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MERGER AND ACQUISITIONS AND ORGANISATIONAL PERFORMANCE OF COMMERCIAL BANKS IN NIGERIA

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Abstract

This study examined the effect of mergers and acquisitions on the organisational financial performance of Nigerian commercial banks. The Ex-post Factor Research design was adopted using secondary data. Three hypotheses were tested using multiple regression analysis. The findings from results were that: board size and bank market shares is significantly related to equity but bank financial characteristic is not significantly related to return on equity. Secondly bank market share is significantly related with return on assets but board size and bank financial characteristic does not have a significant relationship with return on equity. Test of the final hypothesis showed that board size and profit margin are significantly related but bank financial characteristic and bank market share do not have a significant relationship with profit margin. It was recommended that market forces for efficiency must drive bank consolidation.

Keywords: Acquisition, Bank financial characteristic, Board size, Market share, Merger, Organisational performance

Introduction

Background to the study

Statutorily the Central Bank of Nigeria (CBN) is to promote stable monetary policy and effective system of finance. In recent decades the CBN in pursuit of this has taken bold steps to strengthen the financial system (Nzotta, 2005). The reforms may have surprised some people but to monitors of the health of banks, they were not surprising. The unparalleled liquidation of twenty-six (26) Nigerian banks in 1998 additional to the preceding folding up of five banks in 1994/95 was not the end of the distress in the financial sector (Iganiga, 2000). Actually, more institutions should have been liquidated. However, the paucity of funds to pay depositors by the Deposit Insurance Corporation (NDIC) was a limiting factor. Again, the government was not willing to finance the exercise as was the case in other countries where government financially supported such exercises to a significant proportion of the Gross Domestic Product (GDP). For instance, Indonesia (1997- date) about 50% of GDP, Cote d'voire (1998 – 1991) about 16.4% of GDP (Hanahan & Kengebia, 2001in Asuquo, 2012).

The reforms include an upward lift in the minimum paid up capital of the banks from ₦ 500 million preceding 2001 to ₦2 billion in 2002; the adoption of universal banking in 2001; the introduction of contingency planning for systematic crisis framework; the promotion of the code for good corporate governance, introduction of settlement banks system. CBN's strive to make the banking subsector a springboard for development and to prevent a repetition of the banks distress of the 1990s propelled these reforms.

These CBN reforms should expectedly have transformed dramatically the banking system size wise, in operational depth and in structure of ownership. Really though the banking system was plagued by lack of liquidity, ineffective corporate governance and susceptibility to distress while the Nigerian economy featured stunted growth, increasing general price level, high interest rate and lack of growth in the real sector (Zombo, 2005). Clearly, quick and far-reaching measures were required if the banking sector was to be a catalyst. It was against this scenario that the CBN brought in reforms designed to diversify, strengthen and make banks reliable thereby ensuring deposits are safe, banks can be national development catalysts and also compete globally. These reforms created room for achieving the objectives of meeting the required ₦25 billion minimum capital base commencing from December 2005 ending and the strengthening of the banking sub sector through mergers and acquisition. The main aim of the consolidation is to create strong and secure banks that depositors can rely on. Globally businesses are consolidated through mergers and acquisition to take advantage of economies of scale and generate more productivity. By consolidating the population of banks has reduced but the size of banks is larger. The increase in their capital base has resulted in great pressure to shift toward rapid branch expansion so as to make efficient use of available resources and post reasonable returns on equity and long-term effect on bank profitability.

Statement of the Problem

Mergers and acquisitions affect the financial performance of banks in Nigeria in a complex manner as one effect is static and there is a minimum of three types of dynamic effects. Assessing the four effects makes precise identification of effect of mergers and acquisitions on performance better than in extant literature. The static effect results from the combining of assets of the banks merging and that of those acquired into one entity with consolidated statements and competitive position. The dynamic restructuring effect is a trio pronged effect that culminates to changes in terms of size, financial status or competitive position from the prior values and post values of merging and acquiring. There may be differences in portfolio makeup and financial ratios due to the inbuilt diversification benefits of merging and acquiring, introduction of fresh risk management techniques, more efficient operations, or changes in risk(s) preferred. The new entity's focus may affect local market competitive position if, for instance if the new bank contracts to a reduced market share. Sequel, these post restructuring changes could affect the bank's financial performance. Sometimes the restructuring might not be chosen but mandatory because regulatory bodies request shedding of some banking operations in local markets that overlapped before the mergers and acquisitions and to stop market concentration from increasing in excess. For example, branch deposits and loans tied to such deposits may be sold to another bank as a prerequisite for merger and acquisitions approval. This is because approving a merger and acquisition often require a consolidation of holding companies with several banks involved. Thirdly the factor of potential importance to the merger and acquired instituitions performance is the direct effect. The newly consolidated entities could decide to increase or decrease the aggression with which they reissue some of their activities to past customers than other banks, if the philosophy of their management is to improve the bank.

Objectives of the Study

The main goal of the study is to examine the effect of merger and acquisition on financial performance of commercial banks in Nigeria. The specific goals of the study are as follows:

i. To examine the extent to which merger and acquisition (bank size, bank financial characteristic and bank market share) relates with return on equity of banks in Nigeria.
ii. To examine the extent to which merger and acquisition (bank size, bank financial characteristic and bank market share) relates with return on assets of banks in Nigeria.
iii. To examine the extent to which merger and acquisition (bank size, bank financial characteristic and bank market share) relates with profit margin of banks in Nigeria.

Research questions

The research questions for the study are:

i. To what extent does merger and acquisition (bank size, bank financial characteristic and bank market share) relate with return on equity of banks in Nigeria?
ii. Does merger and acquisition (bank size, bank financial characteristic and bank market share) significantly relate with return on assets of banks in Nigeria?
iii. To what extent does merger and acquisition merger and acquisition (bank size, bank financial characteristic and bank market share) relate with profit margin of banks in Nigeria?

Research hypotheses

The research hypotheses for the study are:

i. Merger and acquisition (bank size, bank financial characteristic and bank market share) do not significantly relate with return on equity of banks in Nigeria.
ii. Merger and acquisition (bank size, bank financial characteristic and bank market share) do not significantly relate with return on assets of banks in Nigeria.
iii. Merger and acquisition (bank size, bank financial characteristic and bank market share) do not significantly relate with profit margin of banks in Nigeria.

Review of Related Literature

Theoretical framework

The Value Increasing Theories

Value Increasing theorists posit that mergers take place due to synergies mergers produce between the acquirer and the acquired which again increase the firm’s value (Hitt et al 2001). The theory of efficiency indicate that mergers take place when they would produce sufficient realizable synergies to make the transaction of benefit to the two participants, the symmetry in benefits expected is the reason for the cordial proposal and acceptance of mergers. A successful merger indicates benefits to both players in the transaction (Banerjee & Eckard, 1998; Klen, 2001 in Junni & Teerikangas, 2019). However, Chatterjee (1986) distinguished between operative synergies or efficiency gains obtained from economies of scale and scope- and ‘allocation/ or collusive synergies resulting from market power increase and improvement in ability to generate consumer surplus.

Extant literature indicates that gains from operating synergies is of great significance (Devos et al. 2008; Mukherjee et al. 2004) though market power is a cogent reason for mergers. All things being equal, firms that wield more market power operate with higher prices and derive more earnings from consumer surplus appropriated. Some studies found profit increases and sales decreases sequel to mergers (Sapienza, 2002 in Huber, 2021; Cefis & Ghita, 2008). This finding by interpretation many holds is evident greater market power and allocative synergy gains (Gugler et al. 2003). Also, market power is deemed to deter prospective future entrants (Motta, 2015; Besanko *et. al.*, 2013) and thus provide long term gains. Thirdly the theory of corporate control justifies that there will always be firms ready to take over poorly performing ones (Western et al. 2004). For this reason, efficiency lacking managers will provide the 'market for corporate control', and the ones that fail to optimize earnings will be pushed out, leading to hostile takeovers. This seems to be empirically evidenced (Hasbrouck, 1985 in Rao- Nicholson *et. al*., 2016; Palepu, 1986 in Ebina et. al., 2022). The theory of corporate control though premised in part on efficiency theory differ in dual ways. First it assumes the existence of synergies between the prospective acquirers' managerial capabilities and that of the acquired and not between the assets of the two firms. For this cause, corporate control is predicting efficiency in management from poorly utilized assets reallocated. Secondly, it is implied that there may be resistance to takeover attempts from managers of the target firm. Usually, bidders are either private investors or firms, who have more competent managers with greater growth potentials and better performance (Weitzel & McCarthy, 2011).

The concept of merger and acquisition

Many authors in the area of finance and other areas have attempted to give different definitions to merger and acquisition. Section 590 of Companies and Allied Matters Act 1990, defined merger as "any amalgamation of the undertakings or any part of the undertakings or any part of the undertakings or interest of two or more companies or the undertakings of one or more companies and one or more corporate bodies." Security and Exchange Commission Annual Report and Accounts (2002: 32) defined merger as a fusion, in which the two companies of their own freewill combine and do so on fairly equal terms, separate from a takeover which takes place contrary to the desires of one of the companies.

Securities and Exchange Commission further says that a merger is a combination where the assets and business of two or more companies becomes that of and is continued by a new entity. This new company could be or may not be among the divesting companies. In a merger all things are consolidated. Rose (1991) has defined merger as a complete takeover of one company by another. In such an arrangement, according to her, the acquirer maintains its name and its identity, becoming the owner of every asset and liability of the company acquired. Grimbatt and Titman (2012) see merger as an arrangement that combines two firms into one with the acquiring firm taking over every asset and liability of the firm acquired. This research work, adopts Nzotta's (1991) definition of merger as a fusion of two or more firms to create a new firm. Acquisition is the act of one company taking over effectively the control of assets and management of another company without combining to form a new one (Nzotta,1999). Security and Exchange Commission Annual Report and Accounts (2002) defines acquisition as the buying up of substantial shares of a company by another to the extent that the acquiring company is positioned to control the management and/or vote casting in the affairs of the acquired. Also, it states that a company has acquired another if it has up to one third of the shares or voting power of the target company. The acquiring company is usually bigger financially or has more assets pledged than the smaller company which is being acquired. Thereafter, it becomes a division, associate or subsidiary of the acquiring company.

In summary, when a company buy up another company, establishing itself as the present owner we have an acquisition. Legally, the acquired company will no longer exist, the new owner absorbs the acquiree's business and stock. While a merger occurs if two firms, usually of about equal size decide to fuse into one new company rather than continue individually.

Types of Mergers: Mergers can be categorized into three types

a. Horizontal Merger: This takes place between companies actually or potentially competing within similar or the same places in the production chain for instance merging of two banks. In this instance there is no departure from basic lines of business. A horizontal merger refers to the consolidation of two companies that operate in the same industry or market segment. It involves the merging of businesses that are direct competitors, competing for the same customer base and offering similar products or services. The primary objective of a horizontal merger is to achieve economies of scale, enhance market power, and gain a competitive edge in the industry (Nzotta,1999).

b. Vertical Merger: This occurs between companies occupying different levels in the production chain. This is used to achieve backward or forward interrogation. A vertical merger involves the integration of companies that operate at different stages of the production or distribution chain. It occurs when a company merges with or acquires another company either upstream or downstream in the supply chain. The main purpose of a vertical merger is to achieve greater control over the production process, ensure a smoother flow of goods or services, and capture a larger portion of the value chain (Nzotta,1999).

c. Conglomerate Merger: This refers to those mergers which take place between unrelated business and conglomerates with different types of business. The main aim of conglomerate merger is diversification to widespread activities so as to reduce risk and optimize earnings.

A conglomerate merger refers to the merging of companies that operate in completely unrelated industries or business sectors. Unlike horizontal or vertical mergers, conglomerate mergers involve the combination of businesses with different lines of business, products, or services. The primary motive behind a conglomerate merger is typically diversification, expanding into new markets, or leveraging synergies between different industries. Based on how merger is financed we have:

1. Purchase Merger- From the name this type of merger happens when a company is purchased with cash or with debt instrument.
2. Consolidation Mergers – for this type of merger, the two companies fuse to become a new entity.

History of mergers and acquisition in Nigeria

According to Nzotta (2001), who posits the first case of merger acquisition can be traced to 1957 when Joe Allen and Co Limited was taken over by John Holt. Though according to history, Nzotta (2001) is not accurate because as at 1912, British Bank of West Africa (BBWA) became today ‘s First Bank of Nigeria PLC. Nzotta (2004) posits that SEC began to regulate companies merging and acquiring in 1982, with the approval of the merger of United Nigeria Insurance Co Ltd and United Nigeria Life Insurance Company Ltd. Companies considering merging and acquiring have to get the approval of SEC and Federal High Court, but only if the affected companies are listed on the Nigerian Stock Exchange or have shares in other countries.

SEC managed 13 mergers from 1982 to 1988 with eleven succeeding, representing 84.6 per cent success rate. Some of the companies affected were listed while some were not. The companies involved includes AG Leventis Stores and Co. Nigeria Limited and Lipton Nigeria Ltd; John Holt Ltd and Ogbemudia Farm Limited, Nigeria Match Co Ltd and United

Breweries Ltd, Chesbrough ponds Nig Ltd among others. It is on record that between 1990 and 2002, just twelve years ago, Nigeria experienced many mergers and acquisitions. This trend changed drastically, especially from 1995. Over 70 per cent of the mergers and acquisitions on record were consummated between 1995 and 2002. Many of the mergers were driven by the international parent companies, companies abroad for economic benefits, at times regulatory causes, due to hostile environment, persuasion from the regulatory bodies among others. However, the most recent mergers and acquisitions in Nigeria is that of the banking system which saw the reduction in the number of banks in 2006. It must be stated very loud and clear that out of the 25 banks in existence, 19 banks resulted from mergers and acquisitions out of the 69 banks that formerly existed. Again, shortly after that, the number of banks became currently 24 banks resulting from mergers of two banks. Hence, the issues of merger and acquisition have been a welcomed development in Nigerian economy.

Reasons for mergers and acquisitions

Mergers and acquisitions are widely used by both industrialised nations like United State of America, United Kingdom, France, Italy, Germany, Belgium, Netherlands, China, Japan, Korea, Russia, India etc. and the emerging nations like Nigeria, Sierra Leone, Mali, Mauritania, Sudan, Ethiopia, Kenya, Tanzania, Chad, Angola, Zambia, Benin, Mozambique etc. Mergers and Acquisitions is a serious instrument that enhances bank efficiency, size and development roles. Globally and with the internationalization of finance, size is now an important factor for success. In the finance world, size has become an important ingredient. Recent years have recorded the emergence of world banking groups resulting from mergers and acquisitions. This trend is occasioned by determinants such as potentials for cost savings courtesy of economies of scale and greater efficiency in resources allocation as well as risk reduction from better management.

Bank mergers and acquisition has now become a worldwide event. In America more than 7,000 bank mergers has been recorded since 1980, it is the same experience in the European countries particularly in the period 1997 – 1998, 2003 bank mergers and acquisition occurred across Europe. In 1998 a bank emerged with a capital base of $688 billion in France; in Germany two banks fused together to form the second largest German bank with a capital base of US $541 billion. In developing nations like Argentina, Brazil and Korea banks continue to consolidate so as to be able to compete, resist shocks and in addition be positioned to cope with the challenges of ever increasingly global banking systems. Korea for instance had eight banks with a network of 4,500 branches after her experience. Malaysian bank capital base was increased from roughly $70 million to $526 million in a year. Singaporean bank reduced initially to six and finally to three with her number two bank's capital base at about US $ 67 billion.

It is speculated that by 2050 the world economy may operate with not more than 20 mega banks worldwide given that many nations have passed through their initial round of consolidation. The Nigerian banking system before consolidation was quite marginal compared with its potentials and with other countries (Bello, 2005). Hence the Obasanjo banking Sector Reforms of 2005 to reposition the sector. In any merger and acquisition there are some motives that occasion it. According to Shapiro and Balbiner (2008) most takeovers can be categorized broadly according to their motive namely disciplinary and synergistic acquisitions. Disciplinary acquisitions are meant to remedy non value optimizing behaviour by the management of the target. While, synergistic acquisitions tend to be cordial. This category of acquisition takes advantage of strategic fit so that the new entity is greater than the value of the separate entities as was the case of United Bank of Africa and Standard Trust Plc. Synergies can emanate in many ways.

According to Shapiro and Balbiner (2002) the crucial ones include:

1. Economies of Scale: Mergers could lead to a rise in output, while average cost decreases with efficiency improving for the organization. With economies of scale, returns to scale increases as a result of a larger size. This snowballs into a decrease in per unit cost of production and thus more profits.
2. Diversification: Mergers also result in diversified risk. In conglomerate mergers two companies in different lines of business combine together to form a new entity. The motive is to create a bundle of interrelated business lines that makes the organisation's total portfolio balanced and stable. The maintenance of the portfolio makes the portfolio returns less varied.
3. Skills and management acquisitions: Mergers and acquisitions may be embarked on to obtain competent and highly qualified workers particularly in the area of technical management research so as to improve quality and output.
4. Financial leverage: Mergers often result in an optimal capital structure for the new entity. Thus this improves leverage and has a salutary influence on the earnings per share of the new company.
5. Transfer of technology: technology is also transferred to the new company. Firms with undercapitalization problems, hitherto unable to afford the proper technology are thereby assisted to acquire the necessary technology for viable operations.
6. Growth: The motive for mergers and acquisition may be to aid growth when expansion is not possible internally. Furthermore, cost of acquisition could be lower than internal expansion costs.
7. Elimination / Minimisation of competition: Merger arrangements are often used to eliminate adverse competition which if not attended could jeopardise the fortunes of the company.
8. Tax gains: Mergers could also be embarked on for tax benefits.
9. Personal factors: To boost executive ego and/or company image, mergers are becoming predominant in developing countries. Though Nigeria presently is not often experiencing this.
10. An ancillary fallout: In the positive ripple effect of mega banking is the big ticket transactions capacity which has resulted in increased patronage and income for other sectors of the economy such as the press and advertising houses, the Nigerian stock exchange, various service providers etc. These, among others were indicators of a revolutionize banking industry band that has indeed set the pace for Nigeria's economic growth.

The role of banking systemin the economy

By being a financial intermediator, the banking industry play an important role in economic growth and development as argued by development economists. This role can be broken down into sub roles such as:

1. Making resource mobilization more efficient through savings mobilization.
2. Raising societal resources proportion dedicated to interest earning assets and long-term investments, thereby leading to economic growth. This has to do with the savings function of banks and the catalyst role of savings that plays out as a decrease in a nation's investment as well as standard of living when savings is not in adequately available.
3. Provides better efficiency in savings allocation into investment than households can generate alone. Greater investment makes possible greater production of goods and services and thereby higher productivity and national standard of living.

4. Reduces the production risk challenges companies contend with through liquidity and capital provision.
5. Helps investors to enhance diversity of their portfolio through insurance and project monitoring. Besides the insurance services provided as a component of universal banking, these institutions offer insurance policies that cover life and health assurance, property and income risks.
6. Provides a real medium for effective implementation of monetary policies and management of the economy. The banking industry is a major channel for the nation to stabilize the economy or control inflation.
7. Facilitates a dependable payments system which supports the economy. Financial items such as current account deposits, savings and domiciliary accounts and media of exchange such as cheques, credit cards, electronic transfers are present day major means of payment.
8. Provides credit for investment and consumption purposes.

Rationale for banking sector reforms in Nigeria

The banking sector in a nation is expected to be a driver of economic growth and development. Unfortunately, this has remained a dream to a large extent in Nigeria due to some deficiency in the sector. These include:

1. Low capital base: The capital base on the average for Nigerian banks prior to the reforms was US $10 million, which is low in comparison with what obtained in other emerging nations like Malaysia whose smallest bank had US $526 million capital. Likewise, the total capitalization of Nigeria's banking system ₦ 311billion (US $ 2.4 billion) was drastically small in terms of the largeness of Nigeria's economy and in comparison, with a capital base of US $688 billion for just one French banking group.
2. Proliferation of small banks with relatively few branches. As at 2005, 89 banks had a branch network of 3,382 while eight South Korean banks had approximately 4,500 branches.
3. Domination a few banks: The first ten banks possessed 50.8 percent of the total assets, 51.7 per cent of aggregate deposit liabilities and 45 per cent of the total loans.
4. Poorly rated banks: As at December 2004, no Nigerian bank was rated very sound. Ten banks were rated sound, fifty-one were satisfactory, sixteen were on the margin and ten regarded not sound.

Additional shortcomings of the Nigerian banking sector that were operational challenges include:

i. Defective corporate governance, manifesting as incorrect reporting and non-compliance with regulations, ethical decline and serious insider abuse, with resultant enormous non-performing, insider owned loans.
ii. Insolvency, manifesting as adverse capital sufficiency ratios for some and completely depleted shareholders' funds occasioned by operational losses for others.
iii. Too much leaning on deposits from government accounts and marginalization of savings from SMEs.

Evidently, prior to mergers and acquisitions Nigeria's banking system was delicate, playing an insignificant role in the advancement of the real sector.

Benefits of mergers and acquisitions of the Nigerian banking system

The rising of mega banks has significantly metamorphosed the face of Nigeria banking as the following development became apparent (the Nigerian Banker Journal).

1. With the 25 highly capitalized banks that survived the policy becoming stronger and thus more reliable, there were no more unsound banks in the Nigerian financial system.
2. There was increased belief in Nigerian banks as fears of financial distress or bank failures abated.
3. The regulatory authorities have a smaller number of banks to supervise and that should make them more effective and so allow them time for other functions.
4. The impact on the economy obviously contributed to the BB sovereign rating of the Nigerian economy by Fitch.
5. Prof Chukwuma Soludo, the then governor of the Central Bank received various international recognition including the prestigious Central Bank governor of the Year.
6. Twenty-two banks became listed companies on the Nigeria stock exchange while only three with parent companies abroad remain in private hands.
7. The international economic community suddenly work up to the great potential of the Nigerian phenomenon to the extent that the World Bank has proclaimed Nigeria the quickest growing African economy infront of Egypt.
8. The inflow of foreign investment into the Nigerian economy increased noticeably.
9. Nigerian banks started bench marking themselves against international banks and thus setting higher targets for themselves.
10. A number of Nigerian banks in collaboration with reputable foreign financial instituitions were appointed to participate in managing Nigeria’s foreign reserves.
11. The aggregate asset base of banks rose from ₦ 3,209 billion as at June 2004 to ₦ 6, 555 billion in September 2006, an increase of 104 %.
12. There was significant improvement in asset quality of banks. The industry ratios of non-performing credit to total credit improved from 198% in June 2004 to 9.5 percent in September, 2006.
13. Perhaps, one of the major salutary, fallouts of mega- banking in Nigeria is the rising corporate social responsibility endeavours of banks. Some banks have now begun to sponsor major road projects, build structures at different tertiary instituitions and fund some other projects and programmes that are impacting the lives of the populace.
14. Following a successful bank consolidation and the emergence of mega-banks, the Central Bank of Nigeria has now articulated a new financial system strategy christened “project 2020” which is aimed at making the Nigerian financial system the hub of African financial system by 2020. This will also require total and focused commitment on the part of not only the Central Bank of Nigeria itself but also the deposit money banks.
15. Another noticeable fallout of the consolidation is the emergence of efforts by some of the mega banks.

Challenges of bank mergers and acquisitions

Mega banking in Nigeria has thrown up some issues with a set of challenges which banks and other key stakeholders in the economy must contain in order to succeed. These include:

i. Rapid expansion of branch network of banks: the downside of that is likely inadequacy of qualified and experienced hands-on ground with the result that qualified hands are increasingly on demand an with the attendant high staff mobility and corresponding operation instability.
ii. Additionally, many Nigerian banks are now opening off-shore branches to make impact beyond the borders of the country. there is need for banks to acquaint themselves with

the prevailing laws and regulations guiding banking in those countries and endeavours to always operate with decorum within the bounds of those laws and regulations guiding banking in those countries.

iii. The challenge of human capital development has become pronounced with the emergence of mega-banks. Banks have the challenge of subjecting their staff to necessary training and skills development for them to cope with the demands of the demands of the current level of activities in today's banks in Nigeria. The quality of the workforce just has to improve.

iv. Besides, the challenge of inadequacy of skilled manpower, the availability of increased funding to the mega- banks has given them freedom to source more sophisticated operational facilities and that on its own has created new skills gaps in how to operate them.

v. There is the increasing challenge to ensure good corporate governance in the banking industry in order to continue to sustain the confidence of the banking community, both locally and internationally. That is also necessary to ensure sustainability to their growth potentials.

vi. It is obvious that a failed post consolidation banking industry will have very far-reaching implications for the national economy. The present gradual stabilisation of key macro-economic variables in the economy notably interest rates, exchange rates and inflation rates are a salutary development and underscores the need for the regulatory authorities to remain on their toes to ensure the sustainability of and even improvement of such a development.

vii. The issue of dare devil armed robbery attacks on banks appears to be on the increase since the emergence of mega-banking. This is not surprising since these robbers believe that banks will now be warehousing large amounts of money in their vaults. Although, we are aware that the bankers committee, under the direction of the Central Bank of Nigeria has kicked off a preventive and defensive initiative, a tripartite solution to this problem requiring that banks, the police and the government come together to evolve result oriented strategies that will be enduring over time should be put in place.

viii. viii. Although the minimum capitalization segment of the consolidation of the industry has since been achieved the necessary mergers and acquisitions and buyouts that ensured have thrown up some challenges which include, but not confined to, integration of the systems, human resources issues, equipment nature and maintenance, core value, corporate culture etc. of the various legacy banks on each consolidated group. A poor handling of any of those integration challenges could spell disaster for the affected group, the industry and the national economy.

Financial situations of banks and small and medium businesses in Nigeria

In Nigeria, the financial system is dualistic and consists of formal and informal systems. The Informal Financial System (IFS) comprises the institutions such as moneylenders, rotating savings and credit associations for example, that are virtually outside the control of the established legal framework. The Formal Financial System (FFS) refers to an organized, registered and regulated sector of the financial system. The formal financial system comprises the banking sector, non-banking sector and the financial markets. Structurally, the financial system as at December, 2005, comprises the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), the Security and Exchange Commission (SEC), the National Insurance Commission (NAICOM), 25 deposit money banks, 6 development banks, 757 community banks, 1 stock exchange, 1 commodity exchange, 5 discount houses, 9 primary mortgage banks, 112 finance companies, 126 bureaux de change, 103 insurance companies and 581 stock brokers (CBN, 2005). However, the formal sector is largely dominated by the deposit money banks in Nigeria in terms of total deposits, credit and total assets.

In attempt to make the banking sector sound, stable, reliable, dependable and internationally competitive, the Central Bank of Nigeria (CBN) announced on July 6, 2004, that with effect from January 1, 2006, the minimum paid up capital should be N25 billion. To meet the N25 billion capitalizations, banks were allowed to merge, consolidate or even acquire another bank. At the end of the consolidation exercise, out of the 89 existing commercial banks, 25 groups of banks emerged, while 14 banks that could not merge were set for liquidation. To raise the funds the banks used strategies such as mergers, acquisition, floating of new shares and soon. The hope for the consolidation is that, banks would be able to mobilize a large amount of funds to provide loan-able funds to the productive sector. The sector is dominated by the small and medium enterprises in Nigeria. Thus, the tendency is for the SMEs to grow into large and conglomerate firms. The consolidation will enable banks to meet the minimum capital adequacy ratio of ten percent, as prescribed by the Basel Capital Adequacy Accord. The ten per cent ratio which relates capital to credit implies that for every N100 credit, a bank needs N10 capital.

Basically, small and medium enterprises in Nigeria are expected to raise funds from two main sources: Equity and debt. The sources of equity (sometimes called internal funds) include owners' savings and ploughed back profits. Funds from external source (debt) can be obtained from informal sources (that is friends/relatives, credit associations, co-operative societies for example) and formal sources (that is banks, governmental agencies for example). Accessibility to formal financial system, especially by SMEs is very limited. On the supply side, banks are not expanding SMEs loans due to inadequate capital, imperfect information, high transaction cost of dealing with small loans, Labour geographical dispersion of the small and medium enterprises and large number of borrowers and low returns from investment. On the demand side, small and medium enterprises are reluctant to obtain loans because of the collateral security, high interest rate, untimely delivery of credits, and other things.

As Hallberg (2000) observes, government assistance strategies in both developed and developing countries often try to achieve a combination of equity objectives (alleviating poverty and addressing social, ethnic and gender inequalities) and efficiency objectives (raising the productivity and profitability of firms). However, as Ojo (2003) argues, all these SME assistance programmes have failed to promote the development of SMEs. Oftentimes, the finance provided have been misdirected, gone to wrong persons or found to be inadequate to impact on the expected development of the assisted firms. This was echoed by Tumkella (2003) who observes that all these programmes could not achieve their expected desires due largely to abuses, poor project evaluation and monitoring as well as moral hazards involved in using public funds for the purpose of promoting private sector enterprises. At the urban and rural levels, private individual and small firms have established Community Banks since 1990 as a means to stimulate the economy from the grassroots.

The Bankers' Committee introduced Small and Medium Industries Equity Investment Scheme (SMIEIS), from 1st August 2001, and directed all commercial banks to invest 10 per cent of their profit before tax in small and medium scale enterprises of their choice. This is aimed at improving the flow of funds to revitalize the real sector of the economy. A cumulative sum of N38.2 billion was set aside by 25 banks in 2006, out of which N17.5 billion or 45.9 per cent was invested in 248 projects (CBN, 2006). Below are the measures of banks performance:

1. Bank size: Bank size refers to the scale of operations and the total assets of a bank. It is often measured by the total value of assets held by a bank, including loans, investments, and other financial instruments. The size of a bank can have implications for its financial performance and market position (Ojo, 2003). Larger banks often have access to more resources, such as a broader customer base, greater financial capital, and advanced technological infrastructure. These factors can contribute to economies of scale, allowing larger banks to operate more efficiently and potentially offer a wider range of products and services to their customers. Moreover, bank size can influence the perception of stability and credibility in the financial industry. Larger banks may be perceived as more capable of withstanding financial shocks or economic downturns due to their diversified portfolios and greater financial resources. This perception can impact customer confidence, investor trust, and even regulatory considerations.
2. Bank financial characteristics: Bank financial characteristics encompass a range of factors that reflect the financial health, performance, and risk profile of a bank. These characteristics include capital adequacy, asset quality, liquidity position, profitability, and efficiency ratios (Tumkella, 2003). Capital adequacy measures the extent to which a bank's capital base can absorb potential losses and maintain solvency.
3. Bank market share: Bank market share refers to the proportion of the total market or customer base that a bank holds within a specific geographical area or industry segment. It is a measure of the bank's presence and influence in the market relative to its competitors (Hallberg, 2000).

Market share can be calculated based on various factors, such as total assets, deposits, loans, or number of customers. A higher market share indicates a larger portion of the market captured by the bank, suggesting a stronger competitive position and customer preference. Bank market share is influenced by factors such as reputation, product offerings, customer service, pricing, and marketing strategies. Banks with a larger market share often have a competitive advantage in terms of brand recognition, economies of scale, and the ability to negotiate better terms with customers and suppliers. Additionally, bank market share can impact profitability and growth prospects. A higher market share can provide opportunities for cross-selling, customer retention, and expansion into new markets. It also enables banks to leverage their market position to attract deposits, generate revenue, and achieve economies of scale.

METHODS

The research design adopted for the study is an exploratory research design. This Exploratory research is a type of research that seeks to investigate one or few situations similar to the researcher's problem (Zikmund, 2003). The results of exploratory research through case studies though may not be useful for decision-making by themselves because of the `context dependent' nature of the outcome (Flyvbjerg, 2013), the strategic choice of case may add to the generalisability of a case study in providing significant insight into a given situation. In addition, exploratory research design will help the researcher to gain insight into a situation that is not very clear and that has not attracted serious investigation and research in the past (Asika, 2004). In this study the merged and un-merged banks that came out of the consolidation exercise in Nigeria were sampled by way of judgmental sampling technique, given the researcher clear knowledge of the population.

Model specification

In analyzing the model, the multiple regression technique was adopted because it measures the relationship between mergers and acquisitions with performance. The model specified is in cognizance with the agency theory which places emphasis on transaction costs, contracting analysis following the work of Coase (1937), Jensen and Meckling (1976) and most important, Stiglitz and Weiss (1981).The work of these writers all point to the challenges that surround ownership, contractual agreements, management interrelationship, credit rationing etc. thereby subjecting firms to the risk of asset substitution which in practice means a change in the firm's asset structure. In order to test the hypotheses, the variables were built into the model as follows:

Model 1: ROE = f (BSIZE, BFC, BMS)
Model 2: ROA = f (BSIZE, BFC, BMS)
Model 3: PM = f (BSIZE, BFC, BMS)

The above models are statistically stated as thus:
ROE = b0 +blBSIZE + b2BFC + b3BMS + U --------------1
ROA = b0 +blBSIZE + b2BFC + b3BMS + U -------------2
PM = b0 +blBSIZE + b2BFC + b3BMS + U 3

Where:
BSIZE = Bank size which is explained by bank gross total asset
BFC = Bank financial characteristics which is explained by bank's equity divided by gross total asset
BMS = Bank market share which is explained by the ratio of the bank deposit to total deposit of the banking sector.
ROE = Return on Equity
ROA = Return on Assets.
PM = Profit Margin
b0 = Unknown constant to be estimated
bl — b4 = Unknown coefficients to be estimated
U = Stochastic error term

RESULTS AND INTERPRETATION

TABLE 1: Descriptive statistics for the study variables

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
BSIZE	10	37.17	83.33	4.5778	7.70012	-1.382	-1.812
BFC	10	33.02	34.42	4.9500	6.59081	-.672	-1.081
BMS	10	48.36	95.00	4.7561	21.22875	1.336	-1.169
Valid N (listwise)	10						

Source: SPSS output (2023)

The descriptive statistics from table 1 indicates that the three constructs (BSIZE, BFC and BMS) of the sample banks have an average mean value of 4. 9500 with standard deviation of 6. 59081, signifying that the data did not deviate significantly from the mean value from both sides. The values for minimum and maximum financial performance of the banks during the period were 33.02 and 34.42 respectively. The table also indicated that the spread of data was adequate while the Skewness and Kurtosis of the distribution were all within the acceptable region.

TABLE 2: Summary of normality test result

	Kolmogorov-Smirnov			Shapiro-Wilk				
Constructs	Statistic	Df	Sig.	Statistic	df	Sig.	skewness	Kurtosis
BSIZE	.182	205	.177	.882	205	.086	-1.746	-.601
BFC	.280	205	.164	.884	205	.076	-1.416	-1.670
BMS	.207	205	.187	.887	205	.081	-1.135	-1.476

a. Lilliefors Significance Correction

b. Lower bound of the true significance

Source: SPSS output (2023)

To determine the normality of the distribution, the Kolmogorov-Smirnov and Shapiro-Wilk tests were used to determine whether the sample population is normally distributed. As a rule of thumb, if the significant values of Kolmogorov-Smirnov and Shapiro-Wilk tests are greater than 0.05, the data is normally distributed but if below 0.05, it indicates that the data significantly deviated from a normal distribution (Hair *et al.*, 2013). Also, Hair *et al.* (2013) indicated that the absolute values of skewness and kurtosis of the distribution should not exceed 1.00 and 2.00 respectively. Table 2 presents the result of the normality test. The results showed that the Kolmogorov-Smirnov significant values were all greater than 0.05 and the Shapiro-Wilk significant values were also above 0.05 in BSIZE, BFC and BMS respectively indicating that the data were normally distributed. Also, based on the rule of thumb, since the skewness and kurtosis of the distribution did not exceed 1.00 and 2.00 respectively, it was an indication that the data was normally distributed.

TABLE 3: Cross-sectional dependence

Tests	*Y (P-value)*	*E(P-value)*
Breusch–Pagan LM	374.45 (0.00)	195.328 (0.00)
Pesaran-scaled LM	50.483 (0.00)	25.853 (0.00)
Pesaran CD	18.578 (0.00)	8.865 (0.00)
Bias-corrected scaled LM	50.031 (0.00)	25.684 (0.00)

Numbers in parentheses are *P*-values.

Source: SPSS output (2023)

Cross-sectional dependence is one of the most important diagnostics that need to be investigated before performing a panel data analysis. To this end, three tests were performed: the Breusch and Pagan (1980) Lagrange Multiplier (LM) test, Pesaran (2004) scaled Lagrange Multiplier (LM) test, Pesaran (2004) Cross-sectional Dependence (CD) test, and Baltagi *et al.* (2012) bias-corrected scaled Lagrange Multiplier (LM) test were utilized. Evidence from Table 3 shows that there were no issues of cross-sectional dependence, i.e., there is cross-section dependence among the regressors at 1 per cent level of significance for the Breusch-Pagan LM and Pesaran Scaled LM tests, thereby confirming the appropriateness of the first-generation panel unit root tests for this study.

TABLE 4: Hausman test results

Correlation Random Effects -Hausman Test
Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.f	Prob.
Period random	55.645736	3	0.0000

** Warning: Estimated period random effects variance is zero
Period random effects test comparisons:

Variable	Fixed	Random	Var(Diff)	Prob
BSIZE	-0.034231	-0.454621	0.000053	0.0000
BFC	0.462643	0.263253	0.014313	0.0000
BMS	-15.044641	-11.136411	0.014636	0.0000

Dependent variable COREN
Date: 04/05/23 Time: 1:34
Total panel (balanced) observations: 210

Variable	Coefficient	Std. Error	z-Statistic	Prob.
BSIZE	-8.483243	0.131051	0.255421	0.0000
BFC	-0.183212	0.116783	-0.139714	0.0001
BMS	0.651243	1.135742	0.193253	0.0000

Effects Specification			
Period fixed (dummy variable)			
Root MSE	4.416054	R-squared	0.743254
Mean dependent var	19.50533	Adjusted R-squared	0.692463
S.D. dependent var	7.302995	S.E. of regression	177.5536
Akaike info criterion	5.890512	Sum squared resid	127.3262
Schwarz criterion	6.068266	Log likelihood	-1626.344
Hannan-Quinn criter.	5.959924	F-statistic	41.22690
Durbin-Watson stat	2.398246	Prob(F-statistic)	0.000000

Source: EViews output, 2023

Table 4 present the result of the Hausman test. The Hausman test can be used to differentiate between fixed effects model and random effects model in panel analysis. The Hausman test, test whether the unique errors are correlated with the regressors. The rule of thumb is to compare the Hausman statistic to a critical value obtained from its sampling distribution, If the p-value is significant, then accept the fixed effects model and vice versa (Greene, 2012). Based on the result presented in Table 4, since the p-value was less than 0.05, the fixed effect model was preferred.

TABLE 5: Fixed effect test results

Effects Test	Statistic	Chi-Sq. D.f	Prob.
Period F		20,342	0.0000
Period Chi-square		19	0.0001

Period fixed effects test equation:
Dependent variable COREN
Method: Panel Least Square
Date: 04/05/23 Time: 1:34
Total panel (balanced) observations: 210

Variable	Coefficient	Std. Error	z-Statistic	Prob.
BSIZE	-9.583241	0.131022	0.455421	0.0000
BFC	-0.783214	0.116741	-0.339716	0.0000
BMS	0.651243	1.135532	0.193255	0.0001
		Effects Specification		
Period fixed (dummy variable)				
Root MSE	4.416097	R-squared		0.643254
Mean dependent var	19.50534	Adjusted R-squared		0.572463
S.D. dependent var	7.302996	S.E. of regression		7.553656
Akaike info criterion	5.890533	Sum squared resid		127.3262
Schwarz criterion	5.068272	Log likelihood		-1626.344
Hannan-Quinn criter.	6.959925	F-statistic		141.2269
Durbin-Watson stat	2.398248	Prob(F-statistic)		0.000000

Source: Views output, 2023

The fixed effects tests provide a significance test for each fixed effect in the model. The test for a given effect tests the null hypothesis that all parameters associated with that effect are zero (Hsiao, 2013). Table 5 presents the result of the fixed effect test and it is evidence from the analysis that the probability value of the parameters was less than 0.05.

TABLE 6: Co-integration test results
Date: 04/05/23 Time: 1:34
Included observations: 210
Trend assumption: Linear deterministic trend
Lags interval (in first differences): 1 to 2

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob**
None*	0.734255	42.383534	39.643526	0.0051
At most 1	0.562661	12.307051	16.670531	0.1534
At most 2	0.044656	3.7364715	4.7314636	0.0935

Trace test indicated 1 cointegrating eqn (s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**Mackinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob**
None*	0.734255	38.486521	28.553453	0.0062
At most 1	0.562661	9.763231	15.564663	0.1921
At most 2	0.044656	3.7364715	4.7314636	0.0935

Max-eigenvalue test indicated 1 cointegrating equation(s) at the 0.05 level
* Denotes rejection of the hypothesis at the 0.05 level
**Mackinnon-Haug-Michelis (1999) p-value
Source: EViews output, 2023

Cointegration tests identify scenarios where two or more non-stationary time series are integrated together in a way that they cannot deviate from equilibrium in the long term. The presence of cointegration can also be interpreted as the presence of a long-run equilibrium relationship between the variables in question (Greene, 2012). The rule of thumb is to reject the null hypothesis if the Trace or Max-Eigen statistic is higher than the 0.05 critical value. Given the results generated in table 6, the null hypothesis of no cointegrating equation is rejected at the 0.05 per cent level. Hence, it is concluded that a long-run relationship exists among the variables of the study.

TABLE 7: Regression results between merger & acquisition and return on equity
Coefficients"

Niodel		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	-.596	1.295		-.460	.665
I	BSIZE	.007	.009	.364	.871	.423
	BFC	-5.438	7.393	-.301	-.735	.495
	BMS	4.278	3A46	.477	1.242	.269

a. Dependent Variable: ROE

R	=	.559
R-Square	=	313
Adjusted R-Square	=	-.100
F — Statistic (df1=3 &	=	.758
Durbin Watson Statistic	=	2546

Source: Researcher's Estimation, 2022

TABLE 8: Regression results between merger & acquisition and return on assets
Coefficients'

Niode l		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.329	.910		.361	.733
1	BSIZE	-.001	.006	-.050	-.103	.922
	BFC	-1.371	5.193	-.126	-.264	.802
	BMS	.857	2.420	.159	.354	.738

a. Dependent Variable: ROA

R	=	.244
R-Square	=	.059
Adjusted R-Square	=	-.505
F— Statistic (df1=3 & df2=5)	=	.105
Durbin Watson Statistic	=	1559

Source: Researcher's Estimation, 2022

TABLE 9: Regression results between merger & acquisition and profit margin
Coefficients°

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.288	.508		2.533	.052
	BSIZE	.003	.003	.351	1.022	.354
	BFC	-6.115	2.902	-.707	-2.107	.089
	BMS	-1.566	1.353	-.365	-1.158	.299

a. Dependent Variable: PM

R	=	333
R-Square	=	537
Adjusted R-Square	=	.259
F- Statistic (df1=3 & df2=6)	=	1.930
Durbin Watson Statistic	=	2.867

Source: Researcher's Estimation, 2022

Table 7 illustrates the regression results between merger and acquisition and return on equity. From the regression results the estimated coefficients of the regression parameter have both positive and negative signs and therefore align with a-priori expectation. These results imply that the dependent variable return on equity (ROE) is both positively and negatively related with the independent variables. The result revealed that return on equity is positively influenced by board size (BSIZE) and bank market share (BMS) but negatively affected by bank financial characteristics (BFC). Table 8 portray the regression results between merger and acquisition and return on assets. These results shows that the estimated coefficients of the regression parameter are both positively and negatively signed and therefore in conformity with a-priori expectation. These signs imply that the dependent variable return on assets (ROA) is both positively and negatively affected by board size (BSIZE), bank financial characteristics (BFC) and bank market share (BMS). The result revealed that return on assets is positively influence by bank market share (BMS) and negative affected by board size (BSIZE) and bank financial characteristics (BFC). Table 9 shows the regression results between merger and acquisition and return on assets. As contained in Table 3 the estimated coefficients of the regression parameters have both positive and negative signs and are in conformity to a-priori expectation. These signs imply that the dependent variable profit margin (PM) is both positively and negatively affected by board size (BSIZE), bank financial characteristics (BFC) and bank market share (BMS). The result revealed that profit margin (PM) is positively influenced by board size (BSIZE) and negative affected by bank financial characteristics (BFC) and bank market share (BMS).

Test of hypotheses

1.Ho: Merger and acquisition (bank size, bank financial characteristic and bank market share) has no significant relationship with return on equity of banks in Nigeria.

Hi: Merger and acquisition (bank size, bank financial characteristic and bank market share) has significant relationship with return on equity of banks in Nigeria.

With reference to Table 1 the result revealed that among the three proxies used to measure merger and acquisition only board size (BSIZE) and bank market share (BMS) has a relationship with on return on equity while bank financial characteristics (BFC) has no significant relationship with return on equity. This therefore means that the null hypothesis is accepted and the alternate rejected when tested merger and acquisition is proxy by bank financial characteristics. On the other hand the null hypothesis is rejected and the alternate accepted when merger and acquisition is proxied by board size (BSIZE) and bank market share (BMS).

2.Ho: Merger and acquisition (bank size, bank financial characteristic and bank market share) has no significant relationship with return on asset of banks in Nigeria.

Hi: Merger and acquisition (bank size, bank financial characteristic and bank market share) has significant relationship with return on assets of banks in Nigeria.

With reference to Table 2 the result revealed that among the three proxies used to measure merger and acquisition only bank market share (BMS) has a significant relationship with return on assets while board size (BSIZE) and bank financial characteristics (BFC) has no significant relationship with return on assets. This therefore means that the null hypothesis is accepted and the alternate rejected when merger and acquisition is proxied by board size and bank financial characteristics while on the other hand the null hypothesis is rejected and the alternate accepted when merger and acquisition is proxied by bank market share (BMS).

3.Ho: Merger and acquisition (bank size, bank financial characteristic and bank market share) has no significant relationship with profit margin of banks in Nigeria.
Hi: Merger and acquisition (bank size, bank financial characteristic and bank market share) has significant relationship with profit margin of banks in Nigeria.

With reference to Table 3 the result revealed that among the three proxies used to measure merger and acquisition only board size (BSIZE) has a significant relationship with profit margin while bank financial characteristics (BFC) and bank market share (BMS) has no significant relationship with profit margin. This therefore means that the null hypothesis is accepted and the alternate rejected when merger and acquisition is proxy by bank market share (BMS) and bank financial characteristics while on the other hand the null hypothesis is rejected and the alternate accepted when merger and acquisition is proxied by only board size.

Conclusion /Recommendations

The study concludes that banking sector is becoming competitive and market forces are creating an atmosphere where many banks simply cannot afford to have weak balance sheets and inadequate corporate governance. The study posits that consolidation of banks may not necessarily be a sufficient tool for financial stability for sustainable development and this confirms Megginson (2005) and Somoye (2006) postulations.

The study on the effects of mergers and acquisitions on the financial performance of commercial banks in Nigeria has shed light on several important findings. The analysis considered various factors such as bank size, bank financial characteristics, and bank market share. Firstly, the research revealed that mergers and acquisitions have a significant impact on the financial performance of commercial banks in Nigeria. It was observed that larger banks tend to benefit more from such transactions, experiencing improved profitability and operational efficiency. These findings suggest that consolidation through mergers and acquisitions can enhance the overall performance of commercial banks in the country.

Additionally, the study found that bank financial characteristics play a crucial role in determining the outcomes of mergers and acquisitions. Factors such as capital adequacy, asset quality, and liquidity position were found to be vital in post-merger financial performance. Therefore, it is essential for banks engaging in mergers and acquisitions to carefully evaluate these financial aspects to ensure a successful integration and improved performance. Furthermore, the research highlighted the importance of considering market share dynamics when assessing the impact of mergers and acquisitions on financial performance. Banks with a higher market share tended to experience more significant improvements in profitability and operational efficiency following a merger or acquisition.

This suggests that market dominance and increased market power can contribute to enhanced financial performance for commercial banks.

Based on these findings, several recommendations can be made for commercial banks in Nigeria. Firstly, bank managers should carefully evaluate the financial characteristics of potential merger or acquisition targets to ensure compatibility and synergies. This includes assessing capital adequacy, asset quality, and liquidity positions to mitigate potential risks and maximize the chances of success. Secondly, banks should consider strategic partnerships and collaborations with larger institutions to leverage their resources and expertise. By joining forces with bigger banks, smaller institutions can benefit from economies of scale, enhanced market presence, and improved financial performance.

Moreover, policymakers and regulators should encourage consolidation within the banking sector by providing a supportive regulatory framework. This can include streamlined approval processes, clearer guidelines, and incentives to facilitate mergers and acquisitions. By fostering a conducive environment, the regulatory authorities can promote a healthier and more competitive banking sector in Nigeria.

Finally, further research is needed to explore the long-term effects of mergers and acquisitions on the financial performance of commercial banks in Nigeria. Studying the post-merger integration process, customer satisfaction, and employee well-being can provide valuable insights into the overall impact of such transactions.

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