

**EFFECTS OF MERGERS AND ACQUISITION ON THE EFFICIENCY AND
PERFORMANCE OF NIGERIAN DEPOSIT MONEY BANKS**

OGUNDAHUNSI IBILOLA

15PMG01478

B. Agric, University Of Agriculture, Abeokuta

2021

**EFFECTS OF MERGERS AND ACQUISITION ON THE EFFICIENCY AND
PERFORMANCE OF NIGERIAN DEPOSIT MONEY BANKS**

By

**OGUNDAHUNSI IBILOLA
15PMG01478**

B. Agric, University Of Agriculture, Abeokuta

**BEING A MASTER DISSERTATION SUBMITTED TO THE DEPARTMENT OF
BANKING AND FINANCE, IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE AWARD OF MASTER OF SCIENCE ACIB DEGREE IN FINANCE, IN THE
DEPARTMENT OF BANKING AND FINANCE, COLLEGE OF BUSINESS AND CIAL
SCIENCES, COVENANT UNIVERSITY, OTA.**

2021

ACCEPTANCE

This is to attest that this research work is accepted in partial fulfillment of the requirement for the award of Masters of Science in (M.Sc) in Finance and ACIB in the Department of Banking and Finance, College of Business and Social Sciences, Covenant University, Ota.

Mr. John A. Philip
Secretary, School of Postgraduate Studies

.....
Signature & Date

Prof. Akan B. Williams
Dean, School of Postgraduate Studies

.....
Signature & Date

DECLARATION

I, OGUNDAHUNSI, IBILOLA (15PMG01478), declares that I have carried out this research **EFFECTS OF MERGERS AND ACQUISITION ON THE EFFICIENCY AND PERFORMANCE OF NIGERIAN DEPOSIT MONEY BANKS** under the supervision of Professor Ailemen Ikpefan of the Department of Banking and Finance, College of Business and Social Sciences, University of Covenant, Ota. I certify that the academic work for another degree or certification of this or any other university or other learning institution has not been submitted in full or in part for the award of any degree elsewhere. Both data sources and scholarly knowledge used in the study work are properly recognized.

OGUNDAHUNSI, IBILOLA

.....
Signature & Date

CERTIFICATION

We certify that this research paper entitled "**EFFECTS OF MERGERS AND ACQUISITIONS ON THE EFFICIENCY AND PERFORMANCE OF NIGERIAN DEPOSIT MONEY BANKS**" is an original work carried out by Ogundahunsi Ibilola under the supervision of Professor Ailemen Ikpefan at the Department of Banking and Finance, College of Business and Social Sciences, Covenant University, Ota , Ogun State , Nigeria. From the Department of Banking and Finance, Covenant University, we examined and found the work acceptable for the award of a Master of Science (M.Sc) degree in Finance and ACIB.

Prof. Ailemen O. Ikpefan
Supervisor

Signature & Date

Prof. Abiola Babajide
Head of Department

Signature & Date

Prof. O.S. Kehinde
External Examiner

Signature & Date

Prof. Akan B. Williams
Dean, School of Postgraduate Studies

Signature and date

DEDICATION

I dedicate this research effort to the Almighty God who has been my help in the past ages and my hope and my daughter Ogundahunsi Anuoluwapo for years to come.

ACKNOWLEDGEMENTS

I want to thank God for being my help in ages past and my hope for years to come. He helped me to start this research work, saw me through it and has seen me through it.

I appreciate the Chancellor, Dr. David Oyedepo for seeing this vision through and ensuring that it continues to meet the best standard found anywhere in the world.

I deeply and sincerely appreciate my supervisor, Professor Ochei Ikpefan for his support, assistance and encouragement in the course of this work. Your numerous reminders is truly appreciated Sir. I am also very grateful to the Head of Department, Banking and Finance, Dr. Kehinde Adetiloye for his encouragement and unrelenting effort in the conclusion of this programme. I must also appreciate all the lecturers we passed through in the course of this programme; Professor Francis Iyoha, Professor Phillip Alege, Professor Isaiah Olurinola, Professor Deji Olanrewaju, Professor Evans Osabuohien, Dr. Abiola Babajide, Dr. Felicia Olokoyo, Dr. Olumuyiwa Oludayo and other academic staff of the department. My deepest appreciation to Mr. Godswill Osuma for his time and effort in assisting to perfect this project work, God bless you immensely.

To my classmate, thank you all for being a great team. To my supervisor at work, Alhaja Asisat Fadipe, thank you for always supporting this dream, and to my colleagues who assisted me one way or the other in the course of this programme.

I will continue to appreciate my Pastor and Sister, Rev. (Mrs) Abosede Ogundimu, without whom I would not have known about this programme and who has always encouraged me in aiming higher in all that I do. Thank you to Mr. Yinka Animashaun for supporting me in ensuring that I start this programme. Also to Mr. And Mrs. Bankole Akinola, God bless you and your household for me, thanks for being there for my family.

To my parents, Mr and Mrs J. A. Elegbede, my siblings, cousins and to my wonderful jewel – Anuoluwapo who has borne it all through the years Mummy has to go to school, God bless and keep you for me in Jesus name.

And to everyone who helped on this work in one way or the other, my deepest gratitude.

ABBREVIATIONS

BP	Bank performance
CBN	Central Bank of Nigeria
DMBs	Deposit money banks
FBN	First bank of Nigeria
M & A	Mergers and Acquisition
MPR	Monetary policy rate
NDIC	Nigerian Deposit Insurance Corporation
NII	Net interest income
OLS	Ordinary least square
PAT	Profit after tax
ROA	Return on asset
RTC	Resources and Trust Company Limited
ROE	Return on equity
VIF	Variance inflation factor

TABLE OF CONTENTS

ACCEPTANCE.....	ii
DECLARATION.....	iv
CERTIFICATION.....	v
DEDICATION.....	vi
ACKNOWLEDGEMENT.....	vii
ABBREVIATIONS.....	viii
ABSTRACT.....	xii
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background To The Study.....	1
1.2 Statement Of The Research Problem.....	8
1.3 Objectives Of The Study.....	9
1.4 Research Question	9
1.5 Research Hypotheses	10
1.6 Scope Of The Study	11
1.7 Significance Of The Study.....	11
1.8 Methodology	11
1.9 Data Source And Sample Size	11
1.9.1 Data Analysis	12
1.10 Outline Of The Study.....	12
1.11 Definition Of Terms.....	12
CHAPTER TWO	15
LITERATURE REVIEW	15
2.1 Preamble	15
2.2 Conceptual Definitions	17
2.2.1 Concept And Meaning Of Mergers And Acquisitions.....	17
2.2.2 Concept Of Nigerian Banks	20

2.2.3 Concept of Performance.....	21
2.3 Review Of Related Literature	21
2.3.1 History of Bank Consolidation in Nigeria.....	24
2.3.2 Post-Consolidation effects.....	28
2.3.3 Merger and Acquisition and Nigerian Banking Sector	30
2.3.4 M & A and the Nigerian Consolidation Efforts of 2004.....	30
2.3.5 Types of Mergers and Acquisition	31
2.3.6 Purpose of Merger and Acquisition	32
2.3.7 Benefits of Merger and Acquisition	33
2.3.8 Stages of approval for Merger and Acquisition	Error! Bookmark not defined.
2.3.9 Checklists that aids the processing applications of Merger and Acquisition	Error! Bookmark not defined.
2.3.10 Development of the Conceptual Model	34
2.3.11 Global financial crisis / 2009 reforms and Merger transaction.....	Error! Bookmark not defined.
2.3.12 Issues and challenges in Merger and Acquisition	37
2.4 Theoretical Framework.....	37
2.5 Empirical Review.....	48
2.6 Summary Of Literature Review	52
2.7 Gaps In Literature	Error! Bookmark not defined.
CHAPTER THREE	58
Theoretical Framework And Research Methodology	58
3.1 Preamble	Error! Bookmark not defined.
3.2 Theoretical Framework.....	58
3.3 Model Specification	59
3.4 Data Exploration	62
CHAPTER FOUR.....	65
Data Analysis And Discussion Of Results.....	65
4.1 Preamble	65
4.2 Summary Statistics Of Data.....	65
4.3 Estimation And Results.....	66

CHAPTER FIVE	74
SUMMARY, CONCLUSION AND RECOMMENDATION.....	74
5.1 Preamble	74
5.2 Summary Of The Findings.....	74
5.3 Conclusion	75
5.4 Recommendations	76
5.5 Limitation Of The Study	77
5.6 Suggestion For Further Studies.....	77
REFERENCE.....	79
APPENDIX.....	86

ABSTRACT

Mergers and acquisitions have been proven to generate synergy gains and other organizational benefits, but in some situations, instead of a positive contribution, they have had negative effects. The aim of this study is, therefore, to examine the impact of mergers and acquisitions on the efficiency and performance of nine (9) deposit money banks in Nigeria. A data panel consisting of nine (9) deposit money banks which existed to conduct the study empirically before and after the consolidation exercise of the year (2002-2016). The panel fixed effect, panel random effect and the Pooled OLS were used for the two models that were used as replacements for the production of Deposit Money Banks. The two models, Return on Asset (ROA) and Return on Equity (ROE), were used as dependent variables to evaluate the efficacy and efficiency of the DMBs, with the independent variables and measures being net interest income (NII), profit after tax (PAT) and monetary policy rate (MPR). The results of the study showed that mergers and acquisitions have a substantial and positive impact on the quality and profitability of deposit money banks. This study therefore suggests that, in order to improve the operating level of Nigerian deposit money banks, a holistic and periodic analysis of the minimum capital requirements of deposit money banks should be carried out.

Keywords: merger and acquisition, performance, efficiency.