IMPACT OF MERGER AND ACQUISITION ON THE PERFOMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

Low capital base, insolvency, and business distress among other factors have contributed to recent failure of banks in Nigeria. Banks all over the world now adopt mergers and acquisitions as a strategy to improve their performance. This study examined the impact of mergers and acquisition on the performance deposit money bank in Nigeria. The research used capital structure, asset profile, total deposit and profit after tax of the selected bank to measure the performance and effect of merger and acquisition of the bank in both pre and post-merger and acquisition period. Data were collected from the published financial statements of the bank namely former Intercontinental Bank Plc and Access Bank (now Access Bank Plc) from 2005 to 2017 and the model was formulated using ordinary least square method. It was revealed that for both the pre-merger and post-merger periods, it was revealed that the access bank performed better. In the post – merger and acquisition period as asset profile and total deposit has no significant effect on the profit after tax of access bank in Nigeria, while capital structure has a significant effect on profit after tax of access bank plc. While in the pre-merger and acquisition capital structure, asset profile and total deposit have no significant impact on profit after tax of access bank plc. The study concludes that mergers and acquisitions have a significant impact on the performance of deposit money bank in Nigeria. Therefore, the study recommended that banks can merge or acquire each other , as this has proved to become a strategy for rescuing ailing or weak ones and could provides a platform that would enhance financial performance

Keywords: **Merger, Acquisition, Financial Performance, Deposit Money Banks.**

INTRODUCTION

The role of banking sector in an economy cannot be overemphasized, has they serves as catalyst for economic growth and development through financial intermediation function. The present of banks in the country make payment system to efficiently carried out and equally facilitate the implementation of monetary policies. Uremadu (2007) opined that it is not surprising that government all over the world attempt to evolve an efficient banking system in order to stimulate macroeconomics polices. Gazia, Najmus, and Sahar (2013), described banking sector as an integral part of an economy, thus, the sector is tending towards high complexity as a result of globalization. In Nigeria, banking sector has witnessed a tremendous growth over the past years. This assertion is borne out of the number of banks and bank branches, their total deposits, total investments, total loans and advances and the profitability of the industry (Khadijat, Abdulrasheed, Ramat, & Oyebola, 2012). In the recent past and before rampant consolidation, Nigeria banks have not adequately embraced merger and acquisition because of their ownership structure, greediness, and lack of proficiency. The idea of mergers and acquisitions in banking industry started in October, 2003 under the past president of Central Bank Nigeria. Although, the Central Bank of Nigeria rolled out incentives to encourage weaker banks adopt mergers and acquisitions. These incentives included concessionary cash reserve ratio on a case- by -case basis for a period of two years to the newly restructured banks, conversion of overdrawn positions of weak banks to long-term loans with concessionary interest. The acquired banks could be given up to 24 months grace period for complying with the minimum liquidity ratio requirement to enable it settle down as a newly

recapitalized/restructured bank. However, most of the feeble banks were unwilling to listen until the new order in 2004 (Famakinwa, Oduniyi, Aminu, Obike & Ugwu 2004). The reforms are directed at maintaining a sound and efficient banking system for the protection of depositors, encouragement of efficient financial intermediation, competition, maintenance of confidence and stability of the banking system, and protection against systematic risk and collapse (Alashi, 2003).

Banks in Nigeria operate in a dynamic environment affected by myriad of factors. These factors affect the industry in variety of way creating both opportunities for the strong ones and distress for the feeble banks. One of these factors is rapid revolution to incorporate international market away from individual domestic markets. Entering the sphere of globally integrated capital markets will mean playing by the rules of that market, which means offering services and investor safeguards that compete with those offered in the developed markets (Okereke, 2004). This revolution calls for an adequate capitalization, which is a fundamental basis for solid and safe banking system. An adequate capitalization will give a bank a competitive edge at both global and local markets and enables it to offer better services and eventually increase its earnings. Increased capital base can be achieved through different ways that include mergers and acquisitions and other consolidation options. As a result, many banks now engage in mergers and acquisitions.

PROBLEM STATEMENT

Surpassingly, banks are meant to provide adequate financial intermediation role by channeling funds from surplus unit of

the economy to the deficit unit. However, there are myriad of factors that have been hampering the efficiency of banking sector. Principal among them is distress and chronic illiquidity (Abiola, 2003). Distress is a situation in which the bank is having financial, operational and managerial problems. Bank distress affects both developed and developing nations, in Nigeria, the first indigenous bank (the industrial and commercial bank) established in 1926 failed in 1930. By 1968, 19 out of 23 indigenous banks established had failed and in 1995, 60 out of 115 banks in Nigeria were considered to be distressed (Umoh, 2004). Prior to 2004 consolidation exercise, the performance of Nigeria's' banks was characterized by a high regime of insolvency, vulnerability to systemic financial crises and macro-economic instability (Obideyi, 2006). The capital base of the banks was so low that they could not absorb losses occasioned by non-performing risk assets, keen competition and poor management. Okpanachi (2011) observed that most Nigerian banks could not perform well due to operational hardship and expansion bottlenecks as a result of heavy fixed and operating costs. There were also serious cases of insider abuse, loss of confidence by the customers and shareholders of the banks (SEC, 2005).

Many researchers have appraised the effect of merger and acquisitions in the Nigerian banking industry. The majority of findings showed that merger and acquisitions resulted to improved performance of deposit money banks in Nigeria. Those findings ought to be confirmed because after the merger and acquisition in the sector, problems seem to have persisted and banks have continue merging and acquiring one another. For instance; in 2007, Stanbic bank merged with

IBTC bank. In 2011, Access Bank acquired Intercontinental Bank plc, Ecobank acquired Oceanic Bank, while First city monument bank plc (FCMB) acquired Fin bank plc, Keystone bank was formed and not long after, it took over Platinum Habib Bank (PHB), and Afribank were taken by AMCON. In 2014, Skyebankplc acquired Mainstreet bank ltd. And in the same year, Heritage bank plc acquired Enterprise bank plc (kayode 2014). In 2018, Access bank   later merged with Diamond bank while Sky bank plc operating licence was revoked by apex bank and was taken over by new entity, Polaris bank limited in 2018, due to the inability of Skye Bank's shareholders to adequately recapitalize the bank after the 2016 intervention.   These waves of mergers and acquisitions taking place in the Nigerian banking industry raised an important question of whether mergers and acquisitions enhance banking sector's performance in Nigeria. Hence, the need to judgmentally analyze the effect of M&A on the efficiency and profitability of deposit money banks became a keen interest of the researcher. To date, studies of pre- and post-merger on financial performance only considered financial ratios but few variables have not been included. The variables such as capital structure, total deposit, asset profile and profit after tax of the bank were considered in this study to know the effect of merger and acquisition on banks performance.

LITERATURE REVIEW
Concept of Merger and Acquisition
The Merger and acquisition are one of the important tools to achieve economic growth though sound financial system. Merger is the "combination of all the assets, liabilities, loans and business of two or more companies such that one of them

survives." Many firms across the globe have adopted the strategy of merger and acquisition to achieve high growth in business. Godbole,(2013).,opined that merger and acquisition serves the purpose of expansion, reducing the level of competition and creation of a large entity. Mergers and acquisitions especially in the banking industry is now a global phenomenon. In the United States of America, there had been over 7,000 cases of bank mergers since 1980, while the same trend occurred in the United Kingdom and other European countries. Specifically, in the period 1997-1998, 203 bank mergers and acquisitions took place in the Euro area. In 1998 a merger in France resulted in a new bank with a capital base of US$688 billion, while the merger of two banks in Germany in the same year created the second largest bank in Germany with a capital base of US$541 billion. According to Soludo (2006), in Nigeria, the banking sector has undergone the consolidation exercise, which was only aimed at recapitalizing the banks and increasing banks capital base to #25billion but has had little or no significant impact because there are still weak banks as a result of huge non-performing loans (Godbole,2013). Thomson,(2018), revealed that the two of the top three largest merger and acquisition deals in the first half of 2018 took place in Nigeria with the largest being Milost Global Inc. $1.1 billion leveraged buyout transaction to acquire the entire share capital of Primewaterview Holdings Nigeria Ltd. The Global Transaction report obtained by Sweetcrude indicated that total M&A value in Nigeria and other African nations was $4.4 billion in 2017. The biggest transaction was the acquisition of Nigerian businesses of ConocoPhillips (COP) by Oando in a transaction valued at $1.55 billion. In December 2012, Oando, through its subsidiary Oando Energy Resources (OER), had entered into an

agreement with COP to acquire COP's Nigerian businesses for a total cash consideration of US$1.55 billion. The payment and government sign-off of the deal was concluded in 2014. This was followed by acquisition of the entire issued shares of Mainstreet Bank Limited from Asset Management Corporation of Nigeria (AMCON) by Skye Bank Plc for total consideration of N120 billion. The report underlined the ongoing divestments by banks as major drivers for mergers and acquisitions with nearly half of the transactions directly and indirectly related to the change in banking regulatory framework (Thomson, 2018).

Diamond Bank had recently faced the possible revocation of its licence due to its non-performing loans of over N150billion and the resignation of three of its directors and the chairman of the board of directors. However, it was able to prevent this occurrence by entering into a merger arrangement with Access Bank. This prevented Diamond Bank from facing the same fate as Skye Bank Plc which had its licence revoked in September 2018 due to the depletion of its capital base. The CBN subsequently injected about N786billion into the bank to shore up its liquidity and transferred the operations, assets and management of Skye Bank to Polaris Bank Limited, a bridge bank. Access Bank Plc in December 2018, announced that it has merged with another lender Diamond Bank Plc. The merger will position Access Bank as the biggest lender by assets in Nigeria. Following the completion of the merger, Diamond Bank would be absorbed into Access Bank and will cease to exist under Nigerian law. The current listing of Diamond Bank's shares on the Nigerian Stock Exchange and the listing of Diamond Bank's global depositary receipts on the London Stock Exchange will also be cancelled, upon the

merger becoming effective. The combined bank will retain the Access Bank name and be led by Access Bank's current Chief Executive Officer, Mr. Herbert Wigwe (Balogun, 2019).

THEORETICAL REVIEW

Theoretically, the study relies on Bank Concentration Theory; this theory argued that economies of scale bring about bank merger and acquisition so that concentration will be based on bank efficiency (Demirguc-Kunt and Levine, 2000). Allen and Gale (2003) posited that concentrated banking systems may also enhance profits and therefore lower bank fragility. Concentration theory of banks is related to the concept of economies of scale. Bank concentration theory is linked to the work of Demirguc-Kunt and Levine (2000) and that of Boyd and Runkle (1993). Demirguc-Kunt and Levine (2000), suggested that greater bank concentration enhances bank stability. They also view that larger banks can diversify better so that banking systems characterized by a few large banks will tend to be less fragile than banking systems with many small banks Oloye and Osuma,(2015), opined that increases in concentration levels could be due to considerable size enlargement of the dominant banks and/or considerable size reduction of the non-dominant banks. Conversely, reduction in concentration levels could be due to considerable size reduction of the dominant banks and/or considerable size enlargement of the non-dominant banks. Concentrated banking systems may also enhance profits and therefore lower bank fragility. High profits provide a buffer against adverse shocks and increase the franchise value of the bank. Obviously, the theory cemented the importance of merger and acquisition in increasing profitability. Based on this fact,

the study adopted this theory to support logical idea of merger and acquisition.

EMPIRICAL REVIEW

There are bunch of empirical evidence to support this study, for instance, Hiyam and Boutheina(2018), analyzed the pre- and post-merger effects on financial performance of Audi-Saradar Group. Using an analysis of ratios to compare the performance of Audi-Saradar Group during the pre-merger period (2000- 2003) and the post-merger period (2004-2007), second, paired sample t-test determines the significant differences in financial performance before and after the merger. The results show that return on assets and return on equity improved but only insignificantly. The merger had no significant positive impact on the rate of return on shareholders' equity and on return on assets. Earnings per share increased significantly after the merger. The merger had significant positive impact on earnings per share. In the same vein, Fabinu, Jonny, and Osidero (2018), examined the evaluation of comparative effect of Mergers and Acquisitions on profitability and efficiency of Nigerian banks. A quantitative approach was adopted with secondary data collected from selected banks published annual financial reports The study adopted a purposive sampling method in selection of its sample size (Access bank Plc, First Bank of Nigeria Plc and Union Bank of Nigeria Plc) while financial ratios were subsequently used to analyze the secondary data with an in-depth interpretation for validity. The study revealed that Mergers and Acquisitions as recapitalization strategy so far show many benefits as it significantly leads to better performance of banks and repositioned them with a better outlook across the globe for improved efficiency and

profitability. In 2017, Yusuf and Akinsanya, (2017) assessed acquisition and performance of Nigerian banks using secondary data collected from NSE Factbooks between years 2011-2015. Independent t-test and correlation analysis were used to analyze the data. The results revealed that there was no significant difference between the pre and post acquisition financial ratios of the sampled banks.. Similarly, Busari, and Adeniyi(2017) examined whether the bank profit before interest/tax is independent of banks assets, value of shareholders funds /bank loans, advances, value of deposits received by the bank and period of bank mergers and acquisitions. Simple random sampling technique was used to select five (5) Banks that succeeded the process, Skye Bank PLC, United Bank for Africa PLC, Union Bank PLC, First City Monument Bank PLC and Sterling Bank PLC. Secondary data was employed. the data were analyzed using panel regression technique and we found that mergers and acquisitions affect banks performance but does not affect bank's cost of equity capital. Gbegi, Ibrahim and Ibrahim(2017), investigated the post-mergers and acquisitions and the profitability of deposit money banks in Nigeria with particular interest in zenith bank Nigeria plc. The research made use of secondary data, obtained from the annual reports and accounts of zenith bank, covering a period of 2006-2015. Return on assets, return on equity, liquidity and capital adequacy ratios of banks were computed. OLS regression was performed. Expo-facto research design was performed. Results from this study showed that on average, post-merger and acquisition have positively and significantly affected the profitability of zenith bank.

Oloye and Osuma (2015) examined the impact of mergers and acquisition on commercial bank's performance in Nigeria. The study employed correlation and regression analysis. The research found out that merger and acquisition are effective means of ensuring the stability and profitability of the banking sector, the study also found out that shareholders fund contributed significantly to the profit after tax of the banks, and that corporate restructuring has affected the capital adequacy of commercial banks positively. Ahmed, John, and Ahmad (2015) examined the effect of mergers and acquisitions on profitability and Earnings per Share of selected deposit money banks in Nigeria. Results revealed that there was a significant difference in profits between the periods as profits improved tremendously immediately after the mergers. It was also revealed that there was significant effect of global financial crisis on EPS.

METHODOLOGY

Purposive sampling was used to select banks that were involved in acquisitions of 2011 and 2012 thereby selecting one bank due to availability of data. The researcher chosen access bank plc as the sample of the study. The data for this research work is secondary and was extracted from the Annual Reports of the selected bank for a period of thirteen (13) years (2005-2017). The period was further categorized into two namely; pre and post-merger to determine the effect of variables capital structure, asset profile and total deposit on the performance of bank. This is necessary in order to derive facts and figures from a secondary source which can be attested and proven at any point in time.

METHOD OF DATA ANALYSIS

The study adopted a multiple regression analysis in analyzing data collected from the financial statement of the selected banks for a whole 13 years period from 2005 to 2017. The following tests shall be conducted to test the reliability of data used: Unit root and regression analysis will be tested. Eview 9 was used to run the analysis for more robust result.

MODEL SPECIFICATION

To determine the effect of merger and acquisition on bank performance in Nigeria, we developed a model to guide our analyses. This model employed some variables identified from previous studies.

$PAT = f(CS, AP, TD)$...Equ(1)

$LOGPAT = f (LOGCS, LOGAP, LOGTD,)$ ....Equ(2)

An Econometric Function

$LPAT = \beta_0 + \beta_1 LCS + \beta_2 LAP + \beta_3 LTD + \mu$---Equ(3)

Where;

PAT= Profit after Tax

CS= Capital Structure

AP=Asset Profile

TD =Total Deposit

β_0=Constant term

β_1- β_3=Coefficients of explanatory variables .

μ=Error term

Apriori Expectation

$\beta_1, \beta_2, \beta_3 > 1$, we expect capital structure, asset profile and total deposit to have positive and a significant effect on profit after tax of the acquiring bank.

RESULTS AND DISCUSSION
Table 1: Unit Root Test

Recent literature suggests that panel-based unit root tests have higher power than unit root tests based on individual time series.

Group unit root test: Summary
Series: LPAT, LCS, LAP, LTD

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-1.96236	0.0249	4	46
Breitung t-stat	0.89901	0.8157	4	42
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	0.92333	0.8221	4	46
ADF - Fisher Chi-square	5.89923	0.6585	4	46
PP - Fisher Chi-square	15.7936	0.0454	4	46

Probabilities for Fisher tests are computed using an asymptotic Chi

The lower part of the summary output gives the main test results, organized both by null hypothesis as well as the

maintained hypothesis concerning the type of unit root process. All of the results indicate the presence of a unit root, as the LLC, IPS, and both Fisher tests fail to reject the null of a unit root.

Table 2: Unit Root Test at First Difference

Group unit root test: Summary
Series: LPAT, LCS, LAP, LTD
Sample: 2005 2017

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-9.44403	0.0000	4	41
Breitung t-stat	-4.91405	0.0000	4	37
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-3.43987	0.0003	4	41
ADF - Fisher Chi-square	30.7501	0.0002	4	41
PP - Fisher Chi-square	51.5073	0.0000	4	41

Probabilities for Fisher tests are computed using an asymptotic Chi square distribution. All other tests assume asymptotic normality

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All of the results indicate the presence of a unit root at level, as the LLC, IPS, and both Fisher tests fail to reject the null of a unit root. However, LPAT, LCS, LAP AND LTD is all stationary at first difference. This means that all the variables have no unit root and are good for the analysis

Table 3: Regression Analysis

Dependent Variable: LPAT
Method: Least Squares
Date: 07/31/19   Time: 08:52
Sample: 2005 2017
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.954074	2.215212	-4.042084	0.0037
LCS	-0.585431	0.587394	-0.996659	0.3481
LAP	1.842438	0.559186	3.294854	0.0109
LTD	-0.000760	0.185737	-0.004091	0.9968

R-squared	0.954423	Mean dependent var		9.571981
Adjusted R-squared	0.937331	S.D. dependent var		1.687586
S.E. of regression	0.422466	Akaike info criterion		1.375785
Sum squared resid	1.427819	Schwarz criterion		1.537421
Log likelihood	-4.254710	Hannan-Quinn criter.		1.315942
F-statistic	55.84199	Durbin-Watson stat		2.529821
Prob(F-statistic)	0.000010			

Assumption 1: Goodness of Data Fit

Data must be fitted reasonable well. That is value of R^2 should be reasonable high, more than 60 percent. Higher the R^2 better the fitted data. In this model we observed that R^2 is 0.954423, which is quite good. Because 95percent it is more than 60percent, which means that the model is nicely fitted. These could be further explained through adjusted R^2, which is 0.937331, this means capital structure, asset profile and total deposit are good variables to explain the variation in profit after tax while the remaining 5percent are factors that are not included in the model but been capture by error term.

T- Test Most of the independent variables should be individually significant. This matter can be checked using t test. If the p-value of t statistics is less than 5 percent (0.05) we can reject the null and accept alternative hypothesis. If otherwise, we do the inverse.

The result of t- statistics indicates that capital structure is statistically insignificance, since the p-value 0.3481 is more than 5percent level of significance. Asset profile is statistically significance, since the p-value 0.0109 is less than 5percent level of significance .Total deposit is statistically insignificance, since the p-value 0.9968 is more than 5percent level of significance.

Coefficient of variables

The sign of the coefficients should follow economic theory or expectation, experiences of others or intuition. The column labeled "Coefficient" depicts the estimated coefficients. The least squares regression coefficients b are computed by the standard OLS formula. For the simple linear models considered here, the coefficient measures the marginal contribution of the independent variable to the dependent variable, holding all other variables fixed. The other coefficients are interpreted as the slope of the relation between the corresponding independent variable and the dependent variable, assuming all other variables do not change.

LPAT = -8.954074 -0.585431 LCS +1.842438 LAP - 0.000760LTD

The value of constant is -8.954074; this means that profit after tax will be decreasing at 8.954074, if all other variables remain constant. The coefficient of capital structure is -0.585431, this means that for every percentage decrease in

capital structure, there will be the same percentage decrease in profit after tax. The coefficient of asset profile is 1.842438; this means that for every percentage increase asset profile, there will be the same percentage increase in profit after tax. The coefficient of total deposit is -0.000760, this means that for every unit decrease in total deposit, there will be the same percent decrease in profit after tax.

F-Statistics

Joint significance, independent variables should be jointly significant to explain dependent variable. This can be checked using F-test. If the p-value of F statistic is less than 5 percent (0.05) we can reject the null and accept alternative hypothesis. If otherwise, we can do the inverse.
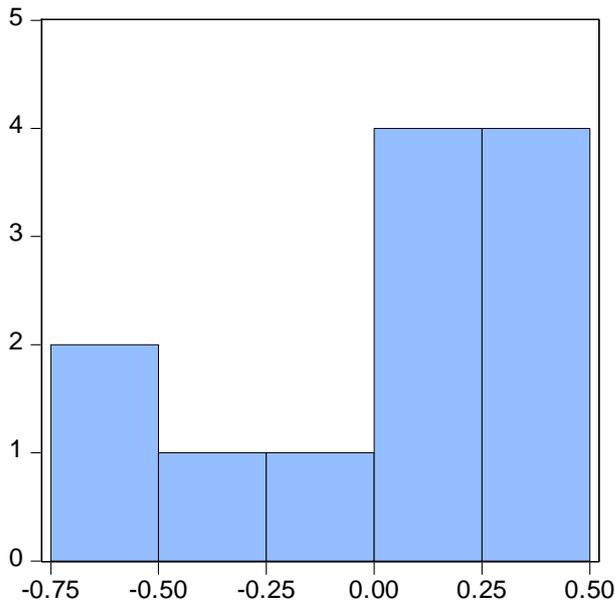
From the result, f-statistics is 0.000010, which is less than 5percent level of significance, that is, f-cal > f-tab. Hence we reject the null hypothesis (Ho) that the overall estimate has a good fit, which implies that our independent variables are simultaneously significant. This means that merger and acquisition has a significant impact on the performance of access bank in Nigeria .

Table 4: Assumption 2: Residual should be normally distributed
Null Hypothesis: Residuals are normally distributed
Alternative Hypothesis: Residuals are not normally

distributed

Series: Residuals	
Sample 2005 2017	
Observations 12	
Mean	2.69e-15
Median	0.150083
Maximum	0.354318
Minimum	-0.661170
Std. Dev.	0.360280
Skewness	-0.900989
Kurtosis	2.365793
Jarque-Bera	1.824672
Probability	0.401585

CONCLUSION

Since the p value of Jarque –Bera is (0.401585) is more than 5percent, we cannot reject null hypothesis, means that residuals are normally distributed. So, we fail to reject null hypothesis that residuals are normally distributed which is desirable

Table 5: Assumption 3: No serial or auto-correlation in the residual (u).

If residuals are correlated, we call this situation serial correlation which is not desirable.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.571583	Prob. F(2,6)	0.5926
Obs*R-squared	1.920436	Prob. Chi-Square(2)	0.3828

Null Hypothesis: The model is not serially correlated
Alternative Hypothesis: The model is serially correlated

Decision: if we fail to reject null hypothesis, which is better. If the p value is less than 5percent, we can reject null and accept alternative but if the p value is greater than 5percent, we cannot reject null hypothesis.

Conclusion: since the p value (0.3828) is more than 5percent, we conclude that model is serially not correlated which is desirable.

Table 6 : Assumptions 4: The variance of the residual (u) is constant (Homoscedasticity)

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.327960	Prob. F(3,8)	0.8055
Obs*R-squared	1.314193	Prob. Chi-Square(3)	0.7258
Scaled explained SS	0.398870	Prob. Chi-Square(3)	0.9405

Null Hypothesis: Residuals are not heteroscedastic
Alternative Hypothesis: Residuals are heteroscedastic
Conclusion: since the p value (0.7258) is more than 5percent, we concluded that model is not heteroskedastic. This means the residuals are homoskedacstic

Table 7: Pre Merger and Acquisition Period

Dependent Variable: LPAT
Method: Least Squares
Date: 07/31/19   Time: 09:56
Sample: 2005 2011
Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.751996	4.214692	-1.602014	0.2503

LCS	-0.546618	0.881466	-0.620123	0.5984
LAP	1.905826	0.843804	2.258612	0.1524
LTD	-0.143456	0.304560	-0.471027	0.6840

R-squared	0.931728	Mean dependent var	10.60416
Adjusted R-squared	0.829319	S.D. dependent var	1.518597
S.E. of regression	0.627387	Akaike info criterion	2.140214
Sum squared resid	0.787228	Schwarz criterion	2.001387
Log likelihood	-2.420641	Hannan-Quinn criter.	1.584478
F-statistic	9.098135	Durbin-Watson stat	3.317682
Prob(F-statistic)	0.100640		

From the regression result of the pre-merger and acquisition presented in Table 7 above, it was revealed that all the variables ,such as capital structure, asset profile ,and total deposit has no significant effect on the profit after tax of access bank in Nigeria. Capital structure and total deposit has a negative relationship with profit after tax, which means that an increase in capital structure and asset profile will result in a decrease in profit after tax and vice versa. Asset profile has a positive relationship with profit after tax, this means that for every unit increase in asset profile it will result in an increase in profit after tax and vice versa. The F-stat value also shows that the model is not statistically significant.

Table 8: Post Merger and Acquisition Period

Dependent Variable: LPAT
Method: Least Squares
Date: 07/31/19   Time: 09:58
Sample: 2012 2017
Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.896140	2.504748	1.555502	0.2601

LCS	3.774659	0.961899	3.924173	0.0502
LAP	-3.691865	1.220488	-3.024909	0.0941
LTD	1.302814	1.205080	1.081102	0.3927

R-squared	0.974153	Mean dependent var	13.14497
Adjusted R-squared	0.935382	S.D. dependent var	0.293108
S.E. of regression	0.074508	Akaike info criterion	-2.121089
Sum squared resid	0.011103	Schwarz criterion	-2.259916
Log likelihood	10.36327	Hannan-Quinn criter.	-2.676825
F-statistic	25.12590	Durbin-Watson stat	3.292136
Prob(F-statistic)	0.038519		

From the regression result of post-merger and acquisition presented in Table 8 above, it was revealed that the variables ,such as asset profile and total deposit has no significant effect on the profit after tax of access bank in Nigeria, while capital structure has a significant effect on profit after tax of access bank after the merger and acquisition. Capital structure and total deposit has a positive relationship with profit after tax, which means that an increase in capital structure and total deposit will result in an increase in profit after tax and vice versa. Asset profile has a negative relationship with profit after tax, this means that for every unit increase in asset profile it will result in a decrease in profit after tax and vice versa. The F-stat value also shows that the model is statistically significant. This means that merger and acquisition has a significant effect on the performance of access bank after acquired intercontinental bank

DISCUSSION OF FINDINGS

This study examines the impact of merger and acquisition on the performance of deposit money banks in Nigeria for the period of 13years, between 2005 and 2017. With respect to the analysis carried out, it is obvious that mergers and acquisition (M&A) has not significantly improved performance and profitability of ACCESS BANK PLC in Nigeria. It was revealed in the table 3 above, which shows all the period under review, that capital structure and total deposit have no significant impact on profit after tax of access bank plc while asset profile has a significant effect profit after tax of access bank plc. Capital structure and total deposit have a negative relationship while asset profile has a positive relationship. The result of t- statistics indicates that capital structure is statistically insignificance, since the p-value 0.3481 is more than 5percent level of significance. Asset profile is statistically significance, since the p-value 0.0109 is less than 5percent level of significance. Total deposit is statistically insignificance, since the p-value 0.9968 is more than 5percent level of significance. All the assumptions of ordinary least square were meant as the study shows that data are normally distributed and there is no existence of serial autocorrelation in the variable.

For both the pre-merger and post-merger periods, it was revealed that the access bank performance better in the post – merger and acquisition period as asset profile and total deposit has no significant effect on the profit after tax of access bank in Nigeria, while capital structure has a significant effect on profit after tax of access bank plc. While in the pre-merger and acquisition capital structure, asset profile and total deposit have no significant impact on

profit after tax of access bank plc. The R^2 and adjusted R^2 values in the pre and post –merger and acquisition indicates that capital structure, asset profile and total deposit are good variables to explain the variations in profit after tax of access bank for the period under review. The Durbin-Watson for the pre and post – merger and acquisition period suggests that there is no presence of some degree of autocorrelation. As a result of the merger and acquisition, access bank now have greater ability to mobilize fund and grant more loans especially to the real sector of the economy to enhance economic growth and development. Conclusively, merger and acquisition has significant impact on the of access bank after acquiring intercontinental bank

CONCLUSION

This paper examined the effect of merger and acquisition on the performance of Nigerian banking sector. The result showed an improved post-merger on financial performance of Nigerian banks. On the overall period, merger and acquisition has no significant effect on the performance of banks in Nigeria. This was evident with the F-test statistic results of the selected bank.

RECOMMENDATIONS

Based on the findings, the following recommendations are as follows:

i. That the management of the banks should embrace diversification and financial innovation on product strategies as this will help in generating more income for the banks.

ii. Man power training and re-training must be taken seriously in the banking sector.

iii. Mergers and acquisition should not be done out of desperation or necessity as was the case during the consolidation period but should be properly evaluated and carried out to ensure its success.

iv. The asset profile of the bank should properly managed in a way that will bring more profits

v. Banks should be innovative in the development and marketing of their products in order to increase their market share and performance and also enhance the competitiveness of the banking industry.

vi. Mergers and acquisitions have associated risks that if not properly managed, so there is need for the management of the banks to have financial expert and qualify staff to handle post-merger of the bank.

vii. This study was restricted to Access Bank Plc. It may be necessary to extend the analysis to other banks. This would provide a basis for comparison.

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Appendix Data collection instruments

	LPAT	LCS	LAP	LTD
2005	8.519191	9.551871	11.11122	6.618739
2006	8.905173	10.27135	12.06999	7.197435
2007	11.01584	10.25358	12.70264	7.933080
2008	11.98642	12.04943	13.85710	8.659040
2009	11.61571	11.98457	13.38099	10.69723
2010	11.25506	12.01157	13.58856	10.78874
2011	11.94328	12.16558	14.30348	11.60978
2012	12.88228	12.39373	14.37253	11.69648
2013	12.80208	12.40690	14.42281	11.79916
2014	12.97098	12.53325	14.55952	11.88753
2015	13.39799	12.81530	14.76768	12.03365
2016	13.47918	13.02694	15.06365	12.24970
2017	13.33731	13.15279	15.22704	12.32157

SOURCE: FINANCIAL REPORT