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Mergers, Acquisitions and Banking Sector Performance in Nigeria: A Post Consolidation Review

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Abstract
The study is necessitated by the assumption that mergers and acquisitions in the Nigerian banking industry will help to re-position banks for improved performance. The essence of this paper is to ascertain, if there has been any significant difference in the performance of deposit money banks in Nigeria prior to and after the merger sessions. The study made use of Secondary data covering the period 1999 to 2014. A descriptive statistics involving the use of difference in two means was carried out on a time series data. The study found that, mergers and acquisitions impacted significantly on the performance of deposit money banks with Profit before Tax (PBT) and total assets as proxies for bank performance, but that could not be said of Returns on equity, where there was no significant difference between the pre merger and post mergers periods. The results obtained herein attest to the fact that mergers and acquisitions are not the sole panacea to improved bank performance but that issue bothering on corporate governance, sound management, and strong brands have a role to play in the overall success of any banking establishment. The study therefore, recommends that good corporate governance should be entrenched to help build a truly strong, virile and profitable bank that can stand the test of time. Banks should concentrate on creating and maintaining strong brands, as that can be their most single valuable asset. Again, quality risk assets should be created and carefully managed to boost gross earnings and to reduce overhead costs which in turn is expected to boost profit after tax. It is also recommended that customer care services should be made more efficient, as quality service leads to customer loyalty. Banks should constantly design products tailor-made to suit customers' needs .They should be more aggressive in financial products marketing as this will help to improve financial positioning in term of gross earnings, profit after tax and the net assets.
Keywords: Mergers and Acquisitions, Profit after tax, Returns on Equity, Total Assets, Bank consolidation

1.0. Introduction

The recent banking consolidation exercise in Nigeria has charted a new course in this sector. New industry leaders and pacesetters have emerged as an aftermath of the exercise. The banking communities are coming to reality with the new face of the Nigerian banking industry. Apparently there has been series of alignments; realignments and a slight balance of power shift amongst the industry frontrunners as customers adjust to the new dispensation and as competition heats up amongst the surviving banks. It is against this backdrop that this study is set to examine the impact of mergers and acquisitions on the performance of Nigerian banks prior to and after the merger exercises.

The Nigerian banking landscape has evolved over the past decades from small, weak and diverse entities into less number of bigger and stronger financial institutions with a global recognition. This feat was achieved through mergers and acquisitions. The process that baited the transformation might appear seamless but there has been some teething problems associated with the early stages of mergers and acquisitions that tended to undermine the efficiency of the new entities. Some of the identified problems include;

(i) Initially, gross earnings noise-dived due to inherited toxic loan portfolio.
(ii) Profit after tax dropped due to increased cost.
(iii) Net assets did increase but it did so with associated costs.
(iv) In some of the banks, efficiency in management and corporate governance were compromised due to the less compact nature of some of the merging entities.
(v) Commitment of some staff of the acquired banks did slack due to a feeling of not being properly integrated into the new entity.

While merger and acquisition of Nigerian banks may address the concern of low capitalization, the effect of this exercise on banks performance needs to be empirically ascertained. This study is set to make a comparative analysis of the impact of mergers and acquisitions on the financial efficiency of Nigerian banks prior to and after the merger exercises.

Thus, the main objective of this study is to ascertain if there exists any difference between the performance of deposit money banks prior to and after the merger sessions. The specific objectives are to ascertain if there are differences in the performances of Nigerian banks in terms of Profit before Tax, Return on Equity and Total Assets in the pre-merger and post-merger periods.

In line with the above objectives, a null hypothesis is formulated thus: There is no significant difference between the performances of Deposit Money Banks, as measured by Profit before Tax, Returns on Equity and

Total assets, in the pre-merger and post-merger periods.

This paper is significant given that the banking industry is a key driver to Nigeria's economic growth .The sector has witnessed a lot of upheavals and this explains why it has been subject to much scrutiny. The regulatory authorities have raised the bar on banking supervision .The essence is to instill stringent measures on how the banking industry should run.

The consolidation exercise therefore was designed to make banks stronger by stipulating a minimum capital base before they are issued with an operating license. The inability of some banks to meet this target led to mergers and acquisitions. Some banks had to merge and pull their resources together to meet the minimum requirements. Others were acquired by the bigger players. It is very important that we put this epoch making event in its proper perspective as it brought about a permanent change in the landscape of Nigeria's banking industry This study will be of essence to core bank investors / depositors, other financial institutions and to the general public.

Issues bothering on mergers, acquisitions and bank performance are quite broad .The findings of this study are limited and indicative only of the Nigerian experience. Again, the study did not dwell on other silent concepts like the contributions of mergers and acquisitions to the growing rate of unemployment. It is a known fact that mergers and acquisitions go with downsizing of the work force. Three major performance indicators namely: profits before tax, return on equity and total asset of banks were used in the study, while the period of investigation is delineated from 1999 to 2014 a period of sixteen (16) years

To effectively review this study, the paper is organized into five relevant sections. Section one is introductory in nature while section two reviewed relevant literatures on the subject matter. Section three dwelt on methodology of study; while Section four threw more light on data analysis and results obtained therein. Section five concluded the study with recommendations proffered on how to deepen the gains obtained from the recent mergers and acquisition programs carried out on deposit money banks in Nigeria.

2.1 Theoretical Foundation

Mergers and acquisitions are global business terms used in achieving growth and survival. Merger entails 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 similar motives (Gaughan, 1994; Amedu, 2004; Bello, 2004; Katty, 2005)

According to G Stedman (1993), Merger simply means '' the coming together or amalgamation of two or more companies or firms to form a new and bigger company or firm. Angwin (1970) referred to Acquisition as a takeover. Here, the acquiring firm owns 100% of the target and has purchased the entity of the acquired firm. As further noted by Angwin (2007), the management of the acquiring firm assumes a superior position to the acquired in which it is able to do whatever it wishes with all the resources, capabilities and liabilities of the acquired firm. This loss of ownership and control of the acquired is what prompted its description as a takeover.

The (OECD, 2001), opined that the distinction between mergers and acquisitions are somewhat vague. A merger is often defined as a transaction where one entity is combined with another so that at least one initial entity loses its distinct identity. An acquisition is often classified as a transaction where one firm purchases a controlling stake of another firm without combining the assets of the firms involved. Relative to acquisitions, mergers provide a greater level of control, because there is only one corporate entity. Acquisitions are not appropriate when there are operational, geographic or legal reasons to remain separate corporate structures. M&A are also sometimes distinguished by defining mergers as transactions involving two firms that are essentially of equal size; while acquisitions are transactions where one party clearly obtains control of another.

Soludo (2004) opined that mergers and acquisitions are aimed at achieving cost efficiency through economics of scale, and to diversify and expand on the range of business activities for improved performance. Imala (2005) identified eight reasons for mergers and acquisitions in the financial services sector. These include:

- Cost savings, attributable to economics of scale as well as more efficient allocation of resources;
- Revenue enhancement, resulting from the impact of consolidation on bank size, scope, and overall market power;
- Risk reduction, due to change in organizational focus and efficient organizational structure;
- New developments, which impose high fixed costs across a large customer base;
- The advent of deregulation, removed many important legal and regulatory restrictions.
- Globalization, which has engendered a more globally integrated financial services industry and facilitated the provision of wholesale financial services and geographical expansion of banking operations;
- Financial stability, characterized by the smooth functioning of various components of the financial system, with each component resilient to shock;
- Shareholders pressure on management to improve profit margin and returns on investment, made possible by new and powerful shareholder blocks.

- The most important of them all is the synergies to be derived through mergers and acquisitions and the ability to enjoy economics of scale, ability to earn increased revenue and the potentials for tax gains. These sources of synergy are briefly discussed below:

Economies of Scale

One of the major advantages of the banking sector consolidation that is often harped on is its potential to enjoy economics of scale. Globally, size has become an ingredient for success. An enhanced capital-base, all things being equal, is expected to confer competitive edge on a bank. It would enable the bank acquire relevant technology, engage high quality personnel and absorb shock. It would also position the bank to offer better and value added services while increasing its earning capacity. Furthermore, consolidation increases the potential of banks to compete effectively at the national, regional and global levels.

Revenue Enhancement

One of the important reasons for mergers and acquisitions is the ability of combined firms to earn more revenue than two separate firms. Improved revenue may come from marketing gains, strategic benefits and market power.

Tax Gains

This may be a powerful incentive for mergers and acquisitions. The increased size of a firm resulting from consolidation enables it enjoy tax gains resulting from the use of tax losses which would have resulted from separate net operating losses, the use of unused debt capacity and the use of surplus funds which the individual small companies were not able to invest.

However, having outline the advantages inherent in a consolidation exercise, it must be stated here, that visionary management, corporate governance and well driven product engines remains the key to the success of any firm or business entity.

2. 2. CONCEPTUAL FRAMEWORK

The term ''Merger and Acquisition'' in banks have become synonymous with ''Bank consolidation'' in Nigeria. There has been a wave of restructuring and consolidation of the banking sector around the globe, particularly in the developed and the emerging market economies. This has been driven mainly by globalization, structural and technological changes, as well as the integration of financial markets, Banking sector consolidation has become prominent in most of the emerging markets, as financial institutions strive to become more competitive and resilient to shocks. It is also promoted by the desire to reposition corporate operations to cope with the challenges of an increasingly globalized banking system, it was based on the above premise that banking sector consolidation, through mergers and acquisitions, was embarked upon in Nigeria from 2004.

Prior to now, the universal banking (UB) model was adopted in 2001.It allowed banks to diversify into non-bank financial businesses following the consolidation program, bank became awash with capital, which was deployed to multiples of financial services. In effect, the laudable objectives of the UB Models were abused by operators, with banks operating as financial supermarkets to the detriment of core banking practices. To address the observed challenges, the CBN reviewed the UB Model with a view to refocusing banks to their core mandate. Under the new model, banks would not be allowed to invest in non-banks subsidiaries, while banks with such investments would be required to either divest or spin-off the businesses to holding companies that would be licensed by the CBN as other financial institutions. The three classes of deposit money banks in operation in Nigeria include the International, National and Regional banks.

2.2.1 Banking Sector Reforms in Nigeria – The Journey so far!

Prof. Charles C. Soludo took office as governor of the Central Bank of Nigeria in June 2004. The following month, he announced a new policy to increase the minimum paid in capital of banks to N25billion (US $ 173million) from N2 billion (US $ 14million).Banks were required to obtain this capital by the end of December 2005, roughly 18 months from the policy announcement. The major reason for the policy was to consolidate the existing banks into fewer, larger, and financially stronger banks.

In 2004, there were 89 banks in the country. The industry was augmented into relatively small, weakly capitalized banks with most banks having paid in capital of $10million or less. The best capitalized bank had capital of $240million as compared to Malaysia where the least capitalized bank had capital of $526million at the time. Another key feature of that era is that most of the smaller banks were family-owned and privately held thereby giving no room for corporate governance. Besides, the industry was heavily concentrated with the 10 largest banks controlling 50 percent of the assets and deposits in the Nigerian banking system.

The result of this new, much larger capital requirement was the consolidation of banks into larger entities. During this 18 months period, there were a number of mergers and acquisitions among Nigerian banks in order to meet this new capital requirement. In the end, the 89 banks that existed in 2004 decreased to 25 larger, better-capitalized banks. Thirteen banks did not meet the deadline for increasing their capital and their banking licenses were revoked.

On June 4, 2009, Sanusi Lamido Sanusi, was appointed governor of the Central Bank of Nigeria. He had a different approach to bank consolidation. As a credit risk analyst by training he decided to undertake a forensic examination of the risk assets of the existing 24 banks then. The result of that exercise triggered the latest round of mergers and acquisition in the Nigerian Banking Landscape. Sanusi introduced a spate of reforms in response to the global financial crisis and the mismanagement of certain Nigerian banks. Major changes in the Nigerian financial industry were made to raise the quality of bank supervision and bank operations to a truly global standard and this signaled an interventionist role in the Nigerian economy.

In 2009, after the joint audit of the central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC), eight banks were pronounced unfit and this included;

1) Intercontinental bank plc, 2) Oceanic Bank Int'l Plc, 3) Afribank Plc (now Skye Bank), 4) Bank PHB Plc (now keystone Bank Ltd), 5) Spring Bank Plc (now Heritage Bank), 6) Union Bank Plc, 7) Equatorial Trust Bank Ltd (Acquired by Sterling Bank), 8) Finbank Plc. (now First City Monument Bank)

Unity Bank was determined to be insolvent but had sufficient liquidity to meet its current obligation. After the August 2009 joint audit, some of insolvent banks received capital injections through the expanded discount window of the CBN in the following proportions: Bank PHB (N 64million) Spring Bank (N 80million) and Equatorial Trust Bank (N 56 billion of which N30 billion was repaid).

The aggregate percentages of non-performing loans of five out of the eight banks were 40.81percent according to (Duncan Alford 2011). In addition, these banks were chronic borrowers at the expanded discount window (EDW) of the CBN, indicating that they had little cash on hand. To improve the banks, liquidity, CBN, as the lender of last resort, injected N420billion ($2.8billion) into these banks in the form of a subordinated loan. These banks in aggregate basis represented significant systemic risk, as they held approximately 30 per cent of the deposits in the Nigerian banking system.

Some senior executives of the insolvent banks were charged with crimes. In an unprecedented move, a list of the names of debtors of non-performing loans held by Nigerian banks was published. The CBN appointed new managing directors for each of these eight banks. The regulatory authorities clearly stated that these actions were not intended to nationalize these banks rather they were intended to prevent serious disruption of the banking system.

The recapitalization of five of the eight banks mentioned above led to the acquisition of intercontinental bank plc by Access Bank Plc, while sterling Bank Plc took over Equatorial Trust Bank. Ecobank transnational acquired Oceanic Bank through her Nigeria subsidiary- Ecobank Nigeria Plc, while. First city Monument Bank Plc successfully absorbed Finbank into its fold.

Due to the degree of optimism exuded by the banking public, some analysts are of the opinion that other banks which used to be front runners in terms of their balance sheet and branch network will have to brace up for the new challenges or be dislodged from their leading positions by the emerging entities. The big banks are already being seriously challenged by those banks hitherto categorized as tier II or mid-sized Banks.

A vivid example is the combination of branches of Ecobank Nigeria Plc and Oceanic Bank for instance ,which has given the new Ecobank Nigeria about 650 branches, the combined entity can boast of about 1.450 automated teller machine (ATM) platforms and a customer base of close to 5 million. This already is enough statistics to challenge the industries leaders.

A keen observation will also show that sterling Bank which was hitherto not amongst the industry leaders is set to become a top Tier II player after its acquisition of Equatorial Trust Bank (ETB). A combination of both financial institutions created a bank with over N360 billion in customer deposits, N550 billion in assets and more than 185 operational branches across Nigeria. This is a feat considered to be a decent achievement by a bank which had been hitherto overshadowed by their more illustrious competitors.

This merger has given the new sterling Bank access to some lucrative accounts on a legacy basis in companies like Globacom, Conoil Plc, and the upstream oil and gas sector, which were being serviced by ETB before the merger process began.

On the other hand, the Access Bank and Intercontinental bank merger has produced a bank that is ranked third in Assets and deposits respectively and ultimately ushered into the Tier I bracket. This combined entity has a customer base of over five million customers.

Subsequently, the CBN completed its special examination of the remaining 14 universal banks in Nigeria to determine their solvency. As a result of this audit, on October 3, 2009, the CBN dismissed the CEO of three additional insolvent banks – Bank PHB, Spring Bank, and Equatorial Trust Bank and injected an additional N200billion into these banks.

As a bail out strategy eight banks received N620 billion or approximately $4.1billion from the CBN, representing 2.5 per cent of Nigerian's entire 2010 GDP of $167billion. Following the special examination and during the period from December 2008 to December 2009, Nigerian banks wrote off loans equivalent to 66 per cent of their total capital; most of these write offs occurred in the eight banks that received loans from the CBN.

By year end 2009, all banks were made to change their accounting years to the calendar year, and all subsidiaries of the parent bank must follow the same accounting year. Different reporting years for Nigerian banks made financial comparison difficult among banks and limited transparency of bank financial results. The CBN's stated purpose for this policy changes was, 'to further enhance the level playing field in the banking sector post-consolidation'. The CBN also directed banks to adopt international financial Reporting Standards (IFRS) by the end of 2012.

On January 18, 2010, CBN issued a circular detailing the type and format of financial information that must be disclosed by banks in their yearly financial statements. As illustrated by these actions, CBN has aggressively pursued accounting reforms to improve disclosure to regulators, investors and depositors regarding the financial health of Nigerian banks.

Also in January 2010, the CBN issued regulations limiting the terms of CEOs of banks to a maximum of 10years, which required some sitting CEOs to resign by July 31, 2010.

The intent of the regulation is to improve corporate governance of Nigerian banks by avoiding the "sit-tight syndrome' where bank executives manage the banks as a personal business as opposed to a publicly held corporation accountable to shareholders, depositors, and government regulators. CEOs are limited to two renewable five years terms and are disqualified from serving as a director for three years after their second term as CEO expires.

Likewise in March 2010, the Central Bank of Nigeria announced its plans to dismantle Central tenet of banking regulation in Nigeria – the exclusivity of universal banks as the vehicle for conducting banking in Nigeria. The CBN categorized banks by function and allowed variety of banks to operate in Nigeria with varying levels of capital depending on the banks function, as opposed to the single current minimum capital base.

A conspicuous key element of the second phase of banking reform in Nigeria is the removal of toxic assets on non-performing loans from the books of the banks receiving government support. To that end, the ministry of finance and the CBN introduced a bill in the National Assembly to create an asset management company..

The Asset Management Corporation of Nigeria (AMCON) was set up with the special purpose of addressing the problem of non-performing loans in the Nigerian banking industry which prior to the Sanusi led audit had reached alarming proportions necessitating urgent intervention. In line with its mandate, AMCON acquired the non-performing risk assets of some banks worth over N1.7 trillion, which is expected to boost their liquidity as well as enhance their safety and soundness. The intervention of AMCON has made a huge positive impact as the banking industry ratio of non-performing loans to total credit has significantly reduced from 34.4 percent in November 2010 to 4.95 percent as at December 2012.

To further strengthen AMCON in the bid to achieve its mandate the CBN and all the deposit money banks did sign an MOU on the financing of AMCON. The CBN shall contribute N50 billion annually, to AMCON, while each of the participating banks shall contribute an amount equivalent to 0.3 percent of its total assets annually into a sinking fund.

The transformation initiated by Sanusi Lamido Sanusi created the following mergers and acquisition.
Ecobank (transnational) + Oceanic = Ecobank ; Access Bank + Intercontinental Bank = Access bank
Also the rescued banks had their names changed as follows:

PREVIOUS NAME	NEW NAME AS A BRIDGE BANK
Spring Bank	Enterprise Bank
Afribank	Mainstreet Bank
Bank PHB	keystone Bank

These are bridge banks. They were subject to sales to core investors .The change in name only reflected the internal changes in the ownership structure of these banks occasioned by the injection of funds into the banks by CBN. The tables below show at a glance the breakdown of the merger and acquisition of Nigerian banks from 2005 to date:

SN	NEW BANKS	MERGING MEMBERS
1	Access Bank Plc	Access Bank, Marina Int'l Bank, and Capital Bank Int'l
2	AfribankNigPlc	AfribankPlc, and Afribank Int'l (Merchant bank)
3	Bank PHB Plc	Platinum Bank Ltd, and HabibNig Bank Ltd
4	Diamond Bank Plc	Diamond Bank, lion Bank, Devcom Bank Ltd
5	Fidelity Bank Plc	Fidelity Bank, FSB Int'l, Manny Bank
6	FirstBank of NigPlc	FirstBankPlc, MBC Int'l Bank, and FSB (Merchant Bank)
7	Equatorial Trust Bank	Equatorial Trust Bank Ltd, and Devcom Bank Ltd
8	First City Monument Bank Plc	First City Monument Bank, Coop Dev Bank, Nigerian-American Bank, and Midas Bank
9	First Inland Bank	First Atlantic Bank, Inland Bank Plc, and NUB Int'l Bank
10	IBTC Chartered	IBTC, Chartered Bank Plc, and Regent Bank plc
11	Intercontinental Bank Plc	Guidance Express Bank, Omega Bank Trans. Intercontinental Bank Plc
12	Oceanic Bank Int'l Plc	Oceanic Bank Int'l Bank Plc, Int'l Trust bank
13	Skye bank Plc	Prudent Bank Plc, Bond Bank Ltd, Reliance Bank Ltd, Cooperative Bank Plc, and EPB Int'l Bank Ltd
14	Spring Bank Plc	Citizen Int'l Bank, ACB Int'l Bank, Guardian Express Bank, Onga Bank Trans Int'l Bank, and Fountain Trust Bank
15	Sterling Bank Plc	Trust Bank Africa Ltd, NBM Bank Ltd, Magnum Trust Bank, NAL Bank Plc, and Indo-Nigeria Bank
16	United Bank of Africa	UBA, Standard Trust Bank Plc, and Continental Bank
17	Union Bank Of Nigplc	Union Bank of Nig Plc, Union Merchant Bank Ltd, Broad Bank of Nig Ltd, and Universal Trust Bank Nig Plc
18	Unity Bank Plc	Intercity Bank plc, First Interstate Bank Plc, Tropical Commercial Bank Plc, Centerpoint Bank Plc, Bank of the North, New Africa Bank, SociateBankcare, Pacific Bank, and New Nigeria Bank
19	Wema Bank Plc	Wema Bank plc, and National Bank of Nigeria Ltd
20	EcobankNigPlc	
21	Stanbic Bank	
22	Standard Chartered	
23	Nigeria Int'l Bank	
24	Guaranty Trust Bank	
25	Zenith Bank	

Source: Compiled from CBN Press Release (3/1/06), Financial Standards (16/1/06), and The Comet (3/1/06) as presented by Adeyemi (2006)

Shortly after the 2005 exercise, Stanbic Bank and IBTC- Chartered Bank merged to form Stanbic/IBTC Bank. This merger at that time temporarily reduced the number of banks to 24 from the 25 seen in the above table. A post 2005 special joint audit team commissioned by Sanusi Lamido found the following banks at the point of distress:

DISTRESS BANK	ACQUIRED BY
AfribankPlc	Mainstreet Bank Ltd
Equatorial Trust bank	Sterling Bank Plc
First Inland Bank	First city monument bank
Intercontinental Bank Plc	Access Bank Plc
Oceanic Bank Plc	EcobankNigPlc
Spring Bank	Enterprise bank Ltd
Bank PHB	Keystone Bank Ltd
Union bank plc	Owned by Africa Capital Alliance

Source: Compiled from CBN Press Release (3/1/06), Financial Standards (16/1/06), and The Comet (3/1/06) as presented by Adeyemi (2006) There after the number of sound banks in Nigeria came down to 22 after the merger of Stanbic bank and IBTC Chartered Bank, the restoration of Savannah Bank and Societe De generale Bank's licenses (Now Heritage Bank).

Of recent, Skye Bank and Heritage bank performed a near impossible feat of acquiring Mainstreet(Hitherto Afribank) and Enterprise Bank(Hitherto spring bank) respectively. Thus, the surviving number of banks in Nigeria is 20.This includes:

Access Bank Plc	Diamond Bank Plc	Ecobank Plc	Fidelity Bank plc	First Bank of Nigeria Plc
First City monument Bank plc	Guaranty trust Bank	Heritage bank	Keystone Bank Ltd	Nigeria Int'l Bank
Savannah Bank Nig. (*licensed in principle but not in operation*	Skye bank plc	Stanbic-IBTC Bank Nig Ltd	Standard Chartered Bank	Sterling Bank plc
Unity Bank plc	Union Bank Ltd	United Bank of Africa plc	Wema Bank Plc	Zenith bank Plc

Source: Various editions of CBN annual report.

This process is ongoing .The last is yet to be heard on banking sector reforms and bank consolidation in Nigeria (Kanu and Anyanwu, 2015)

2.3 Empirical framework

The nexus between consolidation and financial sector stability and growth is explained by two polar views. Proponents of bank consolidation opined that increased size could potentially increase bank returns, through revenue and cost efficiency gains. It may also, reduce industry risks through the eliminations of weak banks and create better diversification opportunities .On the other hand, it is argued that consolidation could increase banks prosperity towards risk taking through increases in leverage and off-balance sheet operations. Furlong (1994) stated that an early view of consolidation in banking was that it makes banking more cost efficient because larger banks can eliminate excess capacity in areas like data processing, marketing, on overlapping branch networks. Cost efficiency also could increase if more efficient banks acquired less efficient ones. Though studies on efficiency in banking raised doubts about the extent of over capacity, they did point to considerable potential for improvement in cost efficiency through mergers.

In Nigeria, several studies have been carried out to ascertain the impact of mergers and acquisitions on the Nigerian economy. Walter and Uche (2006) posit that mergers and acquisitions made Nigerian banks more efficient and stronger. Akpan (2007) found that the policy of consolidation and capitalization has ensured customers' confidence in the Nigerian banking industry in terms of high profit.

Ezeoha (2007) studied the structural effects of the banking sector consolidation exercise in Nigeria. He opined that the exercise represents the latest attempt by the CBN to solve the problem of bank distress and failure, and to reposition the industry for national and global economic challenges. The study was of the opinion that, some of the operational difficulties facing the banks even before consolidation are external to them and is still prevalent in the Nigerian economy. The study concludes that consolidation alone cannot be seen as the solution to the problem of the industry, unless the background economic difficulties such as the weak state of the national economy, deplorable state of the infrastructure and the decreasing level of public confidence in the overall economic and financial reforms going on in the country is addressed, the expected benefits of consolidation may be hard to realize.

Ningi, and Dutse, (2008), explored the impact of the reform program on economic growth in Nigeria. They opined that, the CBNs decision has changed the structure of the banking sector, increased the efficiency and reliability of the banks, created opportunities for financial institutions and market participants, and raised their intermediation potentials.

Somoye (2008) noted that the asset size of an average bank within a year after consolidation exercise has had a tremendous growth. He also noted that the post consolidated ratio is better in terms of its distribution among the banks compared to the pre consolidation ratio where more than 70 percent of the equity and assets were concentrated in the largest five banks that constitute less than 5 percent of the existing banks. Thus, the intermediation activities of banks had improved significantly.

Adegbaju(2008), posit that the return on Equity (ROE), which measures the rate of return to shareholders, was quite low falling sharply between 2002 and 2004.

Umah (2009) investigated the impact of banking sector recapitalization on employment in Nigerian banks. He concluded that between 2006 and 2008, the recapitalization exercise led to an increase in employment in the Nigeria banking industry.

Okpara (2010) examined the impact of banking sector reforms on the performance of the banking industry in Nigeria. The findings of his study revealed that, apart from the reform period of financial liberalization which affected significantly virtually all the performance indicators and the financial deepening, the rest of the reforms made no significant impact on the performance variables.

Kaoje (2010) studied the effect of bank re-capitalization in Nigeria and its implications in resuscitating liquidity and forestalling distress. The study tried to ascertain if capital regulation merely addressed the immediate and short-term problem of illiquidity or if it has a far-reaching effect of forestalling distress amongst banks in Nigeria. Outcome of his study shows that, there exists a relationship between increase in minimum capital base of commercial banks and asset quality/ liquidity. In other words, asset quality and liquidity tended to improve with recapitalization.

Samuel (2010) ,in a study of the recent banking sector reforms and economic growth in Nigeria established that interest rate margins, parallel market premiums, total banking sector credit to the private sector, inflation rate, size of banking sector capital and cash reserve ratios accounted for a very high proportion of the variation in economic growth in Nigeria. This goes to confirm that, there is a strong and positive relationship between economic growth and banking sector reforms in Nigeria.

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 any significant difference between the two periods. The result indicated that post recapitalization mean 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.

Olufayo (2011) investigated the impact of the consolidation exercise in Nigeria and the plight of female employees. The study revealed that, the removal of conditionality's for bankers would not affect productivity much because it kicked against the boosting of staff moral.

The last is yet to be heard on the effects of mergers and acquisition or better still on the effects of bank consolidation exercise on the Nigerian economy.

3.0 Research Methodology

The study made use of secondary data from CBN and NDIC publications for the period 1999 to 2014. This study drew a lot of inspiration from the earlier works of Okpanachi (2011) in his comparative analysis of the impact of mergers and acquisitions on financial efficiency of banks in Nigeria. In our present study, Profit before Tax (PBT), Return on Equity (ROE) and Total Assets (TA) were used as proxies to Banks' efficiency.

In a bid to test the research hypothesis, this study will make use of a t-test, to ascertain the difference between the means of two samples. It is applicable to both small and large sample sizes, 5% level of significance (or 95% confidence level) was chosen for the purpose of this study.

While the performance indicator for pre-merger period is represented by mean X_1; that of post-merger period is represented by mean X_2. Since the sample size is small and equal the appropriate t-test statistic to use is given as:

$$t = \frac{X_1 - X_2}{\sqrt{\frac{(S_i)^2 + (S_{ii})^2}{N}}}$$

Where:

	Sample 1: Pre-merger	Sample 2: Post-Merger
Sample Size	N_1 = 8years	N_2 = 8years
Test Mean	x1	x2
Test Variance	(S_i)	(S_{ii})

Note: $N_1 = N_2 = N$. Numerator; of the above equation is the difference in mean while the denominator is the standard error of the difference between the means. The degree of freedom (d.f.) for small sample is N-1. For purpose of clarity, we re-state the hypothesis we intend to test once again.

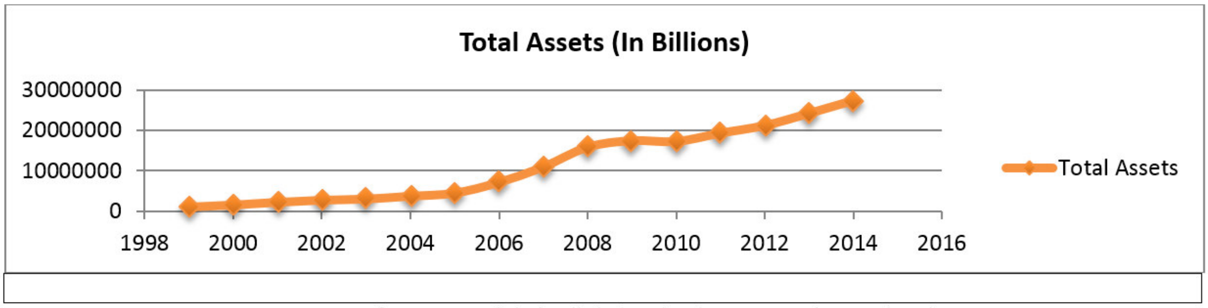
Ho1: There is no significant difference between the performances of Deposit Money Banks, as measured by Profit before Tax, Returns on Equity and Total assets, in the pre-merger and post-merger periods.

Decision Rule: Reject H_0 if the t – calculated is greater than t – tabulated at 5% level of significance.

4.0 Data Presentation

As a prime objective, this section focuses on the presentation and analysis of data for the study. Also, it aims to Interpret the results obtained therein, so that policy implications can be drawn. Data for our estimation was generated from CBN and NDIC publications for the period 1999 to 2014.These are aptly captured in the charts below:

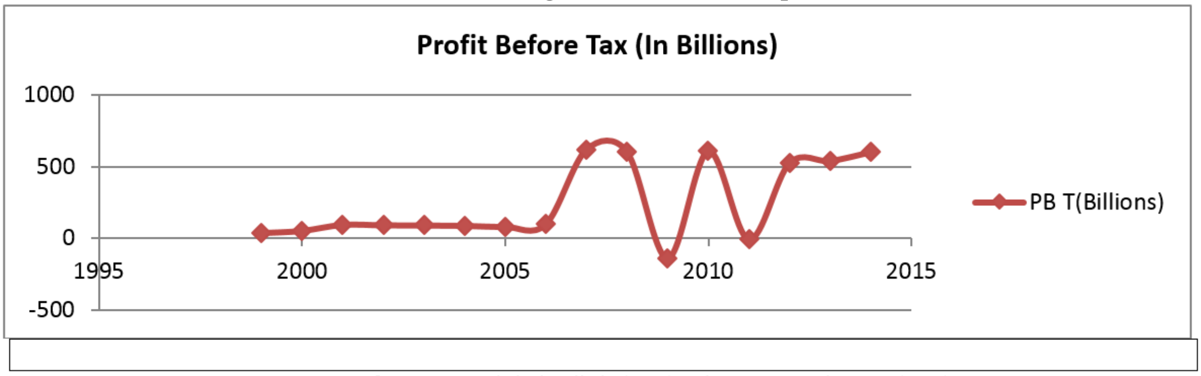
Chart 1: A Trend of Bank Assets in Nigeria for the period 1999 - 2014



Source: Data from CBN Statistical Bulletin (2014) and NDIC Annual Report (2014)

The above chart shows a tremendous increase in total asset after the merger and acquisition sessions. This is due to Increased investment in fixed asset probably occasioned by increased capital base.

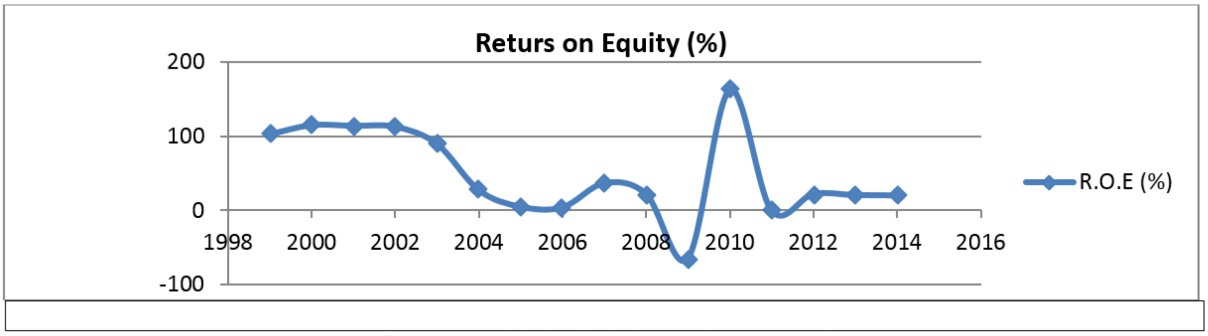
Chart 2: Trend of Profit before Tax (PBT) in Nigerian banks for the period 1999 - 2014



Source: Data from CBN Statistical Bulletin (2014) and NDIC Annual Report (2014)

From chart 2 above, profit before tax witnessed a period of lull between 1999 and 2006, this improved tremendously especially in the years 2007, 2008 and 2010 respectively. It nose dived drastically in 2011 but came up in 2012 and has continued to show signs of improved performance.

Chart 3: Trend of Returns on Equity (ROE) in Nigerian Banks for the period 1999 - 2014



Source: Data from CBN Statistical Bulletin (2014) and NDIC Annual Report (2014

Returns on equity witnessed a slide in performance between 1999 and 2006. It attained a peak in 2010 and came crashing between 2012 and 2014. This trend is indicative of the fact that, there has not been any significant difference between the performance of Banks, measured by Returns on Equity, in the pre-merger and post-merger periods. For purpose of data analysis, the period of study -16years is divided into two equal parts (8 years a piece) i.e. (1999 – 2006) for the pre-merger and (2007- 2014) for the post-merger periods.

Tab le 1: **Bank Efficiency indicators**

Pre merger Bank Efficiency indicators				Post merger Bank Efficiency indicators			
Year	**PBT(N'bn)**	**R.O.E (%)**	**TA(N'm)**	**Year**	**PBT(N'bn)**	**R.O.E (%)**	**TA(N'm)**
1999	38.03	102.88	1,070,019.8	2007	619.16	36.83	10,981,693.6
2000	53.24	115.27	1,568,838.7	2008	603.88	22.12	15,919,559.8
2001	95.12	114.29	2,247,039.9	2009	-137.33	-64.72	17,522,858.2
2002	92.20	113.09	2,766,880.3	2010	607.34	162.98	17,331,559.0
2003	90.89	89.78	3,047,856.3	2011	-6.71	-0.28	19,396,633.8
2004	88.60	27.23	3,753,277.8	2012	525.34	22.20	21,288,144.4
2005	81.63	4.81	4,515,117.6	2013	539.97	20.71	24301200.00
2006	99.24	4,12	7172932.10	2014	601.02	20.34	27481500.00

Source: CBN Statistical Bulletin (2014) and NDIC Annual Report (2014)

Table 2: Descriptive statistics on Data

	PRE TA	**POST TA**	**PRE PBT**	**POST PBT**	**PRE ROE**	**POST ROE**
Mean	3267745.	19277894	79.86875	419.0838	71.43625	27.52250
Median	2907368.	18459746	89.74500	570.4950	96.33000	21.41500
Maximum	7172932.	27481500	99.24000	619.1600	115.2700	162.9800
Minimum	1070020.	10981694	38.03000	-137.3300	4.120000	-64.72000
Std. Dev.	1930932.	5120849.	22.10456	306.9485	50.34189	63.10143
Skewness	0.952305	0.074288	-1.094709	-1.159034	-0.496136	1.020501
Kurtosis	3.145864	2.390969	2.602494	2.467872	1.403189	4.218783
Jarque-Bera	1.216271	0.130998	1.650520	1.885532	1.178137	1.883707
Probability	0.544365	0.936600	0.438121	0.389549	0.554844	0.389904
Sum	26141963	1.54E+08	638.9500	3352.670	571.4900	220.1800
Sum Sq. Dev.	2.61E+13	1.84E+14	3420.282	659521.8	17740.14	27872.54
Observations	8	8	8	8	8	8

Source –Output from E-views statistical tool.

4.2 Analysis of Data

Using t-test, the above data are analyzed thus in table 3:

	Variable	**Mean**	**Standard Deviation**
Pair 1	PrePBT	79.87	22.10
	PostPBT	419.08	306.95
Pair 2	PreROE	71.44	50.34
	PostROE	27.52	63.10
Pair 3	PreTA	3267745.00	1930932.00
	PostTA	19277894.00	5120849.00

Source: Extract from E-view statistical soft ware

Table 3 above shows that the mean and standard deviation of profit before tax and total asset increased in the post-merger period. However, the mean of return on equity is higher during the pre-merger period when compared with the post-merger period while its standard deviation is higher in the post-merger compared to the pre-merger period.

Table 4: Summary of t-test Result

	Variables	**Absolute value of t-calculated**	**t-tabulated**	**Decision**
Pair 1	Pre PBT – Post PBT	2.82	1.89	Reject H_0
Pair 2	Pre ROE – Post ROE	1.54	1.89	Accept H_0
Pair 3	Pre TA – Post TA	8.27	1.89	Reject H_0

Source: Extract from t-test result.

4.3 Testing of Hypotheses

For purpose of clarity, the hypothesis of study is re- stated again as follows:

H_{OI}: There is no significant difference between the performance of deposit money Banks as measured by Profit before Tax, Returns on equity and Total Assets between the pre-merger and post-merger periods in Nigeria

Test of hypothesis

Decision Rule: Accept H_0 if the $/t_{cal}/ < /t_{tab}/_{0.05}$ and Reject H_0 if the $/t_{cal}/ > /t_{tab}/_{0.05}$

In table 4, **t-calculated is greater than t-tabulated in pair1 and pair 3** i.e. (PBT and Total Assets in absolute terms) and both fall within the rejection region hence the null hypothesis is rejected in both pairs.

On the contrary, **t-calculated is less than t-tabulated in pair 2** and falls within the acceptance region therefore the null hypothesis is accepted.

4.4 Discussion of Results

Table 4 above, shows the extracted figures for our chosen proxies i.e. (profit before tax, return on equity and total assets) of deposit money banks in Nigeria for the period 1999 to 2014. From the table, all the deposit money banks in Nigeria witnessed improved financial performance as a result of merger and acquisitions leading to more financial efficiency especially in the area of asset acquisition. The table shows a tremendous increase in total assest after the merger and acquisition sessions. This is due to increased investment in fixed asset probably occasioned by increased capital base. However, while profit before tax improved tremendously especially in the years 2007, 2008 and 2010 respectively, an erratic movement occurred in return on equity during the post-merger period. In this period also, the ROE was observed to be low. This according to Okpanachi (2011) could be adduced to the incidence of increased taxation.

5.0 Summary of findings, Conclusion and Recommendations

Analysis of the above data reveals that merger in itself is not the sole panacea for improved performance in the Nigerian banking industry. This study concludes that, mergers and acquisition impacted significantly on the performance of banks as measured by Profit before Tax(PBT) and total assets but that could not be said of Returns on equity for the period under review.

Based on the above findings, it is pertinent to recommend here that:

- Good corporate governance should be entrenched as a panacea for building a truly strong and profitable bank that can stand the test of time.
- Banks should concentrate on creating and maintaining a strong brand, as that can be the single most valuable asset.
- Quality risk assets should be created and carefully managed to boost gross earnings.
- Overhead cost should be curtailed to boost profit after tax.
- Customer service should be made more efficient, as quality service leads to customer loyalty.
- Banks should constantly design products tailor-made to suit customers' needs.
- Banks should be more aggressive in financial products marketing. This will help to improve financial positioning in term of gross earnings, profit after tax and the net assets.

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