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Impacts of Mergers and Acquisition on the Performance of Nigerian Banks (A Case Study of Selected Banks)

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Mergers and acquisitions as a form of corporate restructuring are reform strategies recently adopted to reposition the banking sector. This research work seeks to examine the impacts of mergers and acquisition of commercial bank's performance in Nigeria as the main objective. The research used shareholders fund and profit after tax of the selected banks as proxies to measure the financial efficiency of the banks in both pre and post consolidation eras in Nigeria. Two banks were selected for this study using simple random sampling methods. Data were collected from Academic journals, Nigerian stock exchange archive, text books, magazines, newspapers, companies' annual reports, and internet sources and were subsequently analyzed using correlation and regression with the aid of Econometrics view (version 7). This research found out that "mergers and acquisition" is an effective means of ensuring the stability and profitability of the banking sector, the study also found out that shareholders fund contributed significantly to the profit after tax of the banks, and that corporate restructuring has affected the capital adequacy of commercial banks positively, It was also discovered that synergy gains are the key motive for bank mergers.

Key words: Mergers and Acquisition; Capital Adequacy; Consolidation; Profitability; Shareholders Fund.

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

A sound and competent banking sector is essential for a stable macroeconomic environment, therefore, the importance of commercial banks in a country cannot be overemphasized, because they occupy key positions in a country's financial system and are essential agents that would lead to the growth of any economy. Commercial banks also act as the agents of financial intermediation within a country by moving funds between the surplus and the deficit sectors within an economy and they facilitate the implementation of monetary policies. Banks mobilize and facilitate the efficient allocation of national savings, thereby increasing the quantum of investments and hence national output (Afolabi, 2004) as cited in the work of (Olagunju Adebayo and Obademi Olalekan, 2012). Through financial intermediation; banks facilitate capital formation (investment) and promote economic growth (Olagunju Adebayo, 2012). Prequel to the above statements, commercial banks have experienced a lot of banking hardship, especially between the decade (1993-2003) which was tagged the era of bank distress which became a source of concern not only to the regulatory bodies (CBN, NDIC e.t.c) but also to the general public and the policy analyst. Therefore, there was a need for the overhaul of the Nigerian banking sector in order to restore the already dying confidence of the general public and other foreign investors who could not sleep with their two eyes closed as a result of the weak financial system that Nigeria operated.

The Central Bank of Nigeria (CBN) as a regulatory body came up with the recapitalization and consolidation exercise in the banking industry under the leadership of the then governor of CBN Professor Charles Soludo who called on banks to increase their paid-up capital through public offers or corporate restructuring exercise (mergers and acquisition) with the view of eradicating the expansion bottlenecks, volatility between the deposit and lending rates and some other constraints faced by the banks. This made some of the commercial banks to consider Merger and Acquisition as a survival strategy. This reform was announced by Professor Chukwuma Soludo on July 6th 2004 that the Nigerian commercial banks should beef up their minimum capital base from N2billion to N25 billion on or before 31st December 2005, with the major objective of creating a sound and a more secure banking system which will strengthen our financial system that depositors can trust. This will enhance the operational capital base of the Nigerian banks. A total of 89 commercial banks were in existence in Nigeria before the announcement in 2004. According to CBN report, 25 banks emerged at the end of the consolidation

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exercise from the previous 89 banks, while 14 banks liquidated. The 14 banks under liquidation include: Fortune Bank, Gulf Bank, Liberty Bank, Triumph Bank, Metropolitan Bank, Trade Bank, Afex Bank, City Express Bank, Eagle Bank, Societe Generale Bank of Nigeria, Assurance Bank, All State Trust Bank, Hallmark Bank and Lead Bank. The number of banks further declined to 24 in 2007 following the market induced merger of IBTC Chartered Bank PLC with Stanbic Bank Ltd.

Merger and acquisition as a means of corporate restructuring exercise have been known to provide some forms of economic and financial benefits such as; economies of scale, risk diversification, ability to compete locally and internationally with other banks (John O. Udoidem and Ikechukwu A. Acha, 2012). The NDIC 20th anniversary (2009) publication also outlined some specific reasons for consolidation which includes the following:

- To halt the incessant bout of distress;
- To promote competitiveness and transparency in the sector;
- To enable the sector effectively play its developmental role in the economy;
- To strengthen the sector to be an active participant in the regional and global financial system; and
- To enhance public confidence in the banking industry.

Synergy has been one of the key benefits of merger and acquisition, which includes: rapid growth, stronger capital base, economies of scale through greater output, ability to compete favorably with foreign banks etc.

Since the importance of consolidation (merger and acquisition) as a measure of revamping the banking sector cannot be overemphasized, this topic became an area of interest to assess the benefits/consequences (impacts) of mergers and acquisitions on the performance of the commercial banking sector in Nigeria.

1.2 STATEMENT OF PROBLEM

The recent bank mergers and acquisitions in Nigeria is attracting much attention, partly because of heightened interest in what motivates firms merge and how merger and acquisition affects efficiency, profitability and capital adequacy of commercial banks.

In recent times, merger and acquisition exercise of commercial banks have become a key strategy geared towards increasing the profitability of commercial banks. Also in today's banking environment corporate restructuring exercise such as: merger and acquisition, takeovers, amalgamation etc. are said to have increased the capital adequacy of commercial banks and research has shown that bank failures are mostly caused by factors that range from; liquidity, insolvency, fraudulent practices, inadequate capital and bad management within the commercial banks. Merger and acquisition has become a pivotal driver in the profitability of commercial banks. It has become one of the most powerful features for most commercial banks by improving their return on asset (ROA) and their return on equity (ROE) respectively. It is therefore important to explore how impactful mergers and acquisitions can be on the performance of the banking industry.

1.3 OBJECTIVES OF THE STUDY

1. To examine the impacts of mergers and acquisition on commercial bank's performance.
2. To evaluate the degree of relationship that exists between an increase in shareholders fund and profit after tax of the commercial banks.
3. To examine the impact of mergers and acquisition in achieving its synergy.
4. To explore the impact of mergers and acquisition on the return on asset and return on equity of commercial banks.

1.4 RESEARCH QUESTION

1. Does merger and acquisition exercise have any effect on the performance of commercial banks?
2. How has corporate restructuring exercise affected the capital adequacy of commercial banks?
3. How has merger and acquisition exercise of banks achieved a synergy?
4. To what extent has merger and acquisition affected commercial banks return on assets and their return on equity?

1.5 RESEARCH HYPOTHESIS

Hypothesis 1

H0: There is no positive relationship between increase in shareholders fund and the profit after tax of access bank.
H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of access bank.

Hypothesis 2

H0: There is no positive relationship between increase in shareholders fund and the profit after tax of UBA bank.
H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of UBA bank.

1.6 SIGNIFICANCE OF THE STUDY

The major significance of this study is to evaluate merger and acquisition in terms of its impact on the efficiency of commercial banks in Nigeria, covers measures on how to restore solvency, increase profitability, and rebuild the confidence of the general public (including investors). Generally the importance of this study is geared at strengthening the financial soundness and stability of the commercial banks in Nigeria.

1.7 SCOPE OF THE STUDY

This study intends to investigate the impact of merger and acquisition of commercial banks in Nigeria. It will cover some selected commercial banks in Nigeria, which have engaged in one form of corporate restructuring exercise or the other and then evaluate their performance during and after the exercise.

1.8 DEFINITION OF TERMS

1. **Mergers:** A merger is said to occur when two or more companies combine into one company.

There are two forms of merger:

I. Merger through absorption: Merger through absorption is a combination of two or more companies into an existing company whereby only one company retains its identity and the rest loses theirs. Example: Access Bank= [Access bank, Marina international bank and capital bank international].

II. Merger through consolidation: Merger through consolidation is a combination of two or more companies to form a new one. In this type of merger all companies are legally dissolved and a new entity is formed. In a consolidation, the acquired company transfers its assets, liabilities and shares to the new company. Example Unity bank= [Intercity Bank PLC, First Interstate Bank PLC, Tropical Commercial Bank, Centre-Point Bank PLC, Bank of the North, New African Bank, Societe Bancaire, Pacific Bank and New Nigeria Bank].

2. **Acquisition:** Acquisition may be defined as an act of acquiring effective control over asset or management of a company by another company without any combination of businesses or companies. It is also defined as the process of taking a controlling interest in a business (Dictionary of Finance and Banking).
3. **Takeover:** A takeover can be said to be an acquisition. A takeover occurs when the acquiring firm takes over the control of the target firm. In some case it can be said to be an assumption of control of a corporation achieved by buying a majority of its shares (Encarta dictionary), a takeover can also be a conglomerate merger.
4. **Corporate restructuring:** Corporate restructuring can also be termed business combination and it includes merger and acquisition (M&A), amalgamation, takeover, leveraged buyouts, capital reorganization, sale of business units and assets etc.
5. **Return on asset:** Statistic calculated by dividing a company's annual earnings by its total assets. It indicates how profitable a company is relative to its total assets (Encarta dictionary).
6. **Return on equity:** The return on equity is net profit after tax divided by share holders' equity which is given by net worth. This is the net income of an organization expressed as a percentage of its equity capital, i.e. it indicates how well the firm has used the resource for owners (shareholders).
7. **Commercial banks:** Commercial banks are organized on a joint stock company system, primarily for the purpose of earning profit. They can be of either the branch banking type, as seen in most of the countries, with a large network of branches, or of the unit banking type as seen in countries such as the USA, where banks operation are confined to a single office or to a few branches within a strictly limited area.
8. **Recapitalization:** This is defined as the process of changing the balance of the debt (leverage) and equity financing of a company without changing the total amount of capital. Recapitalization is often required as part of reorganization of a company under bankruptcy legislation.
9. **Consolidation:** Consolidation is a combination of two or more companies into a new company. In this form of merger, all companies are legally dissolved and a new entity is created. In a consolidation the acquired company transfers its assets, liabilities and shares to the new company for cash or exchange of shares.
10. **Capital adequacy:** Capital adequacy is the ability of a bank to meet the needs of its depositors and other creditors. It is the proportion of risk capital to risk adjusted assets in a bank. Capital adequacy can also be defined as the percentage ratio of a financial institution's primary capital to its asset (loans and investment), used as a measure of its financial strength and stability.
11. **Synergy:** Synergy implies a situation where the combined firm is more valuable than the sum of the individual combining forms. It is defined as two plus two equals five (2+2=5) and sometimes also denoted by (1+1=3) phenomenon. Synergy refers to benefits other than those related to economies of scale. The working together of two or more, organizations, firm usually when their outcome is greater than the sum of their individual effects or capabilities.

1.9 OUTLINE OF CHAPTERS

This research work is divided into five (5) chapters; The Introductory chapter is the first and comprises the background of the study, statement of the problem, objective of the study, research question, research hypothesis, significance of the study, the scope of the study, definition of terms. Chapter two which has the literature review will comprise mainly of the theoretical, conceptual, and empirical frameworks of the study. Chapter three, the methodology, will contain the research method that would be adopted, the research design and method of data collection. Chapter four would analyze the data and interpret the result. Chapter five would be the summary, conclusion, recommendations and contribution to knowledge.

LITERATURE REVIEW

2.0 Introduction

This chapter consists of the theoretical, conceptual and empirical literatures on merger and acquisition (M&A) and their significance to the performance of commercial banks. Some examples of other commercial banks in different nations of the world that embarked on corporate restructuring exercise and their impacts on the performance of the banks after the exercise are also reviewed. This section also discusses various challenges confronting commercial banks in our country. The goal of this literature review is to summarize current research about variables in merger and acquisition, to determine whether M&A has either a positive or negative impact on the performance of commercial banks in Nigeria and to present a comprehensive list of the banks that emerged after the corporate restructuring exercise which will provide the framework for reference in this study.

2.1 Conceptual Framework

2.1.1 Meaning of Merger and Acquisition

The term 'merger' and 'acquisition' are often used interchangeably to mean the same thing, and in a more common sense used in the dual form as 'mergers and acquisitions' which is (abbreviated M&A). Mergers and Acquisitions are a global business term used in achieving business growth and survival. Soludo (2004) opined that mergers and acquisitions are aimed at achieving cost efficiency through; economies of scale, and to diversify and expand on the range of business activities for improved performance. It also brings to the fore the benefits of synergy. According to A.O. Umoren and F.O. Olokoyo (2007) they defined merger as the fusion of two or more companies in which one company will legally exist and continues to operate in its original name or adopt a new name, while acquisition is described as a business combination in which one completely swallows the other(s) under the leadership of a single management (Umunnaehila, 2001:4) as cited in the work of (A.O. Umoren and F.O. Olokoyo 2007). Acquisitions can be friendly or hostile. In the case of a friendly acquisition the target is willing to be acquired. The target may view the acquisition as an opportunity to develop into new areas and use the resources offered by the acquirer. In the case of a hostile acquisition, the target is opposed to the acquisition. Hostile acquisitions are sometimes referred to as hostile takeovers. A review of the literatures on merger and acquisition shows that the definition of merger and acquisition significantly varies from country to country depending on factors such as the country's state of economic development, the performance of their banking sectors etc. The previous studies on bank mergers recognize that revenue enhancements and cost cutting are reasons for a merger (Marcia Millon Cornett *et al.,* 2006). It is on record that between 1990 to date, Nigeria witnessed several mergers and acquisitions arrangement. In 1997 alone, about 10 mergers and acquisitions, bids were recorded, whereas, as at 31st December 2005, the Nigerian banking sector witnessed 25 mergers and acquisitions activities (Okpanachi, 2007).

However, Okpanachi (2006) also found some evidence of superior post-merger period because of the merged firms' enhanced ability to attract larger deposits and make bigger loans. They also show increased employee's productivity and net asset growth as a result of their engagement in merger and acquisition as cited in (Onaolapo Adekunle Abdul-Ramon and Ajala Oladayo Ayorinde 2012). One difficulty in assessing post-merger performance is in determining the appropriate comparison, which entails constructing a counterfactual benchmark on what the two firms' performances would have been had they not merged (Roberta Romano1992:125). Roberta Romano (1992:122) stated that acquisitions generate substantial gains to target company shareholders. According to the value increasing scale, mergers occur broadly because mergers generate 'synergies' between the acquirer and the target firm, and synergies, in turn increase the value of the firm (Hitt *et al.,* 2001) as cited in (Onikoyi Idris Adegboyega 2012). Olagunju Adebayo and Obademi Olalekan (2012) opined that Mergers and acquisitions have improved the overall performances of banks significantly. Most of the studies examined found that mergers and acquisitions add significantly to the profits of the banking sector, except for Straub (2007) and Rhoades (1993) that had contrary views. That is why Some researchers attribute M&A failures to reasons such as mismatches between target and acquirer companies in terms of size, diversification into unrelated industries or cultural barriers where employees find themselves working under new work legislations, different working practices or company procedures (Ahmed Badreldin and Christian Kalhoefer 2008:5).

According to Umoh (2004), mergers and acquisitions are expected to address the problem of distress among insolvent banks without an initial resort to liquidation. Okpanachi Joshua (2011) advocated that mergers and acquisitions are global business terms used in achieving business growth and survival. In short, bank efficiency is highly important in explaining and interpreting bank performance. Elumilade, David Oladepo (2010) opined that Cost efficiency may also be improved through merger activity if the management of the acquiring institution is more skilled at holding down expenses for any level of activity than of the target. Important examples are given by Berger and Humphrey (1992) and Avkiran (1999), who argue that the only way consumers can potentially benefit from large bank mergers is through enhanced efficiency, resulting in lower prices and an increased service level as cited in (Jacob A. Bikker and Jaap W.B. Bos 2008:8). The theory of efficiency suggests that mergers will only occur when they are expected to generate enough realizable synergies to make the deal beneficial to both parties; it is the symmetric expectations of gains which results in a 'friendly' merger being proposed and accepted (Onikoyi Idris Adegboyega 2012). The expected realizable synergies here are the mutually beneficial advantage of the firms when combined together than their independent output.

John Mylonakis (2006) opined that it was found that the motivations for mergers were driven by strategies to sell more services. Before the deal, the active (bidder) bank derives a high share of income from services. It might want to offer its products to the customers of the passive (target) bank, which is less dynamic in providing them. Merged banks were expected to be in a stronger position to deal with competition from other banks and financial services companies. This process of corporate restructuring seems to have remained a strategy for structural adjustment to achieve growth, particularly in the banking sector (John O. Udoidem and Ikechukwu A. Acha 2012). That is why mergers and acquisitions are the most common ways of undertaking corporate restructuring exercise. Mergers and acquisitions are not recent developments. Five periods of high merger activity known as merger waves have occurred in the USA. The periods are: 1897-1904, 1916-1929, 1965-1969, 1984-1989 and 1993-2000 (Alao, 2010) as cited in the work of (John O. Udoidem, Ikechukwu A. Acha 2012). Also In India, about 1,180 proposals for amalgamation of corporate bodies involving about 2,400 were filed with the high court during 1976-1986. In 2003-2004, 834 merger and acquisition deals took place, aimed at the growth of the amalgamating companies and the entire economy (Bhattacharyya, 1988) also as cited in the work of (John O. Udoidem, Ikechukwu A. Acha 2012).

The first successful merger in Nigeria was that between A. G. Leventis Company Limited and Leventis Stores Ltd in 1983.

More generally, motivation for takeovers and mergers may arise from the fact that the cost of production would be less in a larger entity combined with the enlarged operational capacity and reduction of duplications (the economies of scale).

2.1.2 Types of Merger and Acquisition

Horizontal merger: This is a combination of two or more firms in similar type of production, distribution or area of business. Examples include: the merger of the two banks to form a bigger and a more effective one.

Vertical merger: This is a combination of two or more firms involved in different stage of production but in the same industry, for example, joining of a TV manufacturing (assembling) company or the joining of a spinning company and a weaving company (I M PANDEY). The vertical merger may take the form of forward or backward merger. It is forward when combined with the suppliers of the raw materials, while in the case of a backward integration it combines with its consumers.

Conglomerate merger/takeover: This is a combination of firms engaged in unrelated lines of business.

2.1.2 The Reasons to engage in corporate restructuring exercise

There are some reasons for engaging in corporate restructuring exercise, which have been considered to primarily add to shareholder value. They are as follows: -

- **Economies of scale:** Economies of scale arise when increase in the volume of production lead to a reduction in the cost of production per unit. Economies can be maximized when it is optimally utilized.
- **Operating economies:** In addition to economies of scale, a combination of two or more firms may result in cost reduction due to operating economies. A combined firm may avoid or reduce overlapping functions and facilities. It can consolidate its management functions such as; manufacturing, marketing, accounting and reduce operating cost. Therefore, operating economies can be often achieved through the combination of companies.
- **Synergy:** Synergy implies a situation where the combined firm is more valuable than the sum of the individual combining firm. It is popularly defined by this mathematical expression [2+2=5]. Synergy takes the form of revenue enhancement and cost savings. Synergy refers to benefits other than those related to economies of scale. Operating economies are one form of synergy benefit.
- **Resource Transfer:** Resources are unevenly distributed across firms and the interaction of target and acquiring firm resources can create value through either overcoming information asymmetry or by combining scarce resources.
- **Management Efficiency:** Banks with poor management will lead to low/poor productivity. Therefore the need for merger with other banks who have the required technical know-how would be very important.

2.1.3 Benefits of merger and acquisition

According to I M PANDEY he said that it is believed that mergers and acquisitions are strategic decision leading to the maximization of a company's growth by enhancing its production and marketing operations. They have become popular in recent time because of the enhanced competition, breaking of trade barriers, free flow of capital across countries and globalization of business as a result of economies are being deregulated and integrated with other economies. A number of benefits are attributed to the occurrence of merger and acquisition and the most common motive or advantage of merger and acquisitions are listed below:

-Maintaining or accelerating a company's growth, particularly when the internal growth is constrained due to the paucity of resources;

-Enhancing profitability, through cost reduction resulting from economies of scale, operating efficiency and synergy;

-Diversifying the risk of the company, particularly when it acquires those businesses whose income streams are not correlated;

-Reducing tax liability because of the provision of setting-off accumulated losses and unabsorbed depreciation of one company against the profits of another;

-Limiting the severity of competition by increasing the company's market power.

-Merger leads to faster growth and avoidance of liquidation.

Mergers are recognized all over the world as mechanisms for maximization of the company's share of the market to enhance profitability and ultimately increase the market value of the company's share. In addition, they provide financial and fiscal gains such as economies of scale, risk diversification, improvement of equity base, increase in earnings per share, access to rare management talent and employment opportunities, (John O. Udoidem and Ikechukwu A. Acha 2012). Merger and acquisition can also be classified in terms of economic area which constitutes both: Domestic merger and acquisition and the Cross border merger and acquisition. The domestic merger and acquisition are the type that occurs between firms in the same country while the cross border merger and acquisition are the type that occurs between firms in different countries. Therefore, the classification of merger and acquisition could then be summarized in the table below:

Table 2.1

Forms of merger	Types of merger	Economic Area
Merger by absorption	Horizontal M&A	Domestic M&A
Merger by consolidation	Vertical merger M&A	Cross border M&A
	Conglomerate M&A	

Some merger and acquisition activities all over the world have led to the development of other types of merger and acquisition. Some of this merger and acquisition include:

-Reverse M&A and

-Concentric M&A: This type occurs where two combining firms are in the same industry (related diversification), but they have no customer or supplier relationship (e.g. A merger between a bank and a leasing company).

Table 2.2: Emerged Banks after the Bank consolidation exercise

S/N	Bank Name	Member of the group
1	Access Bank **	Marina Bank, Capital Bank International, Access Bank.
2	Afribank PLC	Afribank PLC, Afribank (Merchant bankers).
3	Diamond Bank	Diamond Bank, Lion Bank, African International Bank.
4	Eco Bank **	Eco Bank
5	ETB PLC	Equatorial Trust Bank (ETB). Devcom Bank
6	FCMB PLC	FCMB, Co-operative Development Bank, Nig-American Bank, Midas Bank
7	Fidelity Bank PLC	Fidelity Bank, FSB Int'l Bank, Manny Bank
8	First Bank PLC	FBN PLC, FBN Merchant Bankers, MBC International Bank.
9	First Inland PLC	IMB, Inland Bank, First Atlantic Bank, NUC International Bank.
10	GT Bank PLC	Guarantee Trust Bank
11	IBTC-Chartered Bank PLC *	Regent Bank, Chartered Bank, IBTC.
12	Intercontinental Bank PLC	Global Bank, Equity Bank, Gateway Bank, Intercontinental Bank.
13	Nigeria International Bank Ltd	Nigeria International Bank Ltd. (Now Citi Bank Ltd).
14	Oceanic Bank PLC **	Oceanic Bank, International Trust Bank.
15	Platinum-Habib Bank PLC	Platinum Bank, Habib Bank.
16	Skye Bank PLC	Prudent Bank, Bond Bank, Coop Bank, Reliance Bank, EIB International Bank.
17	Spring Bank PLC	Guardian Express Bank, Citizens Bank, Fountain Trust Bank, Omega Bank, Trans International Bank, ACB International Bank.
18	Stanbic Bank Ltd *	Stanbic Bank
19	Standard Chartered Bank Ltd	Standard Chartered Bank Ltd.
20	Sterling Bank PLC	Magnum Trust Bank, NBM Bank, NAL Bank, INMB, Trust Bank of Africa.
21	UBA PLC	Standard Trust Bank, UBA Plc, Commercial Trust Bank
22	Union Bank PLC	Union Bank, Union Merchant Bank, Universal, Trust Bank, Broad Bank
23	Unity Bank PLC	New Africa Bank, Tropical Commercial Bank, Centre-point Bank, Bank of the North, New Nigerian Bank, First Interstate Bank, Intercity Bank, Societe Bancaire, Pacific Bank
24	Wema Bank PLC	Wema Bank, National Bank
25	Zenith International Bank PLC	Zenith International Bank PLC

Source: NDIC 2005 Annual Report

* Merged to become one bank in 2007.

** Eco bank acquired oceanic bank in 2011.

** Access Bank also acquired Intercontinental Bank same year.

Banking sector reforms and consolidation all over the world are predicated on the need for repositioning of the existing state of affairs in the sector in order to attain an effective and efficient status (Oke, Micheal Ojo 2012). The choice of a consolidation strategy is mainly determined by the organizational form of the involved institutions as well as the driving motive behind its corporate strategy. Merger and acquisition is still the most widely adopted corporate restructuring mode geared towards achieving certain benefits ranging from: synergies, economies of scale, international competitiveness e.t.c. That is why the importance of corporate restructuring has been reiterated in establishing the financial system soundness. Merger technique has been one of the tools applied by authorities to achieve effective mobilization and efficient allocation of resources in the recent past. The aim is to restore solvency, increase profitability and rebuild confidence.

2.1.4 Stages of Approval for Mergers and Acquisitions

There are three stages of approval for mergers and they include:

I. Pre-mergers consent
II. Approval in principle
III. Final approval.

There are two stages of approval for an acquisition and they include:

I. Approval in principle
II. Final approval.

Stages of approval for mergers and acquisition:

I. Pre-merger consent: This involves the central bank's initial consent to banks wishing to merge to the effect that it has no objection to the proposed merger. This is to enable the emerging banks to forward their application for merger to the Securities and Exchange Commission (SEC).
II. Approval in principle: within a minimum of five (5) working days after receipt of an application for a merger, not involving any fresh capital injection, the CBN shall issue an approval in-principle or reject the application. A rejected letter shall state the reasons for the CBN's refusal to grant the requisite approval. Where an application for merger involves fresh capital injection, approval in principle will be issued to the applicants with a minimum of ten (10) working days. Where the fresh capital injection is not recognized, the applicants will be informed within a maximum of ten (10) working days of the receipt of the application.
III. Final approval: final approval shall be conveyed to the successor bank on the acquiring bank within a maximum of seven (7) working days of receipt of the application for final approval.

2.1.4 According to Security and Exchange Commission there are some checklists that aids the Processing Applications of Mergers and Acquisitions

2.1.4.1 Merger Notification-Documents Required

a. Completed Merger Notification Form;
b. A joint letter of intent from the merging entities;
c. Extract of Board Resolutions of the merging entities in support of the merger duly certified by a Director and the Company's Secretary;
d. A copy of the letter appointing the financial adviser(s);
e. Certificate of Incorporation certified by the Company Secretary, certified true copies of Form CAC 7, and Memorandum and Articles of Association of the merging entities;
f. A letter of No objection from the Companies' Regulator(s) (where applicable);
g. The Audited Accounts of the merging entities for the preceding five (5) years or the number of years the Companies have been in operation if not up to five (5) years;
h. Evidence of payment of filing fee of N50, 000.00 (Fifty Thousand Naira only) per merging entity;

2.1.4.2 Acquisition Stage - Documents Required

The acquirer shall file a letter of intent accompanied by the following documents. The filing shall be made by a registered capital market operator registered to function as an Issuing House:

a) Two draft copies of Information Memorandum;
b) Extracts of Board Resolutions of the acquirer and the target agreeing to the acquisition signed by the Company's Secretary and a Director. (Where applicable);
c) A recent CAC certified true copy of the Memorandum and Articles of Association of the acquirer and the acquired. (Where applicable);
d) A certified Certificate of Incorporation of the acquirer and the acquired. (Where applicable);
e) Extracts of shareholder resolution of the acquirer and the target company to be signed by a Director and Company Secretary. (Where applicable);
f) Summary of the claims and litigations of the company to be acquired;
g) A copy of 'No Objection' letter from the relevant regulatory body (where applicable);
h) Copies of letters appointing the financial adviser(s);
i) A CAC certified Form CAC 7 of the acquirer and the target company. (Where applicable);
j) Notarized consent of Directors of the acquirer and the target company (where applicable);
k) Financial Services Agreement between the acquirer and the target company and their respective Financial Advisers. (Where applicable)
l) Share Purchase Agreement and any other relevant agreement executed between the acquirer and the target company. (Where applicable);
m) Payment of N50, 000 application fee;
n) Payment of the relevant fees of the total value of shares being acquired as processing fee and / or a requirement to cross the transaction on the floor of the Exchange where the transaction involves quoted companies;
o) Annual report and accounts of both companies for the preceding period of five years or the period the companies have been in operation if less than five years;
p) For nominal transaction, the companies are required to submit the above listed documents and pay the application fee only. The companies shall show evidence that the transaction is nominal;
q) Sources of funding to finance the acquisition must be clearly disclosed and backed by documentary evidence;
r) File report of valuation of shares/assets. (Where applicable);
s) Publication of the acquisition in at least two national dailies after consummation;

2.2 Theoretical framework

2.2.1 The Value increasing theory

According to the value increasing scale, mergers occur, broadly, because mergers generate 'synergies' between the acquirer and the target, and synergies, in turn, increase the value of the firm (Hitt *et al.,* 2001). The theory of efficiency suggests that mergers will only occur when they are expected to generate enough realizable synergies to make the deal beneficial to both parties and synergies would be more achievable if the companies involved are engaged in related lines of business. The synergy concept suggests that advantages are created when economies of scale and speed are combined with administrative co-ordination (Krumm *et al.,* 1998) as cited in the (GERHARD BENECKE *et al.,* 2007).

According to Bwala (2003), efficiency is the ratio of a system's effective or useful output i.e. its total output. It can also be defined as the degree to which actual output(s) deviate from the optimum given a unit of measures of input. Akvein et al (1997) said that the economic literature distinguishes four types of efficiency, which includes: productive efficiency, transactional efficiency, allocative efficiency and dynamic efficiency.

- **Productive efficiency:** Is the ability of firms to get the highest output from the least input given current technological constraints. According to Merjaarel (2005) mergers can influence productive efficiency through economics of scale, economics of scope and synergies.
- **Transactional efficiency:** This recognizes that firms expend resources to protect the economic returns to their efforts and properly right.
- **Allocative efficiency:** This Concerns the clearance of markets and the achievement of maximal consumer benefits given a particular production function.
- **Dynamic efficiency:** This Concerns the clearance of markets in a dynamic perspective through the improvement of existing products and processes and the development of new products.

According to the research carried by Tripe (2000) on a small sample of seven to fourteen New Zealand banks he found that five or six merged banks had efficiency gains based on the financial ratios while another only achieved a slight improvement in operating expenses to average total income as cited in (GERHARD BENECKE *et al.,* 2007). Hence, if we observe a merger deal, efficiency theory predicts value creation with positive returns to both the acquirer and the target firm.

2.2.1.1 Value creation

A merger will make economic sense for the acquiring firm if its shareholders benefit. The merger will create an economic advantage (EA) when the combined present value of the merged firms is greater than the sum of their individual present values as separate entities. Economically advantageous value is created through mergers and acquisitions when the combined present value of the merging firms or acquiring firm is greater than the sum of their individual present values as separate entities (John O. Udoidem and Ikechukwu A. Acha 2012). Helene (2009) posited that when referring to value creation it is the extent to which the return of an investment over a period of time exceeds the cost of capital for that investment.

2.2.2 Theory of Synergy

In mergers and acquisition literatures, synergy usually refers to financial synergy that is gained through the merging of conglomerates (Chang, 1990); while in the industrial economics literature, synergy features in the context of economies of scale that lead to cost savings (Chang, 1990) as cited in (Gerhard Benecke *et al.,* 2007). Synergy comes from a Greek word called "synergos" which means working together. Synergy is the ability of two or more business units or companies to generate greater value working together than when they work separately. It is expressed in this mathematical equation as [2+2=5] and sometimes it can also be expressed as [1+1=3]. Synergy motives are widely seen as the most frequently mentioned motives when managers want to embark on M&A project. Thus, Marco (2008) defined synergy as the increase in performance of the combined firm above what the two firms are already expected to accomplish as independent firms through gains in competitive advantage. Jrisy Motis (2007) posit that Synergies are efficiencies that can only be achieved by merging, that is, they are merger specific. Synergy takes the form of revenue enhancement and cost savings, operating efficiency is also a form of synergy. Gaughan (2007) presents operational and financial synergy. According to Gaughan (2007) operational synergy appears in the form of revenue enhancements and cost reductions. Financial synergy is achieved when the cost of capital may be reduced through the combination of two companies.

2.2.3 Concentration Theory

This theory argues that economies of scale bring about bank merger and acquisition so that concentration will be based on bank efficiency (Demirguc-kunt and Levine, 2000) as cited in (Nwankwo, Odi 2013). Concentration refers to the degree of control of economic activity by large firms (Sathye 2002) as cited in (Olagunju Adebayo and Obademi Olalekan, 2012). According to Allen and Gale (2003), concentrated banking systems may also enhance profits and therefore lower bank fragility. Jrisy Motis (2007) posit that each wave is characterized by a concentration of the type of merger and specific industries. The outcomes of numerous researches have resulted in the existence of numerous bank concentration theories in literature. Intensified competition in the financial markets, in which banks operate, has further encouraged consolidation, for example through mergers and acquisitions (M&A). A clear majority of M&A transactions has occurred between banks, but financial conglomerates involving; banks, insurance companies and securities firms have also been created. Domestic mergers continue to dominate international mergers. The relatively modest volume of international mergers could indicate that domestic banking mergers are apparently more advantageous than international mergers. Individual European economies are rather heterogeneous, implying that purely domestic banking mergers offer ample opportunities for asset risk diversification. Domestic mergers will therefore be preferred to international mergers, with their concomitant cultural and language problems, differences in national regulations, for instance; deposit insurance systems, taxation differences and country-specific restrictions on banking activities. This will discourage cross-border consolidation. The strong world-wide consolidation observed during the past decades is reflected by a sharp fall in the number of banks, increased concentration, and the increased size of the largest (five) banks, both in absolute terms and relative to the smaller banks. While the level of concentration in the EU as a whole, though rising, is still substantially lower than in the U.S., reflecting the limited level of cross-border consolidation in Europe, the pace at which concentration is progressing is higher in Europe than in the U.S.

2.3 Empirical frameworks

Numerous studies have empirically examined whether mergers and acquisition are solutions to bank problems and some of these studies find evidence of merger gains, but the results of these studies must be scrutinized carefully. The studies of Cabral *et al.,* (2002), Carletti *et al.,* (2002) and Szapary (2001) provided the foundation for a research on the linkage between banks mergers and acquisition and profitability. Evidence as provided by De-Nicolo (2003) and Caprion (1999) suggested that mergers and acquisitions in the financial system could impact positively on the efficiency of most banks. Overall, some of these studies provide mixed evidence and many fail to show a clear relationship between mergers and acquisitions and performance. Samuel (2010) in a study of recent banking sector reforms and economic growth in Nigeria using ordinary least square regression techniques, established that interest rate margins, parallel market premiums, total banking sector credit to the private sector, inflation rate, size of banking sector capital and cash reserve ratios account for a very high proportion of the variation in economic growth in Nigeria. This shows that there is a strong and positive relationship between economic growth and banking sector reforms in Nigeria. Okpanachi (2011) concluded that his result showed an enhanced financial performance leading to improved financial efficiency of the banks that engaged in Merger.

Adegbagu and Olokoyo (2008) used descriptive research design (Mean and Standard Deviation) and t-test and test of equality mean analytical techniques to study the effect of recapitalization on the bank's performance on Nigerian banks. The study found out that the means of bank profitability ratios such as the Yield on Earning Asset (YEA), Return on Equity (ROE) and Return on Assets (ROA) were significant. This means that there is statistical indifference between the mean of the pre and post 2004 bank recapitalization. Somoye (2008) examined the performance of government induced banks consolidation and macro-economic performance in Nigeria in a post consolidation period. He found out that banks consolidation may not necessarily be a sufficient tool for financial system stability and sustainable development. The study posits that consolidation program have not improved the overall performance of the banking industry significantly and contributed little to the growth of the real sector for sustainable development.

Ezeoha (2007) studied the structural effects of banking industry consolidation in Nigeria. He noted that the ongoing banking industry consolidation in Nigeria represents the latest attempt by the CBN to solve the problem of bank distress and failure, and to reposition the industry for national and global economic challenges.

The study finds that some of the operational difficulties facing the banks even before consolidation are external to them and are still prevalent in the Nigerian economy. The study concludes that consolidation alone cannot be seen as the solution to the problem of the industry, unless the background, economic difficulties such as the weak state of the national economy, deplorable state of the infrastructure and the decreasing level of public confidence in the overall economic and financial reforms going on in the country is addressed, the expected benefits of consolidation may be hard to realize as cited in (Nwankwo, Odi 2013). In a related study, the Chilean banking industry, Kwan (2002) found that the high rate of economic activities experienced in Chile was mainly from productivity improvement from the large banks formed as a result of mergers and acquisitions as cited in the work of (Okpanachi 2011). Economic analysis and evidence indicate that merger and acquisition play important role in economic growth and has made substantial benefits for the shareholders. The majority of studies comparing pre and post mergers performance found that, the potential efficiency derived from mergers and acquisitions rarely comes into existence. But, for Yener and David (2004), mergers and acquisitions played an important role in improving after merger financial performance, which is a stimulus for efficiency as cited in (okpanachi 2011). Gourlay (2006) examined the efficiency gains from mergers among Indian Banks over the period 1991-1992 , 2004-2005 and observed that the mergers led to the improvement of efficiency for the merging banks as cited in the (GERHARD BENECKE *et al.,* 2007). Bakare (2011) used Sample Test techniques and E-view statistical packages to analyze the trend and growth implication of bank consolidation in Nigeria. The study revealed that banks are more adequately capitalized and are less risky after the corporate restructuring exercise.

Ahmed Badreldin and Christian Kalhoefer (2009) opined that in their findings that M&A did not result in improved return on equity and other discouraging fact about M&A is that they are much more visible to the general public and may involve the stockholders. Although these findings are in contradiction stating the reforms which took place in the United States in the late 1980s and similar reforms in the European Union in the early 1990s resulted in increased banking consolidation, which led to improved bank performance (Yener *et al.,* 2004:5; Focarelli *et al.,* 2002:1049, 1063) as cited in (Ahmed Badreldin and Christian Kalhoefer 2009). Akpan (2007) using chi-square to test his stated hypothesis found that the policy of consolidation and recapitalization has ensured customer's confidence in the Nigerian banking industry in terms of high profit. Similarly, Uchendu (2005) and Kama (2007) opined that, the bank consolidation, which took place in Malaysia facilitated bank's expansion, which led to the growth in their banking sector as cited in the work of (Adesegun Owolabi and Nelson O. Ajayi 2013).

Nwankwo, Odi (2013) who used T-test observed that post bank consolidation have a significant positive effect on the growth of Nigeria economy. For the recent merger wave that happened in Nigeria Most of the key players in the sector saw the time frame within which to meet the requirements as unreliable. Walter and Uche (2005) posit that mergers and acquisitions made Nigerian banks more efficient. They used tables to present their data which was analyzed using simple percentage. However, according to Adesegun Owolabi and Nelson O. Ajayi (2013) they concluded that it is still impossible to clearly state whether mergers and acquisitions in the Nigerian banking sector leads to improved financial efficiency. This is because mergers and acquisitions in the Nigerian banking sector are a continuous scheme. According to Francis Kehinde Emeni and Chinwuba Okafor (2008) they said that M&A have contributed to a dramatic increase in the average size of banking institutions in Nigeria. Anjan V. thakor and Arnoud W. A. Boot (2008) posit that M&A could result in a less competitive banking system, concentrating market power in a handful of very large institutions, or they reduce the supply of funds to small firms by driving community banks out of business and that Banks can also achieve dual goals of risk diversification and new sources of funds through cross border expansion. Ahmed Badreldin and Christian Kalhoefer (2009) suggested in their findings that the process of financial consolidation and banking reforms have not completely achieved their desired results in improving the banking sector. Elumilade and David Oladepo (2010) posit that most studies fail to find a positive relationship between merger activity and gains in either performance or stockholder wealth.

2.4 Conclusion and Gap in literature

The popularity of mergers and acquisition is not limited to Nigeria only. All over the world the experience of mergers and acquisition are being propagated. Mergers and acquisition should not be seen as a universal remedy for strengthening the financial standing of firms, but rather as an important tool for achieving the organizational objectives of both firms. From the review of various literatures on M&A's there is no generally accepted conclusion as to whether M&A have either a positive or a negative impact on the performance of commercial banks. That is why study is undertaken to ascertain if M&A's have a positive or negative impact on commercial bank's performance using experiences from Nigeria.

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the research methodology adopted for this project. This includes; the population of the study, sample size, and sampling technique. This research study is carried out to examine whether mergers and acquisition have either a positive or a negative impact on the performance of commercial banks in Nigeria. It also explains the research design and all activities involved in the collection and analysis of data for the research work.

3.2 RESEARCH METHOD

Research method is the tool used in carrying out the research. The traditional school of thought identified three principal research strategies, namely; survey method, ipso-facto, and experimental method. However, current literature added to the list 7 new strategies which are capable of enhancing the quality of research and they are; ethnographic, action design, archival method, observation, grounded theory, and case study. For all the above mentioned strategy literature has warned that no method is superior and that the choice of a particular method is influenced by the nature of the research effectiveness of the tool, therefore, both case study and archival methods would be used for this research.

3.3 RESEARCH DESIGN

Quantitative research method is used for the purpose of this study. According to Otokiti (2010) he posits that research design is a plan, structure, and strategy of investigation put in place to obtain answers to research questions or problems already hypothesized. Research design involves defining the methodological structure or apparatus within which research is to be experimented (Bayo Oloyede 2002). Research design is a detailed plan for how a research study is to be completed so as to identify the procedure required to undertake a study and ensure the validity and objectivity of the research. The purpose of the research can be classified into three different types; explorative, explanatory and descriptive. This research is designed to study the impact of mergers and acquisition on the banking sector based on the Nigerian experiences. The purpose is to assess the roles of mergers and acquisition in the Nigerian banking industry, therefore this research is based on exploratory research design. Exploratory research is a type of research that seeks to investigate one or few situations similar to the researcher's problem (Zikmund, 2003) as cited in the works of (Onikoyi Idris Adegboyega 2012).

MODEL SPECIFICATION

In this research, both the independent (X) and dependent (Y) variables are fit to an equation called a regression equation in which the data would express the relationship between variables. The model adopted for this research was used by Onikoyi Idris Adegboyega (2012) but had to be modified to suite this research. The simple linear regression was used to analyze stated hypothesis. To express this model of simple linear regression in equation form is:

$Y = a + b(x)$

Where Y = shareholders fund

Where X = profit after tax.

$SHF = a + b(PAT) + Ut$

Where;

SHF = shareholders fund

PAT = profit after tax.

a = intercept parameter (where the regression surface crosses the y axis)

b = slope of the regression line (it is the rate of change in Y with respect to X)

3.4 POPULATION FOR THE STUDY

The population for this research study is the Nigerian commercial banking sector (both the old and new generation banks). The entire number of commercial banks in Nigeria before the consolidation exercise was 89 bank, but after the consolidation exercises the total number of banks in Nigeria reduced to 25 mega banks in January 2006, but presently in Nigeria we have a total of twenty two (22) commercial banks..

3.5 SAMPLING TECHNIQUE

A sample is a part of the population and the procedure for drawing samples from a population is known as Sampling. Probability sample would be used in this research work (simple random sampling technique). With this sampling procedure every bank engaged in the corporate restructuring exercise had an equal chance of being selected out of the population of the study. Access bank and UBA bank are selected as sample size for this study and they represent 9% of the Nigerian banking industry after the consolidation exercise.

3.6 METHOD OF DATA COLLECTION

This study would be based primarily on secondary data which would be sourced from; Academic journals, Nigerian stock exchange archive, text books, magazines, newspapers, companies' annual reports, and internet sources. Furthermore, it will be more objective to analyze data from the published accounts of the banks to eliminate personal opinion. This will, to a large extent, guarantee the validity and reliability of the empirical data and further analysis of the research work. The questionnaire would not be administered as a means of data collection for this research work.

3.7 METHOD OF DATA ANALYSIS

For the data analysis, time series will be used and the statistical instrument to be used is the Econometric view (E-view) version 7.
The method of analysis will be quantitative in nature, using regression and correlation analysis. The regression and correlation tool to be applied is the ordinary least squares (OLS) however the unit root test for stationarity and the co-integration test for the long run relationship between the dependent and independent variable will not be conducted in this research.

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter deals with the presentation and analysis of data collected from Academic Journals, Nigerian stock exchange archive, text books, magazines, newspapers, companies' annual reports, and internet sources of the bank's financial statements between the years 2002-2008. The presentation of data is done through the use of tables. This chapter will also test the hypothesis stated in chapter one using the Ordinary Least Square. This analysis will give reliable reasons for conclusions and recommendations in chapter five.

4.1 DATA PRESENTATION AND ANALYSIS

Here, the various data that will be used for this research are presented and analyzed. For the purpose of this study, annual reports of both Access and UBA bank were used and various variables such as shareholders fund, profit after tax and their gross earnings were used as a proxy for the analysis. Below are the tables that give a summary of the financial reports of both Access and UBA bank.

Table 4.1: Access bank PLC data (7 years balance sheet summary)

Pre Merger Post Merger

Years	2002	2003	2004	2005 Base year	2006	2007	2008
Shareholders fund	1943784	2365375	2702830	14071924	28893886	28384891	172006837
Profit after tax	(55245)	556573	637473	501515	737149	6083439	16056464
Gross earnings	2604378	4367887	5515086	7494855	13360358	27881451	57627098

Source: Published Audited Report

Table 4.2: UBA bank plc data (7 years balance sheet summary)

Pre Merger Post Merger

Years	2002	2003	2004	2005 Base year	2006	2007	2008
Shareholders fund	10,627	14,901	9,533	19,443	48,535	167,719	193,460
Profit after tax	2472	5128	6010	6520	12811	29525	54637
Gross earnings	22521	24194	24510	26089	90477	109512	154330

Source: Nigerian stock exchange (NSE) archive Ilorin

4.2 DATA ANALYSIS AND INTERPRETATIONS

Table 4.3: Eviews statistical result for Access Bank

Dependent Variable: SHF

Method: Least Squares

Date: 05/17/14 Time: 14:05

Sample: 2002 2008

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1004112.	8400240.	0.119534	0.9095
PAT	9.925239	1.291074	7.687583	0.0006

R-squared	0.921996	Mean dependent var	35767075
Adjusted R-squared	0.906395	S.D. dependent var	61219036
S.E. of regression	18729954	Akaike info criterion	36.56410
Sum squared resid	1.75E+15	Schwarz criterion	36.54865
Log likelihood	-125.9744	Hannan-Quinn criter.	36.37309
F-statistic	59.09894	Durbin-Watson stat	2.971518
Prob(F-statistic)	0.000594		

Substituted coefficients SHF (Y) = 1004112 + 9.93 (PAT) X

Correlation Table

SHF (Y)	1.000000	0.960206
PAT (X)	0.960206	1.000000

Result: Using EVIEW Statistical package to analyze the above data, below are the result of testing.

Correlation analysis

r = 0.960206, r2 = 0.92, adjusted r2 = 0.91, Durbin Watson = 2.97, t calculated = 59.09894, t tabulated = 7.687583.

Regression analysis

To express the model of simple linear regression in equation form is: Y = 1004112 + 9.93 (X). From the result above the regression model Y = 1004112 +9.93X indicate a positive relationship between the dependent (shareholders fund) and independent (profit after tax) variables. Thus the b coefficient of 9.93 indicates that for every one unit change in the dependent variable, the independent is predicted to increase by 9.93 the coefficient of correlation (r) of 0.960206 shows that there is a strong association between the two variables. Access PLC profit after tax moved up from N501,515 million in 2005 to N16,056,464billion in 2008.The shareholders fund also moved from N14, 071,924 billion in 2005 to N172, 006,837 billion in 2008. Gross earnings increased from N7, 494,855 billion in 2005 to N57, 627,098 billion in 2008. The implication of the above is that the post consolidation era the bank is more profitable than the pre consolidated era. Adequate capital was made available to the management. The bank was able to turn around available capital to create a high asset portfolio. Empirical results revealed a strong association between dependent and independent variable. The Coefficient Correlation was 96.02%. This can be interpreted as an increase in shareholders fund lead to increase in the profit after tax of Access banks.

Table 4.4: Eviews statistical result for UBA Bank

Dependent Variable: SHF

Method: Least Squares

Date: 05/17/14 Time: 16:06

Sample: 2002 2008

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-386.0351	13555.95	-0.028477	0.9784
PAT	3.987261	0.557949	7.146286	0.0008

R-squared	0.910825	Mean dependent var	66316.86
Adjusted R-squared	0.892990	S.D. dependent var	79509.42
S.E. of regression	26009.45	Akaike info criterion	23.40526
Sum squared resid	3.38E+09	Schwarz criterion	23.38981
Log likelihood	-79.91842	Hannan-Quinn criter.	23.21425
F-statistic	51.06940	Durbin-Watson stat	2.510283
Prob(F-statistic)	0.000833		

Substituted coefficients SHF (Y) = -386.0351 + 3.987261 (PAT) X

Correlation Table

SHF (Y)	1.000000	0.954371
PAT (X)	0.954371	1.000000

Result: Using EVIEW Statistical package to analyze the above data, below are the result of testing.

Correlation analysis

r = 0.954371, r2 = 0.91, adjusted r2 = 0.89, Durbin Watson = 2.51, t calculated = 51.06940, t tabulated = 7.146286.

Regression analysis

To express the model of simple linear regression in equation form is: Y = -386.0351 + 3.987261 (X). From the result above the regression model Y = -386.0351 + 3.987261X indicate a positive relationship between the dependent (shareholders fund) and independent (profit after tax) variables. Thus the b coefficient of 3.987261 indicates that for every one unit change in the dependent variable, the independent is predicted to increase by 3.987261 the coefficient of correlation (r) of 0.954371 shows that there is a strong association between the two variables. UBA PLC profit after tax moved up from N6.520billion in 2005 to N54.637billion in 2008. The shareholders fund also moved from N19.443 billion in 2005 to N1, 479 billion in 2008. Gross earnings increased from N6.159 billion in 2005 to N74.615billion in 2008. The implication of the above is that the post consolidation era the bank is more profitable than the pre consolidated era. Adequate capital was made available to the management. The bank was able to turn around available capital to create a high asset portfolio. Empirical results revealed a strong association between dependent and independent variable. The Coefficient Correlation was 95.43%. This can be interpreted as an increase in shareholders fund lead to increase in the profit after tax of UBA banks.

4.3 TESTING OF HYPOTHESIS

Hypothesis 1

H0: There is no positive relationship between increase in shareholders fund and the profit after tax of access bank.
H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of access bank.

Decision Rule

T calculated value is greater than t table value therefore reject Null hypothesis and accept the alternative hypothesis
H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of access bank.

Hypothesis 2

H0: There is no positive relationship between increase in shareholders fund and the profit after tax of UBA bank.
H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of UBA bank.

Decision Rule

T calculated value is greater than t table value therefore reject Null hypothesis and accept the alternative hypothesis
H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of UBA bank.

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter focuses on the summary and findings of this research work. Recommendations were also made to the research questions raised and conclusions of the study were also presented in this chapter.

5.1 Summary of Work Done

This research empirically has examined the impact of Mergers and Acquisition on the performance of Nigerian banks using Access Bank and United Bank for Africa (UBA) as case studies. From the testing of the two hypotheses in chapter, four mergers and acquisition has impacted positively on the performance of Nigerian banks and this has served as a practical answer to solving the problem of bank failures in our country. In order to have an in-depth knowledge about this research, the whole research is divided into five chapters. Chapter one dealt with the introductory aspect of the study, a statement of the problem, objective of the study, research question, hypothesis, scope of the study, justification of the study and plan of the study. In chapter two, attention was focused on reviewing existing literature gotten from textbooks, journals, unpublished lecture notes, materials from the internet and previous projects related to this research. The chapter had the following subheads: Introduction, conceptual framework, meaning of mergers and acquisition, types of mergers and acquisition, reasons to engage in corporate restructuring exercise, benefits of mergers and acquisition, stages of approval for mergers and acquisition, (NSE) check list that aids the processing application of mergers and acquisition, theoretical framework, value increasing theory, theory of synergy, concentration theory, empirical framework and Gap and conclusion in the literature. Chapter three focused on the methodology used in the research. The chapter contained the research design, population of the study, sampling technique, method of data collection and method of data analysis. The chapter four dealt with the analysis and interpretation of data. The data were analyzed using both regression and correlation by the aid of econometric view version 7 (Eviews). Chapter five includes the summary of work done, the summary of findings which constitute of the theoretical and empirical findings, the conclusion, recommendations and suggestions for further study.

5.2 Summary of Findings

This research was embarked upon primarily with the objective of examining the impacts of mergers and acquisition of commercial bank's performance using shareholders' funds, and profit after tax as a proxy for the analysis.
The summary of findings here consists of both the theoretical and empirical findings.

- -Theoretical findings: This refers to the details and findings drawn from literatures, other research findings and diverse publications and this also entails the theories that have been propounded to help explain the construct.

-Empirical findings: The empirical findings refer to the practical examples of the conclusions of other researchers in the same line of research.

5.2.1 Theoretical Findings

This research finds out the following:

1. The theory of efficiency suggests that mergers will only occur when they are expected to generate enough realizable synergies to make the deal beneficial to both parties; it is the symmetric expectations of gains which results in a ‘friendly’ merger being proposed and accepted (Onikoyi Idris Adegboyega 2012).
2. Roberta Romano (1992:122) stated that acquisitions generate substantial gains to target company shareholders.
3. Olagunju Adebayo and Obademi Olalekan (2012) opined that Mergers and acquisitions have improved the overall performances of banks significantly.
4. According to Umoh (2004), mergers and acquisitions are expected to address the problem of distress among insolvent banks without an initial resort to liquidation.
5. Mergers and Acquisitions are aimed at achieving cost efficiency through economies of scale, and to diversify and expand on the range of business activities for improved performance.
6. Okpanachi Joshua (2011) advocated that mergers and acquisitions are global business terms used in achieving business growth and survival.

5.2.2 Empirical Findings

After proper analyses, the following findings have been based on the analyses conducted in chapter four of this research.

1. The research found out that mergers and acquisition is an effective means of ensuring the stability and profitability of the banking sector.
2. The study has shown that shareholders fund has contributed positively to the profit after tax of Nigerian banks.
3. From the review of literatures in chapter two, it was inferred that corporate restructuring exercise has affected the capital adequacy of commercial banks positively.
4. From this research it was also deduced that one of the key reasons for mergers is to achieve a synergy whereby the combined outputs of the merged firms are greater than their individual output when they are in isolation.

5.3 Recommendations

This research took into consideration only two banks (i.e. Access and UBA) out the many banks in existence in Nigeria.
The following are recommendations for consideration:

1. For those who would want to further explore the topic mergers and acquisition, it will be reasonable if other sectors such as: manufacturing sector, insurance sector, etc. would be taken into consideration in order to broaden the scope of the topic and to prove its applicability in another facet of the economy apart from the banking sector.
2. The consolidated banks in Nigeria should hasten the expansion of their branch both in the rural and urban areas in order to bring banking service delivery nearer to their customers.
3. Government and the regulatory authorities in the banking sector should impose stringent laws which must be complied with by Nigerian banks in order for the banks to be conscious on their toes by enforcing checks and balances in their various operating departments in the system.
4. The Nigerian banks should be more accustomed to the latest technology in the banking sector so as to meet up with international standards and to compete favorably on the international scene.
5. There should be incentives by the government to sustain the Nigerian banking industry in order to further extend their services to the rural areas. This could be by giving tax Holliday for new rural branches opened.

5.4 Conclusion

The prominent question about any mergers and acquisition research is that “is there any significant positive impact on the merging entities?” this is what any research on merger and acquisition seeks to answer in the long run. Mergers and acquisition do not waste resources, but rather, they are the catalyst for the creation of synergy. This research has established that bank mergers and acquisition has increased shareholders’ funds, public confidence as well as financial stability and operational efficiency of the banks that engaged in the corporate restructuring exercise. As a result of this research it has been deduced that shareholders, creditors and depositors who may be referred to as the bank stakeholders play key roles in strengthening the banks’ capacity to attract funds at lower costs thereby enhancing their liquidity positions. This study has brought about answers to the main research question which proves that mergers and acquisition has a positive impact on the performance of commercial banks and this attested to the fact that the post-merger periods of banks outweighs the pre-merger periods. More importantly, merger and acquisition has helped to curtail the problem of banks’ insolvency and illiquidity which are characterized by the bank’s ability to trade with their customer’s deposits in the non-preferred Government sectors which are as high yielding as the commercial sector in the country.

The survival and stability of any country’s banking sector depend on the quality of their consolidation policy and the idea of consolidation policy is that bank consolidation would be able to reduce the risk of insolvency and illiquidity.

5.4.1 Limitation of Study

During the course of carrying out this research, some difficulties were encountered such as:

-There were difficulties in getting the annual reports of some banks, especially their pre-merger annual reports due to the fact that these were not uploaded online which necessitated traveling to the Nigerian Stock Exchange at Ilorin to get the required bank financial statement at extra cost.

-Financial constraints were mostly faced in the course of printing of journals to review literature, and the reprinting of the chapters that were corrected by reviewers

5.4.2 Suggestions for Further Study

Impact of mergers and acquisition on the performance of Nigerian Banks is a topic that needs to be critically and effectively looked into. A research of this nature cannot cover all the issues needed to be discussed, considering the time constraint, inadequate materials, limited sample size (i.e. Two banks, which were used for this research) etc.
The following is therefore suggested

1. Subsequent research on this topic should be embarked upon with a larger sample size, wider geographical considerations such as cross-border mergers and acquisitions in order to have wider views.
2. Subsequent researcher should consider using other methods of analysis such as Chi-square, OLS, etc.
3. Subsequent research in this topic should also consider more variables for its data analysis and interpretation.

5.5 Contribution to knowledge

The major contribution to knowledge of this research is that since there is no generally accepted conclusion as to whether M&A have either a positive or a negative impact on the performance of commercial banks it should not be seen as a universal remedy for strengthening the financial standing of firms, but rather as an important tool for achieving the organizational objectives of both firms.

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APPENDIX

Appendix: Consolidated Banks and Constituents (Case studies)

Consolidated bank	Constituent members of the banks
Access bank PLC	Access Bank Marina International Bank Capital Bank International.
United Bank for Africa	United Bank for Africa PLC Standard Trust Bank Continental trust Bank PLC

Eviews statistical result for Access Bank

Dependent Variable: SHF

Method: Least Squares

Date: 05/17/14 Time: 14:05

Sample: 2002 2008

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1004112.	8400240.	0.119534	0.9095
PAT	9.925239	1.291074	7.687583	0.0006

R-squared	0.921996	Mean dependent var	35767075
Adjusted R-squared	0.906395	S.D. dependent var	61219036
S.E. of regression	18729954	Akaike info criterion	36.56410
Sum squared resid	1.75E+15	Schwarz criterion	36.54865
Log likelihood	-125.9744	Hannan-Quinn criter.	36.37309
F-statistic	59.09894	Durbin-Watson stat	2.971518
Prob(F-statistic)	0.000594		

Substituted coefficients SHF (Y) = 1004112 + 9.93 (PAT) X

Correlation Table

SHF (Y)	1.000000	0.960206
PAT (X)	0.960206	1.000000

Eviews statistical result for UBA Bank

Dependent Variable: SHF

Method: Least Squares

Date: 05/17/14 Time: 16:06

Sample: 2002 2008

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-386.0351	13555.95	-0.028477	0.9784
PAT	3.987261	0.557949	7.146286	0.0008

R-squared	0.910825	Mean dependent var	66316.86
Adjusted R-squared	0.892990	S.D. dependent var	79509.42
S.E. of regression	26009.45	Akaike info criterion	23.40526
Sum squared resid	3.38E+09	Schwarz criterion	23.38981
Log likelihood	-79.91842	Hannan-Quinn criter.	23.21425
F-statistic	51.06940	Durbin-Watson stat	2.510283
Prob(F-statistic)	0.000833		

Substituted coefficients SHF (Y) = -386.0351 + 3.987261 (PAT) X

Correlation Table

SHF (Y)	1.000000	0.954371
PAT (X)	0.954371	1.000000