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IMPACT OF MERGERS AND ACQUISITIONS ON THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT: *Business combination through mergers and acquisitions has become a global phenomenon to achieve economies of scale and higher productivity. The need for financial institutions to merge becomes even more imperative in the face of the onslaught of greater competition arising from globalization. This study evaluated the impact of mergers and acquisitions which started in 2005 on the performance of deposit money banks in Nigeria using a sample of ten (10) banks. This research made use of secondary data, obtained from the bank's annual reports and statements of accounts covering a period of 2001-2010, Using nine (9) variables; Return on Assets, Return on Equity, Net Profit Margin, Asset Utilisation, Equity Multiplier, Earnings per share, Debt Equity ratio, Debt Asset ratio & Leverage ratio, the study evaluated the performance of the banks before and after mergers and acquisitions using pair sample t-test. The results showed that there is significant difference in the performances of Deposit Money Banks in the pre and post-merger periods using the ROA, ROE and LR as yards tick but shows no significant impacts in the performances of Deposit Money Bank using other variables as yard stick. The study hereby recommends that the CBN should set and enforce corporate governance standards for commercial banks and also enforce risk based supervision in banks.*

KEYWORDS: Mergers, Acquisition, Performance Ratios

JEL CLASSIFICATION: G21, G34.

I.INTRODUCTION

For an economy to achieve its potential growth, mechanisms must exist to effectively allocate capital (scarce resource) to the best possible uses; accounting for the riskiness of the opportunity available. Markets and Institutions have been created to facilitate the transfer of funds from economic agents with surplus funds to economic agents in need of funds. These institutions must also sustain the interest and confidence of the public by being sufficiently responsive to their needs, honouring maturing obligations and avoiding actions/inactions that would lead to distress and failure in the system.

Business combination through mergers and acquisition has become a global phenomenon to achieve economies of scale and higher productivity. The need for financial institutions to merge becomes even more imperative in the face of the onslaught of greater competition arising from globalization and the pressure under World Trade Organization (WTO) for countries to open up their financial markets to further entry of foreign banks. For this reason, many countries are moving towards consolidating their banking system and Nigeria cannot be an exception. (CBN Brief 2004/05-02)

The Nigerian banking sector has undergone remarkable changes over the years, in terms of the number of institutions, ownership structure as well as the depth and breadth of operations. These changes have been influenced largely by the challenges posed by the deregulation of the sector, globalization of operations, technological innovations and the adoption of supervisory and prudential requirements that conform to international standards. (CBN Briefs 2004/5-02)

The deregulation of the sector which began during the period 1986 to 1990 was followed by a flood of new banks. The existence of so many banks coupled with the noncompliance with market regulations by majority of the players, poor management, poor credit policy, insider dealings/abuses, economic recession etc led to high incidence of distress in the banking industry in the 1990s. (CBN Briefs 2004/5-02)

There were eighty nine (89) banks with 3,382 branches predominantly in the urban centres as at June 2004. These banks were characterized by structural and operational weaknesses such as: Low capital base, dominance of a few banks, insolvency and illiquid, overdependence on public sector deposits and foreign exchange trading, poor asset quality and weak corporate governance evidencing banks inability to effectively support the real sector of the economy with credit to the domestic economy at 24% of GDP, compared to -African average of 87% and 272% for developed countries.(Soludo 2006)

CBN's surveillance on banks in 2004 revealed deterioration in banks' overall performance, based on CAMEL parameters. Banks' performance rating showed that 10 banks were rated as sound, while 51, 16 and 10 banks were rated as satisfactory, marginal and unsound, respectively. This now raises some questions on the state of the banks in the country, can mergers and acquisitions be a solution? What is the relationship between mergers and acquisitions on the one hand and bank performance or the other hand? What are the post-merger challenges and how does it affect performance? What will be the nature of competition before and after the consolidation policy? Against this background, the CBN in July 2004 rolled out a 13-point reform agenda aimed at consolidating the banking sector and preventing the occurrence of systemic distress. (CBN Briefs 2004/5-02).

One major element in the reform package was the requirement that the minimum capitalization for banks should be N25 billion with effect from end of December 2005 and that the consolidation of banking institutions through mergers and acquisitions should be initiated. The guidelines stated that the only legal modes of consolidation allowed are mergers and outright acquisition/takeover. A mere group arrangement is not acceptable for the purpose of meeting the stipulated N25 billion capitalization requirement for banks.

The aim of this study is to access the impact of mergers and acquisitions on the performance of Deposit Money Banks using specific variables; as it seeks to evaluate the null hypothesis that there is no significant difference between pre and post-mergers & acquisitions performance of banks.

This paper is divided into five sections. Apart from section one which treated the introduction, section two discusses the related literature; section three presents the research methodology, section four is the analysis / Discussion of results, while section five presents the conclusion.

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LITERATURE REVIEW

Merger and acquisition (M&A) plays an important role in external corporate expansion, acting as a strategy for corporate restructuring and control. It is a different activity from internal expansion decisions, such as those determined by investment appraisal techniques. M&A can facilitate fast growth for firms and is also a mechanism for capital market discipline, which improves management efficiency and maximises private profits and public welfare.(whatwhenhow.com/mergerand acquisition)

Motives for Takeover

Of the numerous explanations available, the following are the most common in the literature, which has prompted the development of some hypotheses to explain takeover activities. Of these, eight broad reasons for takeover have emerged:

- Efficiency Theory
- Agency Theory
- Free Cash Flow Hypothesis
- Market Power Hypothesis
- Diversification Hypothesis
- Information Hypothesis
- Bankruptcy Avoidance Hypothesis
- Accounting and Tax Effects

Efficiency Theories

Efficiency theories are the most optimistic about the potential of mergers for social benefits. The most general theory involves differential efficiency. In theory, if the management of firm A is more efficient than the management of firm B, and if after firm A acquires firm B, the efficiency of firm B is brought up to the level of efficiency of firm A, efficiency is increased by merger. Note that this would be a social gain as well as a private gain. The level of efficiency in the economy would be raised by such mergers. One difficulty in the differential efficiency theory is that if carried to its extreme, it would result in only one firm in the economy, indeed in the world—the firm with the greatest managerial efficiency. The differential efficiency theory is more likely to be a basis for horizontal mergers.

.Agency Theory

The main assumption of agency theory is that principals and agents are all rational and wealth-seeking individuals who are trying to maximize their own utility functions. In the context of corporate governance, the principal is the shareholder and the agent is the directors/senior management.

The agency problem theory of mergers has two aspects. On the one hand the threat of takeover may mitigate the agency problem by substituting for the need of individual shareholders to monitor the managers.

On the other hand, mergers may be a manifestation of the agency problem rather than the solution.

The hubris theory suggests that takeover is both a cause of and a remedy for agency problems. Through takeover, management not only increase their wealth but also their power over richer

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resources, as well as an increased view of their own importance. But a weakness in this theory is the assumption that efficient markets do not notice this behaviour.

Market Power Hypothesis

One reason often given for a merger is that it will increase a firm's market share, but it is not clear how increasing the market share will achieve economies or synergies. If increasing the firm's market share simply means that the firm will be larger, then we are essentially talking about economies of scale. Increasing market share really means increasing the size of the firm relative to other firms in an industry. While some economists hold that high concentration, however measured, causes some degree of monopoly, other economists hold that increased concentration is generally the result of active and intense competition.

The Diversification Hypothesis

The diversification hypothesis provides a theoretical explanation for conglomerate takeovers. The diversification of business operations, i.e. the core businesses of different industries has been broadly accepted as a strategy to reduce risk and stabilize future income flows. Appropriate diversification can effectively reduce the probability of corporate failure, which facilitates conglomerate fund raising and increases market value. (whatwhenhow.com)

Corporate diversification can also improve a firm's overall competitive ability.

The Information Hypothesis

The information, or signalling hypothesis refers to the revaluation of the ownership shares of firms owing to new information that is generated during the merger negotiations, the tender offer process, or the joint venture planning. Alternative forms of the information hypothesis have been distinguished by Bradley et al 1983. One is the kick-in-the-pants explanation. Management is stimulated to implement a higher-valued operating strategy. A second is the sitting-on-a-gold-mine hypothesis. The negotiations or tendering activity may involve the dissemination of new information or lead the market to judge that the bidders have superior information. The market may then revalue previously "undervalued" shares.

These two explanations both stress that takeover implies information sets which are publicly unavailable and favor takeover proposals. It is also noted that these two forms of information hypothesis are not mutually exclusive.

The Bankruptcy Avoidance Hypothesis

A carefully timed takeover can be an alternative to bankruptcy. Pastena and Ruland (1986) in Mergers / Bankruptcy alternative noted that shareholders should prefer merger to bankruptcy because in a merger the equity shareholders receive stock while in bankruptcy they frequently end up with nothing." However, while the bankruptcy avoidance hypothesis can be justified from the bidder and target shareholder perspectives, it fails to take the agency problem into account. Studies found that managers of a distressed company tended to stay in control if there was a rescue package or the firm was acquired. However, it should be noted that not all distressed firms welcome acquisition as a survival mechanism. Finally, although the benefits of acquiring distressed companies have been identified, Walker (1992) argued that there are economic advantages to acquiring distressed firms after their insolvency, as many problems will be solved by receivers at the time they are available for sale.

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The Nigerian Banking Industry

The recapitalization directive from the apex bank in 2004 served as a catalyst for the practical implementation of merger and acquisition of banks in Nigeria. Although recapitalisation is not a new phenomenon to the system, the history of recapitalisation in Nigeria is summarised below;

TABLE 1: Review of bank's capital base (Historical)

YEAR	TYPE OF BANK	AMOUNT
1958	Commercial	£400,000:00
1969	Foreign & Indigenous	N1.5Million & N0.6 Million
1979*	Commercial	N2.0Million
1988(Feb)	Commercial & Merchant	N5.0Million & N3.0Million
1988(Oct)	Commercial & Merchant	N10.0Million & N6.0Million
1989	Commercial & Merchant	N20.0Million& N12.0Million
1990	Commercial & Merchant	N50.0M & N40.0M
1997	Commercial & Merchant	N500.0M for all banks
2001	Existing & New (Universal Banking)	N1.0Billion & N2.0Billion
2006	Commercial	N25.0Billion

Source: Roseline Oluitan (2015)

The then Governor of CBN(Prof. Charles Soludo) released a consolidated /reform timetable for the banking industry in line with the policy thrust of the National Economic Empowerment Development Strategy(NEEDS) document which requires banks to recapitalise to the tune of N25billion with December 31st 2005 as deadline. The guideline also provided options open to Nigerian banks to meet the stipulated minimum capital base requirement. These include:

- To approach the capital market for funds through an Initial Public Offer (IPO), Private placement or Rights Issue;
- To consolidate through a merger with like minded and synergy-producing banks

As a result of the exercise, 25mega bank emerged from the 75 banks out of 89 licensed banks. The 14 unsuccessful banks had their licenses revoked and subsequently liquidated. The mega banks were later reduced to 24 following the merger of Stanbic Bank and IBTC Chartered Bank in 2008. See Table 2 & 3 for details of merger and Basic indicators

TABLE 2: The 25 mega banks and their constituent member

Consolidated Banks	Constituent Member	Form of Business Combination
Access Bank Plc	Access Bank, Marina International Bank, Capital Bank International	Merger
Afribank Plc	Afribank Plc , Afrimerchant Bank	Merger
Diamond Bank Plc	Diamond Bank , Lion Bank Africa International Bank	Acquisition
Eco Bank Nigeria Plc	EcoBank Plc	N/A

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Equatorial Trust Bank Plc	Equatorial Trust Bank, Devcom Bank ltd	Merger
First City Monument Bank(FCMB) Plc	FCMB Co-operative Development Bank Nig-American Bank Midas Bank	Merger
Fidelity Bank Plc	Fidelity Bank , FSB Inbtl Bank, Manny Bank	Merger
First Bank Plc	FBN plc, FBN Merchant Bank, MBC Intl Bank	Acquisition
FirstInland Bank Plc	Intl Bank PLc, Inland Bank, First Atlantic Bank, NUB Intl Bank	Merger
Guaranty Trust Plc	G T Bank	N/A
IBTC- Chaterred Bank Plc	Regent Bank, Chartered Bank, IBTC	Merger
Intercontinental Bank Plc	Intercontinental Bank, Global Bank Plc, Equity Bank of Nigeria, Gateway Bank of Nigera	Merger
Nigerian International Bank(citi)	Nigerian International Bank	N/A
Oceanic Bank Plc	Oceanic Bank, International Trust Bank	Merger
Bank PHB	Platinum Bank Ltd, Habib Nig Bank	Merger
Skye Bank Plc	Prudent Bank, EIB, Reliance Bank, Coop Bank, Bond Bank	Merger
Springbank	Guardian Express Bank, Citizens Bank, ACB Intl Bank, Omega Bank, Fountain Trust Bank, TransInternational Bank	Merger
Standard Chartered Bank Ltd	Standard Chartered Bank Ltd	N/A
Stanbic Bank of Nigeria Ltd	Stanbic Bank of Nigeria Ltd	N/A
Sterling Bank Plc	Magnum Trust Bank, NBM Bank, NAL Bank, INMB, Trust Bank of Africa	Merger
UBA Plc	UBA Standard trust Bank, Continental trust Bank	Merger
Union Bank Plc	Union Bank, Union Merchant Bank, Universal Trust Bank, Broad Bank	Acquisition
Unity Bank Plc	New Africa Merchant, Tropical Commercial Bank, NNB, Bank of the North, Centre-Point Bank, First Interstate Bank, Intercity Bank Societe Bancaire, Pacific Bank	Merger
Wema Bank Plc	Wema Bank Plc, National Bank	Merger
Zenith International Bank Plc	Zenith International Bank Plc	N/A

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Global financial crisis / 2009 reforms & merger transaction

The entire nation's financial system has its share of the global financial crisis. In addition to the effects of the global financial crisis on the Nigerian financial system, the challenges/outcome posed by the banking consolidation programme that was concluded in 2005 and other developments within the economy, made the nation to experience another round of financial crisis in 2008/2009, as revealed by the CBN/NDIC joint Special Examination carried out in 2009.

Poor credit management was a major clause of the banking failures as most banks piled up non –performing loans amidst dwindling capital base(prosharerng.com). The Examination results revealed among others, that 10 of the 24 deposit money banks were in grave financial condition. This led to the removal of eight (8) CEOs of the distressed banks and members of their executive management teams and their replacement with new executive managements appointed by the CBN. The CBN also injected N620 billion in the affected banks as tier 2 capital.

Radical reforms were carried out in the contextual and regulatory framework of the Nigeria banking sector which was built on four(4) cardinal principles;

- Enhancement of the quality of banks;
- Establishment of financial stability;
- Creating a healthy financial sector evolution and;
- Ensuring the financial sector contributes to real economy.

Notable outcome of this reform include the following amongst others;

- Risk based regulatory approach with focus on quality credit and adequate capital
- Institution of credit bureau system
- Categorisation of banks as regional, national banks and international bank based on identified capital base and areas of operation(N10b, N25b & N50 respectively)
- Introduction of tenure systems for the bank chief executives and auditors(Managing director max of 10years while auditors are compulsorily replaceable after certain period
- Use of name and shame to recover bad loans(first time public listing of banks chronic debtors)
- Unprecedented sack of management of banks and prosecution of chief executives of banks for executive recklessness
- The establishment of Asset Management Corporation of Nigeria(AMCON/the debt warehouse)
- Harmonisation of year-end of all banks to December 31 of every Gregorian Calendar
- Efforts towards the full adoption of International Financial Reporting Standard(IFRS) by all banks in Nigeria by 2012
- Efforts towards developing alternative non-interest financial system(Islamic banking)

Out of the 10 banks, Wema Bank and Unity Bank Plc were able to adequately re-capitalize their banks and are classified as regional bank and national bank respectively. See table 3 for details of banking license granted;

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Table 3: Categories of bank (CBN operating license approach)

INTERNATIONAL BANK	NATIONAL BANK	REGIONAL BANK	EMBATTLED BANKS
Access Bank Plc	Eco Bank Nigeria Plc	Wema Bank Plc	Afribank Plc
Diamond Bank Plc	Nigerian International Bank(citi)	Equatorial Trust Bank Plc	Bank PHB
First City Monument Bank(FCMB) Plc	Stanbic IBTC Bank Plc		Equatorial Trust Bank Plc
Fidelity Bank Plc	Standard Chartered Bank Ltd		FirstInland Bank Plc
First Bank Plc	Sterling Bank Plc		Intercontinental Bank Plc
Guaranty Trust Plc	Unity Bank Plc		Oceanic Bank Plc
Skye Bank Plc			Springbank
UBA Plc			Union Bank Plc
Zenith International Bank Plc			

Source: Vanguard 2011(Tabulated/Modified)

The efforts of the Regulatory Authorities to ensure that the remaining eight banks were recapitalized were stalled by various court injunctions obtained by the shareholders of the banks. In order to address that challenge, the CBN gave the banks a deadline of 30th September, 2011 to recapitalize or have their licences revoked.

In response, five of the banks, namely: Intercontinental Bank Plc, Oceanic Bank Plc, Union Bank of Nigeria Plc, Finbank Plc and Equitorial Trust Bank Plc entered into negotiations with prospective core investors. Prior to the deadline, five (5) banks had executed Transaction Implementation Agreements (TIAs) and held court-ordered Extra Ordinary General Meetings where the shareholders approved the recapitalization/merger/acquisition transactions.

The banks and their preferred investors were: Intercontinental Bank Plc (Access Bank Plc); Oceanic Bank Plc (Ecobank Plc); Union Bank Plc (Shareholders and African Capital Alliance Group); Finbank Plc (First City Monument Bank Plc); and Equitorial Trust Bank Plc (Sterling Bank).

However, the three (3) banks that could not find a preferred investor/merger partner had 3 bridged banks established for them by AMCON/NDIC to assume their assets and liabilities on a going concern basis. The bridged banks were Mainstreet, Keystone and Enterprise Banks for former Afribank Plc, BankPHB Plc and Springbank Plc respectively.

The Bridge banks were immediately sold to AMCON through share subscription, while the banking licences of Afribank Plc, BankPHB Plc and Springbank Plc were revoked by the CBN.

In January 2015, AMCON in the last phase of divestment of its stakes in two bridged banks transferred ownership of Mainstreet Bank Limited and Enterprise bank Limited to their new

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owners namely Skye bank plc and Heritage Bank Limited(business combination by acquisition).

Empirical Review

Appah & John (2011) analysed the profit efficiency effects of Mergers and acquisition in the Nigerian Banking Industry. The Study used ex-post research design with data drawn the annual reports of sampled banks for the period 2003-2008 using ROE as proxy for profit efficiency while the sample size consist of 10 banks. The paired sample T-test statistics and descriptive analysis was used for analysis. Findings revealed that sampled banks performed better during the Pre-merger and acquisition period(2003-2005). The study concluded that there is no significant difference in ROE of all banks combined between the pre and post-merger period. This position was confirmed by Taiwo & Musa (2014) who examined the impact of consolidation on the performance of listed deposit money banks in Nigeria covering a period of 12 years from 2000 to 2011(6yrs pre & post); using a sample of four banks. Paired sample T-test was used to test the hypothesis formulated with reference to the variables; Return on Asset, Return on Equity and Net profit margin. The study concluded that the consolidation reform in the Nigerian banking sector has impacted positively on Return on Assets, Net profit margin, but does not impact on Banks Return on equity.

However, Onikoyi & Awolusi (2014) differs from the earlier position on equity in their research; the effects of mergers and acquisitions on shareholders' wealth in Nigerian banking industry. In a bid to establish relationship between; increase in capital base and shareholders wealth, merged and acquired banks market shared and shareholders wealth, increase in merged banks revenue and shareholders wealth, cost savings and shareholders wealth; exploratory and correlation research designs were used to analyse a sample of fifteen (15) merged banks. Five hundred and fifty seven (557) questionnaires were administered to the staff of the merged banks and a response rate of 58.3% was obtained.. The instrument was validated and Cronbach's Alpha coefficient result of 0.708 was obtained indicating the internal consistency of the instrument. The findings of study showed that there was a significant relationship between shareholders wealth and capital base (ρvalue of 0.000), market share (ρ-value of 0.000), bank revenue (ρ-value of 0.000), cost savings (ρ-value of 0.000). The study concluded that mergers and acquisitions have positive effect on the shareholders wealth.

Onaolapo and Ajala (2013) used an econometric perspective to research the post-merger performance of selected nigerian deposit money banks..Using judgemental sampling technique, 15 listed banks were selected as data (secondary) were extracted from the financial records of ten years(pre &post). The Pearson's correlation was used to measure the degree of association between variables under consideration; Assets profile, capital structure, operating efficiency, liquidity risk and credit risk while the formulated hypotheses were tested with use of multiple regression analysis. The study concluded that there is an improved performance on the part of selected commercial banks. This is in terms of return on equity, return on asset and net profit margin. It revealed that there is a strong relationship between bank performance and merger.

Umoren & Olokoyo (2007) analysed the impact of consolidation on performance of banks with focus on their profitability, liquidity and solvency. The study analysed 7 mega banks covering a period of 3years (2yrs pre & 1 year post). Correlation analysis was used to test the impact of the performance ratios. Variables used to review the financial statement include; Asset profile, capital structure, credit risk, cost controlling, liquidity risk, Return on Asset, Return on Equity,

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and Size. Findings support the hypothesis that on average, strategically similar institution tend to improve performance to a greater extent than dissimilar institution. However, the results differ for individual banks. This position was further corroborated in the work of Ikpefan & kazeem (2013) who used panel data ordinary least square approach to carryout investigation of the effect of merger and acquisition on DMBs from the pre and post-merger for 10years (2000-2009) using a sample of ten(10) banks to see whether or not there has been any significant effect on the Nigerian Banking Sector. 5 variables were used: ROA, Value of deposit, size of bank, deposit growth rate, loans to deposit ratio. The study accepted the alternative hypothesis that merger has a significant effect on bank performance. It noted that merger created synergy as indicated by the statistically significant increasing post-merger financial performances although banks should not jump at any merging opportunity that offers itself because the exercise is not an opportunistic one.

Olokoyo (2013) reviewed bank reforms if they have been able to achieve predetermined goals and set objectives in Nigeria. The study was gathered data for analysis through the instrument of questionnaire. One hundred (100) copies were administered out of which eighty (80) copies were collated for the analysis. Analysis of Variance (ANOVA) method was used to test the hypothesis. The study shows that the recapitalization and consolidation process has had significant effect on the manufacturing sector of the economy and thus on the Nigerian economy at large. The study further reveals that despite the reforms, post consolidation challenges like challenges of increased return on investment still exist.

Okpanachi (2011) conducted comparative analysis on the impact of mergers and acquisitions on financial efficiency of banks in Nigeria. Three(3) banks were chosen as sample and secondary data were obtained from published annual reports and accounts covering the periods from years 2002 to 2008 for the variables- Gross earnings, profit after tax and net assets. The collected data were analysed using t - test statistic at 5% level of significant. The results showed an enhanced financial performance leading to improved financial efficiency, but the t-test statistic result of the three selected banks depicted an increase in their combined means for gross earnings and net assets while profit after tax recorded a decline.

Odetayo & Olowe (2013) conducted an empirical analysis on the impact of post -merger on Nigerian Banks profitability. Multiple regression analysis and the estimation is OLS with the aid of STATA software was used to analyse date covering 2005-2012 for Net Assets and shareholders fund. The sample consists of 2 banks. The result showed that post-merger has not significantly impacted on bank's profitability.

In Rehana & Irum (2011) a research was carried out on effect of business combination on financial performance; evidence from pakistan’s banking sector. It explored the effects of merger using 6 different financial ratio(Gross Profit Margin, Operating Profit Margin, Net Profit Margin, Return on Capital Employed, Return on Net Worth & Debt Equity Ratio) extracted from the annual report of 10 commercial banks that faced M&A during the period 1999 to 2010. Analysis was done using the paired T-Test and the result revealed that there was a decline in all 6 ratios; it concluded that there is a negative impact of M&A on bank's performance after M&A.

Evidence from Pakistan banking sector was also provided by Muhammad (2014). In order to identify whether mergers and acquisition of commercial banks in Pakistan provide favourable results or not, a sample of seven (7) banks were selected and chosen on the basis of availability of data. Different financial ratios; profitability, solvency, investment & liquidity ratios were

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used to analyse the banks financials, covering 2yrs pre and post-merger. The study revealed that of the four ratios, only one ratio remained positive named as liquidity while the other three ratios such as profitability, solvency and investment showed negative impact of M&A on firm performance.

RESEARCH METHODOLOGY

Nature and sources of data

The Research focuses mainly on the secondary data. The data used for this study was obtained and computed from the annual reports and accounts of Nineteen selected banks between 2001 and 2010,

Population consists of all mergers and acquisitions that have been made during the period of 2005 to 2010 which constitute a total of Nineteen (19) banks. For this study, a total of ten (10) banks were selected representing 52% of the population. This is seen to be an adequate representation of the population.

The sample banks include; First Bank, Oceanic Bank, Wema Bank, Diamond, FCMB, Union Bank, Access Bank, UBA, Skye Bank, Fidelity Bank.

Technique for analysis

The collected data were analysed using descriptive statistics and Paired samples test of difference at 5% level of significant with the aids of Eviews software version 8.0 which is an improvement on the ordinary student t-test. This technique is consistent with works of Appah and John (2011) and Taiwo and Musa (2014)

In other to avoid spurious regression, all the variable in the series were examined for stationarity using the Augumented Dickey Fuller(ADF) Test.

Variable of study

Different financial ratios such as profitability ratios & solvency ratios have been chosen to analyse the banks performance. Financial ratios play an important role in any business performance by measuring their improvement in the direction of their goals. Muhammad (2014).

Dependent variable here is the Merger/Acquisition of firm, and independent variables are the nine (9) performance ratios which are as follows:

1. Return on Assets
2. Return on Equity
3 Net Profit Margin
4. Asset Utilisation
5 Equity Multiplier
6. Earnings per share
7 Debt Equity ratio
8. Debt Asset ratio
9 Leverage ratio

These variables are used to measure the financial performance of banks; whether there was a significant improvement of the monetary condition of the company after acquisition.

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The Return on Assets ratio, often called the Return on Total assets, is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. ROA shows how efficiently a company can convert the money used to purchase assets into net income or profits. The higher the ROA number, the better, because the company is earning more money on less investment. Return on assets is determined by dividing total income by total assets.

The Return on Equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each Naira of common stockholders' equity generates. An average of 5 to 10 years of ROE ratios will give investors a better picture of the growth of this company. This is computed as net income returned as a percentage of shareholders equity.

The Profit Margin ratio directly measures what percentage of sales is made up of net income. This ratio also indirectly measures how well a company manages its expenses relative to its net sales. That is why companies strive to achieve higher ratios. They can do this by either generating more revenues why keeping expenses constant or keep revenues constant and lower expenses. Profit margin is calculated as net income divided by revenue, or net profits divided by sales.

The Asset Utilization ratio measures management's ability to make the best use of its assets to generate revenue. The asset utilization ratio is calculated by dividing total sales by the net book value of the capital assets. Once calculated, this ratio can then be compared to benchmark industry standard ratios, or it can be compared to ratios of other comparable businesses. A high ratio may mean more efficient management, but it may also indicate older equipment that has been significantly depreciated. Asset utilization ratios measure how efficient a business is at using its assets to make money.

An Equity Multiplier measures a company's financial leverage by using a ratio of the company's total assets to its stockholders' equity. Generally, a lower equity multiplier indicates a company has lower financial leverage. It is better to have a low equity multiplier, because a company uses less debt to finance its assets.

Earnings Per Share, also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. EPS serves as an indicator of a company's profitability.

The Debt to Equity ratio is a financial, liquidity ratio that compares a company's total debt to total equity. The debt to equity ratio shows the percentage of company financing that comes from creditors and investors. A higher debt to equity ratio indicates that more creditor financing is used than investor financing (shareholders). A debt to equity ratio of 1 would mean that investors and creditors have an equal stake in the business assets. A lower debt to equity ratio usually implies a more financially stable business. Companies with a higher debt to equity ratio are considered more risky to creditors and investors than companies with a lower ratio.

The Debt to Asset ratio is a leverage ratio that measures the amount of total assets that are financed by creditors instead of investors. In other words, it shows what percentage of assets is funded by borrowing compared with the percentage of resources that are funded by the investors. Analysts, investors, and creditors use this measurement to evaluate the overall risk

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of a company. Companies with a higher figure are considered more risky to invest in and loan to because they are more leveraged. This means that a company with a higher measurement will have to pay out a greater percentage of its profits in principle and interest payments than a company of the same size with a lower ratio. Thus, lower is always better.

The Equity Ratio is an investment leverage or solvency ratio that measures the amount of assets that are financed by owners' investments by comparing the total equity in the company to the total assets. In general, higher equity ratios are typically favourable for companies. This is usually the case for several reasons. Higher investment levels by shareholders shows potential shareholders that the company is worth investing in since so many investors are willing to finance the company. A higher ratio also shows potential creditors that the company is more sustainable and less risky to lend future loans. Companies with higher equity ratios should have less financing and debt service costs than companies with lower ratios.

ANALYSIS / DISCUSSION OF RESULTS

All the variables in the series are examined for stationarity using the Augmented Dickey Fuller (ADF) test. The results of the Unit Root Test are summarized in table 5 below.

Table 5 Augmented Dickey Fuller Unit Root Test

Variable	Test	At level	At First Difference	At Second Difference	Order of Integration
DAR	ADF	-3.2598 (0.0001)	-	-	I (-)
DER	ADF	-3.2598 (0.7100)	-3.3210 (0.0322)	-	I (1)
EMR	ADF	-3.2598 (0.7310)	-3.3210 (0.0365)	-	I (1)
AU	ADF	-3.2598 (0.2784)	-3.3210 (0.0039)	-	I (1)
EPS	ADF	-3.2510 (0.0909)	-3.4033 (0.1950)	-3.4033 (0.0047)	I (2)
LR	ADF	-3.2510 (0.8782)	-3.3210 (0.2036)	-3.5196 (0.0287)	I (2)
NPM	ADF	-3.3210 (0.1155)	-3.4033 (0.0746)	-3.5196 (0.0336)	I (2)
ROA	ADF	-3.2598 (0.3021)	-3.4033 (0.0891)	-3.5196 (0.0081)	I (2)
ROE	ADF	-3.2598 (0.0350)	-	-	I (-)

P-values at 5% statistical significance

Results as presented in table 2.1 shows that only DAR and ROE are stationary at level (i.e. they do not have unit root at level) while others are not stationary at level. By first differencing ‘I(1)’, however, DER, EMR and AU are REH were stationary. This means that for these three variables (DER, EMR and AU), we accepted the null hypothesis at level which states that they have unit root, but rejected the null hypothesis at first difference. But for EPS, LR, NPM and

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ROA, we still accepted the null hypotheses 'at first difference' since they still have unit root by first differencing. The null hypothesis stating that each of EPS, LR, NPM and ROA has unit roots are rejected 'at second difference'. Hence, while DER, EMR and AU were stationary at first difference, EPS, LR, NPM and ROA are stationary at second difference, indicating the absence of unit root in the variable data. Having tested for stationarity, especially as the interest here is not on estimating the regression model, the data are suitable for analysis.

Table 6:Paired Samples Test

Before and After Merger and Acquisition		Paired Differences				t	Sig. (2-tailed)
		Mean	Std. Error Mean	95% Confidence Interval of the Difference			
				Lower	Upper		
Pair 1	ROA ROA	.37934200	.19786323	-.12928163	.88796563	1.917	.013
Pair 2	ROE ROE	2.69418	1.47350	-1.09358	6.48195	1.828	.027
Pair 3	NPM NPM	1.96005	1.21810	-1.17118	5.09129	1.609	.169
Pair 4	AU AU	.54124	.24388	-.08569	1.16816	2.219	.077
Pair 5	EM EM	56.89092	24.73305	-6.68741	120.46926	2.300	.070
Pair 6	EPS EPS	-86.68833	42.00423	-194.66365	21.28698	-2.064	.094
Pair 7	DE DE	56.63193	24.62263	-6.66256	119.92642	2.300	.070
Pair 8	DAR DAR	-.80325	.46208	-1.99106	.38456	-1.738	.143
Pair 9	LR LR	867417.05	357033.103	-1785199.86	50365.77	-2.430	.048

This table presents results of a Paired Sample Test of difference of means of the performances of Deposit Money Banks before and after the Merger and Acquisition to examine the impacts of the merger and acquisition on the performances of Deposit Money Banks. Each pair (as shown in the table) presents the test for a particular selected variable in the two periods (before and after). For Pair 1 (Return on Assets), the significant value is 0.013 at T = 1.917. This p-value is less than the 0.05 level of significance. It therefore shows that the means of the values for the two periods differ significantly. Hence, it is concluded that the merger and acquisition have significant influence on Deposit Money Bank using Return on Assets as yardstick. This is same of Pair 2 (Returns on Equity) and Pair 9 (LEVERAGE RATIO) which both have significant values of 0.000 which is less than the 0.05 level of significance. Their t-values are 1.828 and -2.430 respectively. The merger and acquisition significantly increased their values, hence, an improvement in the performances of Deposit Money Banks (DMBs).

On the other hand, however, the values of some of the variables, despite merger and acquisition, did not differ significantly from the pre-merger and acquisition period. These variables include those in Pair 3 (Net Profit Margins 'NPM'), Pair 4 (Assets Utilization 'AU') and Pair 8 (Debts

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Assets Ratio 'DAR'). NPM has a p-value of 0.169 at T=1.609, AU has a p-value 0.077 at T=2.219 while DAR has a p-value of 0.143 at T=-1.738. This means that the merger and acquisition did not impact significantly in these variables and hence had no significant impacts on the performances of Deposit Money Banks.

Table 2.3: Paired Samples Test

Performances of Deposit Money Banks (DMBs)		Paired Differences				t	Sig. (2-tailed)
		Mean	Std. Error Mean	95% Confidence Interval of the Difference			
				Lower	Upper		
Pair 1	Before – After	-289128.48	289140.335	-955887.289	377630.3290	-1.000	.0447

The Paired Sample Test in the table above establishes the difference of means in the values of the selected variables proxying the performances of Deposit Money Banks before and after merger and acquisition. It should be noted that any significant difference in their means is indicative of the influence of the factor (merger and acquisition) introduced between these two periods (before and after).

CONCLUSION

The significant value of the Paired Samples Test is 0.0447 at T=-1.000. This p-value is less than the 0.05 level of significance. It is therefore concluded that the values for the two periods differ significantly. There is significant difference in the performances of Deposit Money Banks in the pre and post-merger periods using the ROA, ROE and LR as yards tick while, mergers and acquisitions have no significant impacts in the performances of Deposit Money Bank using other variables as yard stick. As a result, one can conclude that for every one positive impact, there are 2 negative impact. Therefore, on the average, there is no significant improvement on the performance of banks after the mergers and acquisitions. This result is similar to the works of Appah & John (2011), Taiwo & Musa (2014) and Onaolapo and Ajala (2013) but slightly different from the works of Onikoyi (2014); Ikpefan & kazeem (2013); Onikoyi & Awolusi(2014); Adderibon and Obute (2014); and oluwaremi (2014) where mergers & acquisitions have positive impacts on bank performance, shareholders wealth and bank's efficiency respectively.

However, it is still impossible to clearly state whether mergers and acquisitions in the Nigerian banking sector had a positive impact on the banks performance. This is because mergers and acquisitions in the Nigerian banking sector is a continuous scheme and the sector is still undergoing reforms as a result of globalisation which require investments in assets exposure to credit risk which usually affects profits. Also, most of the conclusion reported by researchers on performance pattern of Nigerian banks as a result of mergers and acquisitions concentrated on using similar variables with fewer numbers of banks as population samples for their studies. The findings may be different if all the nineteen (19) banks involved in the mergers and acquisitions are used as population sample for this study. This study contributed to knowledge in educating the public and the policy makers in Nigerian banking industry that mergers and acquisitions are not actually the best reforms to upgrade the performance of banks in Nigeria. Based on the findings of the study, it is recommended that:

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1) The Central Bank of Nigeria (CBN), being the apex regulator of the banking industry, should set and enforce corporate governance standards for commercial banks. This is necessary to prevent any failure as a result of internal abuse of processes and procedure.
2) The CBN should also consider the adoption of a Risk based approach to bank supervision. This will ensure that limited resources are adequately utilised by focus on high risk areas of the commercial banks activities.
3) The Central Bank of Nigeria (CBN) is enjoined to carry out frequent appraisals and reappraisals of the performance of banks in Nigeria to avoid the systemic distress that preceded the banking system before the 2004/2005 consolidation exercise which also reoccurred in 2010.
4) Banks should intensify training and retraining programmes for all staff, particularly the management staff, to improve management efficiency and also develop adequate credit risk management skills. This is to reduce or eliminate instances of bad loan provisioning which is detrimental to the going concern of the firm.

Suggestion for further studies

Further studies to be carried out;

1- Acquisition and bank performance, the need for Risk based supervision; A case study of the any/some of the 2012 embattled banks
2- The relationship between Shareholders fund, Bank profitability and economic growth.

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