

**A COMPARATIVE STUDY OF POST- ACQUISITION PERFORMANCE OF
ECOBANK AND ACCESS BANK GHANA LIMITED**

KNUST

BY

AKUA DANKWAAH BUADOOH

(BA Sociology with French)

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DECLARATION

I hereby declare that this submission is my own work towards the Masters of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

Akua Dankwaah Buadooh
(PG 3985715) Signature Date

Certified by:
Mr. Samuel Yaw Akomea
(Supervisor) Signature Date

Certified by:
Rev. Dr. Bylon A. Bamfo
(Head of Department) Signature Date

DEDICATION

I dedicate this work to my parents, Mr. and Mrs. Buadooh and the entire family.

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My appreciation goes to God Almighty by whose Grace this study has been completed successfully. I would also like to express my appreciation to my supervisor, Mr. Samuel Yaw Akomea of the Department of Marketing and Corporate Strategy, for his immense support and contribution towards this work. The final appreciation goes to my family and friends who have supported in prayers, cash and kind. God bless you all.



ABSTRACT

The global world has become a competitive market. The ultimate aim of most businesses is to grow the business. In such a competitive environment, businesses struggle to keep up with the ever changing trends and as such must adapt a strategic growth tool. Mergers and acquisitions have become one of the most commonly used growth strategies in firms in recent times with mergers and acquisitions. This study assessed the performance of Ecobank and Access Bank after their acquisitions of The Trust Bank and Intercontinental Bank Ghana respectively. A financial analysis of these banks before and after the merger was undertaken. In this study to ascertain whether the merger had affected their performance using some growth indicators in the banking industry such as the return on assets and return on equity as dependent variables, secondary data from published annual reports and PWC Banking Surveys were analysed using Statistical Package for Social Sciences (SPSS) for the data analysis and t-test statistics for testing the hypothesis. At the end of the study, the findings were that the returns on assets and equity were not positively influenced by mergers and acquisitions, and the banks' expected outcome of achieving synergy were also not immediately realised with respect to their shares of industry deposits and gross loans. As a recommendation, the researcher suggested that firms should concentrate on reducing their operation costs and focus on increasing their return on sales. Again, banks may have to come up with more innovative products and services, especially towards the niche market, to deviate from the normal services being offered by almost all the banks, and overcome the threat that new market entrants may pose to the existing ones.

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LIST OF ABBREVIATION

ABG -	Access Bank Ghana
CE -	Capital Employed
CONS -	Constant
ETI -	Ecobank Transnational Incorporated
GHS -	Ghana cedi
IBG -	Intercontinental Bank of Ghana
LBO -	Lending Buyout
LEV -	Leverage
M&A -	Mergers and Acquisitions
MBO -	Management Buyout
MEG -	Merger
NIM -	Net Interest Margin
NPM -	Net Profit Margin
OLS -	Ordinary Least Square
PAT -	Profit after Tax
PBIT -	Profit before Interest and Tax
PNDC -	Provisional National Defence Council
ROA -	Return on Asset
ROCE -	Return On Capital Employed
ROE -	Return on Equity
SD -	Standard Deviation
SGSSB-	Societe Generale- Social Security Bank
SPSS -	Statistical Package for Social Sciences
TA -	Total Asset
TE -	Total Equity
TOI -	Total Operating Income
TTB -	The Trust Bank
US -	United States
WTO -	World Trade Organisation

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Every organisation at one point or the other adapts a form of strategy to be able to remain competitive in the ever turbulent market; whilst others may adapt a strategy for survival in the industry they may find themselves in. Mergers and acquisitions form part of these corporate strategies. It is an aspect in corporate strategy which involves buying or acquiring a company to improve on its strengths without having to create a subsidiary. Acquisitions can either be within a particular sector or industry or a vertical integration, depending on the mode of growth an organisation wants, be it an organic or inorganic growth. Among the various reasons why organisations would opt for acquisitions, they include gaining technological know-how or geographical roll out to accumulate more markets, increase of their services and product portfolios as well as a mode of entry into a new or already existing market. For the purpose of this study, mergers and acquisitions will be used interchangeably to mean the same thing.

Historically, mergers are known to have occurred in „waves“. They are said to have occurred in waves because of the pattern in which these mergers occurred. A characteristic of all these waves is that they go up at a point of massive economic increase and fall at a time or period of depression. Also, a direct relationship is seen between these merger activities and external economic activities.

The United States has had its fair share of these waves beginning from the 1890's to 1905's as the first wave. The first merger wave was primarily geared towards monopoly, especially in the absence of anti-trust laws in the country. The first wave

peaked in the period of economic expansion following a decade of stagnation. In this period, there was a high rate in industrial production growth and a multiple amalgamation of producers within the sector. Some international brand names such as General Electric (GE), Du Pont and Coca Cola were established during these times.

The second wave occurred in the 1920's, which experienced a lot of horizontal and conglomerate mergers, with the emergence of „oligopoly“, where small firms merged to compete with the very best in the industry, making them the second best. It ended with a crash in the stock market and economic depression in 1929.

In the 1960's, the third wave emerged. It is also known as the conglomerate wave. Mergers were inspired by high stock prices in the dynamic U.S. economy and the strict enforcement of the anti-trust laws. To be able to thrive in the industry, managers of companies began to merge and acquire companies whose operations and line of work were entirely different from that of the acquirer's. Here, a lot of managers faced difficulties because they could not manage their newly acquired assets too well leading to failures.

The fourth wave occurred around the 1980's and 1990's. This period comprised of a very buoyant economy. Interest rates were very low, making acquisitions financing very accessible. Due to this, hostile tender offers erupted and quite a number of adventures and divestitures.

The fifth wave began around 1994. From the 1990's, the wave was characterised by a few occurrences. Slow market growth and very low interest rates. Again, the need for

more mergers and acquisitions increased because firms realised they needed to reduce costs especially when supply had exceeded demand, and the only way to be able to achieve this was to enjoy economies of scale. Again, globalization of products and services and the creation of the World Trade Organisation promoted capital mobility and brought down trade barriers. According to studies, recent occurrences give the hint that a sixth wave is likely to occur.

Until recently, mergers and acquisitions were not a popular thing in Ghana.(Oduro and Agyei, 2013). But in current times, various institutions have seen the need to acquire or merge with other financial institutions as a strategy to remain in the competitive financial market. There have been notable mergers and acquisitions among companies within the mining industry, brewery industry etc. The focus of this paper will be centred on the banking sector. This paper seeks to examine the post financial performance of Access Bank Ghana PLC after its acquisition of Intercontinental Bank in March 2012, as well as Ecobank Transnational Incorporated (ETI), after its acquisition of The Trust Bank (TTB).

1.2 Problem Statement

This study sets out to examine the financial performance of the banks before and after acquisition by analysing their financial statements over a period of time. The growth rate of these merged firms will also be ascertained and whether or not these mergers and acquisitions serve the purpose for which firms adopt it as a strategy. It is mostly accessed that mergers and acquisitions are corporate strategies adopted by firms to be able to increase shareholders' wealth, ultimately, as well as increase market power just to mention a few. Studies of mergers and acquisitions in Ghana appear to have a

research gap concerning this field with regards to existing works.(Adu-darko and Bruce-twum, 2014). Although there has been a reasonable number of research findings in the area of corporate acquisitions, academic work has not been able to produce some tangible empirical evidence in respect to successful post-acquisition performances and a general successful acquisition. (Sirower, 1997). This paper attempts to assess the financial performance of banks after they have merged with other banks, analysing their market shares and profitability levels, whether or not they automatically surge after the mergers or not. In addition, the study proposes recommendations on appropriate measures for improving on areas where performance is low.

1.3 Research Objectives

This study seeks to perform an assessment into the pre and post acquisitions performance in selected banks in Ghana. The objectives entail to;

- Compare the levels of profitability post-acquisition across a period of years,
- Examine the impact of the post acquisitions on general financial performance,
- Examine the factors that account for the dynamics in market shares and other performance indicators.

1.4 Research Questions

The following research questions will aid in guiding the study;

- What are the factors that account for the changes in performance indicators pre and post acquisitions?
- What impact do acquisitions have on the general performance of the institutions?
- Were these firms better off before the acquisition or have they deteriorated?

1.5 Significance of Study

The study will help top managers and heads of organization to be able to identify potential challenges they are likely to face and find the best solutions and tools in ensuring growth in their organization. It will also throw more light on the financial analysis so as to provide them with adequate information to help the organic growth of the organization.

The study will also help bring out some key challenges that come with these mergers and acquisitions that may be easily overlooked. The findings may also help interested investors stakeholders in planning before undertaking a merger or an acquisition.

The study will also contribute to existing literature on mergers and acquisitions, providing researchers, scholars as well as students access to more information and a better perspective on that particular subject.

1.6 Scope of the Study

This study examines and makes an assessment into the post –acquisitions performance in selected banks in Ghana. The study assesses the takeover of Intercontinental Bank by Access Bank Ghana Limited and The Trust Bank by Ecobank. Secondary data was used; therefore information needed for the research analysis was retrieved from the financial annual reports of the banks. The research data was collected from 2010 to 2016.

1.7 Limitations of the Study

The researcher will rely mainly on the information retrieved from the published annual reports and banking survey reports prepared by Pricewater Coopers (PWC), hence the validity of the conclusions may be limited to the extent to which the information is credible.

1.8 Organization of the Study

The research work is organised in five main chapters. The First Chapter, known as the introduction of the study covers the background of the study, the problem statement, research objectives and questions, the significance of the study, the scope of the study, methodology and organisation of the study.

Chapter Two reviews the literature of previous works done by other researchers related to this study to help establish information gathered on this research topic already as well as identify some research gaps too.

Chapter Three is the methodology which comprises of the research design, sources of data, unit of analysis, sample frame, size and technique, data collection instrument, pilot testing, data analysis and a brief profile of the case study to end it.

The Fourth Chapter is the presentation, analysis and discussion of the data collected. Chapter Five is a complete summary of findings, conclusion, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter talks about some major concepts of M&A, as well as definitions of related terms in the study such as mergers, acquisitions and performance. Other sections of the concepts such as the history, motives, occurrence and other terms related to the study will be reviewed.

The world is now a very competitive turbulent business environment. For a business to be able to survive, it may need to adopt some form of growth strategy as a response to the changing needs and wants of their customers and end users as well as ensuring their survival and continuity. A particular strategy may be selected depending on the many ways a firm would want to be profitable enough to grow revenues and gain market shares although a combination of strategies is allowed. (Brealey, Myers and Marcus, 2001). The growth decision may be organic or inorganic. An organic way of growing a firm can be known as internal development. It involves growing the firm from within by using internal resources. An inorganic growth of a firm involves the use of mergers and acquisitions (M&A), joint venturship and strategic alliances.

2.2 Overview of Banking in Ghana

Banks are financial institutions that receive deposits from the public and translates them into credit in the form of loan products and services to the public. The period of banking began in the colonial era in the then Gold Coast. Banks were set up to provide services to the then colonial administration. The Bank of the British West

Africa (now Standard Chartered Bank) was opened in 1896. The Colonial Bank (now Barclays Bank) was also established in 1916. The Ghana Commercial Bank was the first local bank established in 1953.(Akomea and Adusei, 2013)

After Ghana's independence in 1957, the Bank of Ghana was established. The Bank was created to handle the country's currency. Other financial institutions were also established to provide other different financial services by 1974. Some of these banks included the Agricultural Development Bank, Merchant Bank, National Investment Bank etc. By 1989, when the banking law (PNDC Law 225) had been enacted, other local banks were also brought into existence, including Ecobank, The Trust Bank, CAL Merchant Bank etc.

By 1992, most of the state owned banks had been made private. Due to this liberalization in the financial sector, a number of foreign banks entered the industry whilst the number of local banks also increased.

In 2004, the new Banking Act was introduced which brought about an adjustment in the minimum capital requirement. It was increased to GHS 60 million in 2008 and increased again in 2012, to GHS 120 million. The universal banking license was also introduced under this act, which paved the way for different types of banking services. Due to the new minimum capital requirement, banks began to merge with/ and acquire other banks; including Ecobank and the Trust Bank, Access Bank and Intercontinental Bank. There are currently 35 registered operating banks in Ghana as at August 2017.

2.3 Definitions of Merger and Acquisition Concepts

A merger occurs when corporations consolidate their resources to fulfil a common objective. (Sherman and Hart, 2006) defines merger as a combination of one or more companies in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm. Although the buying firm may be a considerably different organization after the merger, it retains its original identity. This consolidation can include a number of different transactions including tender offers, purchase of assets etc.

In a merger, both firms form a third entity after the consolidation and their respective owners remain as joint owners of the third newly formed entity.(Sudarsanam, 2003). (DePamphilis, 2011) defines mergers as a combination of two or more firms in which all but one firm legally no longer exist. A technical definition of the words from David L. Scott in Wall Street states in An A to Z Guide to Investment Terms for Today's Investor that a merger is a combination of two or more companies in which the assets and liabilities for the selling firm(s) are absorbed by the buying firm. Although the buying firm may be a considerably different organization after the merger, it retains its original identity.

An acquisition is an activity where a firm takes a controlling ownership interest in another firm, a legal subsidiary of another firm or selected assets of another firm. This may involve the purchase of another firm's assets or stock (DePamphilis, 2011). It is a form of corporate strategy or action in which a company buys and assumes control of another firm's ownership stakes. There are sometimes problems that may arise which include the probability of becoming a minor shareholder. To avoid this (Ross, 2004)

suggests that acquiring all the assets rather than acquiring stocks or shares of the selling firm is an alternative, although the cost of transferring the assets is high.

(Bititci, Carrie and McDevitt, 1997) define performance management as a process by which the company manages its performance in line with its corporate and functional strategies and objectives. (Bititci, Carrie and McDevitt, 1997) argue that performance management is at the heart of the efficient functioning of performance management. (Neely, Gregory and Platts, 1995) defines performance as the process of quantifying the efficiency and the effectiveness of an action. (Barney, 2001) explains that organizational performance can be achieved by the comparison of the value an organization creates by using its assets with the value owners of these assets expect to obtain.

2.4 Types of Mergers and Acquisitions

Mergers and acquisitions are generally grouped into horizontal, vertical and conglomerate. (Gaughan, 2007)

Horizontal Mergers and Acquisition

A horizontal merger is a business integration between two firms or companies operating within the same industry. It is the acquisition of one's competitor, since both firms involved function in the same industry, targeting the same group of customers too.

In a horizontal integration, a company acquires another firm that operates within the same industry. These companies may even be in direct competition and may share the same product line and market (Roberts and Wallace, 2016). Firms are of the view, that

merging with other firms within the industry will allow them a higher market power, although that may depend on the size of the firms involved, meaning, a merger between two relatively small companies may not be able to make a very strong effect on the market. By this, operations of the acquired firm are integrated into that of the acquiring company, consequently reducing general operating costs.

Vertical Mergers and Acquisition

Vertical mergers involve companies that operate at different levels of the supply chain.

In vertical mergers, companies acquire firms connected to their own supply chain.

Under this, there is the market extension merger and product extension merger.

According to The Economic Watch, a market extension merger is said to have taken place when two companies that deal in the same products but operate in separate markets come together. This style of merger is usually adopted to allow merging companies capture bigger markets and increase in their customer client base too. On the other hand, a product extension merger occurs when two firms that deal in products related to each other and operate in the same market come together. With this type of merger, firms that come together are able to bring their products together and penetrate the market hence gaining a larger access to a larger group of consumers.

Conglomerate Mergers

This type of merger involves companies from different industries. They usually have no common business area. Under conglomerate mergers, there is the pure conglomerate merger and the mixed conglomerate merger. Pure conglomerate mergers involve firms which usually have nothing in common whilst mixed conglomerate mergers involve

firms that have common products or markets. This is usually for product and market extensions.

(Soubeniotis *et al.*, 2006) include new form of upcoming mergers from the last decade. These new forms of mergers are also known as “going private transactions”.

Lending buyouts(LBOs): It is the buyout of all shares or the assets of a company which is already introduced to the stock exchange by investors through a transaction that is mainly financed through lending. After a buyout, the bought out company operates as a company with few shareholders.

Management buyouts(MBOs): This type of buyout occurs when a group of management executives buyout a part of the company’s shares. The remaining money is deposited in a bank usually as share capital or loans.

Unit MBOs: This is another form of buyout where a buyer or a group of buyers purchase a subsidiary company.

Reverse LBO’s: In LBO, a private firm buys a publicly traded company by lending or using leverage to buy all of the company’s stock. In reverse LBO’s, it involves the offering of shares to the public by a company that was initially take private during a lending buyout.

2.5 Motivation for Mergers and Acquisitions

Management workers and stakeholders of firms resort to mergers and acquisitions as a form of business strategy growth for many reasons. These reasons may vary depending on the firm and its objective and strategy. Some of these significant reasons may include the following;

Growth: According to (Sherman and Hart, 2006) generally, firms have two alternatives available to them when they decide to take a “growth decision”. There is the organic growth or the internal growth where the company invest their very own resources in creating avenues and other sources for expansion of the company.

This may usually take time and may even be effective depending on the available resources and capabilities the firm has and this may cause a delay especially when the firm is seeking to take an advantage of a window of opportunity in which it has a limited advantage (Gaughan, 2007). To avoid this, the best alternative is to grow inorganic; undertaking a merger or acquiring resources that may be relevant to the firm in achieving its goals. As concluded by (Andrade, Mitchell and Stafford, 2001), mergers and acquisitions just like the usual internal investments made, provide the platform for firms to increase their capital base.

Synergy: The business dictionary defines synergy as a state in which two or more things work together in a particularly fruitful way that produces an effect greater than the sum of their individual effects. (Naude *et al.*, 2002) defines synergy as the ability of two or more business units or companies to generate a greater value when they work together than they would if they were working apart. For companies to be able to achieve higher

profitability and win larger market shares, they resort to merging or acquiring other companies to achieve this. Business units are usually of the expectation that coming together with other firms will increase their present value by working together than working as different entities. Synergy is usually defined as the $1+1=3$ / $2+2=5$ phenomenon. Businesses anticipate that joining a company would help reduce certain costs including the avoidance of a duplication of common resources and operation, hence increasing their profit margins.

Economies of scale: Economies of scale refers to the benefits and cost advantages a firm enjoys because of its increase in size. This is why economies of scale can be seen as the end product of synergy. Because of the increase in size of the firm after a merger, certain costs are cut down and these firms are able to enjoy the economies of scale in their general operations; internal or external.

Displacement of inefficient management: An agency problem occurs when a person who has been entrusted a task to handle, pushes his or her own interests ahead of that of the trustee. This results in a conflict of interests resulting in an agency problem. When managers are tasked to act in the best interests of the shareholders, they are expected to do just that. In the event that management has done the opposite, shareholders may decide to get rid of non-performing managers through the process of mergers and acquisitions.

Risk diversification: Firms adopt mergers and acquisitions as a form of diverting and spreading their risks across board. A company that may be experiencing some form of

financial crisis may resort to mergers and acquisition to bring some form of stability to the firm.

Changes in technology and industry: In order for firms to be able to maintain its competitive advantage and maintain its market position, they must have the ability to move with the changing trends in taste, preference and technology too. With the emergence of new business, an introduction to new technology, cross-border trade systems and increased foreign competition (Andrade, Mitchell and Stafford, 2001), it is imperative on the part of management to seek for ways to adapt to these new systems.

Obtaining a new customer base: Every organisation seeks to expand its customer base and market in general at a point in time (Kreitl, Oberndorfer and J, 2004). By merging with the other firms, firms are able to expand their customer base by obtaining that of the acquired firms, hence an expansion of their previous market. In addition to these, other motives include empire building, mode of entry into new markets be it domestic or international, meeting stakeholders' expectation, etc.

2.6 Historical Overview of Mergers and Acquisitions

Over the last century, M&A activities have become popular as a tool for non organic growth in firms (Douglas, Nabisco and Cities, 1996). Existing literature on M&A provides evidence that mergers and acquisitions began in the U.S. back in eighteenth century and began in Europe in the nineteenth century (Focarelli *et al.*, 2002). Mergers and Acquisitions is said to have occurred in five different periods which are referred to as „waves“.(Sudarsanam and et al, 2003).

These occurrences are referred to as waves because of the patterns in which they occur. They appear during the lowest points, usually during recessions, gradually rise to its peak, and fall again to give rise to a subsequent wave.

The waves began from the 1890's to the 2000's. These waves also happened in industry clusters.

The first wave occurred between 1890 to 1905. It occurred as a result of the economic depression following a decade of economic stagnation. This wave was mainly characterised by merging for monopoly. Industrial production growth was a hundred percent. There was also a concurrent consolidation of producers within the sector, (horizontal consolidation). Firms in the U.S. tried to create monopolies by „forming trusts“- which was a form of horizontal integration. Some of these firms included the General Electric Company (GE), Du Pont and the United States Steel Corporation in 1901. Government enacted the anti-trust laws to prevent these anticompetitive behaviors which eventually caused the collapse of the first wave merger as a slowdown of the economy in 1903.(Seidu, 2008)

The second wave emerged in the 1920's. This period saw the small companies that were left behind during the creation of monopolies in the first wave, merging to become the second best in the industry, (Oligopoly). The mergence and surge of these companies allowed them to enjoy economies of scale and to be able to compete with the larger companies in the industry. This wave saw a lot of horizontal and conglomerate mergers. The market (stock) crash in 1929 and the depression brought the second wave to its end. The Second World War also brought down M&A

activities.(Roberts and Wallace, 2016)

The third wave began in the 1960's into the early 1970's. Companies began to find ways in diversifying their risks and practising expansion as a growth strategy. This period saw the emergence of conglomerates. Many major companies accepted this new standard, diversifying into new areas, both similar with their line of work, and even completely new ones. The third wave ended with the plan of the Attorney-General in splitting conglomerates in the early 70's, depriving many newly formed conglomerates of achieving their perceived benefits.(Vancea, 2011)

The fourth wave is also known as the takeover wave because it was mainly characterised by acquisitions and divestitures. This period began around the 1980's. The wave is known for the period of hostile tender offers and the implementation of LBO's as a form of financing mechanism. (DePamphilis, 2011). According to (McCarthy and Dolfsma, 2013), this period gave rise to the birth of „mega mergers“ and „super capitalism“.It is suggested that these mega mergers were driven by very favorable economic conditions and increased deregulation. Various corporate scandals and a collapse in the stock market caused the fourth merger wave to end in 1987. (McCarthy and Dolfsma, 2013)

The fifth wave period began around the 1990's to 2001. This period was characterised by globalization of products, services and capital markets. (Andrade, Mitchell and Stafford, 2001). The creation of the World Trade Organisation (WTO) aided in the promotion of capital mobility, helping to reduce trade barriers. New growth opportunities were opened due to the significant changes in technology and

telecommunication (Sudarsanam, 2003). Generally, the number of transactions kept soaring up due to these factors until the internet bubble burst on March 2000. (DePamphilis, 2011)

The sixth wave started around 2003. This wave was characterised by cross-border acquisitions and industry consolidations. Literature suggests that the sixth wave began in an attempt to reduce interest rates in the U.S. These low interest rates made M&A's attractive once again, making new players come on board; such as private equity acquirers. M&A activities heightened in 2006 with more than \$ 1 trillion spent on deals within the U.S. (Andrade, Mitchell and Stafford, 2001). By the late 2007, the new wave had begun to dwindle. This was because of the state of affairs within the credit markets and the fear of its negative ripple effect on the economy by business managers. (Wang and Moini, 2012) In view of this, credits and financing begun to tighten up, becoming rare and this affected M&A deals. These activities eventually brought the sixth wave to a halt by 2007. (Moeller and Brady, 2007).

2.7 The Merger and Acquisition Process

A process can be defined as a sequence of steps, that are usually interdependent/ linked, that are involved in achieving a specific result of the work.

(Sudarsanam, 2003) applies the five-stage model to elaborate the M&A process.

The five-stage model includes;

- Corporate strategy development
- Organizing for acquisitions
- Deal structuring and negotiations
- Post- acquisition integration
- Post- acquisition auditing

Corporate Strategy development: The process generally involves the following elements;

- Understanding the objective,
- Aligning the proposed strategy with the company's objectives,
- Evaluating the potential opportunities,
- Culture consideration,
- Reviewing structure and financing.

The corporate strategy development involves finding the best ways of expanding the number of businesses a firm owns. Business strategy seeks to help improve the business competitiveness in the market (Sudarsanam, 2003). Every business enters into a merger with the main aim of optimizing their existing value and profitability. They aim to obtain greater market shares, economies of scale and to generally improve on an overall competitive advantage post-merger. Before the merger, corporate institutions make sure that their objectives are made clear and are aligned. Other considerations are put in place considering the organisational cultures of both parties, as well as financing.

Organizing for acquisitions: Before an acquisition process has taken off, certain factors will need to be considered including;

The size, history and status of the organisation involved,

- The major products and strategies, mission and vision (whether or not it is in alignment with the other firm), □ Their client customer base system, □ Their legal status.

Deal Structuring and negotiations: After identifying and settling on a business target, contact is established and the mode in which the M&A transaction will be taken place is agreed on.

The deal process follows a number of processes to make it more effective. These processes involve;

- Starting the process with buyer/ seller,
- Establishing valuation and negotiation price,
- Negotiating the letter of intent,
- Deal structure and price,
- Deal completion. (Sudarsanam, 2003)

In starting the process, one must do well to obtain and gather concrete intelligence on the target. This is called „due diligence“ process, where a selected group of consultants, accountants and lawyers check the financial records and its strategic match. (Kusstatscher and Cooper, 2005). As a follow up, both parties involved settle on a negotiation price, suitable for all of them. Various forms of negotiations undergo concerning their intent, the deal structure etc. until its completion.

Post-acquisition integration: At this stage, measures are put in place to see to it that work processes, strategy and the overall systems of the organisation are integrated. It is anticipated, that expected outcomes are met and realized after the organisations are merged. (Sudarsanam and et al, 2003)

Post- acquisition audit and organisational learning: This is the final stage in the M&A process. It involves a thorough audit check into the whole process after acquisition has

been done. This is to ensure that everything was done properly as well as identify faults and loop holes during the process. With their recommendation after the audit, steps will be taken to correct these deficiencies.

2.8 Causes of Failures in Mergers and Acquisitions

Mergers are generally seen to be useful, especially because they involve the integration of two separate organisations. Mergers bring about increase in revenue, cost cuts etc. However, failures in mergers are also quite common. Research reveals that about 40%-80% of mergers fail. Some of the causes of these merger failures include;

Cultural differences: Before the merger, both organisations have their different organisational cultures in which they operate and the way they work and do things around their workplace. Post-acquisition, organisations expect its members to quickly adapt to new culture and ways of doing things, which may not go down too well with them. Organisational cultural conflicts may occur, which will eventually affect the general productivity and work attitudes. When these conflicts are not managed well, mergers may fail.(Buadee, 2015)

Power struggle: This usually occurs when the merger occurs between „unequal“s“. This means one organisation may be more dominant in terms of resources etc. than the other. When rules are not outlined well enough, internal power struggles may occur within the organisation, which may result in a failure in the merger.

Communication gap: When management fail to give clear information to workers and all stakeholders involved in the decision making process, it sends a negative signal to them. People begin to assume the worst and grapevine heightens that fear. This leads to

mistrust among work members, which will affect the overall productivity and decision-making process.

2.9 Related Studies

(Agyapong, 2015) in his study on the post- acquisition corporate performance of Amalgamated Bank/ Bank of Africa sought to find the main motive for the acquisition. He found out that it was to revamp the Amalgamated Bank as part of the recapitalization demand by Bank of Ghana. He concluded that the acquisition had achieved its objective of revamping Amalgamated Bank based on his findings. Based on his findings, he recommended that the Bank of Africa should take steps in improving the increasing non- performing loan ratio by employing measures such as invoice factoring and discounting.

(Prompitak, 2009) also sought to find out the impact of bank mergers and acquisitions on lending behaviour by commercial banks. From his analysis, he concluded that mergers had a great influence on interest margins and loan supply and therefore, these banks could make good gains through merger.

(Attablayo, 2012) in his study on Societe Generale- Social Security Bank (SG-SSB) of Ghana suggested that policies and measures adopted by managers ought to be checked, along with the overall operations and logistical structure towards an aim of acquiring bigger market shares. He concluded that the occurrence of M&A in the financial sector had had a significant impact post- merger period.

(Seidu, 2008) sought to find out the effect of mergers on the corporate financial performance of Guinness Ghana Breweries Limited. He concluded after his study that

the merger had not brought to the company the expected benefits apart from their changes in earnings per share and profit per share.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology for the research study. The chapter is made up of the research design and framework, research approach, population and sample size, sampling technique, data collection source, the data analysis and presentation and a brief profile of the case study as conclusion.

3.2 Research Design

A research design is a framework for conducting research. It puts into details specific procedures necessary for obtaining the information in answering the research questions and meeting the objectives of the study. (Mernard, 1991). The type of research design used for this study was the longitudinal study or panel study. It is a research design that employs the use of a repeated observation of the same data over a period of time. (Shadish *et al.*, 2002). A longitudinal study was used in analysing the financial statements and bank surveys of Ecobank and Access Bank over a period of more than five years.

3.3 Research Approach

This research study employed the use of quantitative approach. This approach involves a numerical approach into the data analysis. Quantitative research seeks to help test the relationship between variables and attempt to generalise a finding based on some statistics. (Burns, 2000). For this research, quantitative research was used to measure how financial performance had been affected in the banks after the merger, specifically the profitability level and whether or not the projected synergy had been achieved using

the share of industry deposits and gross loans and advances compiled by PWC Ghana from 2007 to 2016, as well as their published financial statements. An analysis of this data will help guide firms in improving on relevant areas including pricing and advertising effectiveness.

3.4 Population and Size

The study focused on Ecobank and Access Bank, mainly after their acquisitions of TTB and Intercontinental Bank. These banks were selected from the official list of operating banks in Ghana and as well as being on the Ghana Stock Exchange, which made the researcher's access to the needed information easier to get.

3.5 Sampling Technique

The researcher adopted the Convenience sampling technique in selecting the banks, especially when there had been other mergers within the industry including; United Bank for Africa (UBA) and Amalgamated Bank; Merchant Bank and Fortis Equity Fund Ghana; International Commercial Bank and First Bank of Nigeria, among others. The Convenience sampling was used in the selection of these banks because of their accessibility and proximity to the researcher, considering the limited time the researcher had. (Saunders, Lewis and Thornhill, 2012).

3.6 Data Collection Source

The main source for the collection of data was the secondary source of data. The secondary source of data includes data obtained from optional sources like books, published documents, reports, the web, journals etc. This refers to data that was collected by someone other than the user. (Cohen, Marian and Morrison, 2011). For the

purpose of the study, data was collected from the published financial statements and information derived from the Ghana Banking Surveys prepared by Pricewater Coopers Ghana, from 2005- 2016. Also, the use of semi- structured interviews were conducted with some senior managers in the banks to help throw more light on the research findings.

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3.7 Data Analysis Procedure

The data was analysed on financial ratios with SPSS to obtain graphs and tables. A descriptive analysis was conducted on the market shares of the banks. Also, the panel data approach was used for the analysis of the cross section data over a period of time using the panel data regression model written as; $Y_{it} = a + bX_{it} + \varepsilon_{it}$;

Where Y_{it} is the dependent variable, a and b are coefficients, x_{it} is the independent variable and ε_{it} representing the error term.(Rashid and Naeem, 2017). Standard deviation was also used in estimating the mean. For the testing of the hypothesis, the T- test was used.

Profitability ratios: They are financial ratios that are used to show a company's ability to generate income or profit. The ratios highlight how effective the company can be in managing its profit.(Kabajeh, Nu'aimat and Dahmash, 2012). Ratios help access the financial performance of a firm. These ratios include the Net Profit Margin (NPM), Return on Asset (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE); Leverage ratios. (Ongore and Kusa, 2013). The ratios were used to calculate the period before the merger as well as the subsequent years after the merger until 2016.

Net Profit Margin (NPM): The Net Profit Margin measures how much of the operating income the bank actually stores as profit. The NPM determines the part of the total income or operating which is realised. The higher the NPM, the better the control the company has over its costs, indicating a higher profitability. The NPM was measured by dividing the Profit before Interest and Tax (PBIT) by the total operating income (TOI), which was found in the financial statements of the banks.

Return on assets (ROA): The Return on assets (ROA) determines the extent to which a firm is profitable in relation to its assets. The ROA shows how well firms are able to use their assets in generating income. The ROA is computed as profit before interest and tax (PBIT) divided by the total assets (TA).

Return on equity (ROE): The ROE measures the profitability of one's business in relation to a percentage of shareholders equity. The ROE helps one to be able to determine how much money can be generated from the very least amount of money from the shareholders as profit. The ROE was measured by dividing the company's net income by its average shareholders' equity, or the profit after tax (PAT) divided by the total equity (TE).

Return on capital employed (ROCE): As the name implies, the ROCE measures the profit or returns a firm gains from the capital that it has employed. It is sometimes referred to as the „primary ratio“. The ROCE is calculated as Net profit before interest and tax (NPBIT) divided by capital employed (CE). The figures for CE are usually not directly stated in the financial statement; therefore, its figure can be generated by adding up share capital, retained earnings and long term borrowings.

Leverage ratio: The leverage ratio uses any of the several financial measurements under it to measure a company's debt load, such that the higher the debt ratio, for example, the higher the company's debts relative to its assets. In this study, the debt ratio was used to measure the level of leverage in the banks post-merger. The debt ratio was calculated by dividing the total liabilities by the total assets. The debt ratio is interpreted as; the lower the percentage, the lower the debt of the company, and vice versa.

Also, to determine the level of significance with the mean, before the merger took place and after the merger, in reference to the study. (Rashid and Naeem, 2017)

3.8 Brief Profile of the Case Study

Access Bank

The study covered the post-acquisition performances of Access Bank Ghana Limited and Ecobank Ghana Limited. Access Bank Ghana Limited is a subsidiary of Access Bank PLC., a parent company in Nigeria. Access Bank was incorporated as a private limited liability company in May 2009. The change of control process for the merger between Access Bank and Intercontinental Bank began in October 2011 and ended in 2012. Post-merger, Access Bank has been able to move up to be placed amongst the best seven banks in Ghana based on its total number of assets gained and now has fifty (50) branch locations in all the regions in Ghana. With its business model centred among four major strategic business segments; institutional banking, commercial banking, financial institutions and retail banking; the bank continues to strive to become the most respected bank in Africa. The stock of Access Bank Ghana is listed on the Ghana Stock Exchange as "ABG".

Ecobank

Ecobank Transnational Incorporated (ETI), a public limited liability company was established in 1985 as a bank holding company. It is a pan- African banking conglomerate, operating in about 36 African countries. In Ghana, Ecobank has its headquarters in the capital, Accra, in the Greater Accra Region. The bank is engaged in the provision of several financial services and banking. Ecobank Ghana Limited merged with The Trust Bank in 2011. In that year, Ecobank Ghana Limited had become the number one in terms of assets out of the total number of twenty six (26) banks that were operating in Ghana. Ecobank was furnished a total takeover of The Trust Bank at about two hundred and twenty (220) million Ghana cedis. The stock of Ecobank can also be found listed on the Ghana Stock Exchange as “EBG”.



CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

This chapter provides an elaborate analysis, discussion and a presentation of the researcher's results in relation to the work's objectives.

4.1 Financial Performance Analysis

The financial performance of a company refers to the level of performance of a business with regards to how well the business is performing in using its resources. Ultimately, the main objective of every organization is to make profit. Hence, a regular review or assessment of one's financial performance periodically will aid managers in planning and making adjustments to required segments where necessary. In conducting this financial performance analysis, firms usually consider certain factors including the cash flow, its borrowing and debt finance, profitability etc. To be able to measure these, organizations such as financial institutions, implore the use of financial ratios. These financial ratios are used to measure a firm's profitability, its liquidity, growth rate etc.

In this study, these ratios were used to measure the profitability of Ecobank and TTB, pre and post-acquisition, as well as that of Access Bank's. The debt ratio of the banks were also included as the control variables. The profitability ratios were used in the study to measure the growth levels in the banks, before and after their respective mergers or acquisitions. Also, the banks' shares in deposits and loans in relation to the banking industry were also used to determine whether the expected synergy was immediately realised. These ratios and shares were calculated using values obtained from the financial statements of Ecobank, TTB and Access Bank and the Ghana Banking Survey reports from 2005 to 2016.

- **Return on Equity (ROE):** The ROE measures the returns that goes to the ordinary shareholders. It calculates how much profit (in Ghana Cedi) a company generates with each cedi/ pesewa of shareholders' equity. The ROE is calculated by dividing the Profit after tax by the total equity. These figures can be found in the financial statements provided by these banks. It indicates how well the management is utilizing the shareholders' capital. The higher the ROE, the better it is for the institution.
- **Return on Asset (ROA):** The ROA shows how profitable a firm is as far as its total assets are concerned. It is also known as the net income. The ROA is calculated by dividing a company's Profit before tax (PBT) by its total assets (TA). These figures can also be found in the financial statements of the banks. The higher the ROA, the better it is for the company, generally.
- **Net Profit Margin:** The Net Profit Margin (NPM) determines the part of the total income or operating income which is realized profit. It measures how much of the operating income the bank actually stores as profit. The higher the NPM, the better the control the company has over its costs, indicating a higher profitability.
- **Debt ratio:** The debt ratio measures the ratio of total debts incurred by the company; both the short and long term debts and loans; to their total assets. It shows a company's ability to settle and pay off its liabilities and debts. The debt ratio is measured by dividing the total liabilities by the total assets.

4.2 Market Share Analysis

Market share is a company's total segment of sales ownership within the entire industry market in which it operates. Within a particular industry, there may be several key

players striving to own the larger portion of their target market. The larger the market share, the more benefits a company gains; better pricing from suppliers, longer credit periods from suppliers etc.

Market share analysis shows how well a company has been able to capture the larger part of the industry market as compared to its competitors.

In conducting this analysis, the banks' shares of industry deposits and gross loans are used (Lartey and Agyemang, 2014).

Table 4.2.1 Share of Industry Deposits From 2007-2016

YEAR	ACCESS BANK	IBG	ABG +IBG	ECOBANK	TTB	ECOBANK +TTB
2007	-	1.5%	-	8.9%	2.8%	11.7%
2008	-	3.5%	-	8.7%	2.3%	11%
2009	0.1%	3.4%	3.5%	10.5%	2.3%	12.8%
2010	0.8%	3.3%	4.1%	9.9%	2.3%	12.2%
2011	1.0%	3.8%	4.8%	10.7%	2.3%	13%
2012	2.6%	-	2.6%	13.0%	-	13%
2013	2.8%	-	2.8%	14.0%	-	14%
2014	1.6%	-	1.6%	8.5%	-	8.5%
2015	4.5%	-	4.5%	11.7%	-	11.7%
2016	4.1%	-	4.1%	12.1%	-	12.1%

Source: Ghana Banking Survey 2007- 2016

The table above represents the shares of Access Bank, Intercontinental Bank, Ecobank and The Trust Bank in relation to the industry's overall accumulation of deposits. From the table, Access Bank have no figures because it only started its operations in Ghana in August 2009. Before their entry into the Ghanaian market from

Nigeria, IBG was already operating in Ghana as a sole entity. From the table, IBG had had its fair share of deposits until the merger in 2012. Access Bank's shares before the merger were not too high as compared to that of IBG, but after the merger, Access Bank's shares increased more than a 100%. Subsequently, Access Bank has steadily increased in its percentage in shares, but dropped slightly in 2016. (PricewaterhouseCoopers(Ghana)Limited, 2017). The bank may have to develop new strategies in enticing their customers to make more deposits.

On the other hand, Ecobank has had a better share of the industry's deposits as compared to Access Bank. Before the merger, Ecobank was gaining a good percentage of shares as compared to TTB. After the merger in 2012, Ecobank had gained a share of 13%. It increased by 1% the following year. This may not have been the expected outcome, given the history of the bank's success in shares. In 2014, Ecobank's shares dropped to 8.5%. As compared to the previous years, the bank recorded its lowest shares in that year, which may not have been expected, especially because of the merger. In the subsequent years, the bank has been able to improve on its percentage in shares and this may be as a result of strategies that may have been implemented to improve on their deposits. The columns „ABG+ IBG“ and „TTB+ Ecobank“ suggests the estimated outcomes from the banks before the merger occurred. It shows what the banks assumed to gain as shares when they merged with the other banks.

Figure 4.2.1 Share of Industry Deposits for Ecobank and Access Bank

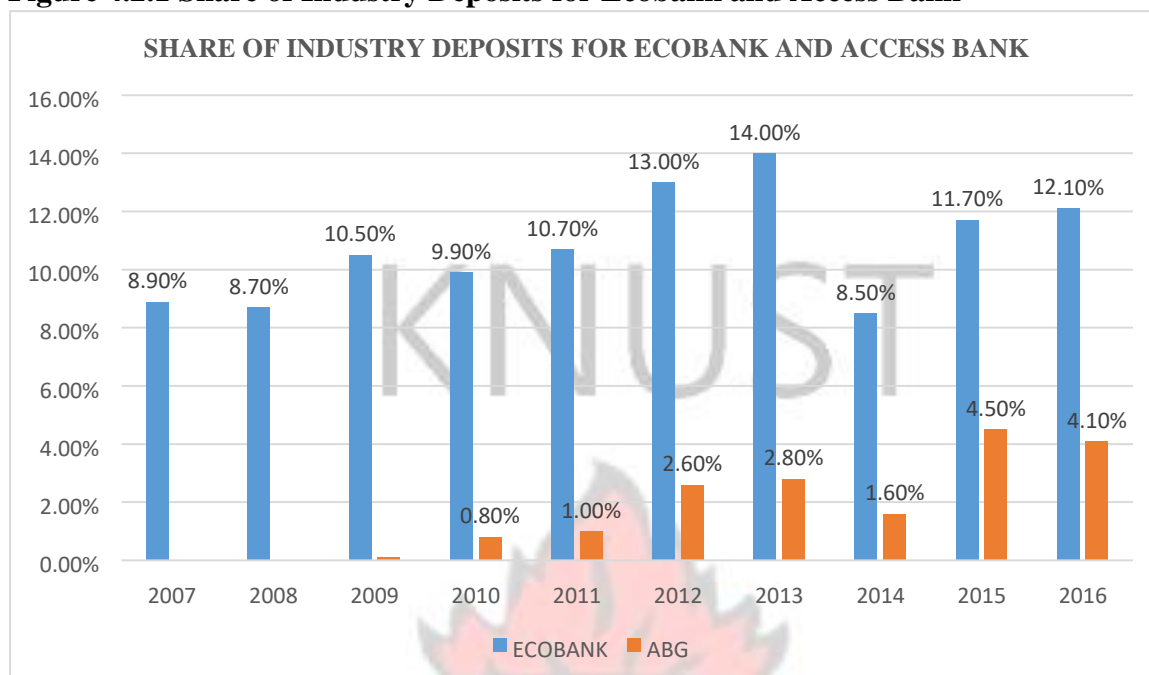


Table 4.2.2 Share of Industry Gross Loans From 2007-2016

YEAR	ABG	IBG	ABG+ IBG	ECOBANK	TTB	TTB+ ECOBANK
2007	-	1.0%	-	7.8%	2.9%	-
2008	-	3.2%	-	7.3%	3.0%	-
2009	0.2%	3.4%	3.6%	7.7%	2.8%	10.5%
2010	0.3%	3.9%	4.2%	7.4%	3.8%	11.2%
2011	0.9%	3.9%	4.8%	10.3%	4.1%	14.4%
2012	2.3%	-	2.3%	11.5%	-	11.5%
2013	2.7%	-	2.7%	13.5%	-	13.5%
2014	3.1%	-	3.1%	12.2%	-	12.2%
2015	4.8%	-	4.8%	12.4%	-	12.4%
2016	4.9%	-	4.9%	13.3%	-	13.3%

Source: Ghana Banking Survey 2007- 2016

The Access Bank entered the Ghanaian market and started operations in 2009. In 2012, Access Bank acquired IBG, acquiring both its assets and liabilities. Before the merger, Access Bank had a very low percentage in loans, until its merger with IBG, which

increased from 0.9% to 2.3% in 2012. ABG recorded its highest growth in loans by 1.4% in 2012. In the subsequent years, Access bank has increased steadily in its percentage points, and this may be as a result of the bank's growing confidence in the sectors involved as being less risky with shorter turnover periods. The columns „ABG+ IBG“ and „TTB+ Ecobank“ suggests the estimated outcomes from the banks before the merger occurred. It shows what the banks assumed to gain as shares when they merged with the other banks. Ecobank also acquired TTB's assets and liabilities by 2012. Before the merger, Ecobank was the leading bank in as the largest lender the country, and in 2012, the bank maintained its position as the highest lender in the industry by increasing its market shares by 1.2%. According to the Ghana banking survey's report in 2014, Ecobank recorded the highest growth in loans, recording a 53% growth from 2012 to 2013. It attributed this success to the bank's commitment in business growth. In 2014, Ecobank had a slight decline in its share of loans and advances. This could be attributed to the unfavourable macroeconomic factors affecting businesses and the risk uncertainties associated with them. In the subsequent years, Ecobank increased its percentage points gradually.

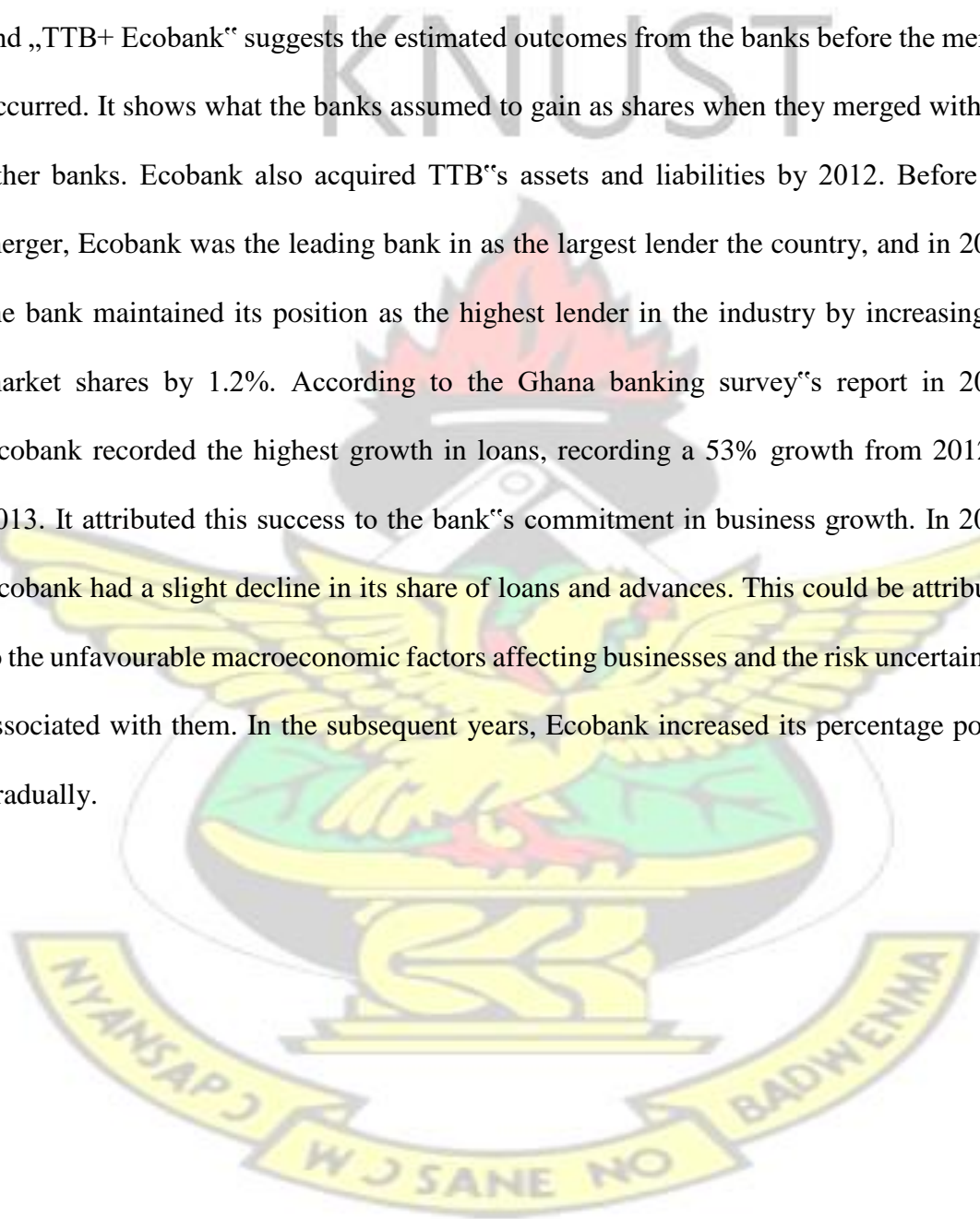


Figure 4.2.2 Share of Industry Gross Loans for Ecobank and Access Bank

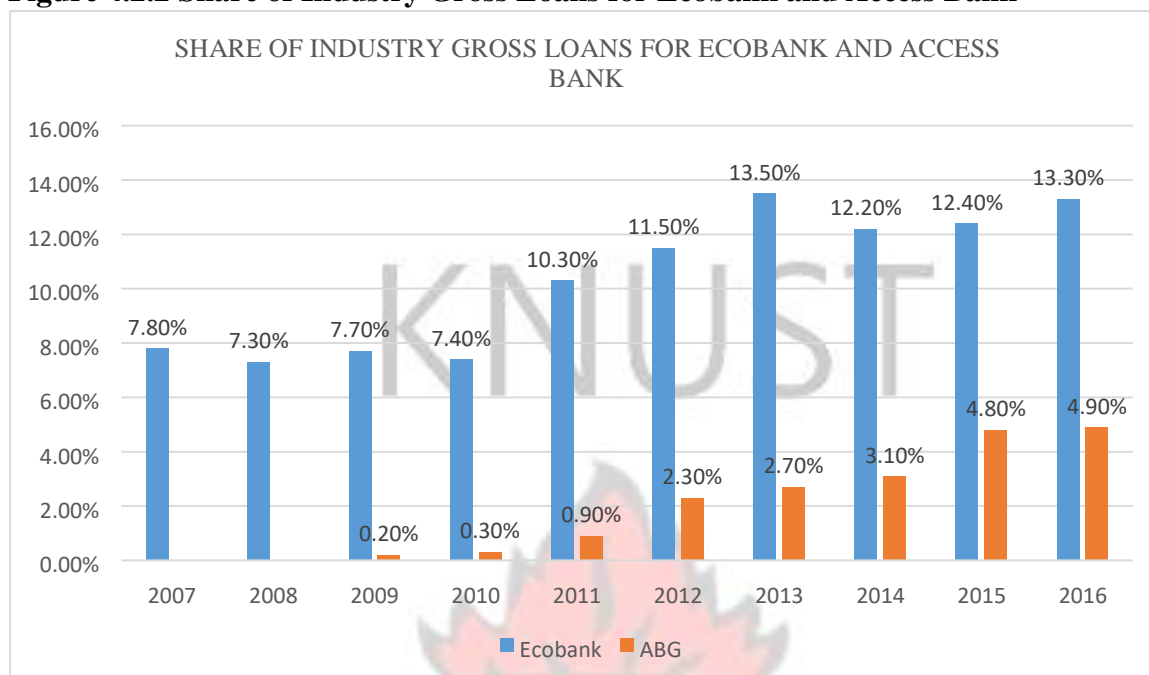


Table 4.2.3 Assets and Profitability Trends of Ecobank and the Trust Bank

YEARS	2010	2011	2012	2013	2014	2015	2016
	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000
NET INCOME							
	(PRE MERGER)				(AFTER MERGER)		
ECOBANK	60,117	72,381	143,169	185,862	309,613	327,523	325,594
TTB	22,400	31,388					
TOTAL	82,517	103,769					
TOTAL ASSET							
	(PRE MERGER)				(AFTER MERGER)		
ECOBANK	1,521,229	2,132,183	3,378,843	4,624,405	5,669,630	8,025,510	6,587,487
TTB	463,900	577,474					
TOTAL	1,985,129	2,709,657					

Source: Financial statement of Ecobank and TTB from 2010- 2016

Table 4.2.3 shows the assets and profit trends of Ecobank and TTB pre and postmerger from 2010- 2016. Before the merger from 2010-2011, both banks made their separate profits whilst operating separately. After the merger in 2012, the figures for profit and total assets of Ecobank show the expected increment the banks expected. This supports the fact that businesses come together to primarily achieve a synergy; gain extra benefits, hence giving credit to the mathematical formula of synergy; 1+1=3.

Table 4.2.4 Assets and Profitability Trends of Access Bank Ghana

YEARS	2010	2011	2012	2013	2014	2015	2016
	GHS000	GHS000	GHS000	GHS000	GHS000	GHS000	GHS000
	PROFIT AFTER TAX						
ACCESS BANK	8,281	8,418	34,631	45,578	85,218	80,410	41,934
	TOTAL ASSET						
ACCESS BANK	196,784	280,092	797,291	991,334	1,718,712	2,424,439	2,679,608

Source: Financial statement of Access Bank Ghana from 2010- 2016

Table 4.2.4 also shows the gains in profit and assets especially after Access bank had acquired the Intercontinental Bank (IBG). Here, the figures of Access Bank, before and after merger were used because Access Bank was originally from Nigeria and that was where it operated. By its acquisition of IBG, it entered the banking sector of the

Ghanaian market. This is different from that of Ecobank and TTB because with them, both companies were already established and operated here in Ghana. These figures clearly show a significant growth after the bank acquired Intercontinental Bank in 2011.

Table 4.2.5 Net Profit Margin Ratios of ABG (2010 – 2016)

Year	Net Profit Margin of ABG
Before: 2010-2011	
After: 2012-2016	
2010	54%
2011	52%
2012	37%
2013	49%
2014	52%
2015	46%
2016	25%

Source: Researcher's results on financial statement analysis

The Net Profit Margin measures how operating expenses have been controlled. It is the amount of revenue realized after all expenses have been deducted. From table 4.2.5, it is realized that before the merger, ABG realized an above 50% profit margin, which was a positive indicator that the bank was making a good level of profit as against their expenses. After the merger, it was noticed that there was a sudden drop in the net profit margin with a difference of about 15%. This may be as a result of the expansion of their staff due to the merger. Again, the sudden drop may be as a result of the sudden adjustment workers and even customers of the bank from the two countries (Ghana and Nigeria) of the different social and work environments and norms had to adapt quickly and get used to. In subsequent years, the NPM has increased steadily and this may be

as a result of downsizing of the working staff and also as a result of the business relocating most of their essential operations to places where the labour costs may be low. Also, subcontracting and outsourcing most of the not too essential services of the banks may have improved the NPM.

4.3 Descriptive Data Analysis of Data Variables in the Study

The table below provides a summary of the description of the data variables that were used in the study.

Table 4.3.1 Descriptive Data Analysis

Variable	Mean	S.D	Min.	Max.
ROA	0.0519795	.0125819	.0258	.0724
ROE	0.280845	.1058457	.0856227	.4318129
NPM	0.4196481	.084801	.2532793	.5432244
LEV	0.8366911	.1091915	.55956	1.07375
SIZE	21.07954	1.098295	19.09762	22.80589
NIM	0.5843645	.1046742	.255544	.72944

Source: SPSS output

From the table 4.3.1, the average ROA is 5.2%. This average falls within 2.6% and 7.2%. The Standard Deviation (SD) shows how much data of the research is spread out around the mean. The ROA deviates from its mean on an average of 1%. On the other hand, the average ROE is 28.1% which ranges between 8.6% and 43.1%. The ROE deviates from its mean on an average of 10.5%. The average debt ratio across board is 8.4, falling within a range of 0.56 and 1.07. The debt ratio deviates from its mean on an average of 0.109 or 10.9%. The size of the banks used as the case study run on an

average of 21.07, which falls within a range of 19.09 and 22.80. The SD of the size falls at 1.09. The NIM averages at 0.58 within an average of 0.25 and 0.72.

The NIM deviates from its mean on an average of 0.10.

4.4 Correlation Matrix

The correlation matrix measures the strength of correlation between variables. From the table 4.4.1 below, the researcher was able to identify the variables with the highest correlation, using the Pearson's correlation coefficient, which compares two ratio variables. The ROE, NPM and Bank mergers have a positive correlation with the ROA. Again, the leverage, size and NIM also have a positive correlation with the ROE. The NIM, the size and the leverage have a negative correlation with the ROA with values of -0.3075, -0.1296, -0.0466 respectively. The MEG and the NPM also have a negative correlation with the ROE with values of -0.2248 and -0.0559 respectively.

Table 4.4.1 Correlation Matrix

	ROA	ROE	NPM	LEV	SIZE	NIM	MEG
ROA	1.0000						
ROE	0.1783	1.0000					
NPM	0.6725	-0.0559	1.0000				
LEV	-0.0466	0.6428	-0.4127	1.0000			
SIZE	-0.1296	0.3126	-0.5976	0.4216	1.0000		
NIM	-0.3075	0.1160	-0.4061	0.3210	0.4245	1.0000	
MEG	0.1536	-0.2248	-0.2093	-0.0716	0.5422	0.5134	1.0000

Source: SPSS output

4.5 The Effect of Mergers and Acquisitions on Banks' Performances

The researcher empirically estimated the results on the overall performance of banks by using the Ordinary Least Squares (OLS) as a statistical method for the study. The results are represented in the table;

Table 4.5.1 OLS Estimate of the Outcomes of Mergers and Acquisition on Performance of Banks

	ROE	ROA
NPM	0.55880*	0.12509***
	(0.29051)	(0.02762)
LEV	0.49978**	0.05070**
	(0.22013)	(0.02093)
MEG	-0.09727	0.0132**
	(0.05537)	(0.005265)
SIZE	0.05381*	0.000856
	(0.02746)	(0.00261)
CONS	-1.52945**	-0.039724
	(0.61470)	(0.05844)
NIM	0.13618	-0.04944**
	(0.23518)	(0.02236)
GOODNESS OF FIT	R-square = 0.6014	R-square = 0.7450
	Adj. R-square = 0.4481	Adj. R-square= 0.6469
	Prob> F = 0.0218	Prob> F = 0.0015

*,**,*** means significant at 10%, 5% and 1% correspondingly.

The models ROA and ROE as dependent variables have an R- square of 0.74 and 0.60 respectively. This means 74% and 60% of the variations in the dependent variables is explained by the independent variable in the above representation, making this study

relevant and valid. Also, the table shows the F- statistic as significant as the model indicates that it should be less than 0.05 and at the 1% level. This implies that the two models have a good fit and that the ROE and the ROA are explained by the independent variables. From the table above, mergers and acquisitions have a positive impact on the ROA, which is significant at 5%. However, it is estimated that mergers and acquisitions do not have a significant impact on the ROE. The ROE serves as a measure of efficiency, more than that of a profit. Since the mergers and acquisitions do not have a significant impact on the ROE, the ROE could be boosted by repurchasing or buying out old shares and buying back stock from the public. The merged banks are likely to experience an increase in ROA by 0.01%. Again, the NPM also had a positive effect on the ROE significant at 10% and the ROA at 1%. This means that an increment by 10% in NPM will lead to an increase in the ROE, whilst an increment by 1% in NPM, will lead to an increment in the ROA. The leverage as a variable also had a positive influence on both ROE and the ROA. For ROE and ROA, a 5% increase in leverage will lead to a 0.49% and 0.05% increment in performance respectively. The NIM was found to have a positive influence on the ROE, but a negative impact on the ROA.

4.6 Test of Difference of Means of ROE and ROA

The study undertook a t- test difference of mean through data analysis through the statistical package called Stata. This test was performed to know if there had been any significant difference in ROE and ROA, pre and post mergers.

Below displays the results presented in table 4.6.1 and 4.6.2 respectively.

Table 4.6.1 T- test of Difference of Means for ROE

ROE	Mean	Std. error	SD	T- stat	Prob.
Pre- merger	0.36397	0.0344	0.9727	10.583	0.000
Post- merger	0.2611	0.03168	0.10506	8.243	0.000

Source: SPSS sample test output

From table 4.6.1, the ROE was quite higher before the merger as compared to the post-merger. The mean before the merger stood at 0.36 whilst after the merger, the mean of the ROE had significantly reduced to 0.26. The results also provided the T- statistics as 10.583 and 8.243 at a 1% significant level respectively.

Table 4.6.2 T- test of Difference of Means for ROA

ROA	Mean	Std. error	SD	T- stat	Prob.
Pre- merger	0.05409	0.00667	0.01886	8.113	0.000
Post- merger	0.05358	0.00438	0.01453	12.227	0.000

Source: SPSS sample test output

In table 4.6.2, the ROA in the pre- merger is just a little bit higher than that of the post-merger. Before the merger, the mean for the ROA was 0.054 with a t-statistic of 8.113 which is at a 1% significance level. After the merger, the mean for ROA dropped slightly to 0.053 with a t-statistic of 12.227, also at a 1% significance level.

This interpretation means that bank performances are not necessarily improved significantly after mergers, especially in relation to the business“ return on assets and return on equity.

4.7 Factors accounting for the Dynamics in Market Shares and other Performance Indicators

From tables 4.2.1 and 4.2.2, there were some changes identified in the market shares of the banks, specifically in their share of industry deposits and loan advances. With Access Bank and IBG, the estimated share in deposits after the merger was estimated to be 4.8%, but the actual outcome after the merger was 2.6%. From the interview conducted with some key managers in the bank, it was assumed that this drop in shares may have been as a result of the fact that they were new in the Ghanaian banking industry from Nigeria. Customers may have withdrawn their deposits because they were not too sure about the risks involved in saving in a new bank. Ecobank did not entirely achieve their estimated synergy of merging with TTB in 2012. Although they were able to acquire TTB's shares, they were not able to make a percentage more. The mathematical formula of synergy; $1+1=3$, was therefore, not achieved.

Management of Ecobank suggested that it may have been as a result of the fact that there were not many branches of TTB around for the other Ecobank branches to take over. In the subsequent years, both banks were able to pick up steadily on their respective percentages in shares, this being attributed to the fact that both banks devised innovative products and strategies such as connecting to outlets of the customers; bringing banking to their doorsteps through technology. With this, they were able to expand their distribution channel at the same time expand their customer base.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides a general summary of research findings, conclusions based on the findings and a provision of policy recommendations to be considered.

5.1 Summary of Findings

The research sought to assess the performance of some selected banks in Ghana after they had gone through the merger and acquisition process. The banks selected for the study included Ecobank- The Trust Bank, and Access Bank Ghana- Intercontinental Bank of Ghana. The time period selected for the study was from 2005- 2016, which covered the pre-merger and post- merger periods of the selected banks. The data collected on the banks were solely sourced from secondary data. The data collated was analysed through the use of ratio analysis, descriptive analysis, panel data analysis, correlation matrix and a test of difference of mean to be able to ascertain a true outcome the researcher seeks to achieve.

This study sought to assess the impact of mergers and acquisitions on the performance of banks. The results of the research findings concluded that mergers and acquisitions do not significantly influence the financial performance of firms, especially in relation to their returns on assets and returns on equity. Also, the researcher found that the expected outcome of a synergy was not immediately realised. These findings do not deviate from similar findings that had also concluded that mergers and acquisitions do not positively influence overall performance in firms, as suggested by others.

5.2 Conclusion

Mergers and acquisitions are expected to ultimately result in a synergy in all aspects of the businesses. Based on this study's findings, it is realised that the expected outcome is not always the actual outcome. As much as expected outcomes may not be met, it will not be prudent to generalise these findings to all mergers and acquisitions. This is because some mergers may fail to deliver on certain expectancies but may perform well in other areas that may be qualitative.

5.3 Recommendations

From the findings, the ROE of the banks before their mergers was found to be relatively lower as compared to the ROEs that were recorded post-merger. For firms to be able to boost their ROEs, firms may consider repurchasing or buying out old shares and buying back stock from the public.

Again, businesses should properly plan and execute proper assessment as far as mergers and acquisitions are concerned. There should be accurate and proper communication throughout the merger and acquisition process especially concerning the expected outcomes and benefits from the merger at the end of the process. Stakeholders must be made aware that benefits of mergers and acquisitions may not just happen and therefore proper work must be put in place. Finally, in order to improve on performance indicators such as the Net Profit Margin, key personnel should be identified and retained in the firms so that other non-essential services can be outsourced to generally reduce the cost of operations.

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APPENDIX

A LIST OF OPERATING BANKS IN GHANA

NAME OF BANK	YEAR OF INCORPORATION
1. Access Bank (Ghana) Limited	2008
2. Agricultural Development Bank Limited	1965
3. ARB Apex Bank Limited	2000
4. Bank of Africa Ghana Limited	1997
5. Bank of Baroda (Ghana) Limited	2007
6. Barclays Bank Ghana Limited	1917
7. BSIC Ghana Limited	2008
8. CAL Bank Limited	1990
9. Construction Bank Limited	2017
10. Ecobank Ghana Limited	1990
11. Energy Bank (Ghana) Limited	2010
12. FBN Bank Ghana Limited	2006
13. Fidelity Bank Limited	1996
14. First Atlantic Bank Limited	1994
15. First National Bank	2014
16. GCB Bank Limited	1953
17. GHL Bank Limited	2006
18. GN Bank Limited	2014
19. Guaranty Trust Bank (Ghana) Limited	2004
20. Heritage Bank Limited	2017
21. HFC Bank Ghana Limited	1990
22. National Investment Bank Limited	1963
23. Omnibank Ghana Limited	2016
24. Premium Bank Limited	2016
25. Prudential Bank Limited	1993
26. Societe Generale Ghana Limited	1975
27. Sovereign Bank Limited	2015
28. Stanbic Bank Ghana Limited	1999
29. Standard Chartered Bank Ghana Limited	1896
30. The Beige Bank Limited	2008
31. The Royal Bank	2011
32. Unibank (Ghana) Limited	1997
33. United Bank for Africa (Ghana) Limited	2004
34. Universal Merchant Bank Ghana Limited	1971
35. Zenith Bank Ghana Limited	2005

Source: 2017 Ghana Banking Survey