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The Effect of Merger on Deposit Money Banks Performance in the Nigerian Banking Industry

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Abstract

The study objective gives an insight into the effectiveness of economic policy reforms in the Nigerian banking industry. This study examines the impacts of merger on deposit money banks performance in Nigeria between 2000 and 2009. The period was characterized by financial deregulation, the Global economic crisis, and bank restructuring programs. The panel data ordinary least squares approach is the methodology employed to investigate if there is any significant effect on the performance of banks from the pre to the post merger periods, in order to detect whether bank mergers produce any performance gains in the Nigerian banking industry. The evidence shows that merger created synergy as indicated by the statistically significant increasing post-merger financial performances although banks should not jump at any merging opportunity that offers itself because the exercise is not an opportunistic one. We therefore recommend that merger being a relatively new phenomenon in the Nigerian banking environment should be given more encouragement by the regulatory authorities.

JEL classification numbers: G34
Keywords: Merger, Performance, Deposit money banks

1 Background to the Study

Banking reforms have been an ongoing phenomenon around the world since the 1980s but it has been very frequent and intense in recent times in developed and developing countries due to the effect of globalization which is triggered by continuous integration of the world market and economies. Between 1980 and

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