KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

DEPARTMENT OF ACCOUNTING AND FINANCE

THE EFFECT OF MERGERS AND ACQUISITION ON BANKS FINANCIAL PERFORMANCE IN THE GHANAIAN BANKING INDUSTRY

(A CASE STUDY OF FIDELITY BANK AND PROCREDIT SAVINGS AND LOANS)

By

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DECLARATION

I hereby declare that this submission is my own work towards the MBA Finance and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in text.

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Abstract

The study intended to determine if merger and acquisition have a detrimental or positive influence on the performance of Fidelity Bank over a defined time by assessing the bank's financial metrics. Trend, correlation, and regression analysis were used to determine the extent to which the selected bank's performance was influenced before and after acquisition. In the trend study, Fidelity Bank Ghana Limited had a steady increase in revenue and assets before acquisition. The analysis also discovered that the bank's revenue increased significantly at the time of purchase, but witnessed a little decline in percentage between 2014 and 2015 after acquisition. Net profit margin and mergers & acquisitions have a negative association. According to the research, there is a negative association between net profit margin and age and size. The findings demonstrated a negative link between mergers and acquisitions and return on assets. The conclusion is statistically insignificant, with a weak connection between the two variables, suggesting that mergers and acquisitions result in a minimal decline in return on assets. Bank size and age also had a negative association with return on assets, which was statistically significant. The results show a statistically insignificant positive relationship between mergers and acquisitions and return on equity. Bank size and age also had a negative association with return on assets, which was statistically significant. It is advised that banks do not just focus on boosting volumes at any costs. They must also keep an eye on the resources employed to attain these goals. According to the conclusions of this investigation, banks should embrace mergers and acquisitions as a business development strategy. Corporations could also employ other measures, such as retrenchment and reorganization, to cut acquisition costs.

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CHAPTER ONE

INTRODUCTION

1.1 Background

The Bank of Ghana (BoG) has implemented several banking reforms in recent years, resulting in an increase in merger and acquisition activity (M&A) (Kofi *et al.*, 2021); among banks as an option to meeting derivatives In most organisations, both business and governmental, mergers and acqusistions have grown into a commonplace. Among those companies that have participated in this phenomenon are Airtel Tigo; the merger of Airtel and Tigo in 2017, The 1994 acquisition of Social Security Bank by Société Générale, the 2014 acquisition of Merchant Bank by Fortis equity fund Ghana, and Old Mutual's and Prudential Plc's acquisitions of Provident Life and Express Life, respectively, in the insurance business Dannex Pharmaceutical Company acquired the pharmaceutical businesses of Starwin Goods and Ayrton Drugs Manufacturing Limited. Despite all of the mergers and acquisitions that have occurred and continue to occur, the banking sector has the biggest number of mergers and acquisitions, which many analysts think is due to the recent increased interest in the local market (Singh and Das, 2018).

Banks serve a crucial part in our economy, and the banking industry has grown tremendously. The Bank of Ghana, the country's central bank, has implemented many reform projects throughout the years to assist strengthen the banking system.

Banks are important to an economy’s growth. The banking business is one of the areas that has seen substantial expansion and development during the previous two decades (Ibrahim and Alagidede, 2018). They serve as go-betweens for borrowers and savers of money. Because of their significance to the economy, there has been a necessity to control their activities and operations.

The Bank of Ghana, the country's central bank, has implemented many reform projects throughout the years to assist make the banking system more sustainable.

According to Ugolini (2020) bank merger occurs when two or more previously different banks combine to establish an entity. This assertion has been supported by Hachem and Sujud (2018), He went on to say that merger is the practise of uniting two or more separate enterprises to become one giant organisation, whereas acquisition is the process of capturing another company for the same objectives. This action might be hostile or amicable.

Mergers and acquisitions are divided into three sorts. They are horizontal, vertical, and conglomerate mergers (Maroof and Jawad, 2019). First, the horizontal merger and acquisition cartels two parallel firms in the industrial sector (Baker and Farrell, 2019). This form of merger and acquisition is motivated by the desire to strengthen the market. Second, a vertical merger and acquisition happens when two enterprises are held by the same company and are tied to the buyer's seller type. The manufacturer, for example, may agree to become a supplier. These businesses are often in various phases of production (Horváth and Szabó, 2019). Finally amalgamate mergers and acquisitions occur when two or more organisations with unrelated operations, either vertically or horizontally, join to form a single business (Hachem and Sujud, 2018b). Consider the 2005 merger of Procter & Gamble, the Consumer Goods Company, and Gillette.

In recent years, the Bank of Ghana has adopted various banking reforms, compelling banks to participate in mergers and acquisitions as a means of meeting regulatory criteria. In 2008, the Bank of Ghana set the minimum capital for banks at GHS 60 million, which was one of the significant changes. In 2013, this was increased to GHS 120 million. In 2017, the figure was raised to GHS 400 million. As a result of the modifications adopted throughout the years, banks have been contemplating merger and acquisition opportunities. Despite the fact the mergers and acquisitions are recognised to provide a number of advantages, it is also worth noting the empirical research has shown that mergers and acquisitions can lead to the institution's demise.

In October 1998, Fidelity commenced operations as a discount house with the purpose of become a world-class financial organisation that provides extraordinary returns for all stakeholders. Because of its creative and appealing investment product offerings, Fidelity Discount House garnered a large clientele. Customers desired a deeper and richer business relationship as a consequence of the quality of services offered, thus it was deemed suitable to enter the banking industry and get a universal banking licence on June 28, 2006.

On October 1, 2014, Fidelity Bank fulfilled its promise to assist to the expansion of the banking industry and, by extension, the Ghanaian economy by purchasing ProCredit Savings and Loans Company Limited (PCSL) from ProCredit Holding Germany (PCH) and the Dutch DOEN Foundation. PCSL was a non-bank financial institution that provided savings and lending services to individuals, small companies, and medium-sized organisations.

Following these approvals, Fidelity Bank bought out ProCredit Savings and Loans Company Ltd. for 100 percent. ("ProCredit Ghana") from its two present shareholders, ProCredit Holdings and the Dutch DEON Foundation.

The acquisition's goal was to allow ProCredit Ghana to transfer its excellent SME procedures and skilled people to Fidelity Bank in order to improve the bank's offerings to Ghanaian firms. The transaction strengthens the bank's position as the sixth largest in terms of deposits. It also places Fidelity Bank third in terms of branch network, with 80 branches and 300 agents. The combination is expected to benefit both Fidelity and ProCredit's clients and employees as they work together to help Ghana's business community (Damoah, Amankwah and Bennis, 2020).

1.2 Problem Statement

The number of mergers and acquisitions of both foreign and local institutions in the banking sector has been steadily increasing, resulting in a shift in bank ownership structure. The growth in M&A might also be linked to reasons such as the BoG's continual modification in laws surrounding the minimum capital needed to operate and the liquidity issues that many banks are facing. There is therefore a wide debate about the effects of M&As on the participating organizations. Glimne and Stålheim (2021) revealed that M&As creates synergies that ensure the interest of both the acquiring firm and the customers. A study by Hussaini *et al.* (2021) also held the view that M&As activities create agency problems which then lead to less than anticipated benefits. Conflicts of interest regarding pay-out policies between shareholders and managers are particularly obvious when the organisation generates a considerable quantity of free cash flow. The issue is how to persuade managers to spend the money rather than invest it at a loss or squander it via organisational inefficiencies. The notion established here appears to be paradoxical. Financial flexibility increases that offer management control over free cash flow may cause the firm's value to fall. This happens because it is impossible to ensure that managers would utilise their discretion over resources to benefit shareholders. Mergers and acquisitions are achieved, and how quickly the business begins to perceive the advantages in its performance. Fernández, Triguero and Alfaro-Cortés (2018) argue that M&As have an adverse relationship between profitability and shareholder's capital of the acquiring firm's management and shareholders hold different opinions because of the conflicting findings by the researchers on the subject. Analysts are unable to determine with clarity if combining two banks is a desirable understanding because to the disparities in findings (Balani, 2019).

This study will evaluate Fidelity Bank's financial indicators to determine whether M&A has a detrimental or positive influence on the bank's performance over a defined time period.

Mergers and acquisitions have a favourable impact on institutional expansion as a corporate strategy. However, it appears that there are several issues that banks confront when they combine or acquire another company. The research will determine if merger and acquisition have a detrimental or positive influence on the bank's performance over a certain period by assessing Fidelity bank's financial metrics.

1.3 Objectives of the Study

The main objective is to examine the effect of mergers and acquisition on the performance of the banking sector. The specific objectives are:

1. To examine Fidelity Bank's financial performance prior to the acquisition of ProCredit savings and loans.
2. To assess Fidelity Bank Ghana Limited's financial performance following the purchase of ProCredit savings and loans.
3. To examine if mergers and acquisitions affect bank performance.

1.4 Research Questions

Based on the objectives of the study stipulated above, the study explores to answer the following questions:

1. What is Fidelity Bank's financial performance previous to its acquisition of ProCredit?
2. What is Fidelity Bank Ghana Limited's financial performance after purchasing ProCredit savings and loans?

3. To what degree have mergers and acquisitions influenced the financial performance of Ghanaian banks?

1.5 Significance of the Study

The Bank of Ghana's decision to raise the minimum capital requirement for Ghanaian banks from GHS 120 million to GHS 400 million has compelled banks to pursue mergers and acquisitions in order to comply with the Bank of Ghana's recapitalized rule. This has compelled the commissioning of study to determine if mergers and acquisitions were efficient and effective decisions made by management and shareholders of impacted banks to satisfy the Bank of Ghana's recapitalization recommendations. As a result, the researcher will evaluate both post-merger and pre-merger financial performance. These insights will, in the long term, assist stakeholders such as shareholders in making informed decisions.

Investors who would like to invest in Fidelity bank will have hands-on information considering the bank's option of acquiring ProCredit. Furthermore, the research will help managers evaluate the profitability of bank merger and acquisition as a growth strategy. Managers of corporate entities would also comprehend the influence of post-merger and acquisition on firm efficiency and profitability; to effectively analyse the risks and rewards of using merger and acquisition as a company development strategy

Lastly, this study will contribute to the literature on bank mergers and acquisitions in the Ghanaian banking market; by offering pertinent information to other academics that wish to do more study in that topic.

1.6 The Scope of the Study

The scope of the probe has been narrowed to two banks that have been involved in a merger and acquisition process in Ghana over the past seven years (Fidelity Bank and ProCredit).

The Ghanaian banking industry has seen a number of mergers and acquisitions throughout the years. One of the most recent is the merging of seven indigenous banks (Unibank, Sovereign Bank, Beige Capital, Heritage Bank, Premium Bank, Royal Bank, and Construction Bank) to form Bank Ghana Limited. Omni Bank and BSIC Bank, First Atlantic Bank and Energy Commercial Bank, First National Bank (FNB) and GHL Bank.

Fidelity Bank and ProCredit were chosen for this study because they have been in existence for at least four years following their merger or acquisition transaction. As a consequence, the choice of these two banks met the criteria used in this study.

1.7 The Organization of the Study

This Chapter serves as the introduction to the research on the influence of mergers and acquisitions on bank financial performance in Ghana, utilising Fidelity and ProCredit as case studies. The backdrop highlighted some of the reasons why organisations, particularly banks, participate in mergers and acquisitions. The problem statement outlined potential challenges that may occur as a result of mergers and acquisitions. This chapter also examined the research aims, the significance of the study, and the scope of the investigation. The second chapter analysed the theoretical and empirical literatures on mergers and acquisitions from different scholars and publications. The technique employed in the study was detailed in Chapter three, and the findings were analysed in Chapter four. Finally, chapter five provided the study's summary of results, conclusions, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Definition of Merger and Acquisition

According to Aiginger and Rodrik (2020) merger occurs when a firms or more band together and combine their resources to accomplish a common goal. These corporations combine to produce a third entity.

Singh and Das (2018) also described as an occurrence in which a company's controlling ownership stake is lawfully taken over. The term takeover may refer to a forcible acquisition of a target company, but in merger and acquisition scenarios, the terms merger, acquisition, takeover, consolidation, and amalgamation are used interchangeably.

Renneboog and Vansteenkiste (2019) an acquisition is defined as the purchase of a target firm by an acquiring firm. He further emphasised that the purchase might result in either a friendly or aggressive takeover of the two companies.

2.1 Reasons for Mergers and Acquisition

According to (Baker *et al.*, 2019), there are four reasons why mergers and acquisition take place, and these include:

- **Management failure**: According to (Baker *et al.*, 2019), management failure is a major factor that necessitate merger and acquisition. They went on to clarify that shareholders who want to alter the management of an institution because it is not meeting their expectations might punish management in the long run by becoming engaged in a merger or acquisition to fulfil their expectations.

- **Financial Necessity**: (Baker *et al.*, 2019) had a take on the reason why financial necessity leads to merger and acquisition. According to them, financial need is a circumstance in which mergers and acquisitions occur as a result of financial trouble. As a result, the target company sees a potential benefit from combining.

- **Political**: Again, (Baker *et al.*, 2019) explained that firms could be politically motivated to either merge or acquire another firm. This, he claims, might be due to directions given by regulatory bodies in certain industries. Some of these instructions may include new requirements, including capital injections.
- **Speculative**: Speculative reason was explained by Baker *et al.* (2019), as a scenario in which the purchasing corporation regards the target firm as a commodity. As a consequence, the purchasing company approaches the target company based on the predicted benefits of combining or acquiring that company.

According to Ko *et al.* (2022), one of the major concept that leads to merger and acquisition in synergy. Thus, synergy is the interaction of two companies to provide a combined advantage higher than the total of the two enterprises functioning individually.

Appiah (2019) on the other hand, uncovered some of the reasons why mergers and acquisitions occur in the banking industry. These reasons are;

i. Savings on expenses
ii. Increasing revenue
iii. Risk mitigation
iv. Financial security

v. New construction with a high fixed cost
vi. The arrival of deregulation

vii. vii. Globalization

viii. viii. Shareholders are putting pressure on management to increase profit margins and return on investment.

2.2 Classifications of Mergers and Acquisition

Mergers and Purchasing may be divided into two types. That is both legal and economical. Horizontal integration, vertical integration, and conglomerate integration are three characteristics of the economic viewpoint. The legal category is concerned with the regulation of mergers and acquisitions by the government or state statutory authorities (Welch *et al.*, 2020). As a consequence, this research study assesses the economic value received by shareholders of acquiring and acquired firms.

2.2.1 Horizontal Merger

According to (Kumar, 2019) A horizontal merger happens when two or more firms in the same company or industry unite. This is particularly prevalent among competitors or organisations with the same target market sector, manufacturing capacity, and production lifecycle of a similar product. Fidelity Bank, for example, just acquired ProCredit savings and loans.

2.2.2 Vertical Merger

According to (Sokol, 2018), a vertical merger occurs between two or more companies operating in different industries or markets. Here, companies are acquired on different stages of production or distribution cycle. A vertical merger can either be backward or forward merger. A backward merger occurs when one firm buys another by going toward the product's maker, whereas a forward merger occurs when one company acquires another by moving toward the product's end customer.

2.2.3 Conglomerate Merger

This merger also occurs between companies that operate in different production or distribution cycle. According to (Witt, 2022), conglomerate merger links up companies that operate in different customer focus and its purpose is for diversification. One advantage of a conglomerate merger is that it allows the acquiring business to explore new markets or geographical areas. The amount of things that a corporation may sell has likewise increased.

2.3 Mergers and Acquisitions Theories

There are several reasons why organisations may opt to pursue external company expansion plans, however, the fundamental purpose of mergers and acquisitions is to raise the value of shareholder returns. Mergers and acquisitions can be classified into three types. These are the theories of value creation, non-value creation, and uncertain value creation.

2.3.1 Value Creating Theories

As the name connotes, Value creation ideas result in increased shareholder rewards. According to (Lu, 2022) "Synergistic effects caused by economies of size and scope, management progress, higher and sustained revenue growth, and monopolistic market dominance are the fundamental components of value creation theories."

2.3.1.1 Economies of Scale and Scope

Companies engage in mergers and acquisitions to cut manufacturing costs through economies of scale. According to (González-Torres *et al.*, 2020) the main and common reason for a company to engage into merger and acquisition is expansion. Therefore, the acquisition of another company is a faster way a company expands. (Mayer, 2021) Asserts that economies of scale are savings a large company gains from rendering services or producing products. (Böhm *et al.*, 2020) Also affirms that economies of scale enhances cost reduction in production. The authors go on to say that this is typical of horizontal mergers and acquisitions, and that fixed costs are dispersed throughout a vast volume of output. In institutions that offer services, the sharing of core services such as management and financial control, executive development, and top-level management.

Kwoka and Valletti (2021) Recommend mergers and acquisitions in the banking sector to increase economies of scale and breadth, leading in a wider client base.

2.3.1.2 Improvement of Managerial Efficiency

Some companies merge in order to have an effective management team. Niemczyk *et al.* (2022) Asserts that the improvement of managerial efficiency is a fundamental motive of mergers and acquisitions by companies. According to Lacal-Arántegui (2019), an improvement in management is the basis for the expansion of the operations of small companies thus leading to merge or acquire or be acquired. Therefore, large companies with high managerial skills transfer these skills to the acquired companies.

According to Naciti (2019), improvement of management efficiency is a result of two aspects; because acquirers may threaten managers' employment or monitor their performance, the first indicates that the market for corporate control is a significant component in improving management efficiency of the business to be bought. The second aspect is when the first aspect fails. The acquiring company intends to replace the management of the acquired company.

2.4 Value Destroying Theories

This comprise theories that do not bring forth in the returns of the shareholders. The hubris motive (winners curse), agency theory and the free cash flow theory contend the motives of mergers and acquisition (Brahma, Boateng and Ahmad, 2018).

2.4.1 Hubris Theory

According to Hossain, Pham and Islam (2021) Managers of the purchasing organisation frequently overestimate their capacity to turn around the acquired company. The over optimism demonstrated by acquiring company leads to erroneous decisions. Overconfidence among buying executives frequently results in overbuilding of the target firm, resulting in a bidding situation described as the "winner's curse" for the winning bidder. When the acquiring firm realises it overpaid for the target company, it fails.

According to Ahmed *et al.* (2020) when a firm's intentions regarding a merger or acquisition are made apparent, The target business's share price rises as a result of its shareholders' enthusiasm to sell their shares to the acquiring company at a high premium. This increases the chance of failure following a merger or acquisition.

2.4.2 Agency Theory

This idea claims that firm executives make decisions and take activities that benefit them personally rather than shareholders. Managers might therefore drive mergers or acquisitions for personal gain rather than to boost the value of shareholders' money.

According to Marks-Bielska (2021) When it comes to agency theory, both firm owners and managers are reasonable. Competing interests happens to exist between the Principal (owner) and the agent (manager) and that this conflict is said to be opportunistic behavioural assumption. The agency motive leads to agency problem where there is very little knowledge about what the other party knows in a particular transaction (Murray *et al.*, 2021).

2.4.3 The Free Cash Flow Motive

According to Kipkirui and Kimungunyi (2022), the level of free cash flow is the intensity of the liquidity in a particular company required to fund viable net present value investments or projects. He went on to say that there is a link between free cash flow and management discretion. Thus, as free cash flow increases, managerial discretion increases and vice versa. Relating this to managerial hubris theory, free cash flow theory states that otherwise well-intentioned managers of the acquiring company may make bad decisions because their decision-making quality is less tested than when there is no surplus liquidity (Mbuthia, Kiboi and Omurwa, 2021).

2.5 Uncertain Value Creating Theories

In contrast to both value creating and value destroying theories of merger and acquisition, some of the theories either create or destroy value. Therefore, there is a mixed outcome for the returns of shareholders. According to Irwin *et al.* (2022) unrelated diversification leads to uncertain value creating, tax considerations forms theories that breeds uncertainty in value creation when a company merges or acquire another company.

2.5.1 Unrelated Diversification

Unrelated diversification is when a company merges or acquire a company whose core business is different. This company strategy is referred to as conglomerate. According to (Barker *et al.*, 2021) unrelated diversification produces an uncertain outcome, which either create or destroy the returns of shareholders. In terms of value creation, the benefits of this hypothesis include operating synergies, positive NPV investments, increased debt capacity, and tax savings. The acquiring firm increases in terms of scale and breadth, resulting in a larger market share. However, the negative consequences of this theory emerge when the organisation attempts to pursue non-viable investments, poor resource allocation, and resource underutilization.

2.5.2 Tax Consideration

Many financial researchers have challenged the tax motivation due to its unclear outcomes. According to some academics, merger and acquisition may be used to get tax benefits. Hossain (2021) explained the correlation that exist between tax benefits and mergers and acquisitions in the sense that tax motive could have been a major factor behind the divestiture. According to Lortie (2019) a merger or acquisition deal is considered taxable to the shareholders if it involves acquiring another company's stock or assets in exchange for cash, notes, or any other non-equity considerations. Direct cash mergers and triangular forward or reverse mergers and acquisitions almost always involve a cash consideration of the acquired company's assets or shares. Acquiring firms seek triangular mergers to avoid tax obligations. Here, the acquired company may be merged into the acquiring company's operation. The instance in which the acquiring company uses it subsidiary to acquire the acquired company's asset or stock is referred to as the forward triangular merger and acquisition (Lessambo, 2021). The reverse triangular cash merger and acquisition occurs when the acquiring firm's subsidiary is integrated with the acquiring company's operations or its subsidiary, with the acquired company or its subsidiary surviving (Kumar and Sharma, 2019). This is considered a taxable deal of stock with cash. Consequently, in cash transactions, huge premiums are considered to compensate the tax benefits that accrued from the merger or acquisition (Shah and Devos, 2021). However, Sibbett and Dowsett (2022) asserts that the consideration of the tax benefits arising from merger or acquisition often depreciate the profits of the acquiring company. Hence, accommodating the benefits of cash and stock purchase for the tax motive produces mixed results as the tax savings of a given form payment represent the disadvantage of the other.

2.6 The merger processes

A merger can be initiated by one of the merging parties or by a third party, such as an investment bank, who stands to gain directly or indirectly from the merger. Negotiations might take place at the highest levels of management at the companies involved, as in the Ghana Breweries Limited merger, or directly with the target's shareholders. Management of the target firm is often intentionally bypassed when it is believed to be hostile to the merger proposal (Mullin *et al.*, 2020). If the target is a publicly listed company, the acquiring business may choose to make a public offer to buy all or a large portion of the target's stock, usually at a price higher than the current market price. The higher offer price is designed to persuade shareholders to sell their stock. If an outright merger is not possible, the objective may be to create a parent-subsidiary relationship gradually before attempting a merger. Acquisition of the target firm's shares or assets is one of the legal methods that one firm might utilise to acquire another firm (Chen, 2022).

However, as happened between Mesa Petroleum and Cities Service, these frequently spawn toxic takeover wars and strategies between the possible acquirer and potential target (Padfield, 2020) or between prospective acquirers, as in the case of RJR Nabisco's acquisition (Burrough and Helyar, 1990). In such cases, the target is usually overpriced, and the acquirer loses value following the merger.

2.7 Acquiring Target Firm's Stock

The most typical approach for combining ownership and management is for one business to buy all or a significant percentage of the voting shares of the other. As a consequence, the target business will most likely retain its identity in the early stages, and the two companies will have a parent-subsidiary relationship. This partnership may exist for a short time or for years before the actual merger occurs (Gendźwiłł, Kurniewicz and Swianiewicz, 2021). If the acquiring company does not receive 100 percent ownership in the initial transaction, it may find it necessary or desirable to increase its ownership level before initiating merger proceedings. Even if the acquirer/parent has the majority of the votes required to approve the merger, it may seek to decrease the minority holding further, which will have to be compensated in cash at an agreedupon price (Zwick and Jurinski, 2019).

The target's voting stock may be paid for in cash, acquirer shares, other instruments, or a combination of these. A cash stock acquisition can be completed in a private transaction between the acquiring business and a single or small group of shareholders. In the case of a publicly listed firm, the stock can be bought on the open market in stages at the current market price. A public offer can also be used to purchase it. This offer can be made with or without the knowledge and approval of the target company's management (Fahrurrozi *et al.*, 2020). If paid in cash, all capital gains resulting from the merger must be taxed.

In a share purchase, the acquiring business offers its own stock in exchange for a ratio that is typically expected to be appealing to the target's shareholders. As a result, both the acquired firm's and the acquirer's shareholders become shareholders in the surviving company. Apart from the possible advantages of the exchange itself, there may be considerable attraction in becoming part of a larger and more diversified company. Furthermore, when shares are acquired, taxation on any capital gains is postponed. In the long run, the idea of delaying tax payments may be enticing, but the possibility of joining a larger and more diversified organisation may not be. This is owing to the difficulties of managing larger and more diversified organisations, as well as the abovementioned perception that risk is minimised in more diverse enterprises.

2.8 Buying of the Target Firm's Assets

Buying a company's assets is an alternative to buying its stock. Because the ultimate purpose of purchasing shares is to gain access to these assets, this may appear to be a simpler and hence more rewarding option for the acquiring company. Instead of the cash being distributed immediately to the shareholders, the acquired firm receives it and distributes it to the stakeholders as a liquidation dividend when the company is liquidated. The purchasing business is thereby relieved of the formal merger processes, as well as the expenses and issues associated with minority interests (Jiang and Kim, 2020).

In reality, the purchase-of-stock option is typically a speedier and more efficient operation, as seen by its use in the great majority of cases. When there is an established market price for the stock, the basic challenge of valuing is greatly reduced. Purchasing stock is frequently used to bypass unfriendly management, and it may be done with little fanfare, via the impersonal channel of the stock market (Fournier and Eckhardt, 2019).

Because it obtains ownership of a company when it buys its shares, the purchasing corporation indirectly carries responsibility for both its debts and assets. However, with a direct acquisition of its assets, the acquiring business is not required to accept the liabilities, though this is typically part of the agreement, especially if the purchased company is in poor financial shape. Otherwise, the target firm is merely turning generating assets to cash; it is still responsible for meeting its own commitments.

Determination of a business's worth Analyzing a possible merger target firm entails assigning a monetary value to it. There is no such thing as a single monetary value for a corporation since the worth of a company is determined not only by its cash flow generation capabilities or the value of the claims it possesses, but also by its operating and financial features (Vazov, 2019). As a consequence, while evaluating a target business, a value range that is economically justifiable to the possible acquirer is determined. Within this cost range, the final price is agreed between the two managements. When selecting a fair price for a firm, several factors are carefully evaluated. However, assessing the essential parameters for this purpose is difficult at best. For example, the primary motivation for a merger may be to acquire managerial talents, excess capacity, or to augment a strong sales team with an amazing production unit. The synergistic impacts are difficult to quantify using the firms' historical data. Nonetheless, certain quantitative criteria are routinely employed to determine a firm's value (Taouab and Issor, 2019). These factors include:

2.8.1 Book Value

The book value of a company's net worth is the balance sheet amount of its assets less outstanding commitments, or its owners' equity. Book value does not represent the market value of a company's net worth because it is dependent on the prior cost of its assets. Such expenditures are rarely directly related to the organization's ability to earn money.

Although the book value of a company is not the most important factor, it may be used as a starting point for comparison with other analyses. Book values may give significant information, particularly if the plant and equipment are new (Alfaro *et al.*, 2020).

2.8.2 Appraisal Value

An unbiased evaluation company can determine a company's appraisal value. The methodologies of appraisers range substantially. This strategy is inextricably linked to the method of replacement cost. The weakness of this strategy is that the value of individual assets may have little relationship to the company's total capacity to generate earnings, and hence the firm's going concern value (Kaczmarek, 2019).

2.8.3 Stock Market Value

Another method for assessing a company's net worth is to look at its stock market value, as reflected by stock market quotes. If the stock is listed on a major stock exchange and is extensively traded, an estimated value can be determined using market data (Thakkar and Chaudhari, 2021). The reasoning is based on the fact that market quotes reflect investors' consensus on a firm's future cash flows and associated risks (Espinoza *et al.*, 2020).

2.8.4 Cash Flow Value

Using this method, the target must be valued by calculating the additional net cash flows available to the bidding firm. The present value of these cash flows will then be computed, and this amount will be the most that should be paid for the goal.

2.9 Empirical Related Literature

Several empirical studies have been undertaken over the years to explore the influence of mergers and acquisitions on corporate financial performance, particularly bank financial performance. Researchers have reached varied findings on the real impact of mergers and acquisitions of businesses. Some of these discoveries are described more below;

A study conducted by Mbuthia, Kiboi and Omurwa (2021) In an attempt to determine "the impact of merger and acquisition in the Ghanaian banking industry," Societe Générale-Social Security Bank (SG-SSB) of Ghana was used as a case study, and it was discovered that merger and acquisition in the banking sector resulted in better execution in the post-merger period as compared to the pre-merger period.

Hachem and Sujud (2018a) conducted study on the impact of mergers and acquisitions on the financial performance of the acquiring business in the Ghanaian economy His study purportedly focused on "Vodafone's takeover of Ghana Telecom." According to the study, "profitability, operating expense, and financial leverage decreased," but liquidity increased. These data demonstrated that post-acquisition performance improved in certain areas while declining in others.

An investigation into the impact of merger and acquisition on the financial efficiency of banks in Nigeria conducted by Dioha, Mohammed and Okpanachi (2018) was established that "it is more financially efficient during post-merger and post-acquisition periods than during pre-merger and pre-acquisition times."

Darayseh and Alsharari (2022) A similar study into the effects of merger and acquisition on the efficiency of financial intermediation in the Nigerian Banking industry discovered that there was an improvement in the competitiveness and operational efficiency of borrowing and lending in the post-merger within the Nigerian Banking industry based on data analysis.

A study conducted to investigate on the effects of mergers and acquisition on the financial performance of insurance companies in Nairobi Kenya by Kimetto, (2019) From 1995 to 2015, six insurance businesses out of forty were studied, and it was determined that there is a favourable association between merger and acquisition and company financial success.

Eghbal, Nabavi Chashmi and Yadollahzadeh Tabari (2020) However, research on the effect of merger and acquisition in the petroleum business confirmed that merger and acquisition had a favourable relationship with financial performance.

A study by Küçükkocaoğlu and Bozkurt (2018) on the influence of mergers and acquisitions in the banking sector on efficiency and profitability, it was revealed that many domestic mergers exhibited a large improvement in cost efficiency with a minor improvement in profitability. Crossborder mergers, on the other hand, showed little or no gain in profitability or cost efficiency.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the study's methodology. It includes the researcher's various techniques for collecting data for the project, study design, population and sample size, sampling strategy, data source, data type, and data analysis method.

3.1 Study Design

The case study method was used by the researcher for this investigation. Certain variables will be measured quantitatively. This approach was chosen due to the nature of the inquiry. To increase the credibility of the study, the researcher relied on pre and post-acquisition secondary information (financial statements) provided by Fidelity Bank on the firm's web publishing platform.

3.2 Study Type

The study employed descriptive and explanatory statistics to examine the collected data. The descriptive technique will aid in the graphical and numerical processes that will be used to summarise the studied data in an understandable and clear manner. Because the researcher's purpose was to collect information on events and phenomena, the descriptive statistics methodology was used, whereas the explanation method tried to evaluate the impact mergers and acquisitions had on shareholder value. These techniques enabled the researcher to analyse and interpret the findings of the investigation.

3.3 Study Area

3.3.1 Fidelity Bank

Fidelity aimed to become a world-class financial institution that delivers exceptional returns to all stakeholders. Professional and proactive people, cutting-edge technology, great Corporate Governance standards, in-depth understanding of the local market, and, most importantly, a Customer-Centric Culture

Fidelity began operations as a Discount House in October 1998. Fidelity Discount House drew a wealthy clientele and was known for her inventive and appealing investment product offerings, making her the preferred discount house. Our consumers sought a deeper and richer commercial connection as a result of the quality of services provided, making it appropriate to expand into the banking industry. We received a universal banking licence on June 28, 2006.

We have now become a household name in Ghana by keeping our pledge to make a difference in the lives of our stakeholders (shareholders, employees, customers, regulators, and the community as a whole).

We carefully selected and developed a team of high-caliber individuals with different talents and experience, and we spent extensively in technology and training to guarantee that we are on level with the finest in the world. We are always developing new products and services to fulfil the banking and financial demands of our present and prospective clients. Fidelity Bank contributes to the growth of the banking industry and, by implication, the Ghanaian economy.

We had already broken even six months after opening our doors for business, a remarkable performance that laid the path for our progress, which can be seen not only in our continually developing network of branches and mobile banking platform, but also in our strong foundation of pleased clients, but also for our industry accolades for customer service, digital product offerings, trade partnerships, human resources, corporate social responsibility, and overall best bank. Since our start, we have received over 60 accolades for excellence.

In order to fulfil her pledge to have an impact on the society, the Bank purchased ProCredit Savings and Loans Company Limited (PCSL) from ProCredit Holding Germany (PCH) and the DOEN Foundation of the Netherlands on October 1, 2014. PCSL was a non-bank financial firm that offered savings and lending services to individuals, small and medium-sized businesses, and large corporations.

The Bank's continuing expansion resulted in the July 2012 formation of Fidelity Asia Bank Limited (FABL) in Labuan, Malaysia as a wholly-owned Asian affiliate. FABL conducts offshore banking operations.

Fidelity Securities Limited (FSL), a wholly owned subsidiary of the bank, was established as the firm's investment banking department. FSL, formerly known as Fidelity Asset Management, provides advisory services, issues securities, raises capital, and manages client portfolios.

Fidelity, which is now a tier 1 bank, is determined to becoming a top 3 bank in Ghana with worldwide standards.

3.4 Study Population

Between 2012 and 2019, there were about eight (8) bank mergers and acquisitions in Ghana. Ecobank Ghana Limited and The Trust Bank, Access Bank and Intercontinental Bank, Merchant Bank and Universal Merchant Bank (Fortis), the consolidation of seven local banks (UniBank, Sovereign Bank, Beige Bank, Heritage Bank, Premium Bank, Royal Bank, Construction Bank) to form the Consolidated Bank Ghana Limited, First National Bank (FNB) and GHL Bank, OmniBank and BSIC Bank, First Atlantic Bank and Energy Commercial Bank, and First National Bank (FNB) and Energy Commercial Bank

3.5 Sampling Technique

Purposive sampling was the sampling approach employed in the sample selection. The researcher was interested in learning how Fidelity Bank's financial performance improved following the purchase, as well as the impact the deal had on the bank.

3.6 Sampling Size

The research is limited to Fidelity Bank Ghana Limited following the acquisition of ProCredit Savings and Loans. The financial statements of Fidelity Bank Ghana Limited covered six years, including three years before to acquisition from 2011 to 2013, and three years post-acquisition from 2014 to 2016.

3.7 Data Collection Tool

The primary source of information for this particular work was a financial statement for the period (pre-acquisition 2011 - 2013 and post-acquisition 2014 - 2016). The data utilised for the research came from the bank's financial records in their annual reports, which represented their financial status. The variables used in the study information were derived from these financial statements. Data were regarded as a homogenous set for calculating the impact of mergers and acquisitions on banks.

3.8 Data Analysis Method

The researcher used trend analysis and regression analysis to arrange, summarise, and analyse the data, which was then presented in tables. The researcher used trend analysis as a yardstick to evaluate and compare the banks' profitability performance in the three years preceding and following the transaction. The researcher used computed financial information from banks to perform the trend study (statement of financial position, statement of profit or loss, and other comprehensive income and cash flow statement).

In addition, data obtained for estimating the impact of mergers and acquisitions on bank performance was analysed using the Statistical Program for Social Sciences (SPSS) version 20 and the Microsoft Excel package. Net profit margin (NPM), return on assets (ROA), and return on equity are the proxies used to determine the impact of mergers and acquisitions on bank performance (ROE). The study included three models, each with its own set of measurements.

These models are presented below;

$NPM_{it} = \beta_0 + \beta_1 MA_{it} + \beta_2 SIZE_{it} + \beta_3 AGE_{it} + \varepsilon_{it}$

$ROA_{it} = \beta_0 + \beta_1 MA_{it} + \beta_2 SIZE_{it} + \beta_3 AGE_{it} + \varepsilon_{it}$

$ROE_{it} = \beta_0 + \beta_1 MA_{it} + \beta_2 SIZE_{it} + \beta_3 AGE_{it} + \varepsilon_{it}$

Where;

Table 1: Dependent and independent variables and their measurement

Variable	**Meaning**	**Measurement**
NPM	Net Profit Margin	After-tax profit split by interest income multiplied by 100

ROA	Return on Assets	Divide profit before taxes by total assets and multiply by 100.
ROE	Return on Equity	Profit after tax divided by total Equity multiplied by 100
MA	Mergers and Acquisition	Dummy, 1 for the post-acquisition time, and 0 for the pre-acquisition period
SIZE	Firm size	Total Assets' natural logarithm
AGE	Bank Age	Number of years these banks has operated in Ghana

3.7.1 Dependent and Independent Variables

To determine the impact of mergers and acquisitions on bank performance, the study used three dependent variables. Examples include net profit margin, return on assets, and return on equity. In most studies, the two most often used performance indicators are return on assets and return on equity.

As in previous studies, the independent variable in this study is mergers and acquisitions (MA), which is quantified as a dummy variable (Moctar and Xiaofang, 2014; Barnor and Adu-Twumwaah, 2015; Salami, 2015; Maama et al., 2017).

3.7.2 Control Variables

Control variables are other independent characteristics that may affect bank performance but are not the variable of interest in the research. The first control variable is the company's size. Researchers observed that a company's size has an effect on its performance. Larger banks, according to these studies, benefit from economies of scale and may engage in larger transactions with lower risk, which enhances their performance.

The age of the bank is the second control variable, which has also been mentioned as a possible indicator of bank performance. Banks that have been in Ghana for a long time understand the business, their clients' risk profiles, and the macroeconomic situation, and are able to take efforts to enhance their financial performance.

3.8 Conclusion

This chapter concentrated on the study's sample population and size, as well as how the data was collected and designed.

CHAPTER FOUR

ANALYSIS, PRESENTATION AND DISCUSSION OF DATA

4.0 Introduction

The study's findings are presented and discussed in this chapter. The findings will be divided into two sections. The first section deals with financial data gathered from Fidelity's financial statements in order to conduct a complete trend analysis for both before and post-acquisition performance. The obtained data was used in the second part to determine the influence of mergers and acquisitions on bank performance using the Statistical Software for Social Sciences (SPSS) version 20 and the MS Excel package.

4.1 Analysis and Presentation of Data

Fidelity Bank Ghana Ltd's pre-acquisition and post-acquisition performance was examined to see how the firms fared before to and after the purchase of the Pro Credit Savings and Loans. This section includes financial statistics such as total interest income, operating income, profit before interest and tax, profit for the year, total assets, total liabilities, and total equity. The overall annual income and total asset values are reported in Cedis. Table 1 shows the valuations of the banks before to purchase and after acquisition in Ghana Cedis (GHS).

4.1.2 Trend Analysis

Table 4.1 Selected income statements and balance sheet figures in thousands of Ghana cedis ***(GH¢000) for Fidelity Bank From (2011 to 2013).***

Variables	**Pre-Acquisition**		
	2011	**2012**	**2013**
Net Interest Income	47,838,723.00	80,376,000.00	117,407,000.00
Operating Income	79,583,057.00	138,879,000.00	195,419,000.00
Profit Before Interest and Tax	14,274,605.00	36,637,000.00	62,579,000.00
Profit for the year	9,699,351.00	27,674,000.00	43,877,000.00
Total Assets	1,029,926,986.00	1,333,031,000.00	1,689,670,000.00
Total Liabilities	974,358,538.00	1,212,419,000.00	1,535,667,000.00
Total Equities Attributable	55,568,448.00	120,612,000.00	154,003,000.00

Source: Fidelity Bank Ghana LTD; Financial Statement

According to Table 4.1 above, Fidelity Bank Ghana Limited saw consistent growth in revenue and assets prior to acquisition. The bank's net interest income climbed from GHS 47,838,723.00 in 2011 to GHS 80,376,000.00 in 2012 and then to GHS 117,407,000.00 in 2013. This indicates a 40% increase between 2011 and 2012. While net interest income increased between 2012 and 2013, it did so at a slower rate of 31.5 percent. Between 2011 and 2012, operating income climbed at a pace of 42.6 percent. However, operational income fell by 42.6 percent between 2012 and 2013, from 42.6 percent to 28.9 percent. Profit before interest and tax between 2011 and 2012, 2012 and 2013 was increased by GHS 22,362,395.00 and GHS 25,942,000.00 respectively. Profit for the year 2011, 2012 and 2013 was GHS 9,699,351.00, GHS 27,674,000.00, GHS 43,877,000.00 respectively and thus showed an increase of GHS 17,974,649.00 between 2011 and 2012 and GHS 16,203,000.00 between 2012 and 2013 representing 64.9% and 36% respectively.

Total Assets was increased by GHS 303,104,014.00 between 2011 and 2012 and GHS 356,639,000.00 between 2012 and 2013. The growth represents 22.7% and 21% respectively. Liabilities increased from 2011, 2012 and 2013 with amount of GHS 974,358,538.00 to GHS 1,212,419,000.00 and then to GHS 1,535,667,000.00 respectively. It was also found that the total equities increased from GHS 55,568,448.00 in 2011 to GHS 120,612,000.00 in 2012 and then to GHS 154,003,000.00 in 2013 representing 53.9% between 2011 and 2012, 21% between 2012 and 2013 respectively.

4.1.3 Trend Analysis

Table 4.2 Selected income statements and balance sheet figures in thousands of Ghana cedis (GH¢000) for Fidelity Bank From (2014 to 2016).

Variables	Post Acquisition		
	2014	**2015**	**2016**
Net Interest Income	186,242,000.00	369,612,000.00	356,184,000.00
Operating Income	326,027,000.00	551,845,000.00	461,208,000.00
Profit Before Interest and Tax	112,477,000.00	205,799,000.00	18,576,000.00
Profit for the year	81,912,000.00	147,734,000.00	14,711,000.00
Total Assets	3,020,283,000.00	4,113,812,000.00	4,173,602,000.00
Total Liabilities	2,635,457,000.00	3,609,869,000.00	3,680,255,000.00
Total Equities Attributable	384,826,000.00	503,943,000.00	493,347,000.00

Source: Fidelity Bank Ghana LTD; Financial Statement

It can be observed from Table 4.2 above that Fidelity bank Ghana Limited experienced growth in revenue and its assets after acquisition as compared to data extracted before acquisition. The bank's net interest income climbed from GHS 186,242,000.00 in 2014 to GHS 369,612,000.00 in 2015 and then significantly decreased to GHS 356,184,000.00 in 2016. Between 2014 and 2015, this is a 49.61 percent increase. While net interest income decreased at a 3.76 percent pace between 2015 and 2016, the rise in net interest income of 49.61 percent between 2014 and 2015 may be attributed to the acquisition's growth of customer base activities, but the modest 3.76 percent decrease could also be attributed to the expansion, which will result in high interest expenditures. Between 2014 and 2015, operating income climbed at a pace of 40%. However, operational income decreased by 19 percent between 2015 and 2016. Profit before interest and tax climbed by GHS 93,322,000.00 between 2014 and 2015, then declined by GHS 187,223,000.00 between 2015 and 2016. Profit for the year 2014, 2015, and 2016 was GHS 81,912,000.00, GHS 147,734,000.00, and GHS 14,711,000.00, respectively, representing an increase of GHS 65,822,000.00 between 2014 and 2015 and a decrease of GHS 146,023,000.00 between 2015 and 2016, representing a 44 percent and 9.9 percent fall, respectively. Between 2014 and 2015, total assets climbed by GHS 1,093,529,000.00, while between 2015 and 2016, total assets increased by GHS 59,790,000.00. The growth represents 26.5% and 1.4% respectively. Liabilities climbed from GHS 2,635,457,000.00 to GHS 3,609,869,000.00 and then to GHS 3,680,255,000.00 in 2014, 2015, and 2016. Total equities climbed from GHS 384,826,000.00 in 2014 to GHS 503,943,000.00 in 2015 before falling to GHS 493,347,000.00 in 2016.

4.2 Descriptive Statistics

Table 4.3 Descriptive Statistics of the Variables

	N	Minimum	Maximum	Mean	Std. Deviation
NPM	3	4.13	43.98	29.3606	21.94202

ROA	3	.45	5.00	3.0573	2.35080
ROE	3	2.98	29.32	17.8610	13.49673
MA	3	1.00	3.00	2.0000	1.00000
SIZE	3	9.50	9.60	9.5667	.05774
AGE	3	14.00	16.00	15.0000	1.00000
Valid N (listwise) 3					

Source: Estimated from SPSS 20

According to the statistics in Table 4.3 above, fidelity bank is able to maintain 29 percent of their interest revenue as profit after deducting all significant company running expenditures. Given the percentage rise at the time of purchase and the modest fall in profit after acquisition, the net profit margin of 29 percent looks to be extremely excellent. The second variable (return on assets) had a mean of about 3% following purchase, with a minimum of 0.45 and a high of 5.00. According to the findings, fidelity bank was only able to manage a 3% return on their total assets after purchase. After purchase, the return on equity gave a mean score of 17.86 percent, indicating that the sampled fidelity bank can earn 17.86 percent returns on shareholders' capital. However, the rate is less acceptable owing to the rate at which it rises. According to the findings of the mergers and acquisition variable, 2% of the fidelity bank fall under the post-merger and acquisition period, which includes the merger year itself. Bank size, as evaluated by the natural logarithm of total assets, ranges from 9.50 to 9.60, with a mean score of 9.57.

4.3 Correlation Analysis for Net Profit Margin

Table 4.4 Variables Correlation matrix

Correlations					
		NPM	**MA**	**SIZE**	**AGE**
NPM	**Pearson Correlation**	**1**			
	Sig. (2-tailed)				
	N	**3**			
MA	**Pearson Correlation**	**-.908**	**1**		
	Sig. (2-tailed)	**.275**			
	N	**3**	**3**		
SIZE	**Pearson Correlation**	**-.577**	**.866**	**1**	
	Sig. (2-tailed)	**.608**	**.333**		
	N	**3**	**3**	**3**	
AGE	**Pearson Correlation**	**-.908**	**1.000****	**.866**	**1**
	Sig. (2-tailed)	**.275**	**.000**	**.333**	
	N	**3**	**3**	**3**	
****. Correlation is significant at the 0.01 level (2-tailed).**					

Source: Estimated from SPSS 20

The data in Table 4.4 show a -.908 correlation between net profit margin and mergers and acquisitions. The result is statistically insignificant at .275, but it can be interpreted as implying that mergers and acquisitions reduce Fidelity Bank Ghana's net profit margins. According to the research, there is a negative association between net profit margin and age and size. According to the data, both the size and age of the bank reduce net profit margins.

4.4 Correlation Analysis of Return on Assets

Table 4.5 Correlation Variable Matrix

		ROA	MA	SIZE	AGE
ROA	**Pearson Correlation**	**1**			
	Sig. (2-tailed)				
	N	**3**			
MA	**Pearson Correlation**	**-.697**	**1**		
	Sig. (2-tailed)	**.509**			
	N	**3**	**3**		
SIZE	**Pearson Correlation**	**-.246**	**.866**	**1**	
	Sig. (2-tailed)	**.842**	**.333**		
	N	**3**	**3**	**3**	
AGE	**Pearson Correlation**	**-.697**	**1.000****	**.866**	**1**
	Sig. (2-tailed)	**.509**	**.000**	**.333**	
	N	**3**	**3**	**3**	**3**
****. Correlation is significant at the 0.01 level (2-tailed).**					

Source: Estimated from SPSS 20

The correlation analysis in Table 4.5 above reveals a negative relationship between mergers and acquisitions and return on assets. The outcome is statistically insignificant, with a weak correlation between the two variables, implying that mergers and acquisitions result in a negligible reduction in return on assets. Bank size and age also had a negative association with return on assets, which was statistically significant.

4.5 Correlation Analysis for Return on Equity

Table 4.6 Variable Correlation matrix

Correlations					
		ROE	**MA**	**SIZE**	**AGE**
ROE	**Pearson Correlation**	**1**			
	Sig. (2-tailed)				
	N	**3**			
MA	**Pearson Correlation**	**.678**	**1**		
	Sig. (2-tailed)	**.526**			
	N	**3**	**3**		
SIZE	**Pearson Correlation**	**-.220**	**.866**	**1**	
	Sig. (2-tailed)	**.859**	**.333**		
	N	**3**	**3**		
AGE	**Pearson Correlation**	**-.675**	**1.000****	**.866**	**1**
	Sig. (2-tailed)	**.526**	**.000**	**.333**	

	N	**3**	**3**	**3**	

****. Correlation is significant at the 0.01 level (2-tailed).**

Source: Estimated from SPSS 20

The correlation result shows a positive but statistically insignificant relationship between mergers and acquisitions and return on equity. Bank size and age also demonstrated a statistically significant negative relationship with return on assets.

4.6 Linear Regression Analysis and Discussion of Results

Table 4.7 Regression Analysis of Net profit margin

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	**1.000[a]**	**1.000**	**.**	**.**
a. Predictors: (Constant), AGE, SIZE				

Source: Estimated from SPSS 20

Table 4.8 Excluded Variablesa

Model	**Beta In**	**t**	**Sig.**	**Partial Correlation**	**Collinearity Statistics**
					Tolerance

1	**MA**	**.[b]**	**.**	**.**	**.**	**.000**
a. Dependent Variable: NPM						
b. Predictors in the Model: (Constant), AGE, SIZE						

Source: Estimated from SPSS 20

Table 4.9 Coefficients[a]

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	**(Constant)**	**-2478.110**	**.000**		**.**	**.**
	SIZE	**318.300**	**.000**	**.838**	**.**	**.**
	AGE	**-35.840**	**.000**	**-1.633**	**.**	**.**
a. Dependent Variable: NPM						

Source: Estimated from SPSS 20

At the 0.01 significance level, the data show a statistically significant positive relationship between mergers and acquisition and net profit margin, implying that mergers and acquisition are a substantial predictor of net profit margin. The findings suggest that mergers and acquisitions boost fidelity banks' net profit margins. Bank size demonstrated a favourable correlation between mergers and acquisition and net profit margin. The result is likewise statistically significant at the 1% significance level, indicating that the bank's client base increase has resulted in a larger net profit margin. The findings also suggest that ageing has a detrimental impact on net profit margins, albeit only at a statistically significant level.

4.7 Linear Regression Analysis of Return on Assets

Table 4.10 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**1.000[a]**	**1.000**	**.**	**.**
a. Predictors: (Constant), AGE, SIZE				

Source: Estimated from SPSS 20

Table 4.11 Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	**MA**	**.[b]**	**.**	**.**	**.**	**.000**
a. Dependent Variable: ROA						

b. Predictors in the Model: (Constant), SIZE, AGE

Source: Estimated from SPSS 20

Table 4.12 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-486.903	.000		.	.
	AGE	-4.558	.000	-1.939	.	.
	SIZE	58.361	.000	1.433	.	.
a. Dependent Variable: ROA						

Source: Estimated from SPSS 20

The table above shows how mergers and acquisitions affect bank return on assets. The total Rsquared value of 100% indicates that the independent variable can explain 100% of the variation in the dependent variable. The t-statistics probability is likewise statistically significant at the 1 percent significance level, indicating that the model is well-fit.

The results indicate a positive relationship between mergers and acquisitions and return on assets, as indicated by the omitted variable. However, the finding is statistically significant, indicating that mergers and acquisitions are a substantial predictor of return on assets. As a result, while bank mergers and acquisitions improve performance, such gains are statistically significant. The findings also show a positive and statistically significant relationship between bank size and return on assets, implying that larger customer bases are able to take on greater financial risk, allowing them to maximise profit. Furthermore, a larger customer base allows the bank to benefit from economies of scale, which improves profitability. The final control variable, Age, demonstrated a negative but statistically significant association.

4.8 Linear Regression Analysis on Return on Equity

Table 4.13 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000[a]	1.000	.	.
a. Predictors: (Constant), AGE, SIZE				

Source: Estimated from SPSS 20

Table 4.14 Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	MA	.[b]	.	.	.	.000
a. Dependent Variable: ROE						
b. Predictors in the Model: (Constant), AGE, SIZE						

Source: Estimated from SPSS 20

Table 4.15 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2875.100	.000		.	.
	SIZE	343.700	.000	1.470	.	.
	AGE	-26.340	.000	-1.951	.	.
a. Dependent Variable: ROE						

Source: Estimated from SPSS 20

The findings in Tables 4.13, 4.14, and 4.15 indicate a favourable link between mergers and acquisitions and return on equity. The conclusion is nonetheless statistically significant and suggests that mergers and acquisitions considerably impact return on equity. Bank size is positively associated with return on equity. The findings suggest that larger banks can generate a higher return for their shareholders than smaller banks. Finally, age has a negative correlation with return on equity.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provided a general summary and conclusion for the study, as well as recommendations for further studies. Based on the findings, recommendations have been made to better why there should be a need for mergers and acquisitions in the banking sector.

5.2 Summary

From the correlation and analysis it was found that:

In the trend study, Fidelity Bank Ghana Limited had a steady increase in revenue and assets before acquisition. The analysis also discovered that the bank's revenue increased significantly at the time of purchase, but witnessed a little decline in percentage between 2014 and 2015 after acquisition. Net profit margin and mergers & acquisitions have a negative association. The finding, while statistically insignificant, might be construed to suggest that mergers and acquisitions diminish Fidelity Bank Ghana's net profit margins. The findings indicate a negative relationship between net profit margin and age and size.

The results revealed a negative relationship between mergers and acquisitions and return on assets. The outcome is statistically insignificant, with a weak association between the two variables, implying that mergers and acquisitions result in a negligible drop in return on assets. Bank size and age also had a negative association with return on assets, which was statistically significant.

The findings demonstrate a statistically negligible positive association between mergers and acquisitions and return on equity. Bank size and age also had a negative association with return on assets, which was statistically significant.

Regression analysis was also performed, and the findings show that there is a statistically significant positive relationship between mergers and acquisition and net profit margin at the 0.01 significance level, implying that mergers and acquisition are a substantial predictor of net profit margin. As evidenced by the omitted variable, the results also reveal a positive association between mergers and acquisitions and return on assets. The result is however statistically significant which suggest that mergers and acquisition is a significant determinant of return on assets. The results show that there is a positive relationship between mergers and acquisition and return on equity. The result is however statistically significant and shows that mergers and acquisitions significantly influence return on equity.

5.3 Conclusion

The following conclusions were made from the study:

The study investigated the influence of mergers and acquisitions on the financial performance of the Ghanaian banking system. Trend, correlation, and regression analysis were utilised to measure the amount of influence on the selected bank's performance before and after purchase. The bank's financial research revealed that profits grew faster after the purchase in 2015. It was shown, in particular, that fidelity bank saw rapid revenue increase following purchase. After the transaction, the banks' total assets climbed considerably. This was owing to the purchase, which resulted in an increase in its consumer base. Furthermore, fidelity bank did well between 2014 and 2015 year following purchase, based on the indicators utilized in the trend study. However, during 2015 and 2016, the bank's performance suffered a modest drop, but it is still stronger than before the takeover. The correlation study revealed a negative insignificant association between NPM and ROA, except for ROE, which revealed a positive insignificant relationship. The regression findings also revealed that merger and acquisition activity had a positive and substantial influence on net profit margin (NPM), return on equity (ROE), and return on assets (ROA). The findings point to higher post-merger operating costs, as indicated by the negative relationship between mergers and acquisitions and net profit margin.

5.4 Recommendations

It is advised that banks do not just focus on boosting volumes at any costs. They must also keep an eye on the resources employed to attain these goals. According to the findings of this study, banks should embrace mergers and acquisitions as a business development strategy. Corporations could also employ other measures, such as retrenchment and reorganization, to cut acquisition costs.

As a result, the bank should invest their cash properly in order to fulfil the goal efficiently. The bank should strive to enhance and expand its assets for internal usage in comparison to its obligations. The paper also suggests that future studies cover other areas of bank performance such as liquidity and asset quality, as well as how mergers and acquisitions influence these performance measures.

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APPENDIX

Variables	Pre Acquisition			Post Acquisition		
	2011	2012	2013	2014	2015	2016
Net Interest Income	47,838,723.00	80,376,000.00	117,407,000.00	186,242,000.00	369,612,000.00	356,184,000.00
Operating Income	79,583,057.00	138,879,000.00	195,419,000.00	326,027,000.00	551,845,000.00	461,208,000.00
Profit Before Intere	14,274,605.00	36,637,000.00	62,579,000.00	112,477,000.00	205,799,000.00	18,576,000.00
Profit for the year	9,699,351.00	27,674,000.00	43,877,000.00	81,912,000.00	147,734,000.00	14,711,000.00
Total Assets	1,029,926,986.00	1,333,031,000.00	1,689,670,000.00	3,020,283,000.00	4,113,812,000.00	4,173,602,000.00
Total Liabilities	974,358,538.00	1,212,419,000.00	1,535,667,000.00	2,635,457,000.00	3,609,869,000.00	3,680,255,000.00
Total Equities Attrib	55,568,448.00	120,612,000.00	154,003,000.00	384,826,000.00	503,943,000.00	493,347,000.00

Year	NPM	ROA	ROE	Size
2011	20.2751	1.385982	17.45478	9.0
2012	34.43068	2.748398	22.94465	9.1
2013	37.37171	3.703623	28.491	9.2
2014	43.98149	3.724055	21.28546	9.5
2015	39.97002	5.002635	29.31562	9.6
2016	4.130169	0.445083	2.981877	9.6