

**EFFECTS OF CORPORATE MERGER AAND  
ACQUISITION ON THE PERFORMANCE OF  
NIGERIA DEPOSIT MONEY BANKS**

(A CASE STUDY OF GUARANTY TRUST BANK PLC, ILORIN)

*By*

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**HND/23/BFN/FT/0493**

**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF  
BANKING AND FINANCE,  
INSTITUTE OF FINANCE AND MANAGEMENT STUDIES,  
KWARA STATE POLYTECHNIC, ILORIN**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF  
HIGHER NATIONAL DIPLOMA (HND) IN BANKING AND FINANCE**

***JUNE, 2025***

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

It is surely beyond question that Nigeria today faces formidable difficulties. At the forefront of public concern is the unprecedented level of unemployment, the ever-increasing public debt and the low absorptive capacity of the economy. Compounding these problems are regional and sectoral imbalances that manifest the problem of workless ness, but which also extend far beyond this as de-industrialization takes its toll? In the face of this is a deep- seated international recession which is having the effect of tightening competitive pressures and for which Nigeria does not seem to have adequate response. Despite these problems Nigerians look forward to the future with enthusiasm and an unflinching hope for better days.

Information and Communication Technology (ICT) as part of a low-cost producer strategy has a number of effects. It can reduce the number of clerical staff by performing the tasks, which these people do, permit better utilization of facilities and resources and accounts receivables by improving an organization's ability to analyze and control these areas. It can also provide a better utilization of materials and lower wastage. The benefits to management in terms of having better decision-making and better control over expenditures, and being able to correct errors quickly are obvious, it also aids and facilitates product differentiation, which is a good strategy that gives a marketer an edge over his competitors. It has been used in a variety of industries and more especially in the service industries such as the banks.

Information and communication technology can be used to differentiate products in a number of ways. It can be a significant component of the product itself or it can provide a service that is somehow unique and consequently can help attract consumers to your product.

In many Nigerian banks branches today, people still queue up for upwards of three hours to withdraw any amount from their accounts and should there be a need to obtain a draft, the request for same should be submitted in the morning hours while collection will be in the late afternoon hours, if not the following day. As a result of the delay in obtaining banking services, most Nigerians still carry about huge amounts of money for their transactions often facing the gauntlet of the armed robbers. This is deplorable, more especially when globalization and

integration of world businesses through the use of ICT Is fairly changing the face of business transition, a race in which the Nigerian banking industry cannot afford to be left out.

## **1.2 STATEMENT OF THE PROBLEM**

Banking is basically a service industry operated by human beings, for the benefit of the general public. As such it is natural that the services provided by banks cannot be 100 percent perfect, and should not be at zero level either. Customers' discontentment stem most especially from unending hours wasted in the banks to withdraw or deposit their money; delayed, irregular and incorrect rendition of bank statements of accounts; unstandardized accounting practices, procedures, codes and classifications; delay in the clearance of cheques lodged in by customers; and inflation of interest, charges and other irregular charges, among others. It is in an effort to change this situation that the Nigerian banking industry, against all odds, has gone neck deep into the adoption of Information Communication Technology as sine qua non for to improving banking services.

Now, having adopted it for effective and efficient service delivery, can it be assented that the situation has changed for the better? The Nigerian banking industry was known for its under-development, inexpensiveness and congestion because it was geographically constrained. Banking services such as foreign exchange arbitration and futures trading were all inhibited due to non-adoption of ICT. Now that it is part and parcel of the system, has there been any change for the better, and if not, why? This is another problem of this work. The next problem relates to lack of effective financial intermediation, problem of product differentiation and/or customization, and segmentation and targeting. How has the adoption of it affected this?

## **1.3 RESEARCH QUESTIONS**

- i. To what extent does customer feel promptly attended to when they want to withdraw their money?
- ii. How vast does the bank provide their customers with their statement of account?
- iii. To what extent does customer get improved transaction on foreign exchange transactions?
- iv. To what extent does the bank provide services to their customers?

## **1.4 OBJECTIVES OF THE STUDIES**

The broad objective of this research, based on the statement of the problem therefore, is to determine if IT has played any role as a tool for improving banking services in Nigeria. Specifically, the research seeks to achieve the following objectives:

- i. To find out if the consumers of banking services feel that they are now promptly attended to when they want to withdraw or deposit their money than before.
- ii. To find out if the customer gets their statements of account regularly and in time too.
- iii. To find out if there is any improvement or enhancement in the customers' foreign exchange transactions; especially as it relates to remittance of foreign currencies to or from overseas
- iv. To find out if there are still services which customers want but which banks cannot render.

## **1.5 HYPOTHESES**

Based on the foregoing, the following hypotheses are formulated:

Ho<sub>1</sub>: Despite the adoption of ICT by the Nigerian banking industry, customers still cannot withdraw their money in shorter period of time than before.

Ho<sub>2</sub>: Despite the adoption of ICT by the Nigerian banking industry, customers still cannot get their statement of accounts regularly and timely.

Ho<sub>3</sub>: Despite the introduction of ICT by the Nigerian banking industry, bank customers still cannot remit or receive foreign currencies to or from overseas sources in shorter period of time than before

## **1.6 SCOPE OF THE STUDY**

The study covers only the commercial banks in Nigeria. However, our survey is carried out on commercial banks in Ilorin, Emphases are on how ICT has been used as a tool to improve banking services in Nigeria.

## **1.7 SIGNIFICANCE OF THE STUDY**

Certainly, this study will add to existing literature in this topic. Therefore, it will serve as reference point or a springboard for further research, more especially since it is changing and introducing new facets over time?

Banking in Nigeria stands to gain immensely from this work because the banks may become aware of their customer's feelings about their services. It is not just enough adopting ICT to facilitate operations and improve banking services, but being in a position to ascertain if

the programme is poorly implemented in the face of lack of the co-operant factors which will make the objectives of the adoption vitiated. Therefore, the banks will gain from this work.

### **1.8 Limitation and Constraint to the Study**

Against the backdrop, however the researcher as anticipated would be constrained by a number of limited factor such as:

**Finance:** The researcher encounters financial difficulties which was a result of economy depression that the country is experiencing currently. Thus, the researcher was able to finance the research work successful as a result of support from mother and relatives.

**Time Factor:** The time involved in gathering this documents and completion is another problem encountered. The researcher has a very short period to collect compile and collate the result and at the same time attend classes, do assignment, test and other things.

Therefore, the researcher was able to manage the time and other effectively by attending lecture from Monday to Thursday and limiting the research to Friday only.

**Attitude of the Respondents:** The principal limitations in this study is in the aspect of data collection. This is because the party executive members are reluctant in giving the necessary information because they fells information may be revealed to their (opposing competitor). This problem was the bad through regular and constant assurance that all information supplied shall be treated as confidential as possible. I also proved my studentship by collecting letter of information from school and presenting my school identification card.

### **1.9 Definition of Terms**

**On-Line:** This is a situation where an organization has computerized her operations and has the computers and terminals available for use for their operations.

**Batching:** In Some organizations, operations are computerized but the computers are not available for use. In such situations, organizations (or branch of it) go to the computer, key in their data into the computer, process them and obtain the required information on a hard copy (print outs), in the form of statements, reports and even graphs.

**Network:** This is a configuration or linking of computers so that information available at one workstation is equally available to all others.

**Local Area Network:** Is smaller in the area of coverage, such as all the areas and departments of a particular office, under the same roof. The network comes about by the fact from any particular workstation in the office; any person can assess any information from the data-base, subject to the person's password level. In such a situation, organizations, you have perhaps only one computer with many terminals.

**Wide Area Network:** all the offices of the same organization in the different states are linked together to the same data-base. From any workstation, in any state, you can assess the data in the data-base.

**The Internet:** This is a computer network of all other networks all over the world, that cooffers both data, graphics, audio and visual opportunities to those who are hooked-on to it on-line.

**The Internet-Connectivity:** For internet to be worldwide network, it must be by Transmission Control Protocol/Internet Protocol (TCP/IP) networking protocol. The main difference between the Internet and WAN is that with Internet, connectivity must be by TCP/IP networking protocol.

**Electronic Banking:** Under an electronic banking environment, a client of a bank with a personal computer or a terminal in his house or office, connected in a network to a computer in his bank can without leaving his office or house, look at his account, because it appears on his TV console. He can virtually write a cheque without leaving his office. In the case of customers who are electronically connected, they can transfer money to each other without involving the bank personnel. This obviously reduces the work-load of the bank personnel, and the number of customers who come to the bank for one service or the other. Technically, the customer-banker ratio reduces and their efficiency, effectiveness and service improves.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter covers the review of existing relevant literature on financial reporting quality and the determinants of financial reporting quality. It begins with presenting the reviewed determinant of financial reporting quality. It also reviews and presents empirical studies on the determinants of financial reporting quality and the theoretical framework of the study

#### **2.1 Conceptual Framework**

##### **2.1.1 Marketing Philosophy And The Banking Industry**

Traditionally, banking is financial intermediation, which involves movement of funds from surplus areas to deficit areas in the system. This activity (banking) depends entirely on public confidence in the system's soundness and the strength of its products and services. Theoretically, a bank accepts deposits and grants credit. But a bank does more than this, hence, the need to have appropriate policies in areas like product formulation and development, market expansion, advertising, segmentation, establishment of branches, innovation and selling (Ezeokafor, 1996, p. 26). To enhance marketing in banking, banking institutions must address such issues as identification of customers' financial needs and wants, the development of products specifically tailored towards the specific needs of a clearly identified target market, the evolution of a pricing/fee structure suitable for specific services, strategic expansion of branch network, intelligent research into present and future financial market needs, and the planning and implementation of specific marketing programme to attract funds outside the banking system.

Ezeokafor summarized his views by saying that marketing concepts in banks relate to the design and delivery of customer needed services in such a way that satisfies him, especially as there is fierce competition between the banking industry and the non banking financial institutions. Reasoning along the same line with Ezeokafor, Ubong (1997, p.15) says that today's economy makes it imperative for banks to identify the needs and wants of their customers and be able to satisfy same in products and services. According to him, today, customers do not just want to save and withdraw. They expect speed, conveniences, ease of transactions, returns and accuracy. Banks, therefore, do not have a choice for providing technology based products like

cards services, cash transfer through the satellite, tele-banking, electronic banking and automated machines, to mention just a few products. One does not need a microscope to see an elephant. The world is not only fast becoming a global village through ICT, but also are already in the era of universal banking (Bulama, 1997, p.10). Ovia (1997, p. 33), Ogbonna (1997, p.16), Omachonn (1997, p. 23), Minima (1997, p. 20), Adegbite (1997, p. 10) and Oladimeji (1997, p. 13) have all harped on the indispensable role of ICT in today's banking service delivery; pointing out the fact that banks that do not adopt ICT are doing so at their own peril. It is with ICT that banks can remain relevant in the 21 century; and therefore, banks that refuse to adopt ICT will left behind in the global vogue for sophisticated customer delivery services.

Granted that it is a sine qua non in today's and tomorrow's banking, one will at this juncture ask: what is ICT? What do we mean by improved banking service? What is the role of ICT in improved banking service? The modest attempt at highlighting what academics, professionals, bankers and industry analysts have said or done as regards the questions raised above is the main concern of this chapter. The chapter will also review what others have said about how ICT can be used as tool for market segmentation, targeting and niche marketing.

### **2.1.2 Definition of Information Communication Technology**

Information Communication Technology (ICT) has becomes the anecdotal big elephant which every person describes from the angle he sees it. Though differently described, all of them are still correct. In a manner (ICT) has become common with its different and varied facets that people now understand it from the perspective of the facets they are familiar with. But generally, it has been defined by Oliver and Chapman (1990, p. c10) as the technology, which supports the activities involving the creation, storage, manipulation and communication of information together with their related methods, management and application. Irving and Higgins (1991, p.8) have defined it from the point of view of the office information systems as a seamless integration of telecommunications, data processing, and personal computing with manual business processes; which support key business functions; and which improves effectiveness, efficiency, and quality of working life.

### **2.1.3 Concepts of ICT and Its Uses**

It is founded on the concept of information as a major resource; and an essential basis for planning, organizing, managing, administering and controlling the key operations and activities within a company. Application programmes translate business requirements into technology system designs, write test and install programmes using special programming languages such as COBOL or FORTRAN. The different sides of this elephant include the telephone, photocopier, microfilm and the computer, to mention a few. And it is note-worthy here to state that most people today see ICT as nothing but computers.

This view could still be adjudged right because most if not all the features of other facets of IT-audio, visual, data, graphics are all found in the computer. And many scholars (Pym, 1985, p. 172 and Evans, 1979, p. 9) spread sheet, laser printers and sophisticated telecommunication links such as video text and electronic mail. The aim is to bring these devices together into an integrated system, which will speed up the processing and exchange of information and streamline record keeping.

#### **2.1.4 Meaning Of Improved Banking Service:**

It Is Probably In the service industry that the whole facets of ICT are needed more: and a typical of such information driven service industries is the banking industry. It is in view of this fact that, amid daunting challenges, Nigerian banking sector has continued to be dynamic in strategic positioning on the edge of ICT. The Nigerian banking sector has continued, according to Badaru (1997, p. 19), to witness an aggressive push towards the acquisition of a suite of ICT Solutions to achieve efficient banking services in the increasingly competitive market place. Badaru went further to say that pivotal to this migration of the Nigerian banking industry is the need to achieve an optimal service delivery, customer satisfaction and ease of operation.

**Time is money.** This popular saying vis-à-vis the statement of problem points to an insight into what improved banking service means in Nigeria. Customers should be able to withdraw their money within few minutes. It should not take more than fifteen minutes for a customer to obtain such services as a draft, nor should it take more than two minutes for a customer to get a confirmation of the balance he/she has in his/her account. It should not take more than one day to clear in-house cheques. It will not be a luxury if a customer who has an account with an Ilorin Metropolis branch of a bank goes to Lagos and withdraws money from the sister branch of his

bank. Improved banking services include remitting or receiving foreign currencies to or from foreign sources within 24 hours in addition to getting these services courteously.

Improved banking services as seen from other parts of the world include, in addition to meeting up with the conditions mentioned above, provision of such services like electronic banking, telephone banking and automated teller machines, among others. And these services are more often than not provided for 24 hours in a day, and 7 days in a week. To these views Nzepome (1997) Nwabuoku (1997), Onuoha (1997), Ezeala (1997) and Nwosigwelem (1997); in an interview added that these services should be provided courteously. And these facts, according to these interviewees constitute efficient and improved banking services. Customers get what they want in the form and time they want it, courteously.

### **2.1.5 Role Of Ict In The Banking Industry**

To achieve these improved conditions in banking service delivery, ICT is required, that the positions held by experts as contained in paragraph four above. The roles of ICT as a tool for improved banking services are summarized by the report published by the London-based centre for the study of financial innovation (CSFI), as contained in Taylor (1997, p. 28).

According to this report, ICT achieved efficient and improved banking service by, among other ways,

- i. Stimulating more intense competition in financial service market, for example by admitting new entrants, making pricing transparent and raising service expectation to new levels
- ii. Empowering the customer by giving him direct access to market information.
- iii. Removing geography as a constraint on the financial business- floor-based markets, bank branches, and national preferences.

According to this report also, because the internet (a facet of ICT) improves the convenience and reduces the cost of financial services, the main beneficiary of these changes should be the consumer. In an internet world, the consumer would be able to roaming through an electronic market place, seeking out the best services and prices. This therefore necessitates a serious attention, as a matter of policy for organizations, to issues concerning segmentation, targeting and niche marketing.

## **2.1.6 ROLE OF IT IN SEGMENTATION AND NICHE MARKETING**

In marketing generally, segmentation, targeting and niche marketing tend to go together. These important marketing management concepts depend on not only information, but on rich and up-to-date data-bases. Segmentation is disaggregative in its effects (Udeagha, 1995, p. 86) and therefore before there can be effective segmentation and targeting, and niche marketing there must exist data, both qualitative and quantitative, on the basis of which the buyers that constitute a market can be identified, differentiated and segmented. Such a database can only be efficiently, created and maintained with minimum redundancy with, the use of IT (Kotler, 1988, p 298; Oneh, et al, p. 52 and Adirika, 1993, p. 116). Originally, banks competed for customers' interest rates on their deposits and charge on loans. The competitive rates were generally offset by hefty fees on various services. But many banks have now turned away from strict price competition. Instead they rely on building customer loyalty by building their services into packages and targeting them for small segments of the population. It is perhaps when the whole market is segmented and a bank concentrates on a particular niche that all dimensions of service quality can be met always.

Today, following the collapse of institutional boundaries as it concerns rendering of financial services, many a banker is worrying about local, regional and international banks, as well as thrifts and credit unions. So, people who were not even thinking about targeting ten years ago are now scrambling to define their customer base. Packages that encourage loyalty by rewarding customers

## **2.2 Theoretical Framework**

### **2.2.1 The Structure-Conduct-Performance (SCP) model**

According to Banes (2010) the structure conduct performance model connects factors such as concentration, technology and market conditions while conduct refers to how to invest in expansion or not. The Structure-Conduct-Performance (SCP) model is a framework used in industrial organization economics to analyze the relationship between market structure, firm conduct, and market performance. It suggests that market structure, such as the number of firms, entry barriers, and product differentiation, influences the conduct of firms, which in turn affects their performance. In essence, the SCP model proposes that market structure shapes firm conduct,

which in turn affects market performance. This model has been used to analyze various industries and inform regulatory policies, particularly related to competition and antitrust issues.

### **2.2.2 Agency Theory**

Agency theory originated from the work of Berle and Means (1932). They explored the concept of agency and the applications toward the development of large corporations. They found out how the interest of the directors and managers differ from the owners of the firm, thereby using the concepts of agency- principal to explain the genesis of those conflicts. Jensen and Meckling (1976), further on the work of Berle and Means (1932), to develop agency theory as a formal concept. They also formed a school of thought arguing that corporations are structured to minimize the costs of getting agents (agency costs) to follow the direction and interests of the principals. The theory essentially acknowledges that different parties involved in a given situation with same given goal will have different motivations, and these differences can manifest in divergent ways. This means that there will always be partial goal conflict among parties, because efficiency is inseparable from effectiveness, and thus information will always be somewhat asymmetric between principal and agent. It is a concept that explains why behavior or decisions vary when exhibited by members of a group. Specifically it describes the relationship between one party, called the principal that delegates work to another, called the agent.

### **2.2.3 Resource-Based View (RBV).**

The RBV posits a link between bank's internal resources and performance (Denizel and Özdemir, 2006). According to RBV, the competitive advantage of a firm can be built on a firm's resources (Bharadwaj et al., 1993; Hunt, 1999) that meet some important conditions such as value, heterogeneity, rareness, durability, imperfect mobility, unsubstitutability, imperfect imitability and ex ante-limits to competition (Čater, 2001). Barney (1991) further observed that a little amount of heterogeneity should certainly exist within different firms in order to be able to explain the observed performance differences between firms.

Otherwise, all firms possessing identical resources would conceive of and implement the same strategies and could only improve their effectiveness and efficiency to the same extent, ending up with no sustained competitive advantage or performance superiority (Denizel and

Özdemir, 2006).Lately, the RBV has focused on the relationship with environmental threats and opportunities (Barney, 1986, 1996; Mahoney and Pandian, 1992).

### **2.3 Empirical Review**

Morufu and Taibat (2012) researched on banker's perception of electronic banking in Nigeria purposely to find out how bankers perceive the benefits and threats associated with electronic banking by investigating banks employees' perception on electronic banking and its implications on bank service delivery. The study concluded that 'minimizes inconvenience' and 'government access to data' appear as the most important benefit and risk respectively while 'reduces HR requirements' and 'charges high costs for services' are the least important benefits and risk associated with electronic banking.

Sonja (2010) researched on the effects of computerization on saving and credit cooperatives in Uganda and found out that Technology is likely to increase the efficiency, outreach and sustainability of microfinance institutions ibadin and elijah use the agency theoretical framework to examine audit committee attributes in constraining accrual based distortion of financial literacy and the establishment of a central bank and other financial institutions things substantially changed as compared with the expatriate banking era.

Consequently upon the adoption of the structural adjustment programme (SAP) in 1986 and the subsequent deregulation of the economy as a whole. For instance between 1986 and 1991 a total of 79 new bank with 834 bank branches opened for business (Oresotu 903) bringing the total number of banks and their branches to 119 and 2107 respectively

### **2.4 Gap in Literature**

The literature is rich with studies on Mergers and Acquisitions but very few of these studies, if any, focused on the effect of mergers and acquisitions on corporate growth, efficiency and profitability. This study fills this research gap by addressing the issue of whether merger and acquisition is the best solution to bail out an organization in financial crisis and the effects of merger and acquisition on corporate profitability.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.0 Introduction**

The essence of this chapter is to highlight not only the analytical method used for this research, but also to explain the reasons why they were used. This explanation is informed by the fact there are many other methods and test statistics that could be used for this same research.

#### **3.1 Research Design**

This work is a survey research; designed to evaluate the effectiveness of ICT as a tool for improving banking services. The survey was carried out on selected commercial banks in Ilorin. The measurement technique or test instrument used was questionnaire; which was a formalized instrument for getting information directly from a respondent concerning behaviour, level of knowledge, and/or attitudes, belief and feelings (Donald and Hawkins, 1987, p. 35). The questionnaire was chosen rather than observation because of the impossibility of carrying out the observation in about eight different banks in Ilorin Metropolis, simultaneously without surveillance equipment. A simultaneous observation is necessary because customers' arrival at their banks is not normally distributed over the days of the week. In fact it is not even normally distributed over the whole day. And because of the cost implications, and the associated personal biases, it was not possible to recruit freelance field workers to help in the direct observation.

#### **3.2 Population of the Study**

This research is intended to concentrate on commercial banks in Ilorin Metropolis, together with customers. The researcher however has concentrated on the banks that are computerized. There are 25 estimated commercial banks in the area under study. The choice of commercial banks was not without reason. The researcher is not oblivious of the fact that when we talk of financial institutions in Nigeria, we mean more than the insured Banks. In that case, finance houses, mortgage banks, community banks, development banks, discount houses and insurance companies are all included. In as much as that is the case, the researcher concentrated the survey on the insured commercial banks.

### 3.3 Sample Size and Sampling Technique

Two things are involved in this sub section, The first is the determination of the banks to be covered by the survey, while the second is the number of customers to be surveyed from each bank. To be fair enough to all banks, the researcher has first of all used a stratified sampling method to regiment the banks under two broad headings -old generation and new generation banks.

Old generation banks in this context means those banks that been in operation for fifteen years and above. The new generation banks on the other hand are those that have not been in operation for up to fifteen years. From these two categorization, the researcher covered eight banks under the survey-five from the old generation banks and three from the new generation banks. In choosing which banks to be covered under the survey, .the researcher used a judgmental sampling technique since he could only work with the banks that were willing to co-operate with him.

Having decided on the number of banks, and the banks to be

$$S = N$$

$$1 - N(e)^2$$

Where S = sample size

N= Population size (in this case the number of customers from the five selected banks) e = Margin of error (assumed to be 5%) Thus, we have

$$S =$$

$$115,000$$

$$1 + 115000(0.05)$$

$$11,5000$$

$$288.5$$

$$3.2.3.1$$

$$398.6 = 400$$

This gives us approximately four hundred copies of the questionnaires, which were administered to the customers or respondents.

### 3.5 Method of Data Collection

Both primary and secondary sources were used in collecting data for this work.

**Primary Data:** The main sources of data for this work are the administered questionnaires, and oral interviews. The questionnaires which formed the main source of data were structured and distributed among customers of the selected banks, and senior or management staff of the affected banks. As a corollary, the interviews covered those areas that were not taken care of by the questionnaires.

**Secondary Data:** Secondary data, were sourced from textbooks, magazines and newspapers, and journals including government agencies' publications.

### **3.6 Research Instrument**

The researcher made use of questionnaire in the collection of data

### **3.7 Validation Of Research Instruments:**

The research instruments were validated by pre-testing the questionnaires. The aim of this validation clearly, was to ensure that the intended respondents understood the questions clearly, without any ambiguity, and hoping to fine-tune the questionnaires should the need arise. For pre-testing, the questionnaires were administered to three senior staff of three banks here in Ilorin Metropolis, and for the customers, ten student customers of different banks, here in Ilorin metropolis.

### **3.8 Method of Data Analysis**

The following analytical techniques were used:

Percentage analysis

Cross tabulation

Logical deductions

Z-test statistics (for difference of two means)

Z-test statistics (test for proportion)

### **3.9 Reliability of the Instrument**

The reliability of the research instrument was determined using split half test using the odd and even numbered items to form two halves. The two halves were administered to a sample of staff selected for the main study. The Pearson correlation coefficient was used to determine

the reliability of the instrument. A coefficient value of 0.68 indicated that the research instrument was reliable, hence it was adopted for getting the desired information for the study.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.0 INTRODUCTION

This chapter deals with the presentation and analysis of data collected from Academic Journals, Nigerian stock exchange archive, text books, magazines, newspapers, companies' annual reports, and internet sources of the bank's financial statements between the years 2002-2008. The presentation of data is done through the use of tables. This chapter will also test the hypothesis stated in chapter one using the Ordinary Least Square. This analysis will give reliable reasons for conclusions and recommendations in chapter five.

#### 4.1 DATA PRESENTATION AND ANALYSIS

Here, the various data that will be used for this research are presented and analyzed. For the purpose of this study, annual reports of both Access and UBA bank were used and various variables such as shareholders fund, profit after tax and their gross earnings were used as a proxy for the analysis. Below are the tables that give a summary of the financial reports of both Access and UBA bank.

Access bank PLC data (7 years balance sheet summary)

Pre Merger				Post Merger			
Years	2002	2003	2004	2005 Base year	2006	2007	2008
Shareholders fund	1943784	2365375	2702830	14071924	28893886	28384891	172006837
Profit after tax	(55245)	556573	637473	501515	737149	6083439	16056464
Gross earnings	2604378	4367887	5515086	7494855	13360358	27881451	57627098

**Source:** Published Audited Report

UBA bank plc data (7 years balance sheet summary)

Pre Merger				Post Merger			
Years	2002	2003	2004	2005 Base year	2006	2007	2008
Shareholders fund	10,627	14,901	9,533	19,443	48,535	167,719	193,460
Profit after tax	2472	5128	6010	6520	12811	29525	54637
Gross earnings	22521	24194	24510	26089	90477	109512	154330

**Source:** Nigerian stock exchange (NSE) archive Ilorin

#### 4.2 DATA ANALYSIS AND INTERPRETATIONS

EvIEWS statistical result for Access Bank

Dependent Variable: SHF

Method: Least Squares

Date: 05/17/14

Time: 14:05

Sample: 2002 2008

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1004112.	8400240.	0.119534	0.9095
PAT	9.925239	1.291074	7.687583	0.0006
R-squared	0.921996	Mean dependent var		35767075
Adjusted R-squared	0.906395	S.D. dependent var		61219036
S.E. of regression	18729954	Akaike info criterion		36.56410
Sum squared resid	1.75E+15	Schwarz criterion		36.54865
Log likelihood	-125.9744	Hannan-Quinn criter.		36.37309
F-statistic	59.09894	Durbin-Watson stat		2.971518
Prob(F-statistic)	0.000594			

**Substituted coefficients** SHF (Y) = 1004112 + 9.93 (PAT) X

### Correlation Table

SHF (Y)	1.000000	0.960206
PAT (X)	0.960206	1.000000

Result: Using EVIEW Statistical package to analyze the above data, below are the result of testing.

### Correlation analysis

$r = 0.960206$ ,  $r^2 = 0.92$ , adjusted  $r^2 = 0.91$ , Durbin Watson = 2.97,  $t$  calculated = 59.09894,  $t$  tabulated = 7.687583.

### Regression analysis

To express the model of simple linear regression in equation form is:

$Y = 1004112 + 9.93 (X)$ . From the result above the regression model

$Y = 1004112 + 9.93X$  indicate a positive relationship between the dependent (shareholders fund) and independent (profit after tax) variables. Thus the b coefficient of 9.93 indicates that for every one unit change in the dependent variable, the independent is predicted to increase by 9.93 the coefficient of correlation (r) of 0.960206 shows that there is a strong association between the two

variables. Access PLC profit after tax moved up from N501,515 million in 2005 to N16,056,464billion in 2008.The shareholders fund also moved from N14, 071,924 billion in 2005 to N172, 006,837 billion in 2008. Gross earnings increased from N7, 494,855 billion in 2005 to N57, 627,098 billion in 2008.

The implication of the above is that the post consolidation era the bank is more profitable than the pre consolidated era. Adequate capital was made available to the management. The bank was able to turn around available capital to create a high asset portfolio. Empirical results revealed a strong association between dependent and independent variable. The Coefficient Correlation was 96.02%. This can be interpreted as an increase in shareholders fund lead to increase in the profit after tax of Access banks.

Eviews statistical result for UBA Bank

Dependent Variable: SHF

Method: Least Squares

Date: 05/17/14

Time: 16:06

Sample: 2002 2008

Included observations: 7

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-386.0351	13555.95	-0.028477	0.9784
PAT	3.987261	0.557949	7.146286	0.0008
R-squared	0.910825	Mean dependent var		66316.86
Adjusted R-squared	0.892990	S.D. dependent var		79509.42
S.E. of regression	26009.45	Akaike info criterion		23.40526
Sum squared resid	3.38E+09	Schwarz criterion		23.38981
Log likelihood	-79.91842	Hannan-Quinn criter.		23.21425
F-statistic	51.06940	Durbin-Watson stat		2.510283
Prob(F-statistic)	0.000833			

**Substituted coefficients** SHF (Y) = -386.0351 + 3.987261 (PAT) X

### Correlation Table

SHF (Y)	1.000000	0.954371
PAT (X)	0.954371	1.000000

Result: Using EVIEW Statistical package to analyze the above data, below are the result of testing.

### **Correlation analysis**

$r = 0.954371$ ,  $r^2 = 0.91$ , adjusted  $r^2 = 0.89$ , Durbin Watson = 2.51,  $t$  calculated = 51.06940,  $t$  tabulated = 7.146286.

### **Regression analysis**

To express the model of simple linear regression in equation form is:  $Y = -386.0351 + 3.987261(X)$ . From the result above the regression model  $Y = -386.0351 + 3.987261X$  indicate a positive relationship between the dependent (shareholders fund) and independent (profit after tax) variables. Thus the  $b$  coefficient of 3.987261 indicates that for every one unit change in the dependent variable, the independent is predicted to increase by 3.987261 the coefficient of correlation ( $r$ ) of 0.954371 shows that there is a strong association between the two variables. UBA PLC profit after tax moved up from N6.520billion in 2005 to N54.637billion in 2008. The shareholders fund also moved from N19.443 billion in 2005 to N1, 479 billion in 2008. Gross earnings increased from N6.159 billion in 2005 to N74.615billion in 2008.

The implication of the above is that the post consolidation era the bank is more profitable than the pre consolidated era. Adequate capital was made available to the management. The bank was able to turn around available capital to create a high asset portfolio. Empirical results revealed a strong association between dependent and independent variable. The Coefficient Correlation was 95.43%. This can be interpreted as an increase in shareholders fund lead to increase in the profit after tax of UBA banks.

## **4.3 Test of Hypothesis**

### **Hypothesis 1**

H0: There is no positive relationship between increase in shareholders fund and the profit after tax of access bank.

H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of access bank.

### **Hypothesis 2**

H0: There is no positive relationship between increase in shareholders fund and the profit after tax of UBA bank.

H1: There exist a positive relationship between increase in shareholders fund and the profit after tax of UBA bank.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This section entails the summary of the entire project. It provides a clear summary of the entire project, that is, to establish the effect of corporate mergers and acquisitions on the performance of Nigerian deposit money banks. Moreover, it also entails the conclusion from the analysis of statistical results as well as recommendations as observed from the study.

#### **5.2 Summary**

This study examined the effect of corporate merger and acquisition on the performance of banks in Nigeria using panel data spanning from 2006 through 2015. The study employed Ordinary least square method to ascertain the relationship and short run effect of some independent variables (Shareholder fund, total asset and total value of deposit) on bank performance proxy by Return on equity.

From the regression equation, it is evident that SHF and TVD has a significant influence on the level of performance in Nigerian Banks. On the short run, TA variable is negatively insignificant with banks' performance, which is due to poor asset turnover and under utilization of their assets to generate maximum return. To forestall under utilization of their assets banks should improve their total asset turnover and diversify their investment in such a way that they can generate more income.

SHF posits a positively significant relationship with banks' performance. This is relatively due to the abundance provision of resources due to combination of resources through merger and acquisition.

TVD have a negatively significant relationship with banks' performance. Banks deposits are liabilities to the bank that needs proper management between its liquidity and profitability objectives. Liquidity in the technical sense refers to banks ability to meet its financial obligations both to creditors and debtors as at when due. To ensure solvency the bank must keep adequate level of current assets. However, there is a cost associated with maintaining sound liquidity position, which is lower profitability. For a bank to keep being a going concern, adequate return

or profitability must be made to compensate the investors and ensure payment of incurred expenses. Banks need to find adequate balance between liquidity and profitability.

### **5.3 Conclusion**

The results reveal that post merger performance of most of the financial parameter have shown significant improvement ( positive and negative) in both the cases while some parameter have not shown any significant improvement but it may be possible that there is improvement in these parameters in later years as only ten years financial reports are compared. While dealing with mergers and acquisitions, synergy gains are created in the long run resulting in the improvement in the efficiency and performance of banks. Merger between distressed and strong banks have not yield any significant efficiency gains to participating banks. However, the forced merger among these banks succeeded in protecting the interest of depositors of weak banks but stakeholders of these banks have not exhibited any gains from mergers.

The study also concludes that mergers/acquisitions alone cannot result into strong, efficient and competitive banking systems because financial performance is dependent on several factors. Mergers/acquisition need to be supplemented by other measures such as enhancing the expertise and professionalism of the banking personnel and bringing about more management efficiency to further increase the competitiveness of the banking institutions in the context of the challenges of a globalized and a very competitive industry. The empirical findings of this study suggest that trend of merger in Nigerian banking sector has so far been restricted to restructuring of weak and financially distressed banks. The Nigerian financial system requires very large banks to absorb various risks that have been emerged from operating in local and global market. Hence, the result showed that merger and acquisition has not significantly impact banks' performance. The study is in consonant with the works of Ajayi and Obisesan, (2016), Yusuf and Sheidu (2015), Imeokparia (2014), Meena and Kumar (2014), Badreldin and Kalhoefer (2009), Appah and John (2011), Taiwo and Musa (2014) and Onaolapo and Ajala (2013) that merger and acquisitions have no gain effect on the selected banks.

### **5.4 Recommendations**

With respect to the analysis carried out, it is obvious that mergers and acquisitions (M&A) has not significantly improved performance of Deposit Money Banks in Nigeria, which in

essence, has not enhanced improvement and global competition of deposit money banks in Nigeria. In order to avert negative consequences of the banks consolidation exercise in Nigeria and to realize the maximum benefits derivable from the exercise, the study therefore recommend that:

- i. Central Bank of Nigeria should ensure that only strong banks can merge so as to form mega bank in order to achieve the synergy that the bank consolidation promises.
- ii. Management of Nigerian banks should be discouraged from unethical banking practices, and regulatory authorities should use their searchlights on the Nigerian banking industry in order to curb financial crimes being perpetuated in Nigerian banks.
- iii. 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.
- iv. 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.
- v. 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 2023.
- vi. 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.
- vii. Management should not only undertake mergers and acquisitions in order to improve operation and sustain failing businesses but also improve their competitiveness and financial standing. Management should come up with a sound strategy towards asset and liability management so as to avert the problem of mismatching investments and also the quality of assets should be enhanced.

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