with the cautionary views expressed by Agrawal and Jaffe (2000), who argue that acquisition strategies frequently fail to produce sustained improvements in core operational performance. Their empirical work shows that although firms may anticipate performance gains from acquisitions, the post-acquisition periods often reveal integration costs, asset duplication, or transitional inefficiencies that dampen overall profitability. The decline in average ROA in this study may reflect precisely these transitional frictions.

Furthermore, the literature emphasizes that asset-intensive growth, particularly in technology-driven sectors, does not immediately translate to earnings growth. According to Deng, Kang, and Low (2013), many firms experience a lag between asset acquisition and the maturity of those assets' earning potential. For instance, if a firm acquires a technology platform or digital infrastructure, it may take several quarters or even years before that platform is fully utilized, monetized, or aligned with revenue generation streams. In this case, the lower average post-acquisition ROA may be indicative of such a lag, rather than an outright failure of the acquisition strategy. In contrast, ROE presents a sharply different trajectory. The average ROE increased from 10.78 percent pre-acquisition to 15.93 percent post-acquisition, representing a substantial gain of 47.8 percent. This increase strongly suggests that despite operational inconsistencies captured by ROA, firms were able to improve their profitability relative to shareholder equity. This pattern aligns with earlier findings in both Case A and Case B, where ROE rose sharply post-acquisition while ROA showed only modest or inconsistent changes.

This divergence is instructive. ROE is sensitive not only to earnings performance but also to capital structure. According to Tan, Floros, and Anchor (2017), an increase in ROE can be achieved either by increasing net income or by reducing the equity base through mechanisms such as share repurchases, higher dividend payouts, or increased financial leverage. Thus, an improvement in ROE does not necessarily indicate improved operational performance. Instead, it may suggest that firms made capital structure adjustments in the aftermath of an acquisition to optimize their return to shareholders. This is particularly plausible in the context

of FinTech, where equity may be rebalanced to finance acquisition-related expenses or to reposition the firm in the eyes of investors. It is also important to consider the risk implications of such changes. Rau and Vermaelen (1998) caution that improved ROE following acquisitions may mask a deteriorating risk profile, especially if gains are driven by increased borrowing or aggressive financial engineering. If corresponding improvements do not match post-acquisition ROE increases in ROA or revenue, firms may be exposing themselves to future vulnerabilities. The discrepancy between the trends in ROE and ROA in this study raises such concerns and points to the need for careful monitoring of debt levels, liquidity, and other risk-related metrics.

Total net revenue offers yet another perspective. The average net revenue increased from 71.85 billion dollars pre-acquisition to 83.95 billion dollars post-acquisition, marking a gain of approximately 16.9 percent. On the surface, this suggests that the acquisitions had a positive impact on top-line growth. However, a closer inspection reveals that this growth was largely frontloaded and not sustained over time, particularly in Case B where revenue slightly declined in the final two years of the study period. This pattern echoes the findings of DeYoung, Lang and Nolle (2007), who argue that digital investments often yield short-term revenue gains through expanded customer acquisition and product diversification, but may not sustain these increases without continued innovation or competitive differentiation.

The revenue gains observed post-acquisition may also reflect improved customer access or market penetration. Renaud (2016) notes that acquisitions, particularly in the digital and financial services space, often aim to acquire market-ready platforms with established user bases. These transactions can lead to immediate revenue boosts through bundled service offerings, cross-selling, or expanded transaction volumes. However, unless these new customer relationships are deepened and retained over time, the revenue base may plateau, as seen in both case trajectories following the initial post-acquisition bump.

Another factor to consider is the broader economic environment in which the post-acquisition periods occurred. Zhou and Li (2022) highlight the impact of global disruptions on financial outcomes, noting that the COVID-19 pandemic disrupted supply chains, reduced consumer spending, and increased regulatory pressure. All of these may have contributed to the stagnation in revenue growth seen after the initial rise in 2020. Even firms with otherwise sound acquisition strategies could have faced exogenous shocks that limited their ability to scale new services or maintain upward revenue momentum.

In academic literature, the long-term success of acquisitions is often linked to the ability to convert short-term performance gains into sustained financial improvements. Healy, Palepu, and Ruback (1992) advocate for performance analysis over multiple cycles to ensure that the acquisition's effect is not transitory. The data in Figure 3, particularly the flattening or declining ROA and revenue after the initial post-acquisition lift, suggest that the acquisitions may not have fully transitioned into long-term growth strategies. This finding adds support to the claim by Cosh and Hughes (2008) that even well-conceived acquisitions can struggle to meet performance expectations if they are not accompanied by robust integration planning, process reengineering, and continuous strategic adaptation.

It is also worth noting the consistency of the trends across both cases. Despite their different starting points and magnitudes, both firms followed a similar trajectory: rising ROE post-acquisition, flat or declining ROA, and early revenue growth followed by stabilization or contraction. This consistency indicates a systemic pattern rather than a firm-specific anomaly. It reinforces the notion that FinTech acquisitions, while promising in theory, require more than transaction execution to produce sustained financial benefits. The implementation phase, cultural alignment, technological integration, and market responsiveness all play crucial roles in determining whether the financial gains seen in the first year are maintained or eroded over time.

In conclusion, Figure 3 underscores the complex relationship between acquisition strategy and financial performance. The data suggest that acquisitions can yield immediate benefits in equity returns and top-line growth, but these gains are fragile and contingent on effective post-acquisition management. The drop in ROA indicates that operational efficiency may be compromised or delayed in the integration phase. At the same time, the plateau in revenue reveals limitations in scaling new products or maintaining customer engagement. For stakeholders and decision-makers, these results highlight the importance of moving beyond deal execution toward comprehensive post-deal planning and performance monitoring. Acquisitions, especially in rapidly evolving sectors like FinTech, require strategic patience, internal alignment, and continuous innovation to justify their financial rationale truly.

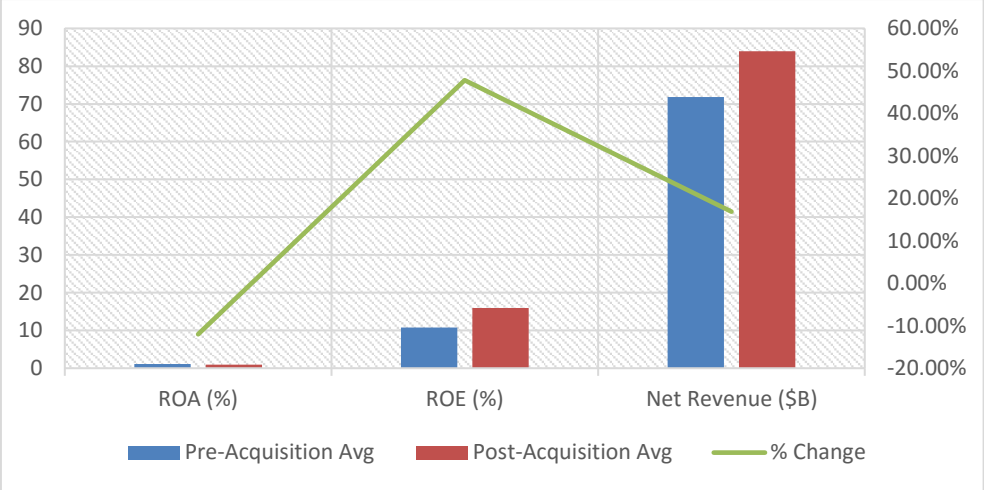

Figure 3: Average Financial Performance Summary

6. DISCUSSION

The results presented in the previous section provide a comprehensive and nuanced view of the financial consequences of mergers and acquisitions in the FinTech sector. Drawing from the data analysis of two comparative cases, it is clear that while acquisitions may offer immediate boosts in some financial metrics, they do not guarantee consistent or sustainable improvements across all performance dimensions. This section interprets these findings in light of broader academic literature, exploring the strategic, operational, and financial implications of FinTech acquisitions. The discussion will also consider the discrepancies between pre-acquisition expectations and post-acquisition realities, while emphasizing the role of post-deal execution, integration strategies, and external market conditions in shaping outcomes.

The most striking insight from the results is the consistent divergence between Return on Equity (ROE) and Return on Assets (ROA) in the post-acquisition period. Both cases show substantial gains in ROE following their acquisitions, yet similar improvements in ROA do not mirror these gains. The average ROA declined across the post-acquisition period, even as ROE surged. This pattern raises important questions about the underlying drivers of post-acquisition profitability. ROE reflects the firm's capacity to generate profit from its equity base and is influenced by factors such as net income, retained earnings, and financial leverage. ROA, on the other hand, measures the efficiency with which a company uses its total asset base to generate earnings. The divergence between these two ratios suggests that firms may have optimized capital structures or used leverage to boost shareholder returns, rather than fundamentally improving operational efficiency or asset productivity.

This observation aligns with the analysis of Tan, Floros, and Anchor, who assert that ROE is a more volatile and less reliable indicator of long-term performance because it can be artificially inflated through financial engineering. Increased ROE without corresponding improvements in ROA may therefore indicate a strategy cantered on financial policy changes rather than operational enhancement. Deng, Kang, and Low further support this view, noting that while ROE may respond positively to capital restructuring, the real test of post-acquisition value lies in sustained ROA growth, which is much harder to manipulate. In both cases examined, the post-acquisition ROE trends suggest a short-term strategic focus on maximizing returns to equity holders. At the same time, the stagnation or decline in ROA highlights a lack of comparable progress in operational performance.

Equally important is the performance of total net revenue, which exhibited an initial increase post-acquisition but later plateaued in both cases. The data indicate that revenue growth, while evident in the first year following the acquisition, was not sustained in subsequent years. This outcome undermines the expectation that FinTech acquisitions automatically lead to expanding revenue bases through innovation, customer acquisition, and market penetration. While the short-term gains suggest that the acquisitions may have facilitated access to new customer segments or enhanced digital product offerings, the lack of continued growth points to challenges in scaling those benefits over time. This could be due to integration delays, limited market capacity, insufficient customer retention, or a failure to develop and market follow-on innovations.

This stagnation in revenue is consistent with the findings of DeYoung, Lang, and Nolle, who argue that while technology-focused acquisitions may generate immediate boosts in revenue through cross-selling and platform effects, sustaining these gains requires continuous investment in customer engagement, digital transformation, and competitive differentiation. In rapidly evolving digital markets, customer expectations shift quickly, and competitors are constantly innovating. Acquiring a new capability or platform provides a temporary advantage, but that advantage erodes if it is

not actively enhanced and scaled. Therefore, the flat revenue trends seen post-acquisition in both cases may reflect a lack of strategic follow-through rather than the ineffectiveness of the acquisition itself.

The discrepancies observed between expectations and outcomes underscore the importance of post-acquisition execution. While the rationale for FinTech acquisitions often includes gaining advanced digital capabilities, entering new markets, or improving operational scale, these objectives are rarely achieved through the transaction alone. The work of Agrawal, Jaffe, and Mandelker highlights that the long-term success of acquisitions depends less on the deal structure and more on how the integration is managed afterward. Key components of successful integration include harmonizing technology systems, aligning organizational cultures, redefining workflows, and maintaining customer experience during transitions. The average performance metrics in this study suggest that such integration may have been only partially successful in the observed cases.

One explanation for the observed performance patterns lies in the gap between strategic intentions and managerial capability. Roll's theory of managerial hubris suggests that leaders may overestimate their ability to extract value from acquired entities, particularly when entering fast-moving sectors like FinTech. This overconfidence can lead to overpaying for acquisitions or underestimating the complexity of integration. Rau and Vermaelen found that firms with inflated stock prices are more likely to pursue acquisitions based on unrealistic expectations, often resulting in suboptimal outcomes. While there is no direct evidence in the data to suggest overvaluation, the combination of strong early ROE performance followed by a decline, and the modest gains in ROA and revenue, is consistent with the idea that expectations exceeded what was operationally achievable.

Moreover, the post-acquisition phase often exposes structural weaknesses that were not apparent during due diligence. As noted by Stahl and Voigt, cultural incompatibility between the acquiring and acquired firms can derail integration efforts, particularly in sectors that rely heavily on innovation, agility, and cross-functional collaboration. In the FinTech context, where target firms are often startups or niche technology providers, merging with more traditional corporate structures can lead to clashes in work styles, decision-making processes, and risk tolerance. These differences can create friction that slows down innovation, alienates key talent, and impairs the transfer of technical knowledge, all of which can undermine the long-term success of the acquisition.

Another aspect that must be considered is the broader economic environment in which these acquisitions occurred. The post-acquisition years analysed include the period affected by the COVID-19 pandemic, which introduced global market disruptions, supply chain constraints, and increased regulatory scrutiny. Zhou and Li provide evidence that financial and technology sectors were significantly affected by the crisis, with increased uncertainty and volatility reducing consumer demand and investment flows. These macroeconomic conditions could have muted the potential benefits of the acquisitions studied here. While not the sole cause of performance stagnation, they likely contributed to the subdued revenue and asset returns seen in the post-acquisition period.

The findings also highlight the limitations of using financial metrics alone to evaluate acquisition success. While ROA, ROE, and revenue provide valuable insights, they do not fully capture intangible outcomes such as customer satisfaction, brand equity, employee retention, and innovation capacity. As Deng, Kang, and Low suggest, a more holistic assessment of acquisition performance should include both quantitative and qualitative indicators. For example, improvements in digital customer experience, product development timelines, or technological adaptability might not immediately reflect in financial ratios but can be critical drivers of long-term value creation.

Additionally, the time frame for evaluation plays a critical role in shaping conclusions. Healy, Palepu, and Ruback advocate for multi-year assessments that go beyond the immediate aftermath of acquisitions to capture delayed effects. The three-year post-acquisition window used in this study offers valuable insights but may not be sufficient to reveal the whole arc of acquisition outcomes. It is possible that operational improvements or new revenue channels initiated post-acquisition are still maturing and will contribute to performance gains in subsequent years. Conversely, the early gains in ROE may reflect only a temporary reallocation of capital rather than a sustained shift in business fundamentals.

In light of the above, it becomes clear that FinTech acquisitions, while attractive in strategic theory, pose significant challenges in execution. They require not only a clear rationale and strong financial planning but also careful attention to integration management, cultural alignment, and long-term strategic development. The performance results suggest that the acquisitions analysed in this study delivered partial success. Shareholders benefited from improved equity returns in the short term, but the firms struggled to maintain momentum in operational efficiency and revenue expansion. These mixed results are consistent with broader trends documented in M&A literature and highlight the risks of assuming that acquisition alone will drive transformation.

Finally, the study reveals a systemic pattern in the outcomes of FinTech acquisitions. Despite

differences in size, market focus, and pre-acquisition performance, both firms followed a remarkably similar path: improved ROE, stagnating or declining ROA, and early revenue growth followed by stabilization. This consistency suggests that the observed outcomes are not isolated events but rather indicative of broader challenges associated with FinTech acquisitions. It reinforces the argument made by Cosh and Hughes that acquisitions are not one-time events but ongoing processes that require continuous evaluation and strategic recalibration.

The discussion highlights that FinTech acquisitions offer potential but are fraught with complexities that can limit their effectiveness. The divergence between improved shareholder returns and weaker operational performance calls for a more balanced view of acquisition outcomes. Firms need to approach these transactions with realistic expectations, robust integration plans, and a long-term commitment to innovation and efficiency. Financial success in the context of acquisition is not guaranteed by the transaction itself but is earned through disciplined execution, adaptive management, and alignment between strategic goals and operational capacity. Future research and practice should continue to explore how these factors interact and evolve over longer time horizons to provide more complete insights into the dynamics of acquisition performance in the FinTech landscape.

7. CONCLUSION

This study set out to evaluate the financial impact of FinTech mergers and acquisitions by comparing key performance indicators before and after the acquisition across two cases. The analysis focused on Return on Assets, Return on Equity, and total net revenue over five years to determine whether acquisitions led to sustained improvements in financial performance. The findings reveal a nuanced picture, suggesting that while acquisitions can enhance shareholder returns in the short term, their effect on operational efficiency and long-term revenue growth is far less consistent.

Both cases demonstrated clear post-acquisition increases in Return on Equity, indicating that acquiring firms successfully optimized their capital structures or leveraged financial mechanisms to improve returns. However, these gains were not matched by consistent improvements in Return on Assets, which either plateaued or declined after acquisition. This divergence suggests that firms may be emphasizing capital returns over operational productivity, potentially relying on financial strategies rather than substantive improvements in business performance. Such a pattern raises concerns about the long-term sustainability of post-acquisition gains, particularly if asset efficiency continues to lag behind shareholder profitability. The performance of total net revenue further supports this view. While both firms experienced initial growth following acquisition, revenue plateaued in subsequent years, suggesting challenges in scaling operations, integrating new offerings, or maintaining customer momentum. These patterns highlight that the success of FinTech acquisitions depends not only on the transaction itself but also on effective post-acquisition integration, innovation, and continuous strategic alignment.

The results also point to broader issues frequently noted in existing literature, including managerial overconfidence, cultural misalignment, and external market disruptions. These factors can dilute the intended benefits of acquisitions, turning what is often seen as a strategic opportunity into a financial and operational burden if not carefully managed. FinTech acquisitions offer potential for financial improvement but do not guarantee sustained success. Firms considering such strategies must adopt a long-term perspective that prioritizes integration planning, operational excellence, and adaptability. Future research could extend this analysis over longer time horizons and explore non-financial metrics to gain a more comprehensive understanding of post-acquisition value creation in the FinTech sector.

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