

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Diploma Thesis**

**Analysis of the impact of Merger & Acquisition on the  
performance of Financial Institution  
(Access Bank and Diamond Bank Plc in Nigeria)**

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## DIPLOMA THESIS ASSIGNMENT

Bc. Gbenga Samuel Lawal

Economics and Management

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Thesis title

**Analysis of the impact and performance of merger of Access Bank and Diamond Bank Plc in Nigeria**

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### Objectives of thesis

The work analyses corporate merger in banking sector in Nigeria.

Merger is an agreement between two existing companies or establishments to become one “new company”.

In particular bank consolidation and merger commenced in Nigeria around 2004/2005 when the central bank of Nigeria increased the minimum capital base of banks requirement from N5billion naira to N25billion (13Mm USD – 65.5mm USD) at today’s exchange rate.

The policy was introduced to create a strong asset quality and stable liquidity. The banks were left with the option of merging in order to survive the recapitalization requirement and process. This consolidation forced and reduced the number of banks from Eighty-nine (89) banks to twenty (21) banks today. The bank recapitalization in 2005 led to the foundation for most of the banks operating today in the country.

Access and Diamond bank plc were part of the 21-surviving bank after the banking reform and consolidation in the country. On 19th December 2018, both banks announced they signed a Memorandum of Agreement in respect of a potential merger between both banks (the “Merger”) This study will examine the details of the Merger, analysis, innovations, impacts and the effects of the same on the relevant stakeholders.

### Methodology

The thesis will be divided into two parts: The descriptive and the analytical part.

Characteristics of mergers in the banking sector in Nigeria

The industry analysis consolidation of banking sector

Analysis of merger between Access and Diamond bank plc

Synergic effect of the merger

Motivation of the merger

Results of the merger

Impact on the industry

discussion

conclusion

Recommendations



## The proposed extent of the thesis

60 pp

## Keywords

Merger, stakeholders, Banking, effect on industry, Nigeria

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## Recommended information sources

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## **Declaration**

I declare that I have worked on my master's thesis titled " Analysis of the impact of Merger & Acquisition on the performance of Financial Institution (Access Bank and Diamond Bank Plc in Nigeria) " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 28<sup>th</sup> March 2022

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I would like to thank doc. Ing. Irena Jindrichovska for her support, advise and supervision during my work on this thesis. Also to my amiable wife and all glory to God Almighty for making this a reality.

# **Analysis of the impact of Merger & Acquisition on the performance of Financial Institution (Access Bank and Diamond Bank Plc in Nigeria)**

## **Abstract**

This study examines the impact of merger and acquisition on the performance of financial Institution in Nigeria. While reviewing from 2010 – 2021, the study considered deposit, productivity, risk assets, Shareholder's equity and Total assets as measurements for the performance and effect of merger and acquisition on the banks in both pre & post-merger and acquisition period between Access bank Plc and Diamond Bank plc, Nigeria.

The t-test statistical tool was used to test for the performances of all variables as the sample size is less than 30 using python analytical tools. The findings shows that there is a statistically significant differences between deposits productivity, risk assets, Shareholder's equity and Total assets of both banks before Merger (2010-2018). On the other hand, there is no significant relationship between Pre-merger and acquisition and post-merger & acquisition and Profitability of Access Bank and after the Merger. The study therefore recommends that, Mergers and Acquisition activities should be encouraged, it leads to the corporate Survival, corporate growth, increase in profitability and banks sustainability in Nigeria.

**Keywords:** Acquisition, Assets, Merger, stakeholders, Banking, Deposits effect on industry, Nigeria

## **Analýza dopadu fúzí a akvizic na výkonnost finanční instituce ( Přístup do banky a Diamond Bank Plc v Nigérii)**

### **Abstrakt**

Tato studie zkoumá dopad fúzí a akvizic na výkonnost finančních institucí v Nigérii. Práce se zaměřuje na období 2010–2021 a zkoumá akvizici mezi Access bank. Plc a Diamond Bank plc, Nigérie. V práci jsou analyzována bankovní depozita, produktivita bank, riziková aktiva, vlastní kapitál a celková aktiva jako měřítka výkonnosti a účinku fúze a akvizice na dotčené banky v období před fúzí, po fúzi. K testování výkonnosti všech proměnných byl použit statistický nástroj t-test pomocí analytického nástroje python, protože velikost vzorku je menší než 30. Zjištění ukazují, že existuje statisticky významný rozdíl mezi produktivitou vkladů, rizikovými aktivy, vlastním kapitálem a celkovými aktivy obou bank před fúzí (2010-2018). Na druhé straně neexistuje žádný významný vztah před akvizicí a po akvizici u kategorie ziskovosti. Studie proto doporučuje, aby byly fúze a akvizice podporovány, protože to umožňují přežití a růst podniků a vedou ke zvýšení ziskovosti a udržitelnosti bank v Nigérie.

**Klíčová slova:** akvizice, aktiva, fúze, stakeholdeři, bankovníctví, vliv vkladů na průmysl, Nigérie



## Table of Contents

<b>1. Introduction .....</b>	<b>9</b>
Mergers and Acquisition .....	11
<b>2. Objectives and Methodology .....</b>	<b>15</b>
Objectives.....	15
<b>3. Methodology .....</b>	<b>17</b>
<b>4. Literature Review.....</b>	<b>20</b>
4.1. Overview of Access Bank & Diamond Bank Merger.....	22
4.1.2. Access bank at history .....	25
4.1.3. Effect of the Merger on Access Bank and Diamond Bank.....	26
<b>4.2. Documentation of Merger &amp; Acquisition transactions .....</b>	<b>27</b>
4.2.1. Change in Nigeria’s Banking Sector.....	29
4.2.2 Theoretical basis of Efficiency Theory mergers and acquisitions.....	31
4.3. Types of mergers and acquisitions .....	32
<b>5. Practical Part.....</b>	<b>41</b>
5.1. Research Method.....	41
5.2. DATA PRESENTATION .....	42
5.3. Results of Analysis.....	43
<b>6.Conclusion and Recommendation .....</b>	<b>61</b>
6.1. Conclusion.....	61
<b>7. References .....</b>	<b>62</b>
<b>8. List of pictures, tables, graphs and abbreviations .....</b>	<b>65</b>
8.1. List of pictures.....	65
8.2. List of tables .....	65
8.3. List of abbreviations.....	65
<b>Appendix.....</b>	<b>66</b>

## **1. Introduction**

Mergers and Acquisitions (hereafter M&A) has been in the mainstream news in the recent past (Massoudi&Fontanella-Khan, 2016). Global trend shows a record breaking of \$5 trillion worth of deals worldwide in 2015 which was more than a one-third increase over 2014 and it was \$4.4 trillion in 2007(Liner, 2016). The banking sector experienced a global and considerable financial deregulation and consolidation during 1990s. Mergers and acquisitions play an important role in the world of finance. Typically, mergers and acquisitions are processes that help companies combine assets and know-how based on the economic principle that assets used in combination are more valuable than the sum of those assets individually. The financial world has experienced the downside of financial innovation and deregulation in the recent global financial crisis which leads to massive bank failures in the developed economies and spread to developing countries including Nigeria. The competitiveness in the financial business services sector has brought about, financial enlargement, technological innovation, structural modification of the financial system and demands for the financial products, all financial institutions must face numerous problems and need to change their business Approach, innovation and strategies accordingly with a view of keeping face with this changing trend, all financial institutions need to adopt strategy to survive in the competitive business world.

Merger and acquisition are one of the most renowned strategies to make adoption with those changing businesses. According to the efficiency theory, the bottom line of the M&A is for the purpose of synergy. Even though the main rationale behind the approach is to have synergy, element of necessity is equally important for the target banks to be considered. In several cases for example infant bank, bank that is incapable to compete, financially distressed and unable to maintain requirement of common equity of risk weighted asset could become necessity in the first place rather than to acquire synergy. Hence, it becomes necessary for the banks to be merged or acquired by other matured and stable financial institutions for sustainability.

In today's business world, business is not bound or limited within the domestic arena, it has crossed the national boarder. Efficient and well-built financial institutions tend to broaden their market or span beyond national boarder throughout foreign direct investment in the form of cross border. This strategy creates direct or indirect external or spillover effect on the performance of the banks as well.

Business Organizations are established to achieve certain corporate objectives including corporate growth and increase in financial performance. Profit is one of the major indicators by which the success of a business is measured. However, the main motive of establishing a business is not only to maximize profit, but it also entails cost minimization and customer satisfaction with cooperate social

responsibilities. Given that business organizations operate in a dynamic macroeconomic environment such growth is threatened in periods of volatile economic instabilities (Weston & Copeland, 1989). Authors such as Shleifer and Summers (1988) argue that take-overs are largely motivated by the opportunity they offer to renege on implicit labour contracts and to reduce or eliminate extra-marginal wage payments. A corporate merger or acquisition can have a critical effect on a company's growth prospects and sustainability. But while an acquisition can transform the acquiring company literally overnight, there is a significant degree of risk involved, as mergers and acquisitions (M&A) transactions overall are estimated to only have a 50% chance of success (Tajalli & Shehzad 2014). Increasing competition, is the main factor which affects organization performances. The most effective and well-known approach organizations use to compete in such a fast business environment is Merger & Acquisition (M&A). There is a small difference in both terms Merger and Acquisition although they're use conversely. If two organizations agree to move forward as a single or joint new entity for their mutual benefits then the merger occurs, while acquisition occurs when an organization takes over some assets, equipment, liabilities, and plant business unit of another organization (Sherman, 2011). Organizations considering Merger and Acquisition are to identify the target business. Globally, the scenario of Merger and Acquisition Merger and Acquisition in most cases has brought about growth in organization performances.

Generally, there are more than hundreds of studies identifying the pros and cons of Merger and Acquisition regarding firm's performance in different sectors. Similarly, the research on banking sectors also has much importance for all financial and non-financial sectors. Specifically, the research on banking sector regarding the impacts of Merger and Acquisition has much importance for concerned stake holders, competitors, future growth, recent management, shareholders etc. This research is more helpful for the relevant field to get future direction and to be aware about the clear scene of competitive and technological global market.

The Nigerian banking sector have experienced several forms of mergers and acquisitions. It has probably seen the highest number of consolidation activity within the financial services sector in West Africa. The era of bank consolidation commenced in Nigeria around 2004/2005 when the Central Bank of Nigeria (CBN) increased the minimum capital requirement base of banks from N5billion to N25billion. This policy was introduced due to the challenges which plagued the banks including low capital base, liquidity and inadequate asset quality. These banks were consequently forced to merge to survive the recapitalization process. The wave of consolidation in the banking sector led to the

reduction of banks from eighty-nine (89) banks to twenty-one (21) banks today. The bank recapitalization of 2005 laid the foundation for most of the banks operating today.

Recently in 2018, Access and Diamond Banks announced that both parties had signed a Memorandum of Agreement in respect of a potential merger between both banks (the “Merger”).

## **Mergers and Acquisition**

The Investment and Securities Act 2007 in Nigeria defines a merger as the amalgamation of the undertakings (assets) or any part of the undertakings or interest of two or more companies. It categorizes mergers into three:

Small merger- merger of a value of N500million or less

Intermediate merger- merger of a value exceeding N500million but less than N5billion.

Large merger- merger of a value of N5billion and above. All intermediate and large mergers must be sanctioned by the SEC.

The words “merger” and “acquisition” are commonly used interchangeably although there is a slight difference in their meaning. A merger may be referred to as the consolidation of two or more companies into one larger company for economic or strategic reasons and thereby businesses and management of both companies are fused together as one. An acquisition occurs when one company (the “acquirer”) takes over another company (the “target”) by purchasing a controlling interest in the target. In many cases, the acquired company ceases to exist and its stock (in the case of listed companies) ceases to trade while the acquirer absorbs the business and consolidates it under its management. However, in other instances, an acquisition may only result in the target’s business being under the indirect ownership or control of the acquirer’s shareholders and management.

Gaughan (2007) defines merger as ‘a combination of two or more corporations in which only one corporation survives’. He further stated that the acquiring company assumes the assets and liabilities of the merged firm. Okonkwo (2004) noted that a merger may be achieved through an acquisition, in this case, the shareholders of the acquired company are paid off and the acquirer becomes the owner of all or a substantial part of the assets of the acquired company. According to Sudarsanam (2003), terms such as ‘merger’, ‘acquisition’, ‘buyout’ and ‘takeover’ are used interchangeably and are all part of the M&A parlance, but was quick to point out the differences when he described merger as the process where corporations come together to combine and share their resources to achieve common objectives with the shareholders of the merged firms still retaining part of their ownership and this may sometimes lead into a new entity being formed while acquisition resembles more of an arm’s-

length deal, with one firm purchasing the assets or shares of the other and the shareholders of the acquired firm ceasing to be owners of the new firm.

Mergers and acquisitions differ from a consolidation, which is a business combination where two or more companies join to form an entirely new company or entity. Mergers and Acquisitions refer to the change in ownership, business mix, assets mix and alliance with the view to maximize shareholders' value and improve firm performance. One of the main elements of improving company performance is the boom in mergers and acquisitions (Pazarkis et al, 2006). The Merger and acquisition lead to combining corporate resources for competitive advantage. This will enhance technological strength, product development, increase in customer base, market shares and sprout market and financial position and promote sustainability through innovations. Mergers and acquisitions also benefit companies wanting to reposition themselves in the market. By adding capabilities to their products, companies can rapidly expand their market coverage and modify their market position.

### **What is a corporate merger?**

A corporate merger is an agreement between two existing companies to become one "new" company? Like in marriages where the woman drops her surname to take on that of the husband, or still use her sure name while adding that of the husband, corporate mergers often result in new company names, or one that combines the names of the fusing companies together. For example, in year 2000, following the merger of Glaxo Welcome and SmithKline Beecham GSK, what we know today as Glaxo SmithKline Plc was born. In 2017, Dow Chemical and DuPont merged to become DowDuPont, the World's largest chemical company in terms of sales. As it stands, it is not yet clear if we will see a corporation called "Access Diamond Bank" or "Diamond Access Bank", but my guess is that we may still have Access Bank as a corporation in Nigeria, at least in the short terms.

Companies merge for various reasons ranging from product and investment diversification to international market penetration. Investment diversification seems to be one of the reasons for the Access Diamond bank merger. Another reason for this merger could be to take advantage of operational efficiencies between the two banks. This is the often talked about economies of scale.

Merger can be related to acquire or be acquired by others. Some of the reasons include eliminating or weakening competitive forces, improving quality of earnings, seeking rapid growth, increasing liquidity and to maintain stability. This may also include market penetration and expansion into target market and speculative reasons. A good example of this is when a private equity fund acquires an established company in a potentially profitable market position with growth opportunities, implements

a value creation plan to help the target move closer to full potential and then sells it at a higher price to make profit.

### **Reasons for Merger**

Several reasons might be involved in merger process, particularly in the case of small and highly specialized targets, is that a significant proportion of the highly skilled employee may leave either before, during or immediately after the merger or acquisition. Other risk factors such as abrupt changes in regulations. For example, the impact of AirBnB on the traditional hospitality industry. When these happen, the actual (rather than apparent) value of the target could diminish significantly within a very short time, leading to significant investor losses.

United Bank of Africa for example had its total asset grow from ₦884.1 million in September 2006 to ₦1.7 billion in 2008 (~90% growth) after the merger between United Bank for Africa, Standard Trust bank and continental trust bank. Similarly, the emergence of Stanbic IBTC bank was metamorphosed from the merger and acquisition between Stanbic Bank Nigeria Limited's, Chartered Bank & IBTC. This new entity has created a strong reputation in banking, asset management and pension fund management in the country (where it holds ~38% of Nigeria's total pension assets).

### **Documentation of Merger & Acquisition transactions**

Merger and Acquisition (M&A) documentation transactions can only begin with the acquirer filling a letter of intent which usually binds the parties to confidentiality and exclusivity while the transaction goes through due diligence. After due diligence has been completed, the acquirer and target draw up a "Merger Agreement" or Share Purchase Agreement, depending on the transaction type, with the help of legal advisors. In Nigeria, the Securities and Exchange commission (SEC) regulates mergers and acquisitions. Section 428 of the SEC Rules provides a list of documents that must be available for a scheme of merger and acquisition to take place. Some of which are:

#### **Merger stage – Documents required**

- reasons for the merger
- letters addressing the shareholders of the merging companies from their chairman/director
- plan for employees

- general information on the merging companies
- information of the merged (enlarged company) and its profit forecast etc.

#### Acquisition stage – Documents required

- Two draft copies of information memorandum
- Copies of letters appointing financial advisors(s)
- Summary of the claims and litigation of the company to be acquired
- Annual reports and accounts of both companies involved in the transaction for the last five years

### **Valuation and Financing in Mergers and Acquisitions**

The merger and acquisitions are the analytical process of determining the current value of the company to be acquired or the value of the combined entity in a merger. The company is usually benchmarked against others within its industry using its enterprise value. The enterprise value is the total value a company accrues to shareholders and debt holders. The most common methods used in finding the enterprise value of a company are the Income approach (discounted cash flow), Market approach and Asset approach. Investment analysts involved in business valuation use more than one method in making the analysis for more accurate. The eventual transaction purchase consideration is usually agreed after the acquirer has carried out a detailed due diligence exercise. The acquirer can then finance the transaction through cash, debt, or a combination of financial instruments. The best financing option depends on the condition of the two parties' asset value, debt obligations and perception on the risks and benefits of the transaction.

## **2. Objectives and Methodology**

The major objective of this study is to determine to what extent can Merger and Acquisition Strategies promote the survival of the financial performance and to what degree can Merger and Acquisition Strategies improve the Profitability level of the Deposit Money Banks in Nigeria

### **Objectives**

The major objective of this study is to determine to what extent can Merger and Acquisition Strategies promote the survival of the financial performance and to what degree can Merger and Acquisition Strategies improve the Profitability level of the Deposit Money Banks in Nigeria

### **The Specific Objectives include:**

1. To analyze the effects of merger and acquisition on shareholders equity and capital base.
2. To examine the impacts of merger and acquisition strategies on bank deposits and risk assets
3. To examine and determine the influence of merger and acquisition on financial performance

### **Statement of Problem**

In the last three decades, both the manufacturing, and the financial institutions in Nigeria have experienced collapsed for various reasons ranging from; liquidity, insolvency, fraudulent practices, inadequate capital, bad management with no ideas for innovation, government policies, insecurity and other environmental factors (Nwosu, 2015). Prior to the last banking reforms, the state of the Nigerian banking sector was very weak. According to Prof.Soludo (2004),"The Nigerian banking system today is fragile and marginal. The system faces enormous challenges which, if not addressed urgently, could result into a crisis soon. He identified the problems of the banks, especially those seen as feeble, as persistent illiquidity, unprofitable operations and having a poor assets base". These failures have given rise to many organizations coming up with survival strategies (Merger and Acquisition Strategies inclusive). 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 especially the commercial banks.



## **Research Questions**

This research work is guided by the following:

1. To what extent can Merger and Acquisition Strategies promote the survival of the Deposit Money Banks in Nigeria?
2. To what degree can Merger and Acquisition Strategies improve the Profitability level of the Deposit Money Banks in Nigeria?

## **Hypothesis Testing:**

H0: there is no significant difference between Deposit of Access Bank and Diamond bank

H1: there is significant difference between Deposit of Access Bank and Diamond bank

H0: there is no significant difference between Profitability of Access Bank and Diamond

H1: there is significant difference between profitability of Access Bank and Diamond

H0: there is no significant difference between Risk Assets of Access Bank and Diamond

H1: there is significant difference between profitability and Access Bank and Diamond

H0: there is no significant difference between Shareholder's equity of Access Bank and Diamond Bank.

H1: there is significant difference between shareholders equity of Access Bank and Diamond

H0: there is no significant difference between total assets of Access Bank and Diamond Bank.

H0: there is no significant difference between the 3 years post-merger and 3 years pre-merger.

H1: there is significant difference between the 3 years post-merger and 3 years pre-merger

### **3. Methodology**

The thesis will be divided into two parts, comprises of the descriptive and the analytical part. The characteristics of mergers in the financial sector in Nigeria, industry analysis consolidation of banking sector, analysis of the merger between Access and Diamond bank plc with the effect and impact of the merger on the merged bank and the financial industry in the country.

This part discusses the research methodology adopted for this project. This research study is carried out to examine whether mergers and acquisition have either a positive or a negative impact on the performance of Access Bank Plc and Diamond Bank Plc. It also explains the research design and all activities involved in the collection and analysis of data for the research work. Research methodology is a set of rules and procedure upon which research is based and against which claims for knowledge are evaluated for more decision making. It can also be the specific procedure for collecting, analyzing and interpreting data necessarily to solve problem, such that the difference between the cost of obtaining various level of accuracy and the expected value of the information associated with each level of accuracy.

#### **Scope of the Study**

This study covers only two strategies namely, Merger and Acquisition Strategies (Independent Variables).

The Performance Variable to be covered shall include corporate survival, and Profitability. (Dependent Variables) respectively. This is because, they are some of the merger and acquisition between the two banks (Access Bank plc and Diamond Bank Plc). The study covers a period of sixteen (12) years beginning from 2012-2021, (10 years of Pre-merger and Acquisition and the two years of Post-Merger and Acquisition). The study looks at the financial reports of these banks before and after the merger and acquisition period.

#### **1.8 Limitations of the Study**

The study is limited to only two strategies: Merger and Acquisition strategies out of the many strategies we have. The study is also restricted to only two banks in Nigeria. The Data is restricted to Secondary (Company Financial Reports).

In this study, the factors surrounding merger and acquisition limitation is not so significant. However, getting the detailed company financials for the year under review was a bit challenging, especially that of Diamond bank plc few years into the merger considering their insolvent.

**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.
  
- 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.

**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).

**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 most of its shares (Encarta dictionary), a takeover can also be a conglomerate merger.

**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.

**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).

**Return on equity:** The return on equity is net profit after tax divided by shareholders' 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).

**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 is confined to a single office or to a few branches within a strictly limited area.

**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.

**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.

**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.

**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.

#### **4. Literature Review**

This section will review literature about Merger & acquisition. The Merger and acquisition are one of the important tools to achieve economic growth through sound financial system. The banking sector in any economy serves as a catalyst for economic growth and development through its financial intermediation function. Banks also provide an efficient payment system and facilitate the implementation of monetary policies. According to Uremadu (2007), it is not surprising that the banking sector is evolving and thriving all over the world. The reforms are directed at maintaining a sound and efficient banking system for the protection of depositors, encouragement of efficient financial intermediation, competition, maintenance of confidence and stability of the banking system, and protection against systematic risk and collapse (Alashi, 2003; Uremadu, 2007).

A merger is essentially a fusion of two or more companies in which one of the combining companies legally exist and the surviving company continues to operate in its original name. Osamwonyi (2003:208), defines merger as “the pooling together of the resource of two or more corporate bodies, resulting in one surviving company while the other is absorbed and ceases to exist as a legal entity or remains a subsidiary if it survives”. While acquisition is described as a business combination in which the ownership and management of independently operating companies are brought under the leadership of a single management (Umunnaehila, 2001:4).

Moctar and Xiaofang (2014) define merger as the combination of two or more organizations into one larger organization. Such actions are commonly voluntary and often result in a new organizational name (often combining the names of the original organizations). An acquisition, on the other hand, is the purchase of one organization by another. Such actions can be hostile or friendly and the acquirer maintains control.

The law on company mergers and acquisition is stipulated in the Nigeria Companies and Allied Matters Act (CAMA) of 1990. Like many laws in Nigeria, the law on company mergers and acquisition has been largely unaffected by the judiciary. There are very few cases of Mergers and Acquisitions of Nigerian companies. Nonetheless, many multinational companies engaged in multi-billion Naira businesses in Nigeria have used the benefits of mergers and acquisitions in the past. Despite the great benefit of Mergers and Acquisitions as catalyst for enhancing financial intermediation, Nigerian banks shied away from it but laid emphasis on having branches before Central Bank on Nigeria regulations July 2004. Many firms across the globe have adopted the strategy of merger & acquisition in expanding

their businesses and achieve high growth with sustainability. Godbole, (2013), opined that merger and acquisition serves the purpose of expansion, reducing the level of competition and creation of a large entity. Mergers and acquisitions especially in the banking industry is now a global phenomenon. Since 1980, over 7,000 cases of bank mergers has been recorded in the United States of America and the same trend occurred in the United Kingdom and other European countries. Specifically, in the period 1997-1998, 203 bank mergers and acquisitions took place in the Euro area. In 1998 a merger in France resulted in a new bank with a capital base of US\$688 billion. Another great merger was in Germany in the same year creating the second largest bank in Germany with a capital base of US\$541 billion. The financial sector across the globe is very dynamic and strong to have survived distress. One of these factors is rapid revolution to incorporate international market away from individual domestic markets. Entering the sphere of globally integrated capital markets will mean playing by the rules of that market, which means offering services and investor safeguards that compete with those offered in the developed markets (Okereke, 2004:75). ICT usage in the banking sector has also considerably improved in recent years (Adeyemi, 2006; Osabuohien, 2007). This revolution calls for an adequate capitalization, which is a fundamental basis for solid and safe banking system. An adequate capitalization will give a bank a competitive edge at both global and local markets and enables it to offer better services and eventually increase its earnings. Increased capital base can be achieved through different ways that include mergers and acquisitions and other consolidation options. As a result, many banks now engage in mergers and acquisitions.

According to Soludo (2006), in Nigeria, the banking sector has undergone the consolidation exercise, which was mainly aimed at recapitalizing the banks and increasing banks capital base to #25billion but has had little or no significant impact because there are still weak banks because of huge non-performing loans (Godbole,2013). Thomson, (2018), revealed that the two of the top three largest merger and acquisition deals in the first half of 2018 took place in Nigeria with the largest being Milost Global Inc. \$1.1 billion leveraged buyout transaction to acquire the entire share capital of Prime water view Holdings Nigeria Ltd. The Global Transaction report obtained by Sweetcrude indicated that total M&A value in Nigeria and other African nations was \$4.4 billion in 2017. The biggest transaction was the acquisition of Nigerian businesses of ConocoPhillips (COP) by Oando in a transaction valued at \$1.55 billion. In December 2012, Oando, through its subsidiary Oando Energy Resources (OER), had entered into an agreement with acquire COP Nigeria Limited for a total cash consideration of US\$1.55 billion. This research work will study the effect of merger and acquisition on the final sector and the banks under study. The Framework of Merger and Acquisitions Mergers and acquisitions (M&As) are a vital way for organisations to stay competitive in the international market.

## **4.1. Overview of Access Bank & Diamond Bank Merger**

The Board of Access Bank and Diamond Bank announced that they have received a “No Objection” from the CBN to the proposed merger between the banks. Based on the agreement reached by the two financial institutions, The supposed merger has become an acquisition in which Access Bank took the lead by acquiring share capital of Diamond Bank and in consideration, Diamond Bank shareholders received N3.13 per share, comprising of N1.00 per share in cash and the allotment of two (2) new Access Bank ordinary shares for every seven (7) Diamond Bank ordinary shares held at the implementation date.

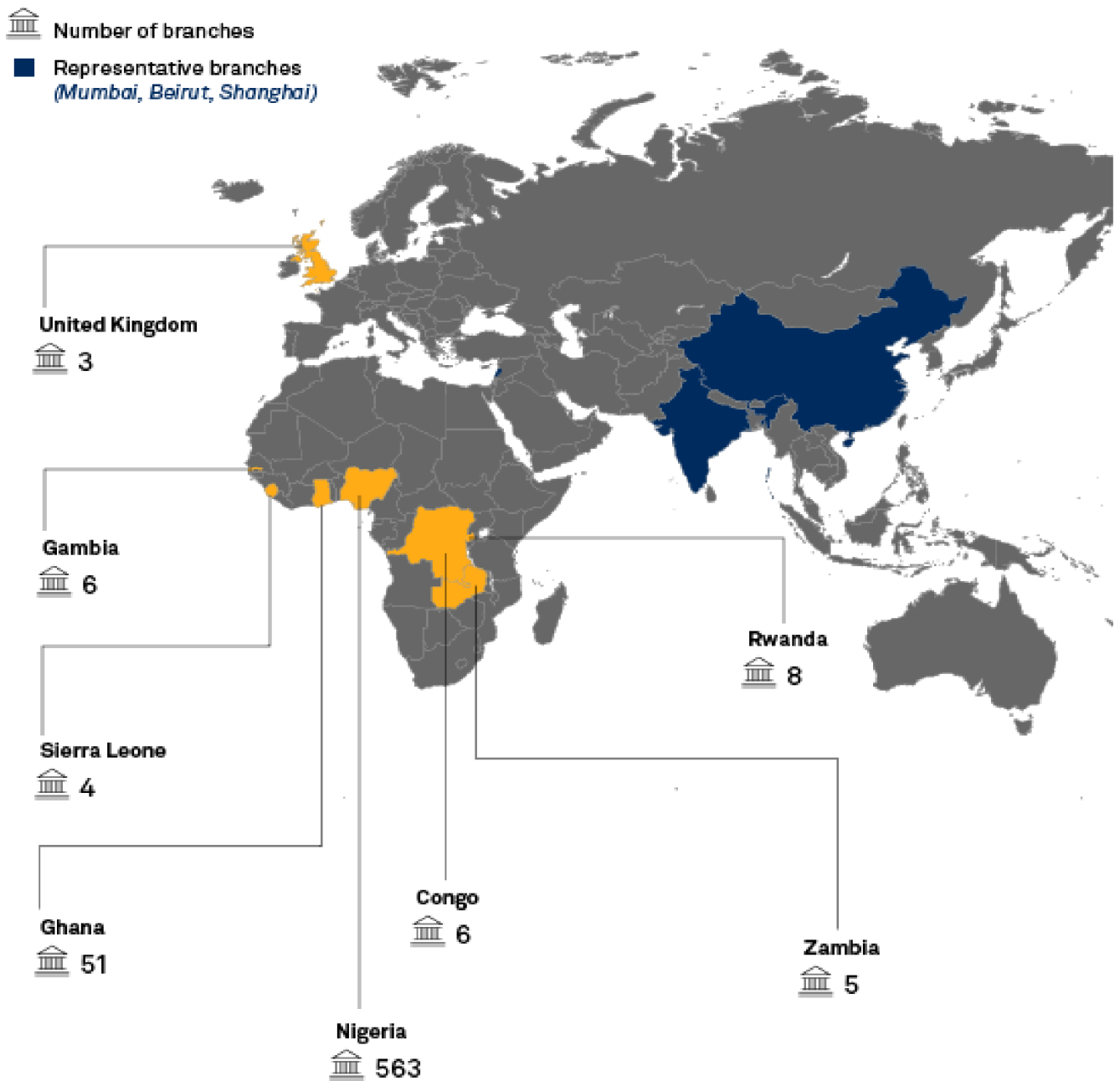
The current listing of Diamond Bank’s shares on the Nigerian Stock Exchange and the listing of Diamond Bank’s global depositary receipts on the London Stock Exchange was also cancelled upon the announcement of the merger.

According to the Access Bank CEO, the merger will afford both banks the opportunity of leveraging on their distinct potentials to build a stronger bank. Diamond Bank is expected to benefit from Access Bank’s strong risk management culture and capital management expertise. Diamond Bank has substantial retail banking expertise and strong digital offering which Access Bank will take advantage of. Together, the two companies created one of Nigeria’s leading banks, with 29 million customers and 32, 000 Point of Sale (POS) terminals.

Diamond Bank had recently faced the possible revocation of its license due to its non-performing loans of over N150billion and the resignation of three of its directors and the chairman of the board of directors. However, it was able to prevent this occurrence by entering a merger arrangement with Access Bank. This prevented Diamond Bank from facing the same fate as Skye Bank Plc which had its license revoked in September 2018 due to the depletion of its capital base. The CBN subsequently injected about N786billion into the bank to shore up its liquidity and transferred the operations, assets and management of Skye Bank to Polaris Bank Limited, a bridge bank.

## Pictures 1

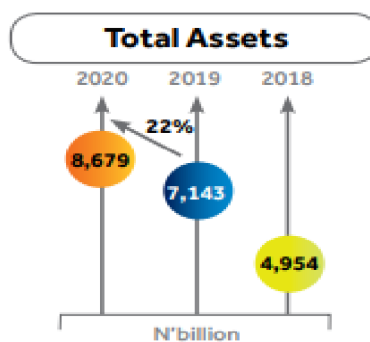
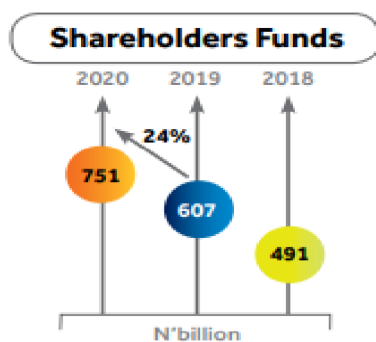
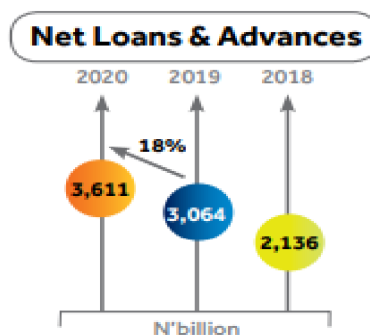
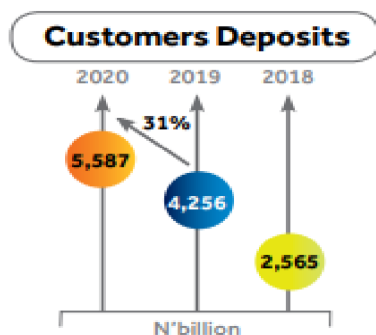
### Access Bank's international footprint



Data as of Sept. 30, 2019.  
Source: Access Bank



## Pictures 2



In thousands of Naira	2020	2019	2018	Growth ('19 - '20)
Gross Earnings	764,717,441	666,753,600	528,744,579	15%
Profit Before Tax	125,922,129	111,925,523	103,187,703	13%
Profit After Tax	106,009,695	94,056,603	94,981,086	13%
Customers' Deposits	5,587,418,213	4,255,837,303	2,564,908,384	31%
Net Loans And Advances	3,610,928,334	3,064,404,788	2,136,095,776	18%
Shareholders Funds	751,041,245	606,739,831	490,511,755	24%
Total Assets	8,679,747,714	7,143,157,088	4,954,156,938	22%

### 4.1.2. Access bank at history

The bank has evolved over the past 26 years from an obscure Nigerian Bank into a world-class African financial institution. Today, they are one of the five largest banks in Nigeria in terms of assets, loans, deposits and branch network; a feat which has been achieved through a robust long-term approach to client solutions by providing committed and innovative advice since inception. Access Bank has built its strength and success in corporate banking and is now applying that expertise to the personal and business banking platforms it acquired from Nigeria's International Commercial bank in 2012. They have focused on integrating the business, investing in infrastructure, and strengthening the product offer. As part of its continued growth strategy, Access Bank is focused on mainstreaming sustainable business practices into its operations. The Bank aspire to deliver sustainable economic growth that is profitable, environmentally responsible, and socially relevant and sustainable.

#### Pictures 3

#### The Beginning (1988 - 2001)



In March 2002, the bank restructured and appointed a new Managing director with a clear mandate of repositioning the bank as one of the leading financial institutions within a five-year period (2002 to 2007). Though the vision looks impossible to many, but the new management impact the transformation agenda and was reflected in the first year. The bank financial position grew by %100 and posted an impressive N 1 billion profit before tax. This was more than the company cumulative profit in the previous 12 years and marked the beginning of what we can call triple-digit growth trend. The share capital was also rebounded as share capital raising exercise conducted by the company in July 2007 set an outstanding record of over 300% subscription. With this, dividend was declared to

shareholders for the first time in three years. The bank's shareholders funds as at today stands over N240 billion with over 1,000,000 domestic and foreign investors.

Access Bank over the years has spanned across Africa and currently operates through a network of about 366 branches in Nigeria, Gambia, Sierra Leone, Zambia, Rwanda and Democratic Republic of Congo. The good success and track record achieved within a limited time has stabilized the bank and also birthed the acquisition of Diamond bank plc in 2019. The bank became the first Africa Bank to be first fully certified corporate Green Bond on the FMDQ OTC securities Exchange and the Nigeria Stock Exchange.

- First bank in Nigeria to cross the ~N10 trillion mark in total assets
- Strengthened capital buffers with successful AT1 capital raise of US\$500 million
- Issued US\$500 million Eurobond
- Acquired banks in South Africa and Botswana
- Commenced operations in Guinea
- Access More awarded Best Mobile Banking App Nigeria

#### **4.1.3. Effect of the Merger on Access Bank and Diamond Bank**

By accepting to merge with Access Bank, Diamond Bank was able to avoid fear of uncertainty into which its depositors and investors would have been plunged if it had lost its license. Such eventuality would not augur well for the reputation and stability of the banking system.

Furthermore, the objectives of CBN's policies is to foster a strong, competitive and reliable banking system, adequately equipped to deliver quality services to the economy. The merger between Access and Diamond Banks is set to birth a foremost tier one bank with a strong capital base. The merger would lead to healthy competition between the new entity and the other existing banks which will further strengthen the banking system.

Despite the positive effect the Merger and resolution would create will have on the banking system, a stakeholder group likely to be adversely affected by the Merger is the employees of the banks, particularly those of Diamond bank. It is expected that after the completion of the Merger, Access Bank will layoff a considerable number of staff, especially for roles which are duplicated in both banks. This could lead to fear of job loss and unhealthy competition among employees.

## Reasons for Merger

Several reasons might be involved in merger process, particularly in the case of small and highly specialized targets, is that a significant proportion of the highly skilled employee may leave either before, during or immediately after the merger or acquisition. Other risk factors such as abrupt changes in regulations. For example, the impact of AirBnB on the traditional hospitality industry. When these happen, the actual (rather than apparent) value of the target could diminish significantly within a very short time, leading to significant investor losses.

United Bank of Africa for example had its total asset grow from ₦884.1 million in September 2006 to ₦1.7 billion in 2008 (~90% growth) after the merger between United Bank for Africa, Standard Trust bank and continental trust bank. Similarly, the emergence of Stanbic IBTC bank was metamorphosed from the merger and acquisition between Stanbic Bank Nigeria Limited's, Chartered Bank & IBTC. This new entity has created a strong reputation in banking, asset management and pension fund management in the country (where it holds ~38% of Nigeria's total pension assets).

### 4.2. Documentation of Merger & Acquisition transactions

Merger and Acquisition (M&A) documentation transactions can only begin with the acquirer filling a letter of intent which usually binds the parties to confidentiality and exclusivity while the transaction goes through due diligence. After due diligence has been completed, the acquirer and target draw up a "Merger Agreement" or Share Purchase Agreement, depending on the transaction type, with the help of legal advisors.

In Nigeria, the Securities and Exchange commission (SEC) regulates mergers and acquisitions. Section 428 of the SEC Rules provides a list of documents that must be available for a scheme of merger and acquisition to take place. Some of which are:

Merger stage – Documents required

- reasons for the merger
- letters addressing the shareholders of the merging companies from their chairman/director
- plan for employees
- general information on the merging companies
- information of the merged (enlarged company) and its profit forecast etc.

Acquisition stage – Documents required

- Two draft copies of information memorandum
- Copies of letters appointing financial advisors(s)
- Summary of the claims and litigation of the company to be acquired
- Annual reports and accounts of both companies involved in the transaction for the last five years

## **Valuation and Financing in Mergers and Acquisitions**

The merger and acquisitions are the analytical process of determining the current value of the company to be acquired or the value of the combined entity in a merger. The company is usually benchmarked against others within its industry

The achievements and loss has been ascribed to both strategic management fit between the merging firms and organisational behavior issues during incorporation Slowinski et al., (2000). Nevertheless, present literature on marketing drawn from strategic management perspective has proven useful into the marketing implications of M&A's Hargrave, (2019). But gaps in literature still remain, previous research gave more focus on the impact of merger and acquisition to stakeholders, Wickramasinghe and Karunaratne, (2009) Ndimele, (2019) customers EduPristine, (2015) and marketing managers Kunal Soni, (2014) . Marketing research has not really explored how M&A's influence employees, which is surprising because employees have an important role in the overall performance of the company Sinkin, (1997) Zhang et al., (2015). Additional, literature on M&As majorly gave focus on the long term, firm level performance measures, which include long term financial gains Ravenscraft, (2020), market share and profit Zainab, (2019), and Doytch et al., (2011). Nevertheless, the effect of M&As on employees' performance, both at the organisation and individual level did not get much attention Gomes et al., (2013). Understanding of key drivers of employee's performance during M&As is important because they encourage managers to effectively manage the merger during times of instability Bommaraju et al., (2018). Merger happens when different organisations with one management control come together under one governing body and one single chief executive. Siegel and Simons, (2010) states 16 merger as an agreement that brings two already existing organisations into one new organisation. Ola Oluwa, (2019) differentiated merger and acquisition in his research work, first he stated merger as the consolidation of companies, he went further to state Acquisitions as a company taking over another one. The researcher summarized two main schools of thought on Merger, which are: Strategic management school and Organisational identity and External image. Strategic management school focused on strategic fit issues amongst merging organisation. Previous

research has drawn from this school, with focus on marketing capabilities and positioning relatedness MarketScreener, (2020), product capital Boniface, (2015) strategic emphasis redeployment of resources invention marketing incorporation, and product related problems. Nevertheless, there are less research in marketing that has explored how Merger influence employees. At the micro level, the organisational behaviour and social psychology school gave focus on sociocultural issues of M&As Creasy et al., (2009). This dissertation applies the micro-level school of thought to the marketing domain but diverts from it in several ways. An important construct in identity-based marketing research is the neglected effect of external image Menguc et al., (2016). The literature review reveals three main reasons employees identify with their organisations: (1) to improve their individual self-esteem, that shows their subjective, emotional assessment and their worth; (2) to preserve steadiness in their individual beliefs over time and across job i.e. self-verification. roles and (3) to emphasize their uniqueness in social situations Chia and Peters, (2010).

#### **4.2.1. Change in Nigeria's Banking Sector**

The banking sector in Nigeria is no stranger to merger and acquisitions, it has recorded the highest numbers of merging activity within the financial service sector in west Africa Zainab, (2019). Bank consolidation in Nigeria started around 2004/2005 when the minimum capital requirement base of banks was increased from N5billion to N25billion by CBN (Central bank of Nigeria) Ndimele, (2019). Most banks were required to merge because of their low capital base and liquidity to survive the process of recapitalization. This reduced the total number of banks in Nigeria from eighty-nine to twenty-one Zainab, (2019). The superlative recapitalization of bank in 2005 laid the foundation that most banks operate on currently in Nigeria.

This was followed by acquisition of the entire issued shares of Mainstreet Bank Limited from Asset Management Corporation of Nigeria (AMCON) by Skye Bank Plc for total consideration of N120 billion. The report underlined the ongoing divestments by banks as major drivers for mergers and acquisitions with nearly half of the transactions directly and indirectly related to the change in banking regulatory framework (Thomson, 2018).

Diamond Bank had recently faced the possible revocation of its license due to its non-performing loans of over N150billion (USD 36million) and the resignation of three of its directors and the chairman of the board of directors. However, it was able to prevent this occurrence by entering a merger arrangement with Access Bank. This prevented Diamond Bank from facing the same fate as Skye

Bank Plc which had its license revoked in September 2018 due to the depletion of its capital base. The CBN subsequently injected about N786billion into the bank to shore up its liquidity and transferred the operations, assets and management of Skye Bank to Polaris Bank Limited, a bridge bank. Access Bank Plc in December 2018, announced that it has merged with another lender Diamond Bank Plc. The merger will position Access Bank as the biggest lender by assets in Nigeria. Following the completion of the merger, Diamond Bank would be absorbed into Access Bank and will cease to exist under Nigerian law. The current listing of Diamond Bank's shares on the Nigerian Stock Exchange and the listing of Diamond Bank's global depository receipts on the London Stock Exchange will also be cancelled, upon the merger becoming effective. The combined bank will retain the Access Bank name and be led by Access Bank's current Chief Executive Officer, Mr. Herbert Wigwe (Balogun, 2019).

The latest changes in the banking sector is the announcement made in December 19th of 2018, Access bank and Diamond bank publicized to the public that they had both signed a Memorandum of Agreement in respect of a potential merger between them to become a single entity. According to SEC (securities and exchange commission), any merger with the value of 5billion Naira and above must be sanctioned by them. The union gave both banks the opportunity of Utilizing their different capacities to create a stronger bank and stand competition globally especially within the country and Africa Banking sector. Together, the two companies created one of Nigeria's leading banks with over 29 million clients and thirty-two thousand Point of Sale terminals Ndimele, (2019).

The merger was concluded on the 1st of April 2019. Diamond bank before the merger faced possible revocation of their banking but by entering the merger the revocation was avoided Zainab, (2019) The effect the merger had on diamond bank by agreeing to merger with access was that they were able to avoid panic from depositors and investors because of the loss of their license if they had not merge Ndimele, (2019). This merger was strategically put in place to create a foremost tier one bank with a strong capital base that would lead to a healthy competition amongst the new organisation and the other existing banks thereby strengthening the banking system Zainab, (2019). However, the positive effect of the merger on the banking system, structure and policies. Nevertheless, stakeholder group which are the employees will be likely affected by the merger, especially diamond bank. After the completion of the merger, a considerable number of employees were laid off especially for roles which were duplicate in both banks MarketScreener, (2020).

Merger and acquisition have resulted in more efficient banking systems in the banking sector and has contributed to the growth in the country Ndimele, (2019). This merger saved diamond bank from financial crises Olaoluwa, (2019).

#### **4.2.2 Theoretical basis of Efficiency Theory mergers and acquisitions**

The theory of efficiency is centered around improving the performance of incumbent management or achieving some form of synergy. The synergy is concerned with something out there, which enables the merged entity to create shareholders value. This concept held that acquisitions were executed to achieve synergies. Rumelt (1986), identified three types of synergies: Financial, Operational and Managerial.

The financial synergy comes from several sources. The first source is the lower costs of internal financing in comparison with external financing. This occurs when firms with large internal cash flows and small investment opportunities have excess cash flows whereas those with low funds have large growth and investment opportunities. The situation where both lower cost and larger cost financing will result in advantages from the lower costs of internal funds ability.

A second source of financial synergy is the ability to underpay based on bargaining ability. As individual strength and bargaining power are different, this comes from the strength of managers at a given firm with stronger managers will have better bargaining power than that looking to augment managerial capabilities. The theory based on Operational synergy assumes that economies of scale and scope do exist in the industry and that prior to the merger the firms were operating at unfavorable levels of activity that cannot meet the potential for the economies of scale. Operational synergy targeted achieving operational excellence from a combined firm's operations. Finally, managerial synergy usually enhances a target's competitive position by transferring management expertise from the bidder to the target firm.

#### **Monopoly Theory**

This theory establishes those acquisitions were executed to promote market integration and sustainability. The implications of this type of acquisition are that conglomerates use cross-subsidized products, to limit competition in more than one market simultaneously, and to deter the potential entrance of competitors into its market. These three advantages of the monopoly theory supported the idea of a collusive synergy (Trautwein 1990). He concluded that the monopoly theory's overall performance is even worse than that of the efficiency theory.



## Valuation Theory

The idea of valuation viewed acquisitions as being executed by managers who have superior information than the stock market about their exact target's unrealized potential value. The assumption here is that the acquirer possesses valuable and unique information to enhance the value of a combined firm through purchasing an undervalued target or deriving benefits from combining the target's business with its own. The leveraged buyout can be categorized into this theory. Trautwein (1990), outlined that one of the most common criticism about this valuation theory is that it is impossible to acquire accurate and tangible information about the acquisition results, and further stated that the concept of private information as a basis for mergers warrants further consideration, since it shows why the problematic assumption of capital market efficiency can be avoided.

## Process Theory

This approach indicated that strategic decisions are described as outcomes of processes governed by bounded rational theory. Rumelt (1986) found that the manager's behavior was overoptimistic in the acquisition decision process. Jemison & Sitkin (1986) proposed a systematic acquisition process perspective. Gaddis (1987) found that political and structural matters affect the acquisition process and outcome.

### 4.3. Types of mergers and acquisitions

According to Imende and Odhiambo (2006), there are three types of mergers: Horizontal, Vertical and Conglomerate.

**Table 1**

Forms of merger	Types of mergers	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	

Horizontal mergers take place where two merging companies produce a similar product in the industry. This strategy is usually adopted by a business or corporation that seeks to expand and sell a type of product in numerous markets. To get this market coverage, several small subsidiary companies are created. In vertical mergers, two firms each working at different stages in the production of the same good, combine. They are corporate through a hierarchy and share a common owner. Each member of

the hierarchy produces a different product or service and the products combine to satisfy a common need.

In conglomerate merger, two firms operate in different industries that are involved in totally unrelated business activities. These mergers typically occur between firms within different industries and the firms might be in different geographical locations. Acquisition or take-over on the other hand is obtaining of control over the management of a company by another in most cases under hostile environment. An acquisition or take-over does not necessarily entail full legal control but may be based on share interest e.g. A stake of 25 % of the shareholding may have control over the company's affairs (Pandey, 2005). Acquisition can involve a cash and debt combination of cash and stock of the purchasing entity, or stock only. In addition, the acquisition can take the form of a purchase of the stock or other equity interests of the target entity. A company may require high yield debt to raise funds (often referred to as a leveraged buyout). The reason the debt carries a high yield is the risk involved. The owner does not want to risk his own money in the deal, but third-party companies are willing to finance the deal for a high cost of capital (high interest yield). The combined company will be the borrowed of the high yield debt and be on it's balance sheet.

**Table 2**

**Emerged Banks after the Bank consolidation exercise**

S/N	BANK NAME	MEMBERS OF GROUP
1	Access Bank Plc **	Marina Bank, Capital Bank International, Access Ban
2	Afribank Plc	Afribank PLC, Afribank (Merchant bankers)
3	Diamond Plc	Diamond Bank, Lion Bank, African International Bank
4	Eco bank Plc **	Eco Bank
5	ETB Plc	Equatorial Trust Bank (ETB). Devcom Banl
6	FCMB Plc	FCMB, Co-operative Development Bank, Nig-American Bank, Midas Bank

7	Fidelity Bank Plc	Fidelity Bank, FSB Int'I 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	Guaranty Trust Bank Plc	Guaranty Trust Bank Plc
11	IBTC- Chartered Bank Plc *	Regent Bank, Chartered Bank, IBTC
12	Intercontinental Bank Plc	Global Bank, Equity Bank, Gateway Bank, Intercontinental Bank Plc
13	Nigeria International Bank Ltd	Nigeria International Bank Ltd. (Now Citi Bank Ltd)
14	Oceanic Bank Plc **	Oceanic Bank, International Trust Bank
15	Platinum Bank, Habib Bank	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 *	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	United Bank for Africa 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

### **Post-merger characteristics of the combined firms**

Sufian (2002), compared the pre and post-merger bank performance in Singapore by employing Financial Ratio Analysis and Data Envelopment Analysis (DEA) approach, The findings from financial ratio analysis suggests that the merger has not resulted in a higher profitability of Singaporean banking groups post mergers, which could be attributed to the higher cost incurred. However, Badrelin and Kalhoefer (2009), analyzed the pre and post-merger performance of Egyptian banks which have faced merger during the era of 2002 to 2007. They calculated companies Return on Equity (ROE) in

order to know the level of progress and success of banking reforms in strengthening and consolidation this sector. Their analysis suggested an increase in the performance when companies are compared with the pre-merger performance. They concluded in the study that M&A in the Egyptian banking sector's profitability showed a significant improvement and a small positive impact on the credit risk position. Lipton (2006) investigated external factors affecting mergers and merger waves by analyzing global M&As from the year 1985 to 2006. Observed that during 1990s merger waves, as stock prices and earnings ratios increased, mergers volumes increased dramatically from \$339 billion in 1991 to \$3.3 trillion in 2000 globally, hence positive relationship between stock price increase and M&A activity. Concluded that receptive equity and debt market were critical factors in M&A activity. These findings supported Nelson (1959) who investigated merger movement in American Industry by exploring impact of stock market performance on M&A activity. Found that stock prices increase was followed by merger activity increase. Concluded that M&As were highly concentrated in time clustering during periods of high stock market valuations. Mergers are distinguished by the relationship between two or more firms that are merging. Guerard (1985) used regression model on a sample of mergers between 1947 to 1977.

He tested for significant relationship among annual mergers, stock prices and production and further examined whether multiple time series model could forecast annual mergers more accurately than univariate merger model. He found that weakly positive relationship between economic conditions and mergers and acquisitions activity with changes in industrial production lagging behind changes in mergers and acquisitions activity. Luypaert (2008) used a sample of mergers between 1997-2005. A logit and probit regression analysis was used to estimate the determinants of growth through mergers and acquisitions. He concluded that intangible capital, profitability and firm size significantly positively affected merger and acquisition decision whereas ownership concentration and debt had a negative impact. Intention to discover the relationship between mergers and acquisitions and financial performance (Healy et al 1992) used accounting data primarily but tested their results by using market valuation measures as well. Their findings were that; industry employment decreased which implies that the merging firms did more restructuring and reorganization than other firms in the industry. But the cash flow margin on sales did not significantly change. However, asset turnover significantly improved. The return on market value of assets also improved significantly. Gosh (2001), extended the earlier Healey et al (1992) study post acquisitions performance. He used a sample of 315 of the largest acquisitions during the period 1981 to 1995. He initially replicated the Healey et al (1992) results that cash flow margins are higher than industry median benchmarks after acquisitions. But he found that the merging firms also have superior pre-acquisition performance; when he adjusted for this in his regression model, the cash flow margins are no longer higher. Alternatively, when control firms

are matched by performance and size from pre-event years, the merging firms no longer show superior performance. For cash acquisitions, cash flows improve 3 percent per year, with the improvements coming from higher sales growth rather than cost reductions. In stock acquisitions, he finds that both operating cash flow margins and sales growth decline, but not significantly. The Gosh study confirmed the Healy et al. results, which also reinforced their finding that the initial event was consistent with long term accounting performance.

#### **4.3.1. Measuring earnings**

According to Srinivasan (2010), the most important earnings ratios are those that represent the bottom line of the income statement, mainly the ratios of income to assets or pretax income on a tax equivalent basis to assets. A return on capital ratio may be misleading because banks can increase the ratio through higher leveraging. Analysis of bank earnings should begin with the net interest income ratio, which has been adjusted for tax equivalency. Higher this ratio the better, especially in relationship to other peer banks. The interest income, and pretax income ratios should all be evaluated on a tax equivalent basis, which adds back to the income stream tax benefits. The net interest income ratio has become more important to bank in recent years because the deregulation of interest rates has narrowed net interest margins and has caused banks to rely more on fee income. The overhead ratios should be looked at with caution because a bank's cost will vary by its type of operation. Retail consumer-oriented banks with a large branch network should have higher overhead costs and higher margins than banks specializing in wholesale banking. The ratio of provisions to the loan - loss reserve should also be evaluated in relation to the bank's margins. Higher provisions generally mean there are loan problems. However, further evaluation should be made by looking at the ratio of non - performing loans to assets and at the bank's net interest margins.

#### **Measuring cost income ratio**

The cost income ratio (CIR), with its limitations (Welch 2006) is another emerging measure of bank's efficiency and benchmarking metric (Tripe, 1998; Hess and Francis 2004). Being a standard benchmark of bank's efficiency, the CIR measures a bank's operating costs as a proportion of its total (i.e. net interest and non interest) income (Welch 2006).

### **Measuring profitability of a bank**

In measuring the profitability of a bank, bank regulators and analysts have used Return on Assets (ROA) and Return on Equity (ROE) to assess industry performance and forecast trends in market structure as inputs in statistical models to predict bank failures and mergers and for a variety of other purposes where a measure of profitability is desired (Gilbert and Wheelock, 2007; Mostafa 2007; Christian et al., 2008). Navapan and Tripe (2003) explained that comparing bank's Return on Equity (ROE) is one way of measuring their performance relative to each other. The return on equity looks at the return on the shareholder's investment and thus from the shareholder's perspective, allows a comparison of investment in a bank's shares with other investment opportunities, while it can also provide a measure of bank's riskiness (Gilbert and Wheelock, 2007).

### **Mergers and acquisitions failures**

Kemal (2011) carried out a study on Post-Merger Profitability. The sample used in the study was Royal Bank of Scotland. Researcher used accounting ratios to analyze the financial performance of Royal Bank of Scotland (RBS) after merger. Study analyzed financial statements for four years (2006-2009) by using 20 vital ratios. It was concluded that the financial performance of RBS in the areas of profitability, liquidity, assets management, leverage, and cash flows have been quite satisfactory before the merger

deal. It means that merger fails to improve the financial performance of the bank. McCauley (1997) carried out a study on reasons why many deals still failed to provide value. The sample used was the outcomes of 71 business deals undertaken between 1989 and 1993. It was concluded that: in some cases, acquirers were not clear about the rationale behind the deal, the mergers that seemed to fail most often were those done to expand revenue. These deals often had no other substantive strategic goal; Next in line for failure were those mergers undertaken to pioneer new territory, an inherently risky undertaking. Inexperience also seemed to hinder deal value enhancement, as the returns relative to peers were higher for those deals done by experienced acquirers.

Consistent financial performance has built confidence in the leadership and management among the financial institutions shareholders, as well as the industry. Financial institutions once they post solid year in terms of profitability it signals a positive performance to the investors, government, public and shareholders that the merger was successful. The institutions proven strategy and well-diversified business, which is supported by well-trained and experienced employees will help achieve desired objectives. The changes in the board of directors of the financial institutions after the merger should bring in continuity and be instrumental in shaping the bank's customer and financial focus agenda. In

order for financial institutions to meet their desired objectives once they have entered into merger or acquisition they must ensure that; they should continuously monitor the information system put in place in order to have efficiency, review the bank's financial reporting systems and processes, assessing the performance of the internal and external auditors to ensure that they remain effective in carrying out their responsibilities, the financial institutions should carry out stress test on the loan book to assess the impact of the volatile macroeconomic indicators such as inflation and foreign currency fluctuation on the ability of the bank's borrowers to repay their loans. Mergers and Acquisitions bring a number of changes within the organization. The size of the organization change, its stocks, shares and assets also change, even the ownership may also change due to mergers and acquisitions. The mergers and acquisitions play a major role on the activities of the organizations. However, the effect of mergers and acquisitions varies from entity to entity.

#### **4.3.2. Banking Sector Reform in Nigeria**

Banking sector reforms in Nigeria are driven by the need to stabilize the financial sector and reposition the Nigeria economy for growth and to compete with world class standard and get integrated into the global financial structural design and evolve a banking sector that is consistent with regional integration requirements and international best practices. It also aimed at addressing issues such as governance, risk management and operational inefficiencies, the centre of the reforms is around firming up capitalization. (Ajayi, 2005) Capitalization is an important component of reforms in the Nigeria banking industry, because a bank with a strong capital base can absorb losses arising from nonperforming liabilities. Attaining capitalization requirements may be achieved through consolidation of existing banks or raising additional funds through the capital market.

The biggest banking reforms in Nigeria in 2005 started from 2004 from the emergence of Professor Soludo as the Governor of Central Bank of Nigeria, Soludo, announced a 13-point reform program for the Nigerian Banks. The primary objective of the reforms is to guarantee an efficient and sound financial system. The reforms are designed to enable the banking system to develop the required flexibility to support the economic development of the nation by efficiently performing its functions as the pivot of financial intermediation (Lemo, 2005). Thus, the reforms were to ensure a diversified, strong and reliable banking industry where there is safety of depositors' money and position banks to play active developmental roles in the Nigerian economy.

The Banking reform was based on some key elements which was centered on recapitalization and consolidation of bank capital base to N25 billion, Adoption of a risk-focused and rule-based regulatory framework, The establishment of an Asset Management Company, the establishment of an Asset



Management Company, Promotion of the enforcement of dormant laws, Zero tolerance for weak corporate governance, misconduct, lack of transparency and Revision and updating of relevant laws.

## **5. Practical Part**

### **5.1. Research Method**

The main aim of this part is to explain methods employed in the research study, data collection, analyzing and interpretation of the statistical information after investigation.

In this research, secondary data will be employed due to availability and data access. The accounting data was extracted from the annual reports of banks and the respective scheme of merger of some banks. The merger and acquisition between the two banks were completed in the first part of 2019. The data was sourced from Published financials of both Access bank plc and Diamond bank plc from 2010 to 2021 which represent 9 years pre-merger and three years into the merger to show:

- Deposits
- Risk Assets
- Profitability
- Share holders' equity
- Total Assets

The sample size is less than 30, hence T-test will be adopted showing the mean, standard deviation of the values of all parameters and the year under review. This tests the impact of the performance ratios on the return on equity. The accounting data was extracted from the annual reports of banks and the respective scheme of merger of booth banks under study.

Financials information over the three years prior to the merger is taken into consideration and compare with three years post-merger to know the impact and significant of the merger on the banks. Ratio Analysis of accounting data of the bank will be constructed, and a descriptive analysis of performance ratios will be done. Correlation Analysis will be used to test the impact of the performance ratios on the return on equity

## 5.2. DATA PRESENTATION

Table 3

YEAR	DEPOSIT		RISK ASSET		PROFITABILITY	
	Access Bank	Diamond Bank	Access Bank	Diamond Bank	Access Bank	Diamond Bank
2010	379,344,019.00	378,733,006.00	448,000,400.00	294,920,909.00	7,000,000.00	6,522,455.00
2011	545,161,145.00	544,282,581.00	577,000,000.00	297,857,668.00	17,000,000.00	(22,187,848.00)
2012	1,201,480,000.00	823,090,787.00	608,640,000.00	523,374,608.00	44,840,000.00	23,073,427.00
2013	1,331,420,420.00	1,093,784,492.00	810,750,000.00	585,593,062.00	36,030,009.00	19,754,522.00
2014	1,454,420,000.00	1,062,115,907.00	1,112,920,000.00	613,901,406.00	44,840,000.00	16,001,952.00
2015	1,683,244,320.00	1,075,622,532.00	1,408,564,741.00	648,971,379.00	65,868,773.00	3,833,749.00
2016	2,089,197,286.00	1,134,861,466.00	1,854,662,174.00	804,635,641.00	71,439,347.00	1,970,044.00
2017	2,244,879,075.00	1,164,726,773.00	2,064,101,703.00	755,488,058.00	61,990,852.00	11,800,012.00
2018	2,564,908,384.00	1,116,785,417.00	2,136,095,776.00	747,664,509.00	94,981,086.00	
2019	4,255,837,303.00	4,255,837,303.00	3,064,404,788.00	3,064,404,788.00	94,056,603.00	94,056,603.00
2020	4,832,744,495.00	4,832,744,495.00	2,818,875,731.00	2,818,875,731.00	106,009,695.00	106,009,695.00
2021	5,517,068,618.00	5,517,068,618.00	3,256,072,669.00	3,256,072,669.00	111,326,487.00	111,326,487.00

Source: Published financial report & NSE

Table 4

YEAR	SHARE HOLDERS EQUITY		TOTAL ASSETS	
	Access Bank	Diamond Bank	Access Bank	Diamond Bank
2010	164,000,600.00	93,014,368.00	796,000,200	594,795,137
2011	192,000,100.00	111,014,432.00	1,629,000,000	803,706,651.00
2012	241,880,981.00	107,316,415.00	1,745,470,200	1,178,103,754.00
2013	244,480,000.00	138,303,224.00	1,835,470,001.00	1,183,807,752.00
2014	277,410,467	167,201,906.00	2,104,000,360	1,383,772,752.00
2015	367,801,467	200,009,184.00	2,591,330,151	1,683,772,752.00
2016	454,494,580	231,160,388.00	3,483,865,564	1,993,772,772.00
2017	515,447,409.00	213,563,961.00	4,102,242,820.00	2,974,156,602.00
2018	490,511,755.00	211,314,891.00	4,954,156,938.00	2,302,000,602.00
2019	606,739,831.00	606,739,831.00	7,143,157,088.00	7,143,157,088.00
2020	653,895,664.00	653,895,664.00	7,624,979,724.00	7,624,979,724.00
2021	871,450,114.00	871,450,114.00	9,660,760,556.00	9,660,760,556.00

Source: Published financial report & NSE

T- Test is used to determine the difference between the means as sample size is less than 30

Sample/Observation: 2010 -2018 (n) Numbers of year considered- Pre-Merger

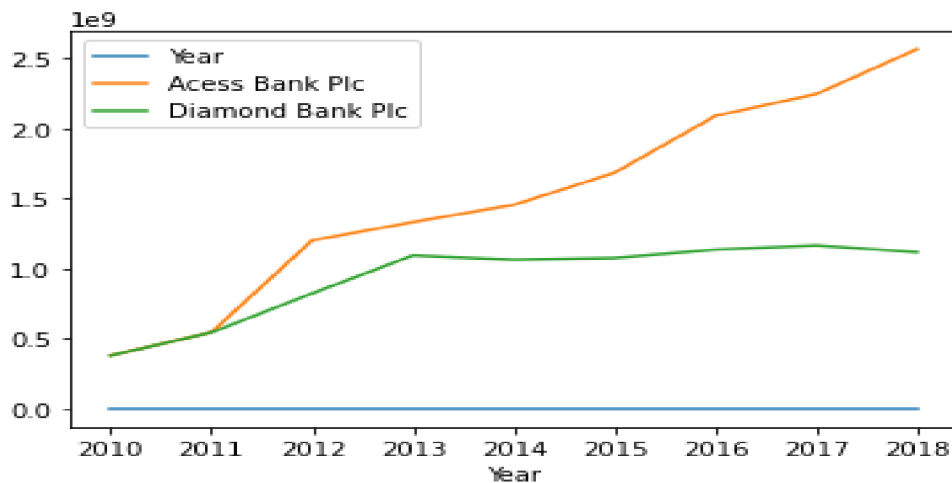
Sample/Observation: 2019 -2021 (n) Numbers of year considered- Post Merger

### 5.3. Results of Analysis

Perform some statistics and statistical comparison between the two banks before the merger between 2010-2018.

#### Deposit

	Access Bank Plc	Diamond Bank Plc
count	9.00	9.00
mean	1499339405.44	932666995.67
std	737970237.05	287549638.06
min	379344019.00	378733006.00
25%	1201480000.00	823090787.00
50%	1454420000.00	1075622532.00
75%	2089197286.00	1116785417.00
max	2564908384.00	1164726773.00



**Source:** Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test

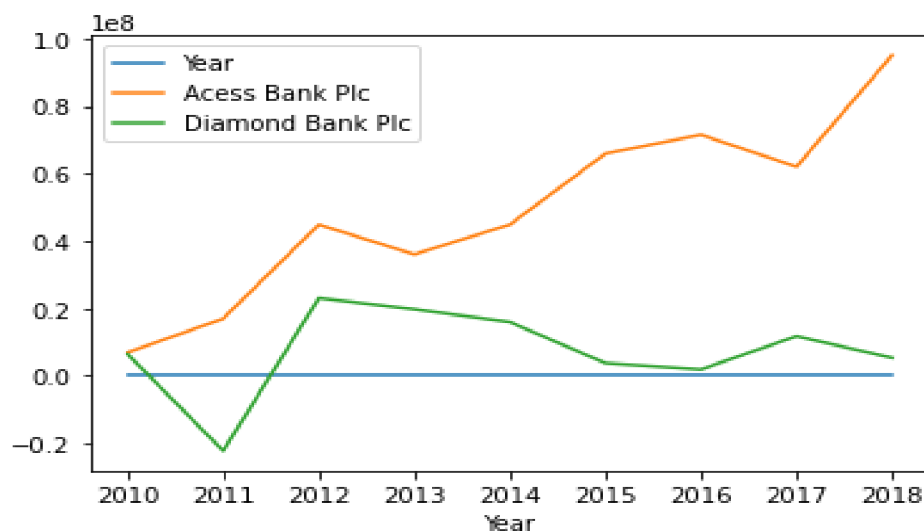
**Ttest\_indResult**(statistic=2.1464507015191714, pvalue=0.0475156056502266)

Our t-statistic value is 2.146.

**The p-value in this case is 0.0475**, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Deposits of Access Bank and Diamond Bank Before Merger (2010-2018)

## Profitability

	Access Bank Plc	Diamond Bank Plc
count	9.00	9.00
mean	49332229.67	7351984.56
std	27524854.18	13294917.61
min	7000000.00	-22187848.00
25%	36030009.00	3833749.00
50%	44840000.00	6522455.00
75%	65868773.00	16001952.00
max	94981086.00	23073427.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

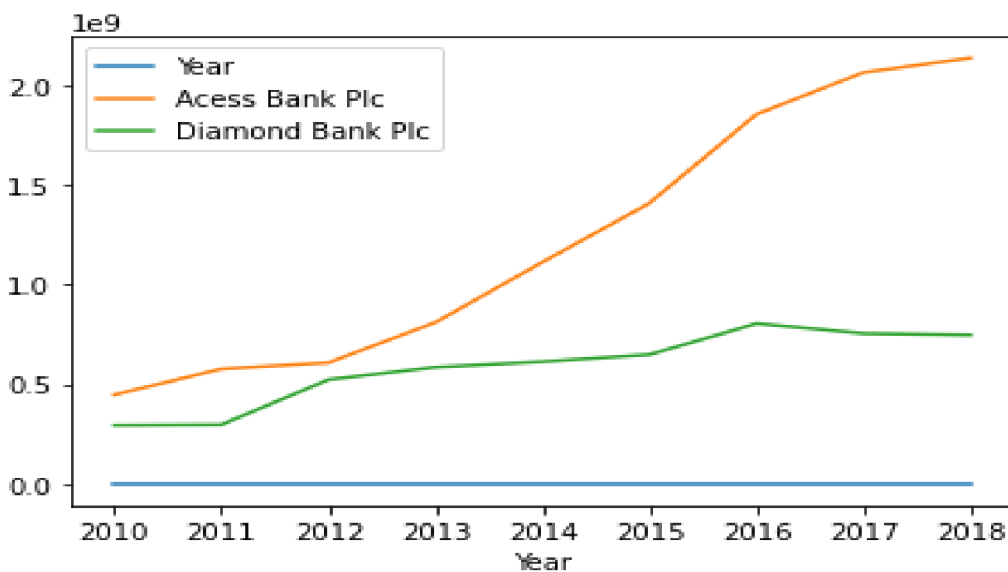
***Ttest\_indResult***(statistic=4.120085386075956, ***pvalue***=0.0008020590014715631)

Our t-statistic value is 4.120.

***The p-value in this case is 0.0008***, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis, and we can say there is a statistically significant difference between Profitability of Access Bank and Diamond Bank Before Merger (2010-2018)

## Risk Assets

	Access Bank Plc	Diamond Bank Plc
count	9.00	9.00
mean	1224526088.22	585823026.67
std	666338187.79	186775903.82
min	448000400.00	294920909.00
25%	608640000.00	523374608.00
50%	1112920000.00	613901406.00
75%	1854662174.00	747664509.00
max	2136095776.00	804635641.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

Ttest\_indResult(statistic=2.7688634835278023, pvalue=0.013692303672401781)

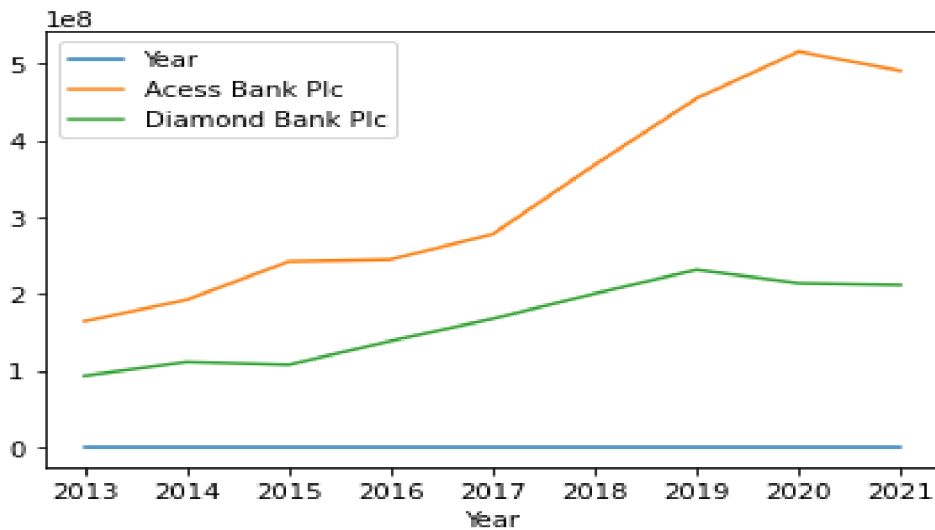
Result:

Our t-statistic value is 2.769.

**The p-value in this case is 0.0137**, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Risk Asset of Access Bank and Diamond Bank Before Merger (2010-2018).

## Shareholders' Equity

	Access Bank Plc	Diamond Bank Plc
count	9.00	9.00
mean	327558595.44	163655418.78
std	132981688.75	52715547.09
min	164000600.00	93014368.00
25%	241880981.00	111014432.00
50%	277410467.00	167201906.00
75%	454494580.00	211314891.00
max	515447409.00	231160388.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

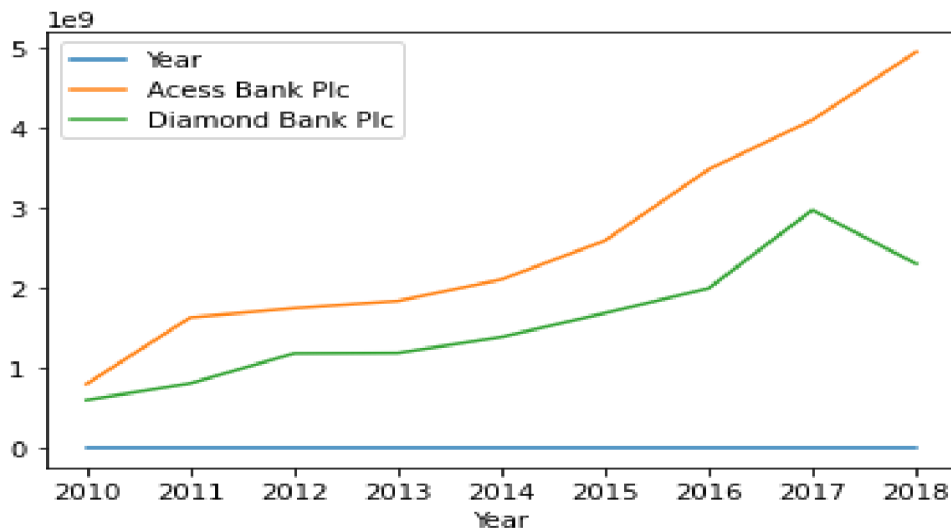
Ttest\_indResult(statistic=3.4373468170615116, pvalue=0.0033827373172366213)

Our t-statistic value is 3.437.

*The p-value in this case is 0.0034, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Shareholders Equity of Access Bank and Diamond Bank Before Merger (2010-2018)*

## Total Assets

	Access Bank Plc	Diamond Bank Plc
count	9.00	9.00
mean	2582392914.89	1566432086.00
std	1338622940.53	756268091.11
min	796000200.00	594795137.00
25%	1745470200.00	1178103754.00
50%	2104000360.00	1383772752.00
75%	3483865564.00	1993772772.00
max	4954156938.00	2974156602.00



**Source:** Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test

Ttest\_indResult(statistic=1.982385003753719, pvalue=0.06487968529200915)

Our t-statistic value is 1.9823.

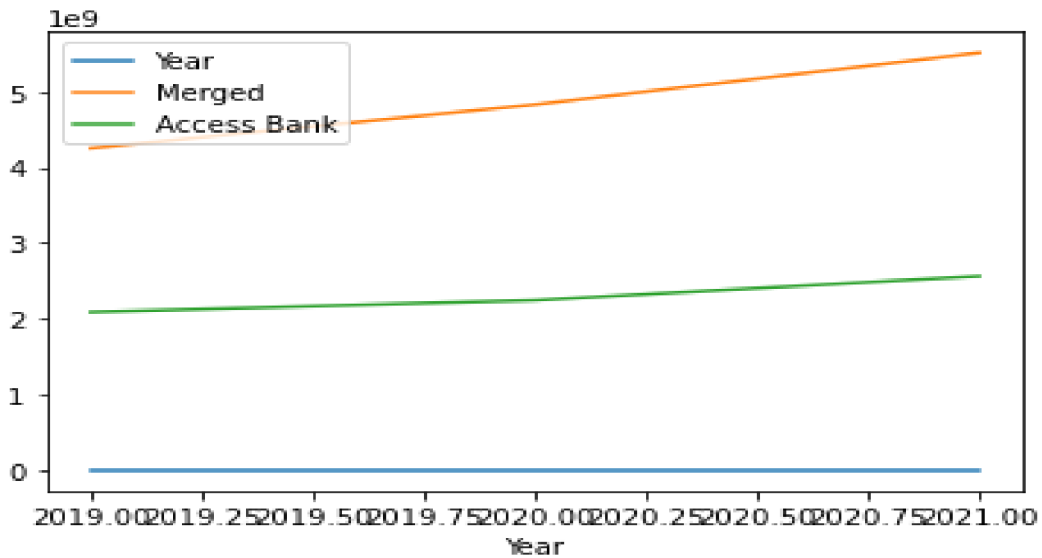
**The p-value in this case is 0.0649**, which is higher than the standard thresholds of 0.05, so we accept the null hypothesis and we can say there is no statistically significant difference between Total Assets of Access Bank and Diamond Bank Before Merger (2010-2018)



**Perform some statistical comparison between the two banks before merger between 2010-2018**

**Deposits**

	Merged	Access Bank
count	3.00	3.00
mean	4868550138.67	2299661581.67
std	631377573.70	242540933.59
min	4255837303.00	2089197286.00
25%	4544290899.00	2167038180.50
50%	4832744495.00	2244879075.00
75%	5174906556.50	2404893729.50
max	5517068618.00	2564908384.00



*Source: Author’s computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

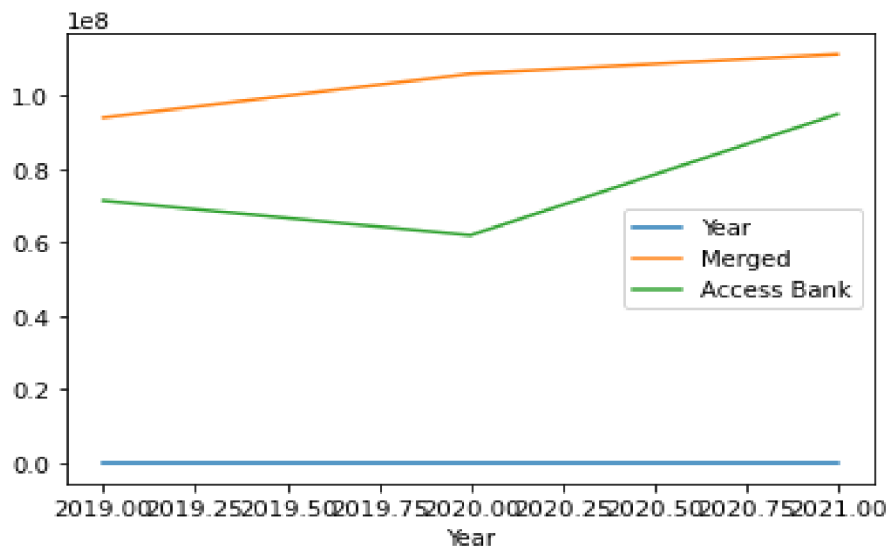
Ttest\_indResult(statistic=-6.578510179530016, pvalue=0.0027639776058752457)

Our t-statistic value is -6.5785.

**The p-value in this case is 0.0028**, which again is below than the standard thresholds of 0.05,so we reject the null hypothesis and we can say there is a statistically significant difference between Deposits of Access Bank and the Merged Bank after Merger

## Profitability

	Merged	Access Bank
count	3.00	3.00
mean	103797595.00	76137095.00
std	8844900.40	16989423.53
min	94056603.00	61990852.00
25%	100033149.00	66715099.50
50%	106009695.00	71439347.00
75%	108668091.00	83210216.50
max	111326487.00	94981086.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

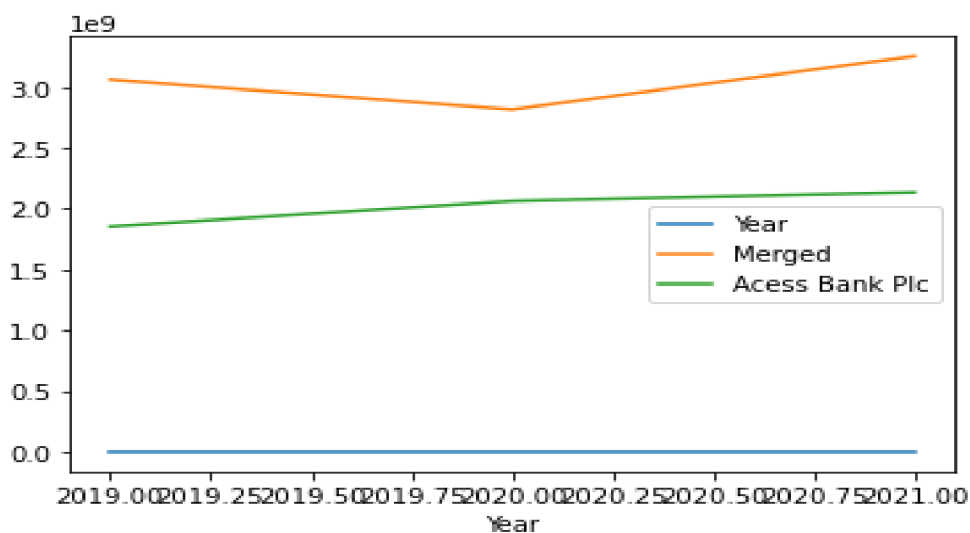
Ttest\_indResult(statistic=-2.501283459325851, pvalue=0.06667504001376587)

Our t-statistic value is -2.5013.

**The p-value in this case is 0.0667**, which is higher than the standard thresholds of 0.05, so we accept the null hypothesis and we can say there is no statistically significant difference between Profitability of Access Bank and Merged Bank after Merger

## Risk Assets

	Access Bank Plc	Merged
count	3.00	3.00
mean	2018286551.00	3046451062.67
std	146203588.19	219150730.87
min	1854662174.00	2818875731.00
25%	1959381938.50	2941640259.50
50%	2064101703.00	3064404788.00
75%	2100098739.50	3160238728.50
max	2136095776.00	3256072669.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

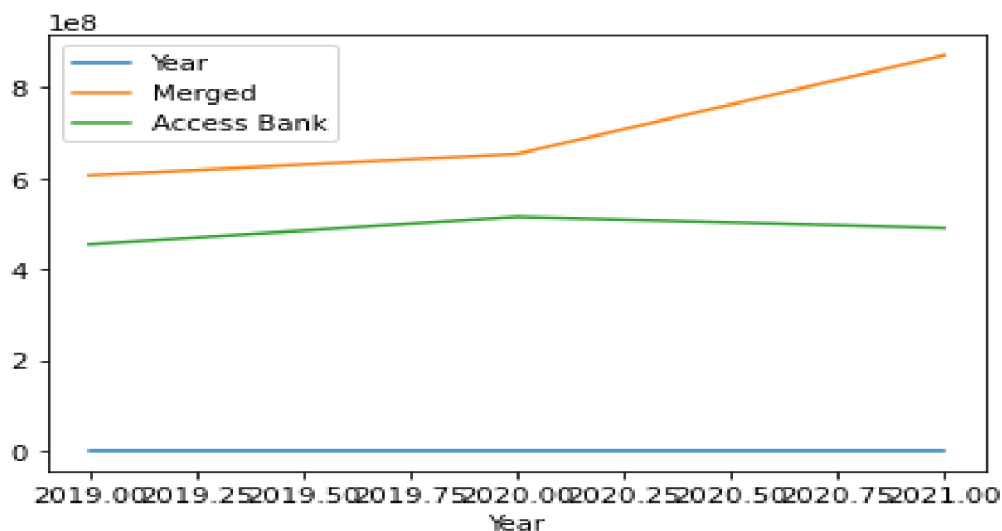
Ttest\_indResult(statistic=-6.759826966736103, pvalue=0.0024978288089754328)

Our t-statistic value is -6.7598.

**The p-value in this case is 0.0025**, which is below than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Risk Asset of Access Bank and The Merged Bank After Merger

## Shareholders' Equity

	Access Bank	Merged
count	3.00	3.00
mean	486817914.67	710695203.00
std	30643844.13	141200298.17
min	454494580.00	606739831.00
25%	472503167.50	630317747.50
50%	490511755.00	653895664.00
75%	502979582.00	762672889.00
max	515447409.00	871450114.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

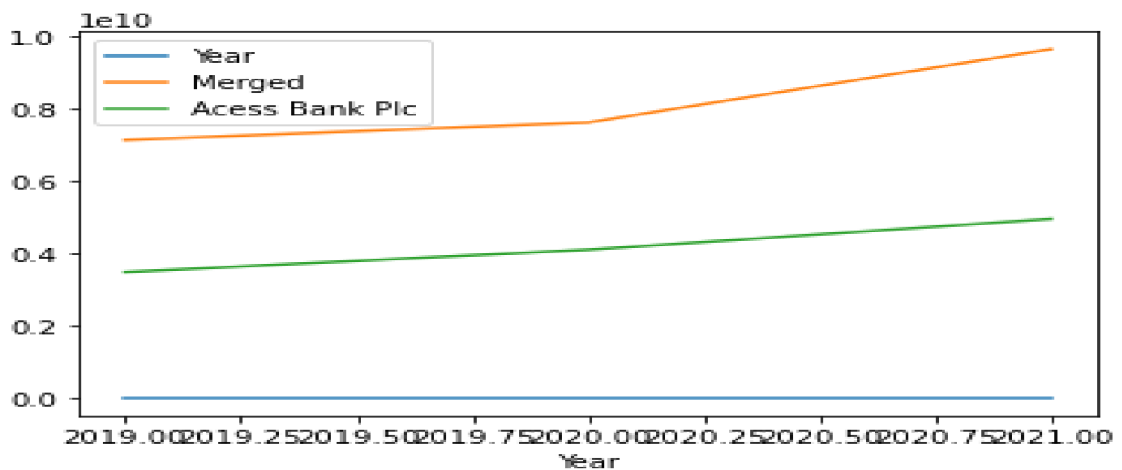
Ttest\_indResult(statistic=-2.6837440752597317, pvalue=0.05501417514359677)

Our t-statistic value is -2.6837440752597317.

The p-value in this case is **0.0550**, which is higher than the standard thresholds of 0.05, so we accept the null hypothesis and we can say there is no statistically significant difference between Shareholders Equity of Access Bank and The Merged bank After Merge.

## Total Assets

	Access Bank	Merged
count	3.00	3.00
mean	4180088440.67	8142965789.33
std	738230408.89	1336343510.64
min	3483865564.00	7143157088.00
25%	3793054192.00	7384068406.00
50%	4102242820.00	7624979724.00
75%	4528199879.00	8642870140.00
max	4954156938.00	9660760556.00



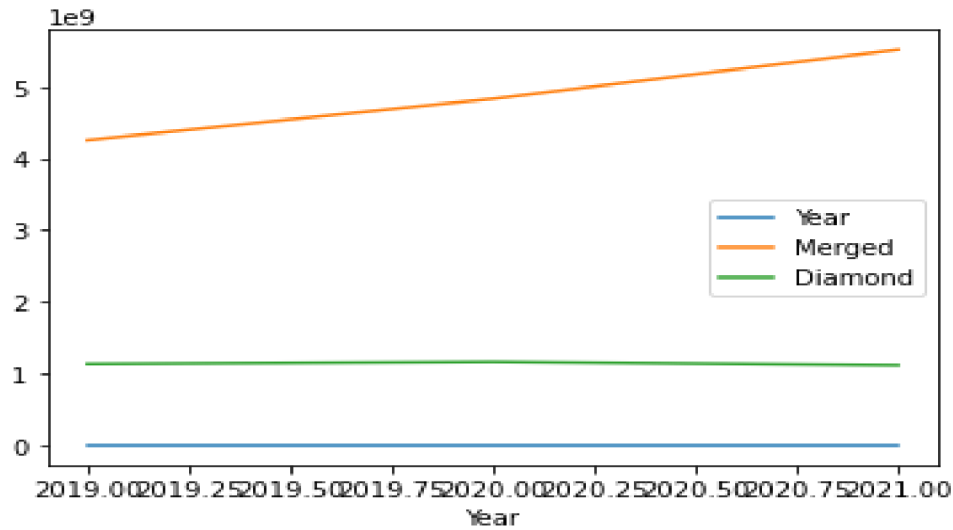
*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

Ttest\_ind Result (statistic=-4.495923670147492, pvalue=0.01085639767565291)

Our t-statistic value is -4.495923670147492.

**The p-value in this case is 0.0109**, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is statistically significant difference between Total Assets of Access Bank and the Merged Bank After Merger

## Deposit



	Merged	Diamond
count		3.00
mean	4868550138.67	1138791218.67
std	Merged 631377573.70	Diamond 24211064.02
min	4255837303.00	1116785417.00
25%	4544290899.00	1125823441.50
50%	4832744495.00	1134861466.00
75%	5174906556.50	1149794119.50
max	5517068618.00	1164726773.00

**Source:** Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test

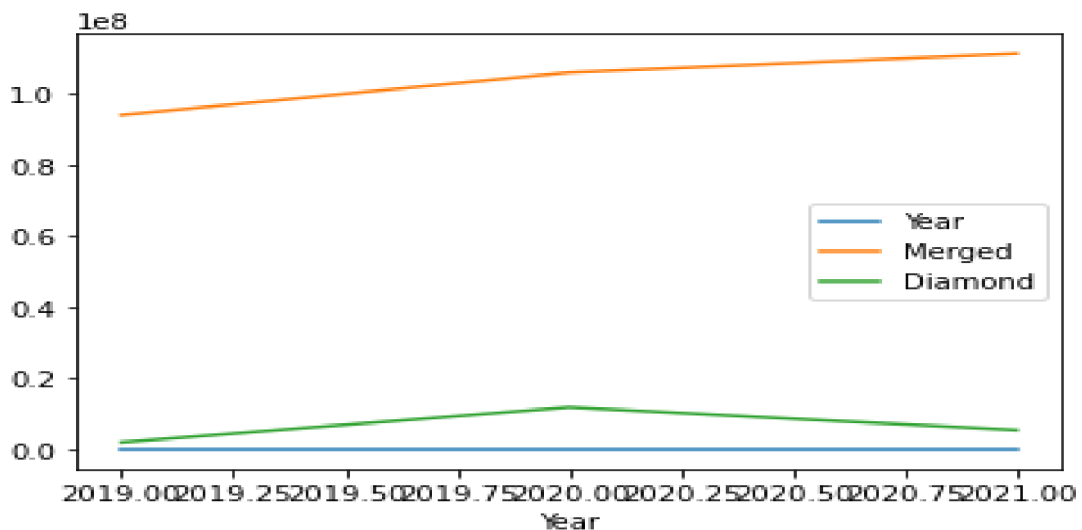
Ttest\_indResult(statistic=-10.2242902002764, pvalue=0.0005157240918400547)

Our t-statistic value is -10.2243.

The p-value in this case is **0.0005**, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Deposits of Diamond Bank and the Merged Bank after Merger

## Profitabilty

	Merged	Access Bank
count	3.00	3.00
mean	103797595.00	76137095.00
std	8844900.40	16989423.53
min	94056603.00	61990852.00
25%	100033149.00	66715099.50
50%	106009695.00	71439347.00
75%	108668091.00	83210216.50
max	111326487.00	94981086.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

Ttest\_indResult(statistic=-16.613927313797447, pvalue=7.688556903963802e-05)

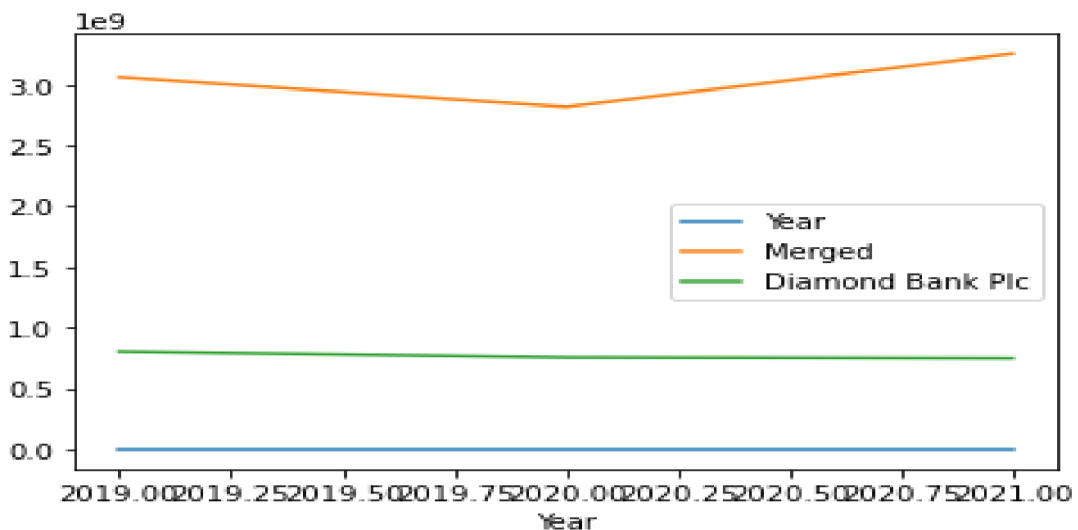
Our t-statistic value is -16.6139.

The p-value in this case is 0.0000, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is statistically significant difference between Profitability of Diamond Bank and Merged Bank after Merger

□

## Risk Assets

	Diamond Bank Plc	Merged
count	3.00	3.00
mean	769262736.00	3046451062.67
std	30882580.62	219150730.87
min	747664509.00	2818875731.00
25%	751576283.50	2941640259.50
50%	755488058.00	3064404788.00
75%	780061849.50	3160238728.50
max	804635641.00	3256072669.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

Ttest\_indResult(statistic=-17.821602090116954, pvalue=5.825094045448666e-05)

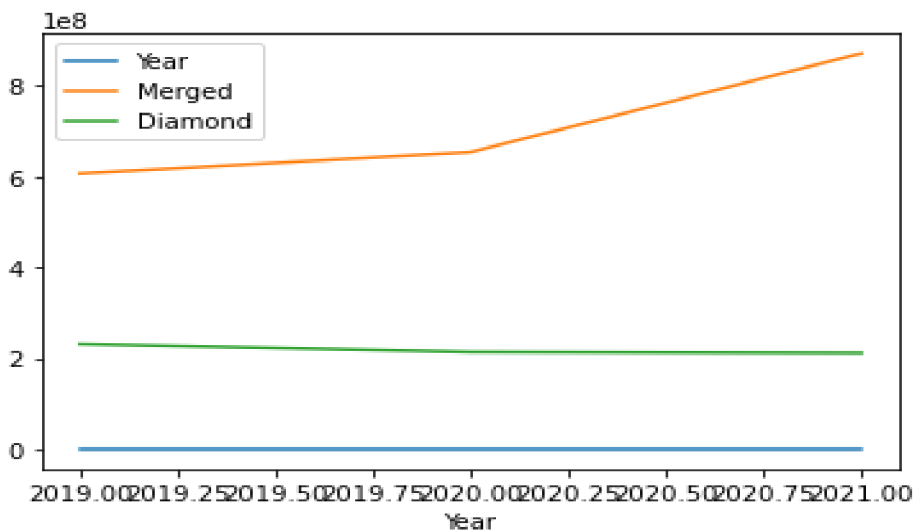
Our t-statistic value is -17.8216.

The p-value in this case is 0.0000, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Risk Asset of Diamond Bank and The Merged Bank After Merger



## Shareholders' Equity

	Diamond	Merged
count	3.00	3.00
mean	218679746.67	710695203.00
std	10866893.99	141200298.17
min	211314891.0 0	606739831.00
25%	212439426.00	630317747.50
50%	213563961.00	653895664.00
75%	222362174.50	762672889.00
max	231160388.00	871450114.00



**Source:** Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test

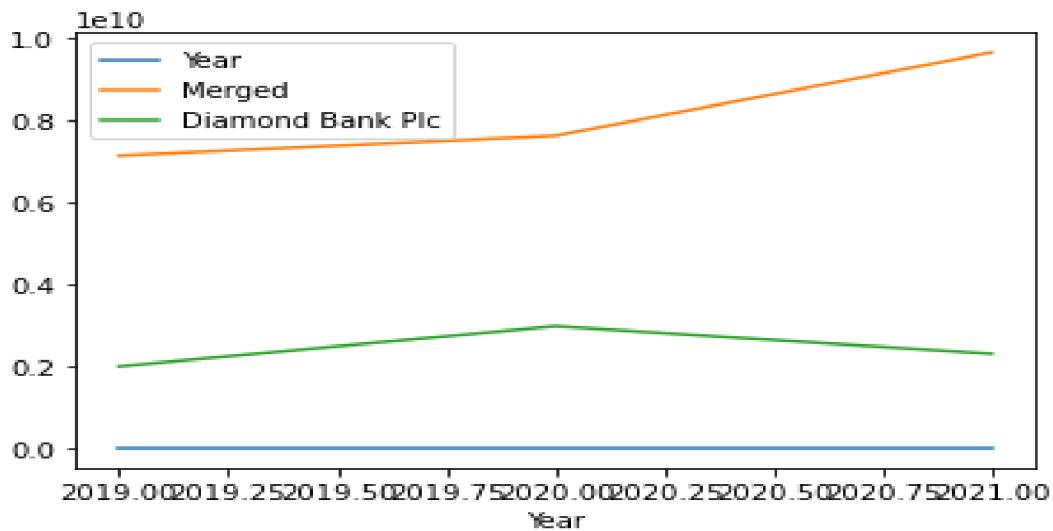
Ttest\_indResult(statistic=-6.0175734045184255, pvalue=0.00384113130927155)

Our t-statistic value is -2.6837440752597317.

**The p-value in this case is 0.0038**, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is statistically significant difference between Shareholders Equity of Diamond Bank and The Merged bank After Merger

## Total Assets

	Diamond Bank Plc	Merged
count	3.00	3.00
mean	2423309992.00	8142965789.33
std	501323338.38	1336343510.64
min	1993772772.00	7143157088.00
25%	2147886687.00	7384068406.00
50%	2302000602.00	7624979724.00
75%	2638078602.00	8642870140.00
max	2974156602.00	9660760556.00



*Source: Author's computation using matplotlib and seaborn for charting and graphs scipy for statistical and scientific test*

Ttest\_indResult(statistic=-6.940970246122282, pvalue=0.002262778692705929)

Our t-statistic value is -6.941.

**The p-value in this case is 0.0023**, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is statistically significant difference between Total Assets of Diamond Bank and the Merged Bank After Merger.

## **Test of Hypotheses**

**H0:** there is no significant difference between Deposit of Access Bank and Diamond bank

**H1:** there is significant difference between Deposit of Access Bank and Diamond bank

The p-value in this case is 0.0475, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Deposits of Access Bank and Diamond Bank Before Merger (2010-2018)

**H0:** there is no significant difference between Profitability of Access Bank and Diamond

**H1:** there is significant difference between profitability of Access Bank and Diamond

The p-value in this case is 0.0008, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis, and we can say there is a statistically significant difference between Profitability of Access Bank and Diamond Bank Before Merger (2010-2018)

**H0:** there is no significant difference between Risk Assets of Access Bank and Diamond

**H1:** there is significant difference between profitability and Access Bank and Diamond

The p-value in this case is 0.0137, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Risk Asset of Access Bank and Diamond Bank Before Merger (2010-2018)

**H0:** there is no significant difference between Shareholder's equity of Access Bank and Diamond

**H1:** there is significant difference between shareholders' equity of Access Bank and Diamond

The p-value in this case is 0.0034, which again is below than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is a statistically significant difference between Shareholders Equity of Access Bank and Diamond Bank Before Merger (2010-2018)

**H0:** there is no significant difference between total assets of Access Bank and Diamond

**H1:** there is significant difference between total assets of Access Bank and Diamond

The p-value in this case is 0.0649, which is higher than the standard thresholds of 0.05, so we accept the null hypothesis and we can say there is no statistically significant difference between Total Assets of Access Bank and Diamond Bank Before Merger (2010-2018)

**H0:** there is no significant difference between the 3 years post-merger and 3 years pre-merger for Access bank.

**H1:** there is significant difference between the 3 years post-merger and 3 years pre-merger for Access Bank

The p-value in this case is 0.0109, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis, and we can say there is statistically significant difference between Total Assets of Access Bank and the Merged Bank After Merger

**H0:** there is no significant difference between the 3 years post-merger and 3 years pre-merger for Diamond bank.

**H1:** there is significant difference between the 3 years post-merger and 3 years pre-merger for Diamond Bank.

The p-value in this case is 0.0023, which is lower than the standard thresholds of 0.05, so we reject the null hypothesis and we can say there is statistically significant difference between Total Assets of Diamond Bank and the Merged Bank After Merger.

## **Discussion of Findings**

After proper analyses on both banks considering some period before the merger and post-merger. The results indicated and revealed effect of the significance, the following findings was reached 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. That is seen in after the merger as the share holders' funds and total Assets increased proportionately year upon year.

## **6. Conclusion and Recommendation**

### **6.1. 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 create 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, stability and sustainability. 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 and banks folding up.

The study therefore recommends that, Mergers and Acquisition activities should be encouraged, it leads to the corporate Survival, corporate growth, increase in profitability and banks sustainability in Nigeria.

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## **8. List of pictures, tables, graphs and abbreviations**

### **8.1. List of pictures**

Pictures 1.....	23
Pictures 2.....	24
Pictures 3.....	25

### **8.2. List of tables**

Table 1 .....	32
Table 2 .....	33
Table 3 .....	42
Table 4 .....	42

### **8.3. List of abbreviations**

M&A: Merger and Acquisition

CBN: Central Bank of Nigeria

NSE: Nigeria Stock Exchange

AMCON: Asset Management Corporation of Nigeria

PLC: Public Limited Company

ROI: Return on Investment

CIR: Cost Income Ratio

SE: Stock Exchange

SHE: Share Holders Equity

NDIC: Nigeria Deposit Insurance Corporation

DEA: Data Employment Analysis

SEC: Security Exchange Commission

## Appendix

**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).

**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 most of its shares (Encarta dictionary), a takeover can also be a conglomerate merger.

**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.

**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).

**Return on equity:** The return on equity is net profit after tax divided by shareholders' 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).

**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 is confined to a single office or to a few branches within a strictly limited area.

**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.

**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.

**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.

**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.

**Merger:** This can be referred to as the consolidation of two or more companies into one larger company for economic or strategic reasons and thereby businesses and management of both companies are fused together as one.

**Acquisition:** This is when one company (the "acquirer") takes over another company (the "target") by purchasing a controlling interest in the target. In many cases, the acquired company ceases to exist and its stock (in the case of listed companies) ceases to trade while the acquirer absorbs the business and consolidates it under its management.