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AN EVALUATION OF THE EFFECT OF MERGER AND ACQUISITION ON THE PERFORMANCE OF NIGERIA BANKING SECTOR

(Case: United Bank of Africa, PLC)

Academic Thesis
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SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

THESIS ABSTRACT

Faculty: Business School

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Title of thesis: An Evaluation of the Effect of Merger and Acquisition on the Performance of Nigeria Banking Sector.

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This study was designed to study the effect of Merger and Acquisition in the Banking Industry in Nigeria with special reference to United Bank of Africa, Plc.

The research work tried to reveal whether the introduction of merger and acquisition can improve the banking industry profitability and provide an engine for economic growth and sustainable development.

The thesis will review the background of the Nigerian Banking sector since inception as well as, examine the efficacy of merger and acquisition of banks in Nigeria.

Moreover, questionnaire and personal observation would be adopted as part of methodology necessary to retrieved required data from United Bank Of Africa, Plc. Necessary literatures were also reviewed to complement the thesis while the main body would focus on the effect of merger and acquisition to United Bank Of Africa, Plc. Recommendation and conclusion are the last write-up of the whole study; it would be recommended that the government and regulatory authorities devise method of monitoring the activities of merging banks and stands as checks and balances to non-compliance of their laid down regulations.

Keywords: Merger, Acquisition, Bank, Economy

Abbreviations

SAP	**Structural Adjustment Program**
CBN	**Central Bank of Nigeria**
N.D.I.C	**Nigeria Deposit Insurance Corporation**
GNP	**Gross National Profit**
UBA	**United Bank for Africa**
CAC	**Corporate Affairs Commission**
CAMA	**Companies & Allied Matter Act**
SEC	**Securities and Exchange Commission**
CEO	**Chief Executive Officer**

TABLES AND FIGURES

1 INTRODUCTION

The banking sectors is crucial to the survival of any economy and in order for the banking industry to achieve its objectives, the industry must be stable, safe and sound.

In Nigeria, the rapid increase in the number of bank failure has reached an unprecedented level and as a result, the regulatory authorities have adopted measure aimed at ensuring safely and soundness of the banking industry. Such measure includes: Holding actions, assumption of management control as well as outright liquidation among others.

Merger and Acquisition strategies are gaining more popularity because of the globalization, deregulation of multiple industries in many different countries, and favorable legislation, the number and size of domestic and cross-border merger and acquisitions has increased significantly. (Hitti , Ireland , and Hoskisson , 2005, 225.)

1.1 Background of the Study

The restructuring of the Nigeria economy since 1986 has increased the competitiveness of the Nigeria economy since the principal trust of the structural adjustment program (SAP) was the deregulation of Nigeria financial system with the following key measure licensing of new financial institution including the finance companies, mortgage banks, community bank and peoples bank, deregulation of pricing of financial services through interest rate became regulated. The regulatory authorities are the central bank of Nigeria (CBN) and Nigeria deposit insurance corporation (N.D.I.C).

The Nigeria financial system approach for resolving the distress of banks suggested by both official and private circle is “MERGER AND ACQUISITION”.

Several strategies are available in most of the developing countries. The corporate world is usually opened to an investor for raising capital in the capital market. One often, which has been found most useful in many developed economics and gradually gaining ground in many developing nations, is through merger and Acquisition.

A merger is defined by the companies and allied matters decree 1990 as “any amalgamation of the undertaking of any part of the undertakings or interest of two or more companies or the undertakings or part of the undertaking of one or more company’s bodies corporate”

An acquisition is the buying over of a company by the payment of cash to its shareholders by another company with the target company still continuing its existence but as a subsidiary of the buying company which becomes the acquired company’s holding company.

According to Ade Oyedijo (2004, 167) A merger occurs when two companies under different ownerships and management combines together to become a single enterprise.

Hence, Nancy Hubbard (2001) argued that there are psychological differences between acquisitions and merger as the latter involve two partners of relatively equal size and power and a genuine attempt is made to combine the two entities into a culturally new one.

1.2 Statement of the Problem

There are several factors that can make a company adopt merger and acquisition. However, merger and acquisition is a deliberate effort undertaking by two or more organization involved and in the process of doing this, some problem need to be solved.

Stifling Competition:

Some individuals or companies may use merger and acquisitions to stifle competing organization by taking them over, stripping their assets and reaping a fortune, especially where the taken over company and been sold as a going concern at stock exchange prices which may be lower than its physical asset valuation. Individuals engaged in the practice apart from becoming selfishly rich had contributed by no small means to domestic misery in some homes since a lot of jobs would have been lost due to the selfish actions.

Poor Technical Manpower:

The Nigerian economic system lacks the expertise in terms of manpower to tackle the technical problems of merger and acquisition. The scarcity of merger technocrats had been one of the factors militating against the proper development of merger and acquisition practice in Nigeria. It is hoped that with the re-establishment and intensified activities of the chartered institute of stock broker, the institute of chartered accountants of Nigeria and other professional bodies, the manpower problems will be alleviated.

Family Businesses:

Coupled with the foregoing, most businesses in Nigeria are family owned and even had been passed on to successive family generations in some cases. Such, families equate the taking over of their family businesses (in case of death of the man business actor or manager) to a family shame and disgrace rather than regarding it as economic reality, which may be on their best advantages.

Reduction in Gross Net Profit (GNP):

Mergers and acquisitions may cause a down turn in saving investment and the Gross National Product (GNP) where the acquirer lay off the staff of the acquired and later on strip off the asset in an action that would only been motivated by self-interest and greed.

1.3 Research Objective

The main objective of the study is to examine the efficacy of merger and acquisition on Nigerian banking sector.

1. To establish the impact of merger and acquisition if it can improve the competitive power of the bank.

2. To examine if the practice of merger and acquisition improve the banking industry profitability.

3. To determine if merger and acquisition can provide an engine for economic growth and sustainable development.

4. To evaluate if there is any negative implication in process of merger and acquisition in banking sector.

5. To find if the practice of merger and acquisition can affect family business.

1.4 Significance of the Study

Merger and acquisition is a recent development as a result of the globalization process on course organization need to be solid and strong to be able to complete favorably in today’s economic environment and as much there is need for merger and acquisition but in the part of the world there is low skill and knowledge enhancement.

However the banking system itself had been self-adjusting, going by the fact that some mergers had been taking place in the banking industry. The spate of mergers now is of an economic imperative taking into consideration market expectation that every existing bank must have a survival plan. Hence banks had been announcing merger plans and the signing of memorandums of understanding.

The study also provides an insight into the impact of merger and acquisition on the Nigeria banking industry. It is not surprising therefore that the Nigeria capital market has in recent times witness an increase in corporate business combinations as companies look for qualified and willing investors for merger arrangements in order to blend their synergy.

1.5 Structure of the Thesis

The structure of the study is the extent of work the researcher tends to carry out. The research method will be aimed towards ascertaining the influence of merger and acquisition on Nigerian banking industry.

Furthermore, both primary and secondary source of data collection are to be viewed. The primary source of data collection is the distribution of questionnaire and personal interview with the bank officials.

Also, secondary sources are the materials gotten from the bank, internet and other written textbooks on merger and acquisition like journals, and current published materials on the subject matter.

2 REVIEW OF RELATED LITERATURE

2.1 Introduction

The former governor of central bank of Nigeria (CBN), Prof Charles Soludo, in July 2008 make a formal public statement of N25 billion as the new minimum capitalization for banks in Nigeria which all banks are expected to comply to the new directive by the year 2005.

Nigeria banks experience another reform (recapitalization) in 2009, during the present regime of the CBN Governor Sanusi Lamido Sanusi. This transformation restructured and reduces the number of banks via merger and change of ownership from 24 to 22.

However, in most of the developing countries, the corporate world is usually characterized by low investment rate occasioned by inadequacy of investable funds and poor economic conditions.

For this reason, one of the strategies Nigeria has used to move its economy forward is the liberalization of the economy capital market reforms and privatization and commercialization of public enterprise.

Meanwhile, the development of the accounting and allied expertise needed for structuring corporate reorganization had been so slow in Nigeria due to the general literacy level as well as the stage of technical development. This has compounded the problem posed by shareholders apathy by most providing motivation technocrats who can initiate deals that are hitter to neglect by the shareholder and management. The current interest generated in merger and acquisition in Nigeria might not have been, if not for the mid 2004 declaration by the central bank that must achieve a specific capital base by December 2005.

This can only be achieved by massive capital injection or through the instrument of merger and acquisition, therefore giving a satisfactory single definition of merger and acquisition poses a difficult problem that is, acquisition of companies takes more than a form, and each form of merger is dictated by the nature, characteristics, aims and ethics of the companies concerned and prevailing economic situation.

Merger is the fusing together to submerge than separate identifies into a new company formed to acquire the assets and assume the liabilities of the liquidated company. While acquisition on the hand seen as where a party gains control over a company by acquired to control the interest by voting share capital. This is also known as take over.

According to Gbede Omotayo (2005) merger is a form of business combination whereby two or more companies join together either with one being voluntarily liquidated by having interest taken over by the other and enlarge surviving of the company.

A merger was defined by the companies and Allied matter Decree 1990 as any amalgamation of the undertaking or any part of the undertaking or interest of two or more companies and one or more bodies corporate.

Hitti, Ireland, and Hoskisson, (1999) defined merger as a transaction in which two firms agree to integrate their operations on a relatively coequal basis because they have resources and capabilities that together may create a stronger competitive advantage and alternatively defined acquisition as a transaction in which one firm buys controlling or 100 per cent interest in another firm with the intent of more effectively using a core competence by making the acquired firm a subsidiary business within its portfolio.

Dictionary of economics however defined merger and acquisition as a union of two or more independent business firm under a single ownership; accompanied by the completion of acquisition of one company stock by another, either for cash or stock in acquiring company.

Finally, Nancy Hubbard (2001) defined merger as a situation which involve similar-sized entities where both companies´ share are exchanged for shares in a new corporation.

2.2 Theoretical Framework for Merger and Acquisition

In trying to understanding the frame work of merger and acquisition, we have to look into the economics of scale in Nigeria economy, economic of scale is the most valid motive for banks that involved in merger and acquisition which arise from the ability to spread overhead cost of operation over a large volume of output and yield decline average cost of operation.

Pat Utomi (2002) said that, the size of merger and acquisition cost or premium is very critical to the determination of the net benefit or value of merger and acquisition proposal. It implies that merger and acquisition can be combination of cash shares and debt. In financing merger and acquisition may be influenced by its impact on the acquiring firm's capital structure financial condition and liquidity position.

Moreover, professor Charles Soludo in 2004, emphasis the valuation of banks involves in merger and acquisition has opportunity that its cost he out the estimation of the expected incremental cash flow (after tax) as the benefit from the merger and acquisition while the cost of the merger is determined and compared against benefit determine the net benefit.

He stated further that the cost of merger and acquisition consist of the value of exchange which could be cast outlay or its equivalent value of the securities exchange for the acquired banks.

2.3 Types of Merger

Merger and Acquisition are classified into four types which can be explained blow:

Horizontal Merger:

Horizontal merger is a type of merger which two companies concerned are engaged in the same line of business. This means companies that operate in the same industry for example, standard trust bank merged with United Bank for Africa Plc. and continental trust bank in Nigeria because they share the same re-source.

Horizontal merger can lead to efficient use of shared resource and exploitation of the learning and experience due to increased seals of production. Also merger is often consummated to increase market share and is usually of great concern to regulatory authorized due to the monopolistic tendency business enterprise can stimulated efficiency and enhance productivity.

Vertical Merger:

Vertical merger is the combination of two or more companies towards the source of raw-material toward the market also dictionary of business and economics seen vertical merger as the expansion of more division of other forms engaged in earlier or later stage of production of it.

Lateral Merger:

Lateral merger involved two companies which produce related goods in which do not complete directly with each other. It is also a strategic decision leading to the maximization of a company’s growth by enhancing its production and making operations which are important issue of balance sheet and liabilities.

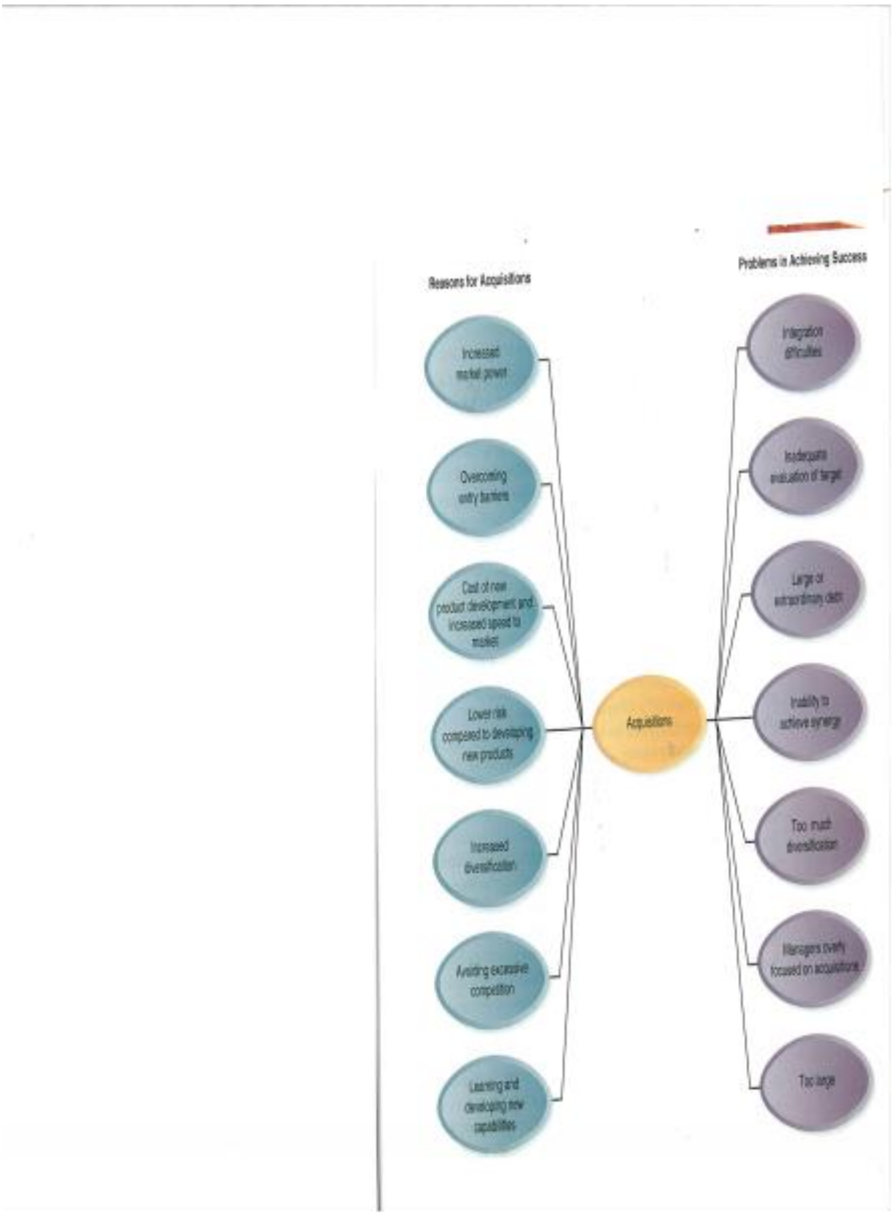
Finally, lateral merger takes advantage of raw materials and marketing outlet common to both processes only.

Conglomerate Merger:

Conglomerate merger is a large company that consist of divisions of often seemingly unrelated businesses. It could also be seen as the consolidation of a previously independent firm with separate and distant markets as a new subsidiary of the holding among the business acquired.

2.4 Reasons and Problem for Merger and Acquisition

Figure 1 below: Explained the reasons for merger and acquisitions and problems associated to the concept. (Hitt, Ireland & Hoskisson 2005, 211)



There are numerous reasons for merger and acquisition, both financial managers and theorist to account for high level of merger activity in the current business would have proposed many good reasons.

Hitt, Ireland & Hoskisson 2005 in their views put their reasons together for merger and acquisition thus; the principle reason is to increase the value of share of the company.

According to Hitt, Ireland & Hoskisson the following are reasons for merger and acquisition:

Increased market power

Business managers and owners often face a psychological pressure for increased market power. They simply get tired of doing the same thing. The possibility of increased market power by merger and acquisition, of facing the challenges of a new set of business circumstances, is often too attractive to forgo.

Overcoming entry barriers

Another reasons for merger and acquisition is overcoming entry barriers, when barriers to entry into a new market exist, the next alternative is to acquire a company already having a presence in the industry or market.

Cost of new product development and increased speed to market

Merger and Acquisition is another way of developing a new product within the organization to avoid time wasting and cost required in establishing a new firm and achieving a positive return. Internal development of new products is often perceived by managers to be costly and to represent high-risk investments of company resources.

Lower risk compared to developing new products

Internal product development processes is believed by manger as risky, merger and acquisition is seen as an alternative way of entering into a new market because earning an acceptable return on investment requires significant resources and time. Merger and Acquisition can be easily estimated and accurate compared to the consequence of an internal product development process.

Increased diversification

Merger and Acquisition strategy are commonly used by companies to diversify. This occurs when a company adds to its business either in terms of customer functions, customer groups or alternative technologies. It is used to identify the directions of development, which take the organization away from its present markets and its present products at the same time.

Figure 1 also shown several problems faced in merger and acquisitions.

Integration Difficulties

There are many difficulties associated with integration of two companies following merger and acquisitions this includes melding two disparate corporate cultures, linking different financial and control systems, building effective working relationship in a situation where management styles differ and resolving problems regarding the status of the newly acquired company´s board of directors.

Inadequate Evaluation of Target

The acquirer need to take due diligence in evaluating the targeted company for merger and acquisition including taking into consideration the differences in cultures between the acquiring and targeted company, tax related issues of the transaction and the financing for the intended transaction, failure to put all these into consideration may lead to the acquiring firm paying an excessive premium for the targeted company.

Too Much Diversification

Diversification is used to identify the directions of development, which take the organization away from its present markets and products at the same time but too much diversification may require additional investment in marketing infrastructure or new technology. It also exposes a firm to the risk of untried markets.

Too Large

This is another problem in merger and acquisition. The risks and problems of managing and coordinating entirely new businesses with the existing ones could be high also there is a problem of diversion of resources and attention to other areas leading to a potential loss of concentration and strategic effectiveness.

3 IMPACTS OF MERGER AND ACQUISITION TO NIGERIA ECONOMY

The banking sectors are crucial to the survival of any economy and the current reform have brought about a new mind set to the industry as banks are putting in place best practices in the areas of corporate governance and risk management. Transparency and public disclosure of transactions have remarkably improved. Nigerian Banks are now key players in the global financial market with many of them falling within the top 20 banks in Africa and among Top 1000 banks in the world. Number of banks have returned to the profit-making path and improved their balance sheets, as the recent results of their financial statements have shown. A new code of corporate governance has been issued; the CEO of banks shall serve a maximum tenure of 10 years. (Sanusi 2012)

In Nigeria, the rapid increase in the number of Bank failure has reached an unprecedence level and as a result, the regulatory authorities have adopted measure aimed at ensuring safety and soundness of management control, holding actions among others.

According to Ekungbe (2000), corporate merger and acquisition are not very common in Nigeria. This is notable cases on recent years, which are merger of banking sector in Nigeria in the restructuring and competitiveness of the Nigeria economy. Since the principal thrust of the structural adjustment programme (SAP/ was the deregulation of Nigeria financial institution including the finance companies, mortgage banks, community bank and peoples banks, deregulation of pricing of financial services through interest rate became regulated.

3.1 Legal Requirement for Merger and Acquisition in Nigeria

There are various stages, under Nigerian Law, that a merger or acquisition has to pass through. They include:

1. The intending companies are required, either alone or together, to apply to a Federal High Court, who in turn orders separate meetings of the intending companies, to approve the proposed merger or acquisition (the scheme);

2. The members of each company, compromising three quarters in value of the shares of each company, are required to consent by resolution to the scheme;

3. The above consent is then required to be referred to the Securities and Exchange Commission (SEC) for approval;

4. On SEC giving its approval, the parties or one of them is required to apply to the Federal High Court who must sanction the scheme;

5. The sanction of the Federal High Court must then be forwarded to the Corporate Affairs Commission (CAC) within seven (7) days of the Order of the Federal High Court.

6. Also, a notice of the Order of the Federal High Court must be published in two government gazettes and in at least one National Newspaper.

The above stages are as provided for in Section 591 of the Companies & Allied Matters Act, 1990 (“CAMA”). (Ehijeagbon O.O, Jan, 2004)

3.2 Procedures for Merger in Nigeria

The formalities of a merger usually include the following steps:

1. The company may execute a Memorandum of Understanding which spells out the understanding of the parties and “sets the stage for honest and confident negotiation and anticipates the future steps to be taken by the parties”. This document is not subject to regulation by the Securities and Ex-

change Commission. The management of the acquiring and target companies will reach a preliminary agreement

2. The Board of directors of both companies would then adopt a merger agreement. Both companies must notify their respective shareholders of the terms of the pro-posed merger and the shareholders must approve the transaction by majority vote.

3. Notification and voting materials usually are provided to shareholders of public companies as part of proxy statements required by statutory instrument. The proxy statements will include the terms of the merger, the consideration that will be offered to the target's shareholders and information about the two companies. These considerations may include stocks and shares or other securities in the acquiring company, debentures, or cash

4. If the merger is approved by the required number of shares, the shareholders of the merging company will exchange their stocks for the pre-negotiated consideration. All shareholders must be entitled to receive equal consideration of each of their shares. However a choice of the form of consideration is sometimes permit-ted. (Ajogwu F. Aug. 2011)

3.3 Reason for Regulating Merger and Acquisition Transaction

Merger and acquisition transaction are regulated in order to ensure that they do not lead to restraint of trade through the creation of monopolies. This is more common with horizontal mergers as it increase the market control of the merged entity.

Perhaps merger and acquisition activities are regulated in order to ensure that it procedures are not abused through sharp practice like insider dealing of special situation. Regulating provisions are set for merger and acquisition transaction to make sure that the shareholder of the target company get a fair deal and are not unduly exploited.

Nevertheless, the shareholders of both the target and the acquiring companies will need to ratify the merger deal based on information presented to them, there is need for legal codes that will ensure that they presented with the current information and are not rail loaded into making decision.

Since merger and acquisition is a common practice in developed economics before the introduction in Nigeria. It may be imperative to appraise the means through which attempts had been made to ensure a reasonable regulation of merger and acquisition.

4 RESEARCH METHODOLOGY

4.1 Introduction

This chapter deals with the method that would be used in carrying out the study, the method of collection, of the information. It describes the sources of data, the population and sample. It also explains the research instrument and the procedure in which the instrument was used.

4.2 Research Design

A research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research questions or problems. The plan is the complete scheme or program of the research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data. (Kerlinger 1986, 279).

According to Thyer (1993) also define a research design as a blueprint or detailed plan for how a research study is to be completed-operationalizing variables so they can be measured, selecting a sample of interest to study, collecting data to be used as a basis for testing hypotheses, and analysing the result.

Research methodology is the strategy or design used by a researcher to carry out an investigation during his research in an organized and efficient manner in order to help decision making to be more effective and objective.

The research method used in this study involved the collection of data from both primary and secondary sources, perhaps adequate and reliable information was obtained while the researcher made use of survey research design.

4.3 Sources and Method of Data Collection

The two main sources of data for the research work were primary and secondary data. To get a realistic outcome of the findings both sources of data were taken with high precautions in order to get authentic results for the findings.

The study also makes use of secondary data such as journals, newspaper, financial magazines and textbooks.

4.4 Study Population

The population size of this research covered about 20 staff of United Bank for Africa Plc. (UBA) at the head office in Marina Lagos, Nigeria.

A sample size of 20 staff was drawn from the total population with relevance to the study. The questionnaire was designed and answered based on position, age, and educational qualification, working experience, marital status and sex. The respondents were given enough time to send the response across and the results were sent without an ambiguity.

4.5 Research Instrument

Questionnaire was the main instrument used for this thesis in order to obtain effective information. Questionnaires were sent by the researcher through email to the respondents. The questionnaire was well planned to achieve the main objective of the research work.

4.6 Limitation of the Research work

The limitation of this research work was the limited time involved in gathering data and the fact that the questionnaire had to be administered by staffs of the Bank make it difficult to cover a large sample size.

Furthermore, delay in the part of the respondent in answering and sending questionnaire is also another limitation.

5 PRESENTATION AND DATA ANALYSIS

5.1 Introduction

This chapter deals with data collection, presentation and analysis. The collected data were presented and analyzed.

5.2 Data Analysis Procedure

Section A: Bio data of respondents

Table 1: Distribution showing the Sex of respondents

Sex	Respondents	Percentage
Female	12	60
Male	8	40
Total	20	100

In the table, the female are 60% out of the 20 respondents used in the study while male was 40%

Table 2: Distribution showing the Age of respondents

Age	Respondents	Percentage
25 – 35 yrs.	10	60
36 – 45 yrs.	5	20
46 – 50 yrs.	5	20
Total	20	100

60% of the respondents fall within the age bracket 25 – 35 yrs.; 20% for 36 – 45 yrs. and 20% for 46 – 50 yrs.

Table 3: Distribution showing the marital status of respondents

Marital Status	Respondents	Percentage
Single	5	30
Married	15	70
Total	20	100

30% of the marital status was single, while 70% were married.

Table 4: Distribution showing educational qualification of respondents

Educational Qualification	Respondents	Percentage
Diploma	5	30
First Degree	10	40
Higher Degree	5	30
Total	20	100

Qualification respondents with diploma were 30%, first degree 40% and higher degree was 30%.

Table 5: Distribution showing position of the respondents

Position	Respondents	Percentage
Senior Level	2	10
Middle Level	8	40
Junior Level	10	50
Total	20	100

On position, respondents for senior were 10%, middle level 40%, and junior level 50%.

Table 6: Distribution showing working experience of respondents

Working Experience	Respondents	Percentage
0-5 yrs.	1	5
6- 10 yrs.	3	15
11- 15 yrs.	1	5
16-20 yrs.	8	40
21 yrs. above	7	35
Total	20	100

Working experience, respondents of 0- 5yrs was 5%, 6- 10yrs 10%. 11-15yrs 5%, 16-20yrs 45%, while 21 above were 35%.

Section B: Research Question

Table 7: Do you agree that Merger and Acquisition affect the liquidity position of the bank?

Variables	Respondents	Percentage
Agreed	6	30
Strongly Agreed	10	50
Disagreed	3	15
Strongly Disagreed	1	5
Total	20	100

On this question 30% of respondents agreed, 50% strongly agreed, 15% disagreed, and 5% strongly disagreed, this implies that, Merger and Acquisition do affect liquidity position of the bank.

Table 8: Do you believe Merger and Acquisition has any positive impact on performance of banking institution?

Variables	Respondents	Percentage
Agreed	12	60
Strongly Agreed	4	20
Disagreed	3	15
Strongly Disagreed	1	5
Total	20	100

60% of the respondents agreed, 20% strongly agreed, 15% disagreed, and 5% strongly disagreed, this shows that Merger and Acquisition has positive impact on performance of banking institution.

Table 9: Does Merging and Acquisition increase the capital base of Nigerian banks?

Variables	Respondents	Percentage
Agreed	9	45
Strongly Agreed	5	25
Disagreed	4	20
Strongly Disagreed	2	10
Total	20	100

45% of the respondents agreed, 25% strongly agreed, 20% disagree, while 10% strongly disagree, this indicate that, Merger and Acquisition increase the capital base of Nigerian banks.

Table 10: Do you agree that Merger and Acquisition can lead to an increase in bank’s profit merging?

Variables	Respondents	Percentage
Agreed	12	60
Strongly Agreed	4	20
Disagreed	3	30
Strongly Disagreed	1	10
Total	20	100

60% of the respondents agreed 20% strongly agreed, 30% disagree, 10% strongly disagree, this result shows that, Merger and Acquisition can lead to an increase in bank’s profit merging.

Table 11: Are of you the opinions that merger and acquisition has led to growth of banking sector in Nigeria?

Variables	Respondents	Percentage
Agreed	10	50
Strongly Agreed	4	20
Disagreed	4	20
Strongly Disagreed	2	10
Total	20	100

50% of the respondents agreed, 20% strongly agreed, 20% disagreed, and 10% strongly disagreed, this implies that Merger and Acquisition has led to growth of banking sector in Nigeria.

Table 12: Do you agree that Merger and Acquisition can bring effectiveness and efficiency in the banking sector?

Variables	Respondents	Percentage
Agreed	10	50
Strongly Agreed	2	10
Disagreed	6	30
Strongly Disagreed	2	20
Total	20	100

50% of the respondents agreed, 10% strongly agreed, 30% disagreed, and 20% strongly disagreed, this implies that Merger and Acquisition can bring effective-ness and efficiency in the banking sector.

Table 13: Are you of the opinion that merger and acquisition lead to efficient usage of funds and resources?

Variables	Respondents	Percentage
Agreed	12	60
Strongly Agreed	4	20
Disagreed	2	10
Strongly Disagreed	2	10
Total	20	100

60% of the respondents agreed, 20% strongly agreed, 10% disagreed, and 10% strongly disagreed, it indicate that Merger and Acquisition led to efficient usage of funds and resources.

Table 14: Do Merger and Acquisition increases productivity?

Variables	Respondents	Percentage
Agreed	6	30
Strongly Agreed	4	20
Disagreed	8	40
Strongly Disagreed	2	10
Total	20	100

30% of the respondents agreed, 20% strongly agreed, 40% disagreed, and 10% strongly disagreed, that Merger and Acquisition increases productivity.

Table 15: Do you agree with the opinion that Merger and Acquisition will increase the expenditure pattern of an organization?

Variables	Respondents	Percentage
Agreed	8	40
Strongly Agreed	4	20
Disagreed	6	30
Strongly Agreed	2	10
Total	20	100

40% of the respondents agreed, 20% strongly agreed, 30% disagreed, and 10% strongly disagreed, this implies that Merger and Acquisition increase the expenditure pattern of an organization.

Table 16: Does merger and acquisition has any significance relationship with the level of output?

Variable	Respondents	Percentage
Agreed	12	60
Strongly Agreed	2	10
Disagreed	4	20
Strongly Disagreed	2	10
Total	20	100

60% of the respondents agreed, 10% strongly agreed, 20% disagreed, while 20% strongly disagreed, this means that Merger and Acquisition has significance relationship with level of output.

Table 17: Does Merger and Acquisition lead to an increase in the employee portfolio?

Variables	Respondents	Percentage
Agreed	8	40
Strongly Agreed	4	20
Disagreed	6	30
Strongly Disagreed	2	10
Total	20	100

40% agreed, 20% strongly agreed, 30% disagreed, while 10% strongly disagreed, this implies that merger and acquisition led to an increase in the employee portfolio.

Table 18: Do you believe that, merger and acquisition can lead to economic growth and sustainable development?

Variables	Respondents	Percentages
Agreed	10	50
Strongly Agreed	4	20
Disagreed	4	20
Strongly Disagreed	2	10
Total	20	100

50% agreed, 20% strongly disagreed, 20% disagreed, while 10% strongly disagree, this means that, merger and acquisition can led to economic growth and sustainable development.

Table 19: Do you agree Merger and Acquisition has any effect on GDP?

Variables	Respondents	Percentage
Agreed	8	40
Strongly Agreed	4	20
Disagreed	5	25
Strongly Disagreed	3	15
Total	20	100

40% of the respondents agreed, 20% strongly disagreed, 25% disagreed, and 15% strongly disagreed, this implies that merger and acquisition has significant effect on GDP.

Table 20: Are you of the opinion that Merger and Acquisition could have any negative implication in the banking sector?

Variables	Respondents	Percentage
Agreed	6	30
Strongly Agreed	2	10
Disagreed	8	40
Strongly Disagreed	4	20
Total	20	100

30% of the respondents agreed, 10% strongly agreed, 40% disagreed, 20% strongly disagreed, meaning that merger and acquisition cannot cause any negative implication in the banking sector.

Table 21: Do Merger and Acquisition serves as a threat to workers in the banking sector?

Variables	Respondents	Percentage
Agreed	10	50
Strongly Agreed	4	20
Disagreed	2	10
Strongly Disagreed	4	20
Total	20	100

50% of the respondents agreed, 20% strongly agreed, 10% disagreed, and 20% strongly disagreed, that merger and acquisition serves as a threat worker in the banking industry.

Table 22: Does merger and acquisition enable banks to manage and serve nation foreign debt portfolio?

Variables	Respondents	Percentage
Agreed	6	30
Strongly Agreed	9	45
Disagreed	3	15
Strongly Disagreed	2	10
Total	20	100

30% of the respondents agreed, 45% strongly agreed, 15% disagreed, while 10% strongly disagreed, the above result shows that merger and acquisition can enable banks to manage and serve nation foreign debt portfolio.

6 SUMMARYS, CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary of Findings

It is necessary to give concise summary of findings and also make useful recommendation in fulfilling the objective of this study and method and data analysis in evaluating the effect of merger and acquisition strategy in banking industry in which United Bank for Africa Plc. was used as a case study. To this end, some findings were discovered; some appeared based on the data gathered from the analysis in chapter V.

The findings are listed below:

1. It is discovered that merger and acquisition in banking industry can be seen as a global phenomenal.

2. It ensures sanity and stability in the sector and economy at large.

3. The implementation of merger and acquisition really improve management efficiency in baking industry.

4. Merger and acquisition leads to efficient use of shared resources and exploitation of the leaning and experience due to increased scale of production.

5. Finally, merger and acquisition make the bank to have the ability to muscle out other international bank and withstand the rigors of doing business on such side thus, benefiting Nigeria economy.

6.2 Conclusions

The reforms in the Nigerian banking sector have greatly improved Nigeria economy and encouraged consolidation of banks through merger and acquisition.

Merger and Acquisition is a strategy used by the regulatory bodies in Nigeria to save the banking sector from liquidation. This strategy brings about the consolidation between United Bank of Africa Plc. (UBA) and Standard Trust Bank of Nigeria Ltd. Bank with merger in its programs should consider both economic and social input of merger. Also the interest of owners, creditors, employees, government, cost and benefits on interest should be taken into consideration before undertaken merger transaction.

In furtherance, there should be proper enlightenment of the public as regards the implication and benefits of Merger and Acquisition by the Securities and Exchange Commission (SEC) as the apex regulatory body. The legal and statutory requirement and the bureaucratic process should be also made feasible without abuse.

Finally, the macro-economic environment must be made conducive for the operations of the market. Policy inconsistency must be kept to the minimum level while the on-going liberalization of the financial sector must continue to enhance access to investors’ funds and promote overall investment process.

6.3 Recommendation

The objective of this research work is to evaluate or review the effect of merger and acquisition strategy in Nigerian banking industry.

The following are therefore recommended:

Firstly, Merger and Acquisitions is the only solution to Nigerian bank liquidation thus improving the competitive power of the banks. It is recommended that the government and regulatory authorities should monitor the activities and encourage a free market economy of merging banks to be able to extend their operations to the highest level in the economy. The government should stands as checks and balances to non-compliance of their laid down regulations.

Secondly, The Pronouncement of merger and acquisition option recently by the regulatory organs such as Central Banks of Nigeria (CBN), Securities Exchange Commission (SEC) and Nigeria Deposit Insurance Corporation (NDIC) is highly appreciated for improving the profitability of Nigerian banks. Merger and Acquisition make the bank to have the ability to muscle with other international bank and withstand the rigors of doing business on the international market.

Thirdly, it also recommended that Merger and Acquisition should be given a pride place in Nigeria economy as it remains one of viable tools for economic growth and sustainable development. Merger and Acquisition assist to look how debt financing will be used and their level of competitiveness between the required banks. The viability of the banks is much important for growth of the national economy and sustainable development.

Lastly, it was revealed in this study that Merger and Acquisition cannot pose any negative implications in the banking sector. Merger and Acquisition ensure sanity and stability in the sector and the economy at large. The implementation of merger and acquisition really improve management efficiency in banking industry.

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APPENDICES

Thesis Questionnaire

This questionnaire is purely for research study. Please answer each question as carefully and sincerely as you can. All responses will be treated with utmost confidentiality.

SECTION A

Please tick the option where appropriate.

The questionnaire is in two sections (A) is the bio data of the respondent while section (B) shows the research question.

1. **Sex: i. Male ( ) ii. Female ( )**

2. **Age: i. Less than 25 – 35yrs. ( ) ii. 36 – 45yrs. ( ) iii. 46 – 50yrs. ( )**

3. **Marital Status: i. Single ( ) ii. Married ( )**

4. **Educational Qualification: i. Diploma ( ) ii. First Degree ( ) iii. Higher Degree ( )**

5. **Position: i. Senior Level ( ) ii. Middle Level ( ) iii. Junior Level ( )**

6. **Working Experience: i. 0 – 5yrs. ( ) ii. 6 – 10yrs. ( ) iii. 11 – 15yrs. ( ) iv. 16 – 20yrs. ( ) v. 20yrs. – above ( )**

SECTION B

Research Questions

Kindly mark (X) in the appropriate box

(1) Agreed

(2) Strongly Agreed

(3) Disagreed

(4) Strongly Disagreed

S/N	RESEARCH QUESTIONS	AGREED	STRONGLY AGREED	DISAGREED	STRONGLY DISAGREED
1.	Do you agree that Merger and Acquisition affect the liquidity position of the bank?				
2.	Do you believe Merger and Acquisition has any positive impact on performance of banking institution?				

3.	Does Merging and Acquisition increase the capital base of Nigerian banks?				
4.	Do you agree that Merger and Acquisition can lead to an increase in bank's profit merging?				
5.	Are of you the opinions that merger and acquisition has led to growth of banking sector in Nigeria?				
6.	Do you agree that Merger and Acquisition can bring effectiveness and efficiency in the banking sector?				
7.	Are you of the opinion that merger and acquisition lead to efficient usage of funds and resources?				

8.	Do Merger and Acquisition increases productivity?				
9.	Do you agree with the opinion that Merger and Acquisition will increase the expenditure pattern of an organization?				
10.	Does merger and acquisition has any significance relationship with the level of output?				
11.	Does Merger and Acquisition lead to an increase in the employee portfolio?				
12	Do you believe that, merger and acquisition can lead to economic growth and sustainable development?				

13.	Do you agree Merger and Acquisition has any effect on GDP?				
14.	Are you of the opinion that Merger and Acquisition could have any negative implication in the banking sector?				
15.	Do Merger and Acquisition serves as a threat to workers in the banking sector?				
16.	Does merger and acquisition enable banks to manage and serve nation foreign debt portfolio?				