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MERGER AND ACQUISITION ADOPTION AND FINANCIAL PERFORMANCE OF LISTED COMMERCIAL BANKS IN NIGERIA

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Abstract
This study examined the effect of merger and acquisition on the performance of listed commercial banks in Nigeria. Specifically, the paper examined the extent to which the adoption of merger and acquisition has contributed to the growth level of the total assets, gross earnings per share (ESP) and profitability of listed selected commercial banks in Nigeria. Ordinary Least Square Technique was employed on the secondary data extracted from annual reports and financial statements of the selected banks (First City Monument Bank, Eco Bank and Access Bank) over a period of twelve years (2010 - 2021) estimate the data and tested the formulated hypotheses. The findings of the study showed that adoption of Merger and Acquisition has a positive impact on the growth level of the total assets, earnings per share and profitability of list commercial banks in Nigeria. Against this backdrop, the study recommended that Merger and Acquisition should be resorted to as it promotes growth especially in the case of business that is not performing well an also should be adopted as a viable alternative to organizations than failing and folding up with costly consequences to their owners and the economy.
Keywords: Merger & acquisition, total assets, gross earnings and profit after tax

Introduction

Mergers and Acquisitions are essential tools for growth in the corporate world. They are applied for varied reasons depending on the strategy adopted by a business. Mergers and Acquisitions deal with the buying, selling, splitting and combining of different businesses. Muia (2010) noted that mergers and acquisitions have been a very important tool for strategic growth. The framework of this study falls within the business policy and strategic management theory. Business policy is the active process of guiding the course of a firm towards its obligations, while strategic management is the increasing responsibility of managers to respond to changes in the business environment. The focus of business policy and strategic management is how to formulate strategies to respond to changes. Mergers and acquisitions are aspects of strategy formulation. Business combinations which may take forms of mergers, acquisitions or otherwise takeover are important features of corporate planning and structural changes.Commercial banks play a significant role in the economic development of a nation. Commercial banks in any economy

serve as a catalyst for economic growth and development through its financial intermediation function. Commercial Banks also provide an efficient payment system and facilitate the implementation of monetary policies. They help to stimulate economic growth by directing funds from the surplus unit of the economy to the deficit unit that need the funds for productive activities. Commercial Banks in Nigeria operate in a dynamic environment affected by myriad of factors. These factors affect the industry in variety of way creating both opportunities for the strong ones and distress for the feeble banks. 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). 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. Mergers and Acquisitions are becoming common features of Nigeria's corporate landscape. Increased awareness and development within the economy have made such strategies very relevant in contemporary Nigeria. Conversely, this study investigates how merger and acquisition can be used as growth strategies.

Statement of the problem

The current bank mergers and acquisitions in Nigeria is attracting much attention, this is due partly to the heightened interest in what motivates firms merger and largely to how merger and acquisition affects efficiency, profitability and capital adequacy of commercial banks. In this dispensation, merger and acquisition tool of commercial banks have become a key strategy geared towards increasing the profitability of commercial banks. In today’s banking space, corporate restructuring exercise such as takeovers, merger and acquisition, etc. are said to have increased the capital adequacy of commercial banks and research has shown that bank failures are mostly caused by factors that range from; liquidity, insolvency, fraudulent practices, inadequate capital and bad management within the commercial banks. Merger and acquisition has become a pivotal driver in the profitability of commercial banks yet many banks that have undergone this exercise are still not doing well in the banking sector. It is against this backdrop that this study is set out to examine the effect of mergers and acquisitions on the performance of listed commercial banks in Nigerian.

Objectives of the study

The broad objective of this study is to examine the effect of mergers and acquisitions on the performance of listed commercial banks in Nigeria. The specific objectives of the study are:

1. To examine the extent to which the adoption of merger and acquisition has contributed to the growth level of the total assets of the selected banks.
2. To discover whether the adoption of merger and acquisition has contributed to the growth of earnings per share (EPS) in selected banks.
3. To ascertain the effect of mergers and acquisitions on the profit after tax of listed commercial banks in Nigeria.

Research questions

i. To what extent do mergers and acquisitions contribute to the growth of total assets of listed commercial banks in Nigeria?
ii. To what extent do mergers and acquisitions increase earning per share (EPS) in listed commercial banks in Nigeria?
iii. What effects do mergers and acquisitions have on the profitability of listed commercial banks in Nigeria?

Research Hypotheses

H_{o1}: There is no significant relationship between Mergers and acquisitions and the growth in total assets of listed commercial banks in Nigeria.

H_{o2}: There is no significant relationship between Mergers and acquisitions and the growth of earnings per share(EPS) in listed commercial banks in Nigeria.

H_{o3}: There is no significant relationship between Mergers and acquisitions and the profitability of listed commercial banks in Nigeria.

Definition of terms

a. Merger: Merger refers to an amalgamation or 'a combination of two or more companies in which one acquires the assets and liabilities of the other in exchange for cash(Okafor, 2005).. Merger can also be defined as a transaction where one entity is combined with another so that one initial entity loses its distinct identity.

b. 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).

d. Listed Commercial Banks: Commercial banks are organized on a joint stock company system, primarily for the purpose of earning profit. A commercial bank is said to be listed when its shares are quoted on the main market of the Nigerian Stock Exchange.

g. Earnings per Share: Earnings per share(EPS) is *a market prospect ratio that measures the amount of net income earned per share of stock outstanding*. EPS is a financial ratio, which divides net earnings available to common shareholders by the average outstanding shares over a certain period of time. The EPS formula indicates a company's ability to produce net profits for common shareholders. This is calculated as EPS = (Net Income – Preferred Dividends) / End of period Shares Outstanding.

h. Corporate Governance

i. **Takeover:** A takeover occurs when the acquiring firm takes over the control of the target firm. In some cases, it can be said to be an assumption of control of a corporation, achieved by buying a majority of its shares (Encarta dictionary), a takeover can also be a conglomerate merger.

j. **Return on Equity:** Return on Equity (ROe) is a ratio that provides investors with insight into how efficiently a bank and its management team are managing the money that shareholders have contributed to it. It is the ratio of Net income to Shareholder Equity i.e, ROE= Net Income/Shareholder Equity

k. **Return on Asset**: Return on Asset (ROA) measures the bank/company capability to create profits using total owned assets by a bank/company. Return on Assets (ROA) according

to Tandelilin (2010), is to illustrate the extent to which the ability of assets owned by a company can generate profits. ROA is calculated by dividing a bank's net income by the average of its total assets.

i. **Synergy:** Synergy refers to a situation where the combined firm is more valuable and efficient 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

Review of Related Literature

Conceptual Framework

Corporate mergers and acquisitions (M&A) have long received a lot of attention from the corporate world, the public as well as the academic world. Many corporations across the world have been considering M&A strategies to realize cost synergies against increased competition, pricing pressures, gaps in product mix and asset concentration (Hoang, Lapumnuaypon and Kamolrat, 2007). Mergers and acquisitions (M&A) as an external growth strategy has gained spurt because of increased deregulation, privatization, globalization and liberalization adopted by several countries the world over. Mergers and acquisitions (M&A) have become an important medium to expand product portfolios, enter new markets, acquire new technology, gain access to research and development, and gain access to resources which would enable the company to compete on a global scale (Yadav and Kumar, 2005). However, there have been instances where Mergers and acquisitions (M&A) enter into for non-value maximization reasons, i.e., to just build the company's profile and prestige (Malatesta, 1983; Roll, 1986).

Even though different companies have diverse reasons for engaging in mergers and acquisitions, the main purpose is to create shareholder's value over and above that of the sum of two companies (Sudarsanam, 2005). Prakash and Balakrishna (2006) consider mergers and acquisitions as a strategic means for achieving sustainable competitive advantage in the corporate world but Prakash and Balakrishna (2006) investigate that the gains to be derived from M&A have increasingly become dependent upon the successful integration of cultures of the combining organizations and people, the role of human factors in determining merger outcomes has assumed greater relevance. Merilise Smit (2007) identifies that the success of a merger between two or more companies depends as much on cultural fit as it does on strategic fit and financial fit and the proper management of change and employee response thereto. Oberg (2008) emphasized that the customers are important elements of the motives behind M&A and they are rarely seen as actors affecting and being affected by an M&A. Most companies aim to save production costs through M&A, because low costs are vital for corporations' profitability and success. Economies of scale can help companies achieve that goal. Economies of scale refer to the average unit cost of production going down as production increases (Brealey, et ah, 2006; Wang, J., 2007). M&A appears to become a greater part of corporate strategy (Blunck, 2009) on account of modern deal design and anti-trust regulation, as well as specific changes in business models and competition brought on by the shareholder value paradigm, ongoing computerization, deregulation and globalization.

Concept of Mergers and Acquisitions

Merger and acquisition are used interchangeably. Merger and acquisition are viewed in different perspectives and the various views are towards the same direction. Katty (2005) defined merger as the coming together of two or more firms to become one big firm while

acquisition is the takeover or purchase of a small firm by a big firm; which are both pursuing akin purposes. According to Afolabi (2011), "while a merger can be defined as a transaction where one entity is combined with another so that one initial entity loses its distinct identity, an acquisition is classified as a transaction where one firm purchases a controlling stake (and/or the whole) of another firm". Merger refers to an amalgamation or 'a combination of two or more companies in which one acquires the assets and liabilities of the other in exchange for cash' (Okafor, 2005). Acquisition on the other hand is a business combination approach where the ownership and management of a distinct, independently operating entity is brought under the control (financial and operating policies) of a simple management and ownership. Pandey (2005) defines an acquisition as an act of acquiring effective control by one company over assets or management of another company without any combination of companies. Thus, in acquisition two or more companies may remain separate legal entities but the control of companies resides in one place.

Acquisition could therefore be seen as a business combination in which ownership and management of independently operating enterprises are brought under the control of a single management and it could take any of three forms; mergers/consolidation, acquisition of stocks, and acquisition of assets (Amedu, 2002; Osamwonyi, 2002). Consolidation is the same as a merger except entirely new company is created. Both firms terminate their previous legal existence and become part of a new firm. The companies are dissolved, and the assets and liabilities are combined and a new company is formed (Glueck, 1980; Kazmi, 1992). The advantages of this form of acquisition are that it is the least costly to arrange; legally straight forward to package and understand; and it avoids the necessity of transferring title to individual asset of the acquired firm to the acquiring firm. The demerits are that merger must be approved by a vote of two-thirds majority of the shareholders of each firm. One of the strategic tools for growth is mergers and acquisitions which deal with the firms buying, selling, and combining of different firms that can help in gaining the resources and capabilities in order to gain competitive advantage. Mergers and Acquisitions are the fastest way to grow because target firms with its value chain already exists (Luypaert, 2008). Mergers are distinguished by the relationship between two or more firms that are merging. The dominant rationale used to explain mergers and acquisitions activity is that acquiring firms seek to grow internally and externally (Pandey, 2008). It is believed that mergers and acquisitions are strategic decisions leading to the maximization of a company's growth by enhancing its production and marketing operations. Mergers and acquisitions have become popular in recent times because of the enhanced competition, breaking of the trade barriers, free flow of capital across countries and globalization of business as a number of economies are being deregulated and integrated with other economies. A number of reasons are attributed for the occurrence of mergers and acquisitions. For example, it is suggested that mergers and acquisitions are intended to limit competition, utilize under-utilized market power. In acquisition, two or more companies may remain independent separate legal entities. An acquirer may be a company or persons targeting to hold substantial quantity of shares or voting rights of the Target Company or gaining control over the target company. There are basically two forms of acquisition:

Historical evolution of Mergers and Acquisitions

In the existing literature on mergers and acquisitions, it has appeared in five distinct waves, which are as follows:

i) First Wave

The first wave started from 1897 and lasts until 1904. In the recorded period, M&A started to grow in those firms and organizations who want to get benefit from their manufacturing, as being a single seller in the market, like railroads, light & Power, etc. The discussed period appeared as horizontal mergers and happened in the profound industries (Fatima and Shehzad, 2014). Most of the deals that were started in the first period of M&A proved to be unsuccessful as the deals failed to accomplish the set goals and objectives.

ii) Second Wave

The second period of M&A started from 1916 and lasted until 1929. The core objective of the businesses that went into mergers and acquisitions in this period was the formation of oligopolies. There was Hi-tech expansion as progress in railroads and transportation took place in the said time period. This M&A wave were horizontal or conglomerate (Golubov & Petimezas, 2013). Firms and organizations that entered into M&A were the key producers of Ore and mineral, food items, oil & fuel, transport and chemical etc. Banks played a key role in supplementing the deals of M&A. Banks like Investment banks granted loans to the investors on easy installments. The wave proved instrumental to the crash of the stock market in 1929.

iii) Third Wave

The third wave of merger happened between 1965 and 1969. Most of the deals were conglomerate in nature. The Mergers and acquisitions deals were mainly backed by the owners of capital and banks appeared to be off screen. The wave started to move towards the end as consolidation of unlike firms and organizations stated to post unsatisfying results in 1968 (Fatima and Shehzad, 2014).

iv) Fourth Wave

The fourth wave of mergers (1981-89) was exceptional in terms of noteworthy role of hostile mergers. Hostile mergers had turned out to be a tolerable type of business extension by the 1980s. Takeovers in the current wave were either believed to be friendly or hostile. It was mainly depended on the response of the board of directors of the target firm. If the board of directors endorsed the takeover, it was well thought-out to be a friendly one, and if the board of directors opposed the deal, the takeover was supposed to be a hostile. According to Golubov & Petimezas (2013), the merger that was initiated between the oil and gas, pharmaceutical, banking and airlines are basically recorded in the fourth wave.

v) Fifth Wave

The wave started from 1992 until 2000. The wave gets its inspiration from the worldwide increase and boom in the share market and consequent deregulation. This wave took place in banks and telecom segments. The deals were backed by equity capital to a certain extent as compared to debt finance (Kouser & Saba, 2011).

vi) Sixth Wave

The sixth merger wave (2003-2007) was dominated by mergers in the metals, oil & gas, utilities, telecoms, banking and healthcare industries. This wave was fuelled by expanding globalization and support by the government of specific nations like France, Italy, and Russia. Private equity buyers assumed an indispensable part, representing a quarter of the general takeover movement, empowered by the accessibility of credit that businesses were readied to give at low interest rate. Cash financed deals were significantly more pervasive over this period (Alexandridis, 2012).

Historical Development of Mergers and Acquisitions of commercial banks in Nigeria

In 2005, the Central Bank of Nigeria (CBN), through its bid to standardize the banking sector brought another wave of mergers and acquisitions among banks operating in Nigeria in order to raise their minimum capital to 25 billion naira. 25 banks out of the 89 banks survived the ordeal. Most of them were through merger and acquisition. Nonetheless, the present economic climate in the country which is characterized by shortage of foreign exchange for the importation of goods, low exchange rate of the naira, the restrictive credit policy, coupled with the agenda of privatization and globalization have increased business risks and poses serious threats to their long-term survival. As a result, businesses have recently been taking advantage of mergers and acquisitions to reduce their risks and guarantee better chance of survival.

Benefits of Mergers and Acquisitions

According to Pandy (1999), Muyiwa (2004) and Kama (2007), based on the empirical evidence and the experiences of certain companies, the most common benefits of mergers and acquisitions are enumerated below:

i. Provision of revenue enhancement through product extension or market dominance as a result of reduced competition.

ii Cost reduction and operation of whatever remains more efficiently than before in the hope of producing values above what was paid.

iii Risk diversification

iv Creates opportunities for excess capacity utilization

v Reduction in tax liability resulting from tax-loss carry forward and unabsorbed capital allowances of one company against the profits of another.

vi. Mergers often provide the quickest entry into other markets and industries, among others.

vii. Enhanced profitability through cost reduction resulting from economies of scale.

viii Government encourages merger as a means of rationalizing the structure of industry to create large economic units that makes intervention and planning easier to combat foreign competition.

ix. The combined firms may constitute wider technological, marketing, or financial base that increases or even creates the potential for radical innovations in many directions.

Theoretical Framework.

This study is anchored on Synergy Motive theory.

Synergy Motive theory

The widespread goal of all mergers and acquisitions is to hunt synergy gains. Synergy is accomplished when the value of the combination of the two firms is superior to sum of the two stand-alone values (Jensen and Runback 1983, Bradley 1988). This effect is often portrayed as 1+1=3. The most common view in the past was that the essential motive of companies engaging in mergers and acquisitions was the synergy. The synergy hypothesis suggests that the value of the combined firm is higher than the sum of the individual firm values. Synergy gains can be Operational or Financial. They may take the shape of Cost reduction and perfection in operational efficiency; revenue improvements due to optimization of distribution network e.g., cross selling, a boost in market power e.g. abolition of competitors or a range of financial advantages like tax efficiency and leverage (Seth, 1990). Cost reduction is a usual source of synergies and can be accomplished from economies of scale and scope; get rid of duplicate facilities or alternatives and increased bargaining power against dealer or supplier (Fatima and Shehzad, 2014). Revenue

enhancement, another often cited cause of synergy (Krishna Kumar & Seth 2012). It happens when the merged entity gets superior sales or growth level than the two stand-alone corporations. This can happen only due to sleeker product offerings, e.g., complimentary commodities and improved distribution work.

Diversification is another frequently quoted basis of synergy in mergers e.g., diversified organizations may generate so called internal capital markets, which permits the allocation of funds between divisions without resistance and inefficiency (Travois and Doukas, 1988). Their study proposed that M&A of overseas organizations serves diversification medium which facilitate acquirer in expanding its borders. Corporate Governance can be an additional supply of synergy as effectiveness of governance mechanism varies between firms. Wang and Xian, (2009), demonstrate that "Corporate governance transfers" influence merger synergies which are then divided between the merging firms. This source turns out to be even more vital in global acquisitions, as corporate governance principles vary significantly across unlike markets. Boris and Cabolis, (2008), explain how dissimilarities in corporate governance across the country can be reason for cross border mergers. Financial synergy is an additional source which stimulates firms to merge such as Tax consideration. Scholes and Wolfsan, (1990) exhibit the outcome of US tax reforms of 1980s on M&A market. Also, Hayne, (1989) explains that merger gains are positively associated with tax traits of the target such as loss carry forwards, tax credits, and possibilities of elevated depreciation charges from assets. Finally, Manzon (1994) supply evidence that differences in the tax regimes influence returns to cross border acquisitions. The synergy hypothesis also implies that management shall not only create value on behalf of the shareholders but also that it needs to have the competence to measure the value of the combined firm.

Empirical Review

Kazeem, O & Ademola, A & A.D, Ogunlokun.(2022) investigated the Effect of banks mergers and acquisition on the Nigeria’s economic growth: a comparative analysis of pre and post-performance. The study used secondary data collected from Central Bank of Nigeria (CBN) Statistical Bulletin, covering the period 1990–2004 for Pre-M&As and 2005–2019 for Post-M&As, altogether 30 years. Descriptive statistics and ordinary least square regression were employed for data analysis. The results indicated that in the Pre-M&As era, bank’s capital base, credit granted to the private sector and bank spread positively enhanced economic growth howbeit; bank's gross credit adversely affected GDP. The findings also revealed that Post-M&As era contradicted Pre-M&As period, with all variables showing insignificant and unexpected relationship with economic growth, except credit granted to the private sector. This indicates that banks’ M&As has not positively and adequately impacted on Nigeria’s economic growth during period under consideration. Hence, the study recommends that banks’ regulatory and supervisory framework should be strengthened and healthy competition should be promoted.

Wei, Cao & Nneka, Uchenwoke & Nantakyi, George. (2021), researched on the the impact of Mergers and Acquisitions on the Financial Performance of Ecobank Ghana Limited. The broad objective of the study was to investigate whether acquisition and merger as a tool of recapitalization improves Ecobank Ghana limited performance in the long run. The study precisely examined the effect of acquisition and merger on return on assets, return on capital employed, shareholders equity to total assets, debt to equity and total liabilities to total assets. The study adopted a descriptive research model with quantitative analysis as the methodology.

Financial ratios over a 12-year period (2006-2018) were obtained from financial statements of the bank. The inferential and descriptive statistics were employed for the data analysis. The hypothesis of the study was tested by employing the independent sample test. Also, the Levene's test was employed to test for the variance homogeneity. Findings: results from the t-test for equality of means revealed that acquisition and merger had an insignificant relation with the return on equity, return on capital employed, shareholders' equity to total assets, debt to equity and total liabilities to total asset. The study further recommend that the processes involve in mergers should be strategically planned and executed not ignoring the valuation process.

Similarly, (Musah, Abdulai, & Baffour, 2020), studied the effect of acquisition and merger on commercial banks performance in Ghana. Data extracted from audited report of all the eight (8) banks for a ten (10) year duration, (2009-2018). Statistical tools employed in the data analysis include a descriptive, regression and correlation. The results revealed that acquisition and merger has a remarkably negative relation with the net profit margin and an insignificant but favorable relation with returns on assets. The study concluded that acquisition and mergers will not necessarily improve bank performance.

Kwabla-King, 2017, investigated the synergistic influence of acquisition and merger on banks performance using the Trust bank and Ecobank as a case study. The results revealed that Ecobank Ghana Limited achieved both financial and operational synergies after its acquisition. This was seen in the increase in the profit and dividends payment of Ecobank after it acquired the Trust bank. Also, the net assets as well as profit after tax all witnessed a tremendous growth during the post-acquisition period. Omoye and Aniefor (2016) studied Mergers and Acquisitions: The Trend in Business Environment in Nigeria. The paper focused on merger and acquisition in Nigerian business environment. Its specific objectives are to determine implication of merger and acquisition on profitability, leverage buy- out and shareholders' wealth. It is a longitudinal survey covering time period of six years (Pre-merger and acquisition: 2007-2009 and post-merger and acquisition: 2010-2012). Historical data were obtained from the financial statement and accounts of Access Bank PLC which merged with Intercontinental Bank PLC. Data collected are evaluated and analyzed using McNemar test. This study reveals that merger and acquisition has influence on profitability, leverage buy-out and shareholders' wealth. It concluded that merger and acquisition can stimulate economic growth and development of any nation. Hence, recommended that merger and acquisition should be strategically be employed by firms to improve profitability, shareholders wealth and offset accumulated leverage for the interest of dispersed stakeholders and government should create the enabling environment that can enhance merger and acquisition in Nigeria.

Barde and Salisu (2015) observed that Mergers and Acquisitions announcement have no effect on shareholder wealth in the short run while a study by Kariri (2013) using a sample of six(6) firms drawn from commercial banks in Kenya failed to exhibit significant changes in 11 days event window. The empirical evidence shows clearly that there is a void that needs to be filled. We also note that nearly all studies in Eastern Africa have used the accounting-based approach with prevalence to financial ratios. Chesang, 2002; Gwaya & Mungai, 2015) further, these studies dominate the effect of Mergers and Acquisitions announcements in the banking sector. Gupta (2012) explored mergers and acquisitions (M&A): The Strategic Concepts for the nuptials of the corporate sector. The objective of this paper was to provide the theoretical framework of M&A and to look at the M&A as the strategic concepts for the nuptials of Corporate Sector. The study

employed descriptive research. The study concluded that continuous growth and survival are the ultimate objectives of any organization and M&A is one of the forms of survival strategy. One of the most important ways to grow profitably and maximizing shareholders' wealth is the nuptials of Companies in Corporate World. But painstaking pre-merger planning including conducting appropriate due diligence, valuable communication during the integration, efficient management and committed leadership, and pace at which the integration plan is done, together is required to handle these nuptials of companies successfully.

In a similar study, Beaks and Hughes (2012) researched on "An Investigation of Mergers and Acquisitions as the Growth and Globalization Strategy for Groupon". The research method utilized in this article was a case study. And the conclusions of this study were that the success of any prolonged merger and acquisition strategy is largely dependent on the organizational learning that occurs during the post-acquisition assessment phase. While there is no prescribed timeline for successful integration after an acquisition, it is doubtful that buying thirteen daily deal imitators in a mere eleven months provided enough time for successful post-acquisition integration. Bakare (2011) examined the trend and the growth implications of bank capitalization in Nigeria using a test of difference in two means. He compared the means of variables used prior to and after the recapitalization. The essence was to ascertain if there is a significant difference between the two periods. The result indicated that post recapitalization means at 21.58 is higher than the pre recapitalization mean of 15.09, implying that banks are more adequately capitalized and less risky after the recapitalization exercise. This result also indicated that recapitalization has low but significant influence on the growth of Nigerian economy compared to other variables used in the model.

Olajide, Ikenwilo and Orji (2011) researched on "Mergers and acquisitions: the Nigerian banking consolidation program". This paper examined the determinants of the exit behaviour of banks in the Nigerian consolidation program during July 2004 and December 2005. They conceptualized the exit process in a flexible bivariate competing risks model to examine the importance of macroeconomic and industry-specific factors for both merged banks and failed banks jointly. The preliminary results suggest that bank-specific characteristics mattered more for preventing bank failure than they did for emergence of the Mergers and Acquisitions banks. Second, the Central Bank of Nigeria's assistance was highly influential in preventing bank failure, and, for banks that benefited, the assistance increased their probability of being merged or acquired. Also, no strong evidence was found suggesting that the prevailing macroeconomic conditions and industry-specific factors had influenced exit behaviour of banks during the consolidation exercise. They found evidence of structural dependence between failure and merger and acquisition hazards induced by CBN incentive.

Umoren and Olokoyo (2007) investigated on "Merger and Acquisition in Nigeria: Analysis of Performance of Pre-and-Post Consolidation". The study examined the impact of consolidation on performance and considers if there had been considerable improvement on their profitability, liquidity and solvency. In this study, they analyzed the performance ratio of a sample of thirteen (13) mega banks. A descriptive analysis of these performance ratios was carried out. Correlation Analysis was used to test the impact of the consolidation on the performance measurement parameters. They found that, on average, bank Mergers and Acquisitions resulted into improved performance. The paper therefore suggests that the bank management should embrace broad product strategies, which could help in generating more income for the banks. They should also

embrace diversification and financial innovation in order to produce new products and services.

Gap In Literature

In the theoretical contribution, the study will fill the knowledge gap on the problem of relationship between mergers and acquisition and performance of listed commercial banks. In addition to the above, the study can add more comprehensive knowledge to the readers in the financial sector. Another addition and contribution is that, the study will make the basis for other researchers who would wish to dig into further reaches on the area.

Methodology

The research design adopted was ex-post facto research design, hence secondary data were sourced. This study centered on mergers and acquisition adoption and financial performance of listed commercial banks in Nigeria with particular reference to Access Bank PLC, EcoBank PLC and First City Monument Bank(FCMB) PLC for the period between 2010 to 2018. The total population for this study consists of all the listed commercial banks in Nigeria that have used merger and acquisition strategy at one time or the other. Sample according to Ugwuonah, Onodugo and Ebinne (2010), is a fraction or segment of the total population whose characteristics is used to represent the entire population. The sample size for this study is (3) banks using convenient and judgmental techniques of sample selection. The secondary data were collated from the annual reports and financial statements of the three banks over a period of twelve (12) years (2010 - 2021). The data were analyzed with the aid of Statistical Package for Social Sciences (SPSS) using correlation, and regression analysis (OLS) to determine the relationship between variables.

Model Specification

In order to capture the effect of Merger and Acquisition on the performance of listed commercial banks in Nigeria, three models were specified where Merger and Acquisition was taken as the independent variable and regressed against the identified dependent variables which were Total Asset (TA), Earnings Per Share (EPS) and Profit after Tax(PAT). In their econometric forms, the models are specified as follows:

$TA= a_0 + a_1MA + U_t$ -- Equation 1

$EPS= a_0 + a_1MA + U_t$ -- Equation 2

$PAT= a_0 + a_1MA + U_t$ -- Equation 3

Where:

TA =	Total Asset
EPS=	Earnings Per Share
PAT=	Profit After Tax
Ut=	Stochastic Error Term
a0 =	Intercept
a1=	Parameter to be estimated

Data Presentation and Analysis

Data Presentation: See Appendix (Tables 4.1 & $.2)

Data Analysis

To effectively achieve the objectives of this study, the researcher used correlational analysis to describe the relationship between the variables under investigation and regression model as described in the previous chapter. The analysis of the data was done with the use of statistical

package for social sciences (SPSS Computer Package) version 17.0 and it will be presented alongside the test of hypothesis.

4.2.1 Analysis of OLS Results for Assess Bank

Table 4.4 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.749[a]	.622	.564	1472342.13395	.422	7.289	1	12	.022	.428

a. Predictors: (Constant), MA
b. Dependent Variable: TA

Table 4.5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4067041.067	2343445.777		-1.735	.113
	MA	1777657.900	658451.420	.649	2.700	.022

a. Dependent Variable: TA

In Table 4.4 above, the coefficient of determination (R^2) with a value of 0.622 shows that 62.2% of the total systematic variations in the dependent variable, Total Assets of the bank, have been explained by the explanatory variables. After adjusting for the degree of freedom, the model could only explain about 56.4% of the total systematic variations in Total Assets of Access Bank, while only 43.6% could not be accounted for by the explanatory variable(Merger and Acquisition), which has been captured by the stochastic disturbance term in the model. This does indicate a good fit of the regression line and hence the model has a high forecasting power.
On the basis of the overall statistical significance of the model as indicated by the F-statistic, it was observed in Table 4.4 that the overall model was statistically significant since the calculated F-value of 7.289 is greater than the critical F – value of 4.965 at 5% level of significance. This implies that there exist a significant linear relationship between Merger and Acquisition and Total Asset of Asset Bank.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.680a	.623	.509	51.94561	.463	8.619	1	12	.015	.820

a. Predictors: (Constant), MA

b. Dependent Variable: EPS

Table 4.7 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-75.867	82.679		-.918	.380
	MA	68.200	23.231	.680	2.936	.015

a. Dependent Variable: EPS

In tables 4.6 above, it can be observed that there exists a strong positive relationship between mergers and acquisitions and the earnings per share of Access bank for the period under review with a correlational value of 0.68. The coefficient of determination (R^2) with a value of 0.623 shows that about 62.3% of the total systematic variations in the dependent variable, Earnings Per Share of the bank, has been explained by the explanatory variables. After adjusting for the degree of freedom, the model could only explain about 50.9% of the total systematic variations in Earnings Per Shares of Access Bank, while over 49..1% could not be accounted for by the explanatory variable(Merger and Acquisition), which has been captured by the stochastic disturbance term in the model.

On the basis of the overall statistical significance of the model as indicated by the F-statistic, it was observed in Table 4.6 that the overall model was statistically significant since the calculated F-value of 8.619 is greater than the critical F – value of 4.965 at 5% level of significance. This implies that there exist a significant linear relationship between Merger and Acquisition and Total Asset of Asset Bank. Also from the results in table 6.7, we saw that in every one 1% change in Merger and Acquisition, there is will be 68% change in the Earnings Per Share of Assess Bank

Table 4.8: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.792[a]	.628	.591	15420.563	.628	16.885	1	12	.002	.519

a. Predictors: (Constant), MA
b. Dependent Variable: PAT

Table 4.9 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-62616.567	24544.060		-2.551	.029
	MA	28337.400	6896.285	.792	4.109	.002

a. Dependent Variable: PAT

In table 4.8 above, it can be observed that there exists a strong positive relationship between mergers and acquisition and the profit after tax of the bank for the period under review with a

correlational value of 0.792. This shows that a change in the adoption of mergers and acquisition will bring about a strong positive change in the profit after tax of the bank. From the regression results in table 4.8, the R^2 obtained for the bank is (0.628); this implies that 62.8% of the profit after tax of the bank is explained by its adoption of mergers and acquisition.

4.2.2 Analysis of OLS results for ECO Bank

Table 4.10: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.795[a]	.631	.594	1660705.210	.631	17.118	1	12	.002	.746

a. Predictors: (Constant), MA
b. Dependent Variable: TA

Table 4.11: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3819103.000	1761443.873		-2.168	.055
	MA	179.5390	1016970.094	.795	4.137	.002

a. Dependent Variable: TA

In Table 4.10 above, the coefficient of determination (R^2) with a value of 0.631 shows that over 63% of the total systematic variations in the dependent variable, Total Assets of the bank, have been explained by the explanatory variables. This was still justified by the adjusted R Square of 59.4, while only 37% of the systematic variation could not be accounted for by the explanatory variable (Merger and Acquisition), and this was captured by the stochastic disturbance term in the model. This does indicate a good fit of the regression line and hence the model has a high forecasting power. It was still observed from the coefficient value of M&A of 0.795 that in every 1% increase in M&A there will be a corresponding 79.5% increase in the total asset of ECOBank. On the basis of the overall statistical significance of the model as indicated by the F-statistic, it was observed in Table 4.10 that the overall model was statistically significant since the calculated F-value of 17.118 is greater than the critical F – value of 4.965 at 5% level of significance. This implies that there exist a significant linear relationship between Merger and Acquisition Growth level of Total Asset of ECO Bank.

Table 4.12: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.679[a]	.761	.507	104.247	.461	8.546	1	12	.015	2.586

a. Predictors: (Constant), MA
c. Dependent Variable: EPS

Table 4.13: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-174.875	110.571		-1.582	.145
	MA	186.625	63.838	.679	2.923	.015

a. Dependent Variable: EPS

In tables 4.12 above, it can be observed that there exists a strong positive relationship between mergers and acquisitions and the earnings per share of Eco bank for the period under review with a correlational value of 0.679. This shows that a 1% change in mergers and acquisition will bring about a strong (69.7%) positive change on the earnings per share of the bank. In the regression results above, the R^2 obtained for the bank is (0.761); this implies that 76.1% of the earnings per share of the bank is explained by mergers and acquisition while the remaining 23.9% unexplained variation was captured by the error term.

Table 4.14: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.714[a]	.710	.661	19107.065	.510	10.401	1	12	.009	2.347

a. Predictors: (Constant), MA
b. Dependent Variable: PAT

Table 4.15: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-34319.875	20266.103		-1.693	.121
	MA	37735.375	11700.640	.714	3.225	.009

a. Dependent Variable: PAT

In table 4.14 above, it can be observed that there exists a strong positive relationship between mergers and acquisition and the profit after tax of the bank for the period under review with a correlational value of 0.714. This shows that a change in the adoption of mergers and acquisition will bring about a strong positive change in the profit after tax of the bank. From the regression results in table 4.14, the R^2 obtained for the bank is 0.710; this implies that 71% of the profit after tax of the bank is explained by its adoption of mergers and acquisition and the remaining 29% was captured by the stochastic error term.

Analysis of OLS results for FCMB

Table 4.16: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.367[a]	.522	.454	475514.484	.322	4.749	1	12	.054	1.661

a. Predictors: (Constant), MA
b. Dependent Variable: TA

Table 4.17: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-190945.750	504359.274		-.379	.713
	MA	634558.000	291191.963	.367	2.179	.054

a. Dependent Variable: TA

In Table 4.16 above, the coefficient of determination (R^2) with a value of 0.522 shows that about 52.2% of the total systematic variations in the dependent variable, Total Assets of the bank, has been explained by the explanatory variables. After adjusting for the degree of freedom, the model could only explain about 45.4% of the total systematic variations in Total Assets of Access Bank, while only 47.8% could not be accounted for by the explanatory variable(Merger and Acquisition), which has been captured by the stochastic disturbance term in the model.

On the basis of the overall statistical significance of the model as indicated by the F-statistic, it was observed in Table 4.16 that the overall model was not statistically significant since the calculated F-value of 4.749 is less than the critical F – value of 4.965 at 5% level of significance. This implies that there exist a non-significant linear relationship between Merger and Acquisition and growth level of Total Assets of FCMB.

Table 4.18: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.055[a]	.46	.39	52.520	.003	.031	1	12	.086	2.102

a. Predictors: (Constant), MA
b. Dependent Variable: EPS

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Table 4.19: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	68.625	55.706		1.232	.246
	MA	-5.625	32.162	-.055	-.175	.086

a. Dependent Variable: EPS

In Table 4.18 above, the coefficient of determination (R^2) with a value of 0.46 shows that 46% of the total systematic variations in the dependent variable, Earnings Per Share (EPS), have been explained by the adoption of merger and acquisition. This does not indicate a good fit of the regression line and also the model has no forecasting power and hence we can say that merger and acquisition have no influence or impact on EPS of FCMB.

The above conclusion is also corroborated on the basis of the statistical significance of the model as indicated by the F-statistic; it was observed in Table 4.18 that the model was not statistically significant since the calculated F-value of 0.031is less than the critical F – value of 8.619 at 5% level of significance. This implies that there does not exist a significant linear relationship between earnings per share (EPS) and mergers and acquisition of listed commercial banks in Nigeria.

Also observed in Table 4.19 is the degree of impact of merger and acquisition (MA) on earnings per share (EPS). The coefficient of M&A of -5.625 implies that in every 1% increase in M&A, there will be a corresponding 563% decrease in Earnings Per Share (EPS) of First City Monument Bank.

Table 4.20 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.215[a]	.486	.319	8992.858	.046	.483	1	12	.0673	2.114

a. Predictors: (Constant), MA
b. Dependent Variable: PAT

Table 4.21: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3764.875	9538.367		.395	.701
	MA	3825.625	5506.979	.215	.695	.0673

a. Dependent Variable: PAT

In table 4.20 above, it can be observed that there exists a weak positive relationship between mergers and acquisition and the profit after tax of the bank for the period under review with a correlational value of 0.215. This shows that a change in the adoption of mergers and acquisition will bring about a weak positive change in the profit after tax of the bank. From the regression results in table 4.20, the R^2 obtained for the bank is (0.486); this implies that 48.6% of the profit after tax of the bank is explained by its adoption of mergers and acquisition, hence M&A cannot actually explain the changes in Profit after tax of the bank.

Test of Hypotheses

Hypothesis One

H_{01}: There is no significant relationship between Mergers and Acquisitions and the growth level of the total assets of the selected bank

ASSESS BANK: Based on the decision rule, and from table 4.5, since the prob. (sig) value of (0.022) is less than the significance value of (0.05), we reject the null hypothesis and conclude that there is significant relationship between Mergers and Acquisitions and the growth level of the total assets of Assess bank.

ECO BANK: Based on the decision rule, since the prob. (sig) value of (0.002) in table 4.11 is less than the significance value of (0.05), we accept the alternative hypothesis and conclude that there is significant relationship between Mergers and Acquisitions and the growth level of the total assets of the ECO bank.

FCMB: Based on the decision rule, since the prob. (sig) value of (0.054) in table 4.17 is greater than the significance value of (0.05), we accept the null hypothesis that there is no significant relationship between mergers and acquisition and growth level of total assets of FCMB.

Considering the analysis from the three banks, the prob. (sig) values of two out of three banks are all less than the significance value of (0.05), we therefore conclude that mergers and acquisitions has contributed to the growth of the total assets of listed commercial banks in Nigeria.

Hypothesis Two

H_{02}: There is no significant relationship between mergers and acquisition and the earning per share of listed commercial banks in Nigeria

ASSESS BANK: Based on the decision rule, since the prob. (sig) value of 0.015 in table 4. 7 is less than the significance value of 0.05, we reject the null hypothesis and conclude that there is significant relationship between Mergers and Acquisitions and Earnings Per Share of the Assess bank.

ECO BANK: Based on the decision rule, since the prob. (sig) value of (0.015) in table 4.13 is less than the significance value of (0.05), we accept the alternative hypothesis and conclude that there is significant relationship between Mergers and Acquisitions and the growth level of the total assets of the ECO bank.

FCMB: Based on the decision rule, since the prob. (sig) value is (0.086) in table 4.19 is greater than the significance value of (0.05), we accept the null hypothesis and conclude that there is no significant relationship between the adoption of mergers and acquisitions and earnings per share

of First City Monument bank.

In conclusion, since the prob. (sig) values of two out of the three banks are all less than the significance value of (0.05), we therefore conclude that mergers and acquisition has contributed positively to the growth of the earnings per share of listed commercial banks in Nigeria.

Hypothesis Three

H_{03}: There is no significant relationship between the adoption of mergers and acquisitions and the profitability of the bank.

ASSESS BANK: Based on the decision rule, since the prob. (sig) value of 0.002 in table 4.9 is less than the significance value of (0.05), we accept the alternative hypothesis and conclude that there is significant relationship between the adoption of mergers and acquisitions and the profitability of Assess bank.

ECO BANK: Based on the decision rule, since the prob. (sig) value of (0.009) in table 4.15 is less than the significance value of (0.05), we accept the alternative hypothesis and that there is significant relationship between the adoption of mergers and acquisitions and the profitability of ECO bank.

FCMB: Based on the decision rule, since the prob. (sig) value is (0.073) in table 4.21 is greater than the significance value of (0.05), we accept the null hypothesis and conclude that there is no significant relationship between the adoption of mergers and acquisitions and the profitability of First City Monument bank.

Since the prob. (sig) values of the two banks out of the three banks are less than the significance value of (0.05), we therefore conclude that mergers and acquisition has a significant impact on the profitability of listed commercial banks in Nigeria.

Finally, since Merger and Acquisition (M&A) has significant impact on all the three variables (Total Asset, Earnings per share and profit after tax) which were proxy for Bank Performance, we can conclude that Merger and Acquisition has significant impact on the performance of listed commercial banks in Nigeria.

Discussion of findings

The analysis and test results led to the following findings

1. There is a significant relationship between mergers and acquisitions and the growth level of the total assets of the selected banks. This may be as a result of the fact that when banks merge, they tend to combine their assets and which invariably increases their total assets. This finding is in line with Umoru and Olokoyo (2007) but contradicts the findings of Musah et al (2020) that reported insignificant relationship between merger & acquisition and total assets.
2. There is a significant relationship between the adoption of mergers and acquisition and the earnings per share of the selected banks. This is because when two or more banks merge, the number of shareholders tends to increase which automatically leads to an increase in their earnings per-share.
3. There is a significant relationship between mergers and acquisition and the profit after tax of the selected banks. This is because when two or more banks merge, they tend to increase the level of their investment which will in turn lead to an increase in profit.

Conclusion/Recommendation

This work attempted to ascertain the effect of mergers and acquisitions on the performance of listed commercial bank in Nigeria. It has become obvious from the study that merger and acquisition is quite indispensable as far as banks growth, long term survival and development are concerned. The results however showed that the banks not only improve in profit but also in synergy and expansion. It is indeed evident that a company that is not able to grow at a fast rate by internal expansion or as a result of stiff competition can achieve the desired growth rate(performance) faster by the adoption of merger and acquisition. Finally, mergers and acquisitions should be adopted when companies are not performing well. This will help the management of such organizations to overcome challenges especially in era of economic crisis. Based on foregoing, bank managers are advised to embark on merger and acquisition as a panacea to survival during economic recession in order to grow their assets, improve their earnings and be profitable.

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Appendix

The following tables are data collated from the annual reports of the selected banks from 2010 to 2021:

Table 4.1: Data obtained from Access Bank Plc.

Years	Mergers and Acquisitions	Total Assets (in millions)	Earning per share(in kobo)	Profit After Tax (in millions)
2010	3	726961	72	12931
2011	3	949382	76	13660
2012	4	1515755	157	35816
2013	4	1704094	115	26212
2014	4	1981956	175	39941
2015	4	2411944	237	58925
2016	4	3094960515	174	53238822
2017	4	3499683979	66	53238822
2018	4	3968114609	50	73596295
2019	4	6307588216	65	70115989
2020	4	7624979718	80	80039329
2021	4	9660760557	100	111326485

SOURCE: Access Bank Annual Report and Account Various Years

Table 4.2: Data obtained from Eco Bank

SOURCE: Eco bank Annual Report and Account Various Years

Table 4.3: Data obtained from First City Monument Bank (FCMB)

Year	Mergers and Acquisitions	Total Assets (in millions)	Earning per share(in kobo)	Profit After Tax (in millions)
2010	1	529839	45	7322
2011	2	593114	(68)	(11004)
2012	2	890313	77	12559

2013	2	972104	81	15932
2014	2	1118240	112	22765
2015	2	1159534	24	4760
2016	2	131366185	0.72	3730260
2017	2	131636805	0.08	1524886
2018	2	132792066	0.18	3552392
2019	2	134019820	0.18	3601460
2020	2	134719755	0.15	3060273
2021	2	141899520	0.26	5088698

SOURCE: FCMB Annual Report and Account Various Years