**MERGERS AND ACQUISITIONS IN THE NIGERIAN BANKING INDUSTRY**

**ABSTRACT**  
The study was designed to examine mergers and acquisitions in Nigerian banking industry. The need to carry out this study rose from the challenges faced by Nigerian banks despite the reduction of banks from the end of 31st December 25. These changes faced by banks in the country have made researchers to question the efficiency of the consolidation of banks in Nigeria.  The explorative research method was used for this study. Data was collected from journals, textbooks, conference papers and the internet. The findings reveals that the consolidation (mergers and acquisitions) activities in Nigerian did not meet the desired objective of liquidity, capital adequate and corporate government, which resulted to more troubled after the consolidation. On the basic of this, the study recommendation among other that corruption insiders abuses must be minimized in the banking sector for the country to deriver three benefits of mergers and acquisition.

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**CHAPTER ONE**

**INTRODUCTION**

**Background of study**

Mergers and acquisitions have emerged as a strategic tool for achieving corporate expansion and growth. Analyses have the banks to benefit from new business opportunities that would be created by change in the regulatory and technological environment.

Aluo (2010) argue that Nigerian banks adopted different strategies to achieve the stipulated minimum capital base of N25 billion during the consolidation of banks in 2004 and 2005 which include mergers and acquisition. He further opines that mergers and acquisitions represent the widely used corporate strategy to penetrate into new market and new geogr4aphi regions, gain management expertise and knowledge or allocate capital. The question why mergers and acquisitions occurs has multiple answers. The often discussed reasons are synergy, agency costs due to self-acquirer managers, discipline of target management and managerial timing of high market valuation. It is also noted that mergers and acquisitions in the banking industry are aimed at achieving economies of scale and scope. Mergers also help in the diversification of products which help to reduce risk us well. Over the years, the Nigerian banking industry has experience progressive banking reforms and intervention by the regulator. These reform have brought about unprecedented transformation with far-reaching implication on the industry.In Nigeria, the series of the reform in the banking sector over the past three years became imperative when the central bank of Nigeria (CBN) identified poor corporate government, poor risk management practice and inadequate disclosure among other in the industry. Furthermore, following the successful conclusion of the recapitalization exercise, Nigerian banks is now wearing a second outlook   
The reform of the rescued bank which was finally resolved by CBN has unleashed tremendous change in the banking sector. The exercise has also placed the banking industry; ensuring a reliable and safe banking services; enhancing a sharp improvement in tern of transparency and accountability so as to induce the spirit of competitiveness and development-oriented banks   
Therefore. The intent of this study is to critically analysis mergers and acquisition in the Nigerian banking indstry and offer some required therapy to ensure optimal success in M&As

**1.2 Statement of Problem**

The need to carry out this study arose from challenges faced by Nigerian banks despite the reduction of banks from 89-25 during the period of banking reform by CBN. these current challenges faced by banks in the country have made researchers to question the efficacy of consolidation of banks.  
Mergers and acquisition suffers from several limitations. The problem most commonly citied is that vast majority of work in the area is either based on case study or primarily anecdotal. Other include corruption, fraud, insider abuse weak management traceable to management, etc.  
Furthermore, there have been no studies that evaluate M&As as a consolidation strategy especially in Nigeria, as it is a rare occurrence din the country, not until the recent bank merger and acquisition witness in this banking sector as occasioned by the banking reforms. The study shall attempt to bridge this gap   
**1.3 Objective of study**

The purpose of this research work is to examine the overall motive of mergers and acquisition in the banking sector. The study also focuses on the following micro objective viz:

1. To critically evaluate the structural and brand implication of mergers and acquisition options in the banking sector
2. To find out the motive behind mergers and acquisition
3. To examine the impact of mergers and acquisition on the level of competitiveness in the banking sector.

**1.4Significance of the study**

This study will be beneficial to future research carried on similar topic. it will also provide a reference point to research student. In addition, the findings of this research will serve as a follow. Moreover, it will also be a source of advice to existing and prospective banks on how to go about their banking business.

**1.5 scope of study**

This study is meant to cover Nigerian banks in general and some merger banks in particular. However, although about 25 banks emerged after the recapitalization exercise 19 of them were product of merge banks.  
Consequently, some traceable merging of bank can be seen between United Bank for Africa and standard Trust Bank; Ecobank plc and Oceanic international bank Plc; Access Bank plc and intercontinental Bank Plc  
This implies that the former is the principal head while the latter is just a subsidiary company that is entitled to a holding or controlling interest. Not withstanding, this is fueling by the need to survive and be a major player in the post-consolidation era in the banking sector .

In carrying out this research work, attention would focus on Nigerian banks as related to merge banks.

**1.6 limitation of study**

Survey research methods shall be to gather information from respondents concerning their opinions on the role of mergers and acquisition as a survival strategy in the Nigerian banking sector.

The questionnaire to be used be carefully administered and a total of 50 respondents s would be selected for purpose of this analysis

The sampling shall be done randomly such that the respondents shall cut across different departments of Nigerian banks. This could to some extent give a basis for generalization. The data should be collected from journals, text books conference papers and the internet, this will be presented and analyze using frequency table and simple percentage methods. This will make the analyze of the more concise and simple.

**1.7 Hypothesis of study**

The research hypothesis to be tested din the course of this study is stated below:  
Ho: That merger and acquisition is not a survival strategy in the banking sector   
Hi: that merger And acquisition is a survival strategy in the banking sector

**CHAPTER TWO**

**REVIEW OF LITERATURES**

**INTRODUCTION**

Mergers and acquisitions (M & A) are commonplace in developed economies like Britain and the United States of America but are yet to become very prominent in the scheme of corporate events in Nigeria . Essentially, most companies facing increased competitive business environment are constantly driven to improve their services and increase efficiency. Mergers and acquisitions have continued to remain viable tools to achieving this end, combating corporate decay resulting from managerial ineptitude and enhancing organic growth and integration in an organisation.

As aged as the concept may be, mergers and acquisitions have long been recognized as tools for addressing business problems. In practical terms, it allows companies to amongst other things, fuse together and consolidate resources in order to enhance their output ratio even under harsh economic conditions, rather than wither away to unfriendly corporate environment.

During mergers and acquisitions, these companies reconstruct and re-engineer their corporate structure. By way of amalgamation, they combine together their existing organs and metamorphose into a larger entity in law or in alternate; one acquires controlling shares in another. This concept is referred to as merger; while the latter is called an acquisition.

A merger is very similar to an acquisition, except that in the case of merger; existing stockholders of both companies involved retain a shared interest in the new combined company, while an acquisition contemplates a takeover of substantial shares by an acquirer in another company called the target company.

Following incessant cases of bank distress in Nigeria (particularly between 1993-2003) with its attendant negative impact on public confidence and economic stability, the Central Bank of Nigeria raised minimum bank capital requirement from #2 billion to #25 billion with an implementation period of 18 months (July 6, 2004-December 31, 2005) in order to foster stability in the sector as well as enhance its capacity to deliver quality service to the economy. An essential component of banking sector consolidation is the attainment of a strong, competitive and reliable banking system. Soludo (2004) posits that the major objective of the exercise is to strengthen the banking system and to ensure the achievement of a diversified strong and reliable banking sector that will guarantee safety of depositors’ money and shareholders’ fund as well as play active developmental roles in the Nigerian economy and the global financial market. According to Okafor (2011), the short compliance period created huge implementation difficulties and caused a major shock in the banking sector. At the conclusion of the exercise, 75 out of the 89 banks that existed prior to the announcement date fused (through mergers and acquisitions) into 25 banks while 14 others which could not meet the recapitalization deadline had their operating licenses withdrawn. Owing to the size of capital revision involved, implementation entails huge costs and enormous marketing efforts while the short implementation period denied the affected banks ample time to strategize and to weigh alternative courses of action before selecting the best and most cost effective implementation option. Mergers and Acquisitions have been shown to promote synergy in business operations as the performance of the emerging organization is often better than the sum of individual performances prior to the consolidation. The fusion of two or more banks into a unified entity is expected to promote operational performance through improved competition, exploitation of economies of scale, facilitation of adoption of advanced technologies and higher level of operational efficiency. Ultimately, the goal is to strengthen the intermediation role of banks and to ensure that they are able to perform their traditional role of enhancing economic growth. The NDIC (2009) outlined major reasons for adopting the consolidation option to include curtailing incessant episodes of bank distress, promotion of competitiveness and transparency in the sector, enabling the sector to effectively play its developmental role in the economy, strengthening the sector to be an active participant in the regional and global financial system, and enhancing public confidence in the banking industry. Though the exercise was adjudged successful because it led to huge increases in the capital and asset base of the consolidated banks as well as their liquidity levels, stability of the sector was shot-lived as serious signs of systemic capital inadequacy and illiquidity was observed in the sector within three years of implementation of the programme. One school of thought argued that the inability of the sector to sustain the gains of the exercise was hinged on the mode of implementation. They argue that the strong banks acquired potentially profitable prospects leaving the weak ones that do not strongly appeal to “suitors” to merge into single entities. Another school also argues that the short implementation period led to “marriage of strange bed-fellows” due, largely, to poor evaluation of prospects. There were instances of “window dressing” or willful concealment of material facts to present an attractive but deceptive corporate image to prospective buyers leading to the acquisition of weak banks by stronger ones. In spite of the “successful” implementation of the consolidation programme, the performance of the banking sector in Nigeria cannot be said to be optimal as some of the unions that were consummated through mergers and acquisitions have not been efficient leading to interventions by the Central Bank of Nigeria.

**Conceptual Framework**

**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 postmerger 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).

**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.

**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.

**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

**Empirical Literature**

Studies have been conducted to provide empirical evidence on the impact of mergers and acquisition on banking sector performance. Iloh, Okolo and Ani (2013) examined the impact of bank consolidation on the credit delivery capacity of the Nigerian banking sector. They find that though there is evidence that bank deposit impacted lending to SMEs, there is no evidence of significant effect of bank consolidation on credit delivery to SMEs, an indication that deposit money banks may have favoured blue chips in their financing decision. Babajide, Olokoyo and Taiwo (2015) analyzed bank consolidation and small business financing in Nigeria using panel data over the period 2004-2011. The study covered the 23 banks that emerged from the consolidation exercise. They find a significant increase in asset base and profitability of banks in the post-consolidation period. Emeni and Okafor (2008) examined the effects of bank mergers and acquisitions on small business lending in Nigeria using data from cross-sectional survey of Nigerian banks. The study adopted the ordinary least squares analytical method. They find that bank size, financial characteristics and deposits of non-merged banks are positively related to small business lending while the reverse is the case for the merged banks. The study concludes that mergers and acquisitions have both static and dynamic effects on small business lending. Samuel (2010) conducted a study on the effect of the 2005 banking sector reforms on economic growth in Nigeria using ordinary least square regression technique. He finds 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 are significantly related to economic growth. Okpanachi (2010) did a comparative analysis of the impact of mergers and acquisitions on financial efficiency of banks in Nigeria. The paper adopted gross earnings, profit after tax and net assets of the selected banks as indicators of financial efficiency. A comparison of the pre- and post-merger and acquisition bank performance based on the independent sample test was undertaken. The result shows that banks were more efficient in the post-merger and acquisition period. Basu, Druck, Marston and Susmel (2004) examined the effect of bank consolidation on the performance of Argentine banks using panel data on over 100 banks. The study covered the period 1995-2000. They find that consolidation increases bank returns and reduces risk of insolvency. There are further evidence in literature that bank mergers lead to efficiency improvements in both cost and profits (See for instance, Huizinga et al (2001); Ayadi and Puyals (2005). Craig and Santos (1997) compared the pre- and post-merger performance of a sample of United States bank holding company mergers. They find evidence of higher profitability and lower risk in the post-merger period. Another US study by Cebesoyan and Strahan (2002) finds that sophistications in loan management practices by US banks, often associated with scope and size, do not reduce risk. Also, Boyd and Graham (1998) present evidence of higher risk-taking and failure rates in the postconsolidation period. De Nicolo et al (2003) examined the relationship between consolidation and conglomeration of financial firms and firm and systemic risk potential of banks. They find a positive association between them. Viverita (2008) studied the effect of mergers on bank performance in Indonesia between 1997 and 2006. The study shows positive impact of bank mergers on the performance of Indonesian banks during the period. Several studies across the US and Europe, particularly from the 1990s, have provided evidence in support of efficiency impact of bank mergers. For instance, the US studies by Knapp, Gart and Chowdhry (2006), Cornett, McNutt and Tehranian (2006) and Kwan and Wilcox (2002) find evidence of efficiency improvements in the post-merger periods. Also, Ashton and Pham (2007), in a study of 61 UK firms, find evidence of efficiency improvements in post-merger costs and profits. A German study by Koetter (2005) and another by De Guevara and Maudos (2007) for Spain also shows evidence of efficiency improvements. Carbo and Humphery (2004) find evidence of profitability improvements in Spanish post-merger banks. Altunbas and Ibanez (2008) and Diaz, Olalla and Azoefa (2004) introduced a new dimension to merger studies. For instance, Altunbas and Ibanez (2008) examined the post-merger performance of banks that adopt similar operational strategies. The study shows mergers involving banks that adopt similar strategies in their operations record higher efficiency and profitability improvements than those that adopt different strategies. Diaz, Olalla and Azorfa (2004) also show that bank-tobank mergers out-perform bank-to-non-bank mergers. Emerging from the empirical review is an observation that evidence-based findings on the subject predominantly relate to the experiences of developed economies, an indication of inadequate empirical evidence for developing economies like Nigeria. Equally important is that most of the Nigerian studies did not compare the performance of the banking sector in the pre- and post- consolidation periods to determine performance-related impact of consolidation. This study finds relevance in this area.

**Theoretical framework**

**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.

**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.

**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.

**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.

**CHAPTER THREE**

**RESAERCH METHODOLOGY**

The study analysed the data using both descriptive and analytical tools. In addition to tables, percentages and graphs, the CAMEL criterion was employed as a framework for analysing the performance of the bank; appropriate ratios were adopted as proxy for capital, asset management, earning and liquidity. The trend of these ratios for the period before and after mergers and acquisitions was tested with the aid of paired sample t- test.

The Paired sample t- test is outlined as follows:

t = X1 – X2



* S12 +S22

n1 n2

Where

X1 = Mean of the performance indicators of the bank before M&A

X2 = Mean of the performance indicators of the bank after M&A

S12 = Sample variance of the performance indicators of the bank before M&A S22 = Sample variance of the performance indicators of the bank after M&A

t = t- statistic

n = Sample size with n1 +n2 -2 degree of freedom

The variables used for analysis were capital, assets, management, earnings and liquidity. These variables were not directly measurable. Consequently, they were proxied by other variables. Capital adequacy ratio (CAR), defined as the ratio of bank’s capital to asset was used as proxy for capital adequacy; it reflects the inner strength of the bank. Similarly, the ratio of performing loans to total loans (RPL), was used to measure assets quality. In the same way, return on assets (ROA), defined as the ratio of net income after taxes to total assets, was used as proxy for management efficiency. This ratio is an indicator of managerial efficiency; it indicates how capable the management of the bank has been converting the bank’s assets into net earnings. Profit before tax (PBT), was employed as substitute for earnings. Finally, investment deposit ratio (IDR), also known as liquidity ratio, was used in place of liquidity. The ratio is defined as the ratio of liquid assets [cash + deposit with CBN + Treasury Bills + investments in money market (money at call, commercial paper, bankers’ acceptances, bills discounted)] to total deposits. This approximates the Central Banks of Nigeria’s definition of liquidity ratio.

Data on the variables for the study covered the period 2000-2010. The year 2005, the deadline for the recapitalisation, was taken as the base year while the period 2000-2004 was taken as the pre-merger period with the period 2006-2010 serving as the post-merger period.

The method of data analysis employed by this study was an adaptation of the CAMEL criterion used by Kouser and Saba (2012). It is a procedure that is widely used for the evaluation of performance and ranking of banks. As stated earlier, it assesses bank performance based on capital adequacy, assets quality, management efficiency, earnings and liquidity. The criterion was also used in part by Okpanachi (2011). Similarly, Sangmi and Nazir (2010), also used the criterion. It was expected that the various performance indicator ratios of the bank for the period after mergers and acquisitions should be higher than those of the previous period. The values of the t-statistic were expected to be negative, indicating that the bank performance had improved after the mergers and acquisition exercise.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Table 4.1:** | | | **UBA’s Financial & performance indicators (2000-2010) in million naira** | | | | | | | | | | | | | | | | | | | | | |
|  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Yrs | Capital | | | | Asset |  |  | PBT | | | Loan | | & |  | Perf. | | Deposit | | |  | Income | | Invest. | |
|  |  |  |  |  |  |  |  |  |  |  | Advance | | |  | Loan | |  |  |  |  |  |  |  |  |
| 2000 | 6782 | |  |  | 119987 | |  | 3804 | |  | 17325 | |  |  | 11435 | | 82518 | |  |  | 17866 | | 647 | |
| 2001 | 8427 | |  |  | 187248 | |  | 1585 | |  | 23106 | |  |  | 16175 | | 133135 | |  |  | 18748 | | 757 | |
| 2002 | 9782 | |  |  | 198680 | |  | 2238 | |  | 40135 | |  |  | 30372 | | 131866 | |  |  | 19633 | | 944 | |
| 2003 | 13767 | |  |  | 200995 | |  | 4816 | |  | 46076 | |  |  | 42177 | | 142427 | |  |  | 20518 | | 2049 | |
| 2004 | 18059 | |  |  | 208806 | |  | 5608 | |  | 56136 | |  |  | 53982 | | 151929 | |  |  | 21403 | | 2387 | |
| 2005 | 17702 | |  |  | 248928 | |  | 6239 | |  | 67610 | |  |  | 65582 | | 205110 | |  |  | 22016 | | 2835 | |
| 2006 | 47621 | |  |  | 851241 | |  | 12514 | |  | 107194 | | |  | 93259 | | 757407 | |  |  | 61200 | | 49543 | |
| 2007 | 164821 | | |  | 1102348 | |  | 26988 | |  | 320229 | | |  | 306760 | | 897651 | |  |  | 74575 | | 74421 | |
| 2008 | 188155 | | |  | 1520091 | |  | 54637 | |  | 405540 | | |  | 403450 | | 1258036 | | |  | 114530 | | 96397 | |
| 2009 | 187719 | | |  | 1400879 | |  | 22989 | |  | 543289 | | |  | 535717 | | 1151086 | | |  | 165547 | | 150565 | |
| 2010 | 187730 | | |  | 1432632 | |  | 16359 | |  | 569312 | | |  | 521466 | | 1119063 | | |  | 113996 | | 313659 | |
| Sources: | UBA’s | | | | Annual report | | and statement of account | | | | | | | | | |  |  |  |  |  |  |  |  |
| **Table 5.2: UBA Plc’s performance ratios (CAMEL) 2000-2010** | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |
|  |  | **Pre mergers period** | | | | | | | | |  |  | **Base** | |  | **Post mergers period** | | | | | |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  | **year** | |  |  |  |  |  |  |  |  |  |  |
| **yrs/ratios** |  | **2000** | |  | **2001** | **2002** | |  | **2003** |  | **2004** |  | **2005** | |  | **2006** |  | **200** |  | **200** | | **2009** |  | **2010** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **7** |  | **8** |  |  |  |  |
| **CAR** |  | 5.6 |  |  | 4.5 | 4.9 |  |  | 6.9 |  | 8.6 |  | 7.1 |  |  | 5.6 |  | 15.0 |  | 12.4 | | 13.4 |  | 13.1 |
| **RPL** |  | 66.0 | |  | 70.0 | 75.6 |  |  | 91.5 |  | 96.1 |  | 96.2 |  |  | 97.0 |  | 87.0 |  | 95.8 | | 99.5 |  | 91.6 |
| **ROA** |  | 14.9 | |  | 10.0 | 9.9 |  |  | 10.2 |  | 10.3 |  | 8.8 |  |  | 7.2 |  | 6.8 |  | 7.5 | | 11.8 |  | 8.0 |
| **PBT** |  | 2.4 |  |  | 1.0 | 1.4 |  |  | 3.1 |  | 3.6 |  | 4.0 |  |  | 7.9 |  | 17.1 |  | 34.6 | | 14.6 |  | 10.4 |
| **IDR** |  | 0.8 |  |  | 0.6 | 0.7 |  |  | 1.4 |  | 1.6 |  | 1.4 |  |  | 6.5 |  | 8.3 |  | 7.7 | | 13.1 |  | 28.0 |

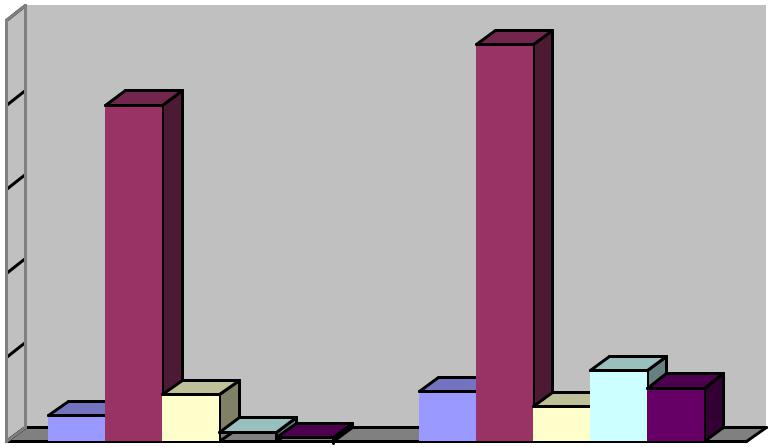
Source: Author’s computation

**Table 4.3 Mean of UBA Plc’s performance ratios before and after the exercise**

|  |  |  |
| --- | --- | --- |
| **Ratios** | **Mean of the pre mergers period** | **Mean of the post mergers period** |
| **CAR** | 6.1 | 11.9 |
| **RPL** | 79.8 | 94.2 |
| **ROA** | 11.1 | 8.3 |
| **PBT** | 2.3 | 16.9 |
| **IDR** | 1.0 | 12.7 |

Source: Author’s computation

**Chart 4.1: Mean of UBA Plc’s performance ratios before and after the exercise**

****

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **100** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **80** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **60** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **CAR** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **RPL** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **40** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **ROA** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **20** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **PBT** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **IDR** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **0** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **Mean of the pre** | | | | | | | | | | |  | **Mean of the post** | | | | | | | | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **mergers period** | | | | | | | | | | |  | **mergers period** | | | | | | | | | | |  |  |  |  |
| Source: Author’s computation | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Table 4.4:** |  |  | **Pair sample t-test output** | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | | | | | |  | | | | |  |  | | | |  |  | | | | | | |  | |  |  |
| **Performance indicators** | | | | | | | | | | | **Mean** | | | | |  | **Mean** | | | |  | **Standard** | | | | | | | **t-cal** | |  | **t-critical** |
| **Before and after M&A** | | | | | | | | | | |  |  |  |  |  |  | **difference** | | | |  | **deviation** | | | | | | | **value** | |  | **value** |
| **CAR** |  |  |  | Before | | | | | | | 6.100 | | |  |  |  | -5.800 | | |  |  | 3.898 | | | |  |  |  | -3.327 | |  | 1.96 |
|  |  |  | After | | | | | | | 11.900 | | |  |  |  |  |  |  |  |  |  |
| **RPL** |  |  |  | Before | | | | | | | 79.840 | | |  |  |  | -14.34 | | |  |  | 13.361 | | | |  |  |  | -2.400 | |  | 1.96 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | After | | | | | | | 94.180 | | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | | | | | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **ROA** |  |  |  | Before | | | | | | | 11.060 | | |  |  |  | 2.800 | | |  |  | 3.314 | | | |  |  |  | 1.889 | |  | 1.96 |
|  |  |  | After | | | | | | | 8.260 | | |  |  |  |  |  |  |  |  |  |
| **PBT** |  |  |  | Before | | | | | | | 2.300 | | |  |  |  | -14.62 | | |  |  | 11.196 | | | |  |  |  | -2.920 | |  | 1.96 |
|  |  |  | After | | | | | | | 16.920 | | |  |  |  |  |  |  |  |  |  |
| **IDR** |  |  |  | Before | | | | | | | 1.020 | | |  |  |  | -11.7 | | |  |  | 8.517 | | | |  |  |  | -3.072 | |  | 1.96 |
|  |  |  | After | | | | | | | 12.720 | | |  |  |  |  |  |  |  |  |  |
| **Staff** |  |  |  | Before | | | | | | | 6.080 | | |  |  |  | -6.580 | | |  |  | 5.643 | | | |  |  |  | -2.607 | |  | 1.96 |
| **strength** |  |  |  | After | | | | | | | 12.660 | | |  |  |  |  |  |  |  |  |  |
| **Credit** |  |  |  | Before | | | | | | | 1.700 | | |  |  |  | -16.000 | | |  |  | 7.875 | | | |  |  |  | -4.543 | |  | 1.96 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | After | | | | | | | 17.700 | | |  |  |  |  |  |  |  |
| **advanced** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Source: Extract | | | from SPSS output | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |

**CHAPTER FIVE**

**SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

**5.1** **Findings:**

**Capital adequacy ratio (CAR), 2000-2010**

As Table 5.2 shows, the bank’s capital adequacy ratio was 5.6% in 2000 and fell to 4.5% in 2001 and then, rose to 4.9% in 2002, 6.9% in 2003 and 8.6% in 2004. This indicates an upward trend. However, in 2005, the year of the merger, the ratio fell to 7.1% and further to 5.6% in 2006 after which it rose to its peak of 15.0% in 2007 and later declined to 12.4% in 2008, but rose marginally to 13.4% in 2009. It suffered a slight decline to 13.1% in 2010. The fluctuation in the trend after the mergers may be attributed to the global economic meltdown of 2007-2008. The trend is depicted graphically in Chart 4.1 above.

Since the mean of the CAR for the period after the mergers and acquisition as presented in Table 5.3 and Chart 5.1 is higher than the mean before the exercise, we can say that the exercise had improved the performance of the bank in terms of capital adequacy.

**Ratio of performing loans to total loans (RPL), 2000-2010**

Generally, as can be seen from Table 5.2, the bank’s ratio of performing loans to total loans revealed that the quality of the bank’s assets was good. The ratio rose steadily from 66% in 2000 to 70% in 2001, 75.6% in 2002 to 91.5% in 2003, 96.1% in 2004, 96.2% in 2005 and 97.0% in 2006. It fell to 87.0% in 2007; this fall may have been due to the global financial crisis. It then rose to 95.8% in 2008 and later to 99.5% in 2009 and fell again to 91.6%. Furthermore, it is evident from Table 5.3 and Chart 5.1 that the exercise had improved the bank performance in terms of assets quality since the mean of the period after the exercise is greater than that of the period before.

**Return on assets (ROA), 2000-2010**

ROA is defined as net income after taxes divided by total assets. The bank’s return on assets fell from 14.9% in 2000 to10% in 2001and to 9.9% in 2002 after which it rose to 10.2% in 2003 and rose slightly again to 10.3% in 2004 and then fell to 8.8% in 2005 the year of the merger. After the merger, it further fell to 7.2% in 2006 and 6.8% in 2007 and then rose to 7.5% in 2008 and to 11.8% in 2009 and then fell to 8.0% in 2010. The fluctuation in the trend after the mergers is attributed to the global economy meltdown.

Based on the findings of Table 5.3 and Chart 5.1, we conclude that the exercise had not improved the performance of the bank in term of management competency since the mean of the ratio for the period after the exercise is less than that of the period before the exercise.

**Profit before tax (PBT), 2000-2010**

For a large part of the period under review, the bank’s profit before tax increased steadily, rising from ~~N~~ 3.80 billion in 2000 to its peak of ~~N~~ 54. 33 billion in 2008, it recorded the highest annual percentage increase of 34.6% in that year. Thereafter, it declined continuously until 2010 when it stood at ~~N~~ 16.36 billion. The trend is depicted in Table 5.2 The continued decline is attributed to the global economy meltdown.

As the mean ratio of PBT for the period after the exercise is greater than that of the period before the exercise, we conclude that the exercise had improved the bank performance in term of earnings efficiency.

**Investment deposit ratio (IDR) 2000-2010**

The bank’s investment deposit ratio showed a generally rising trend. Starting from 0.8% in 2000, the ratio fell to 0.6% in 2001 but rose to 0.7% in 2002, 1.4% in 2003 and 1.6% in 2004. After suffering a decline in 2005, it rose sharply to 6.5% in 2006, and 8.3% in 2007 before falling to 7.7% in 2008, largely due to the global financial crisis. But it increased dramatically to 13.1% and 28.0% in 2009 and 2010 respectively. The trend in the investment deposit ratio is depicted in Table 5.2.

Furthermore, it is evident from Table 5.3 and Chart 5.1 that the exercise had improved the performance of the bank in terms of liquidity efficiency since the mean of IDR for the period after the exercise is greater than that of the period before the exercise.

**5.2** **Testing of hypothesis**

The research hypothesis states that there is no significant difference in the performance of UBA Plc before and after the mergers and acquisitions exercise. The study used the CAMEL criterion for measuring bank performance - capital adequacy, assets quality, management competency, earnings, and liquidity efficiency – to test this hypothesis. Appropriate proxies were used where the variables could not be observed directly. The test statistic was the paired sample t-statistic. The results for the various ratios before and after the mergers and acquisitions are presented in Table 5.4. As stated earlier, the decision rule is to reject H0 if the absolute value of the calculated t-ratio is greater than 2.228 which is the critical value of the t distribution at the 5% level of significance with 10 degrees of freedom. Otherwise, H0 is accepted.

Table 5.4 shows that the mean difference of the bank’s capital adequacy ratio is -5.80. With a *t* -ratio of -3.327, the difference is statistically significant, indicating that the bank is more capital adequate after the mergers and acquisitions. Hence, it can be concluded that mergers and acquisitions had improved the bank’s performance in terms of capital adequacy.

Table 5.4 also shows that the mean difference of the bank’s ratio of performing loans to total loans which measures the assets quality of the bank is -14.34 with a *t-* ratio of -2.400. The negative difference (-14.34) indicates that the bank’s assets quality was better than the pre-merger period while the *t-*ratio of -2.400 which exceeds its critical value shows that this difference was statistically significant. Hence, there was a significant difference in the performance of the bank before and after mergers and acquisitions in terms of asset quality.

The return on assets which measures the bank’s management competency yielded a mean difference of 2.800 with a *t*-ratio of 1.889. The positive mean difference indicates that the bank management was more competent before the mergers and acquisitions. However, since the *t*-statistic is less than its critical value of 2.220, the difference in the performance of the bank in terms of management efficiency is not statistically significant. In other words, mergers and acquisitions had neither significantly improved nor worsened the competency of the bank’s management.

The mean difference of the ratio of the bank profit before tax was -14.62 with a *t-* ratio of - 2.290 indicating that the bank fared significantly better after mergers and acquisitions in terms of earnings.

The bank’s liquidity measured by its investment deposit ratio for the period under review gave a mean difference of -11.70 with a *t*-ratio of -3.072. This implies that the bank performed better in terms of liquidity after the mergers and acquisitions. Furthermore, the high *t*-statistic of - 3.072 shows that the difference performance was statistically significant. Hence, there was a significant difference in the performance of the bank in terms of liquidity efficiency.

Given these results, the null hypothesis is rejected. Consequently, it is concluded that there is a difference in the performance of UBA Plc before and after the mergers. More specifically, UBA Plc performed better after the mergers and acquisitions except in terms of management competency. This conclusion is consistent with the findings of Emumilade (2010) and Alao (2010) but is contrary to the results obtained by Okpanachi (2011) who found no significant difference between the pre- and post-mergers and acquisitions period of three selected banks in terms of gross earnings, profit after tax and net assets.

**5.3** **Recommendations**

Based on the findings of the study, it is recommended that:

1. The Central Bank of Nigeria (CBN), being the apex regulator of the banking industry, should set and enforce capital adequacy standards for commercial banks. This is necessary as a higher CAR connotes a stronger the bank.
2. Banks should intensify training and retraining programmes for all staff, particularly the management staff, to improve management efficiency.
3. The Central Bank of Nigeria (CBN) is enjoined to carry out frequent appraisals and re-appraisals of the performance of banks in Nigeria to avoid the systemic distress that preceded the banking system before the 2004/2205 consolidation exercise.
4. This study was restricted to UBA Plc. It may be necessary to extend the analysis to other banks. This would provide a basis for comparison.

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