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EFFECT OF MERGER AND ACQUISITION ON THE PERFORMANCE OF ACCESS BANK PLC

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ABSTRACT – *The topic to be study is "the effect of merger and acquisition on the performance of Access bank plc. The main focus of this study is to point out the effect of merger and acquisition on the performance of an organization using Access Bank Plc. as case Study. Survey research design was used for the study and with the aid of convenience sampling method, 60 management staff of Access Bank Plc. in Kano State were selected as the participant for the study. Well structure questionnaire was issued to the enrolled participants of whom 55 of the instrument were retrieved and validated for the study. Data was collected and analyzed in simple percentage using frequencies and tables. Hypothesis tested was conducted using Chi-Square and Pearson correlation Statistical Tool (SPSS fov.2.3). The finding of the study shows that merger and acquisition is an effective and efficient growth strategy in business organization. However, the study decided that organizations can achieve the desired performance and growth rate by the adoption of merger and acquisition. Finally, the study recommends that organizations that are not performing well should adopt mergers and acquisitions as the strategy will help the management to overcome developmental and environmental challenges in business especially in this era of economic crisis.*

Keywords: *Mergers, Acquisition, Performance, Access bank plc.*

INTRODUCTION

Merger and acquisition is the joining and consolidation of companies or assets through various types of financial transactions including purchase of assets and management acquisitions. Merger and acquisition are used interchangeably. in acquisition one organization purchase a part or the whole organization while in merger two or more organizations constitute one organization (Alao 2010). Merger is the legal activity in which two or more organizations combine and only one firm survive as a legal entity (Horne and John 2004).

The banking sector in Nigeria is striving to achieve market liberalization in order to promote efficiency in expansion and promotion of investment and growth through market based interest rates. The banking sector is the most regulated institutions in Nigeria because they received deposits from the public and they have to protect all stakeholders with the aid of CBN (central bank of Nigeria) and other financial agencies such as SEC (security and exchange commission), NDIC (Nigerian deposit insurance corporation) etc.

The banking sector have undergo five different phases of different reforms which are: in 1983 to 1993, the banking industry was deregulated in order to allow for substantial private sector participation, 1193 to 1998 the deep financial crisis, up to the 2004 recapitalization policy which about 35 licensed banks finding it difficult to meet the requirements and about 13 commercial banks were liquidated.

We have different types of mergers and acquisition which are; horizontal merger, vertical merger, conglomerate merger, product extension merger, market extension merger and congeneric merger.

Statement of the Problem

Due to the present economic situation of the country (Nigeria), report indicated that many Nigerian Banks and financial organizations have closed up while many more may soon close up, even those that have survived, it has been a magical survival and they are operating far below installed and optimum productive capacities leaving none in doubt that the situation is bad enough, the following problems are notice. There is need to note the fact that many of this banks that are depressed situation can either still be acquired or merged with more prosperous and strong institutions. In other word, an alternative to this ugly economic woe in the country should have been for banks to come together and continue through merger or acquisition. There is overextension which tends to make the banks fuzzy and unmanageable. There is manager's pride, overconfidence about synergies form merger and acquisition which results in overpayment for the target company. There are negative reactions from organisation's employees, bankers, suppliers, customers and other which make the process by which bank's asset and liabilities is bought or sold prove difficult, slow and expensive. Thus, they are not sold as often as they might or should be multiple listing service concepts have not been applicable to merger and acquisition due to the need for confidentiality. There is lack of proper method, apparatus and techniques for efficiently executing merger and acquisition transactions without compromising the confidentiality of the parties involved without unauthorized release of information. Lack of good recording keeping of incomes from business undertakings, mostly attributed to illiteracy and in other cases, a deliberate attempt to evade tax is also a problem.

Objectives of the Study

i. To determine the effectiveness of merger and acquisition as a strategy for Bank's survival in Nigeria.

ii. To examine the economic reasons behind above phenomenon and in particular to look into how banks in both private and public sectors of Nigeria economy have been surviving under merger and acquisition.

Research Hypotheses

HI: That merger and acquisition bring about improvement in banking performance.

H2: That merger and acquisition lead to increase in profitability of the combined banks.

LITERATURE REVIEW

Effect of merger and acquisition on the performance of Access bank plc

Mergers and acquisitions are borne out of new economic realities which emphasize the strategy of resources for maximum profitability. Mergers and Acquisitions are a global business terms used in achieving business growth and survival. Merger entails the coming together of two or more firms to become one big firm while acquisition is the takeover or purchase of a small firm by big firm which are pursuing similar motives (Amedu, 2004; Bello, 2004; Katty, 2005 Nwude 2003).

Soludo (2004), opined that mergers and acquisitions are aimed at achieving cost efficiency through economies of scale, and to diversity and expand on the range of business activities for improved performance. According to Umoh (2004), mergers and acquisitions are expected to address the problem of distress among insolvent banks without an initial resort to liquidation. For instance, in the Nigerian banking sector, out of the 89 banks that were in existence before 31st December 2005, it is only 25 banks that met the consolidation requirements through mergers and acquisitions arrangement.

Similarly, Uchendu (2005) andKama (2007) opined that, the bank consolidation which took place in Malaysia facilitated banks expansion which led to growth. In a related study of the Chilean banking industry, Kwan (2002) found that the high rate of economic activities experienced in Chile was mainly from productivity's improvement from the large banks formed as a result of mergers and acquisitions. Kama (2006) opined that in many emerging markets, including Argentina, Brazil and Korea, mergers and acquisitions has also become prominent. As banks and other businesses strive to become more competitive and resilient to shocks as well as reposition their operations to cope with the challenges of the increasing globalization.

According to Muyiwa (2006), in 1998, a merger in France resulted in a new bank with a capital base of US$ 688 billion. While the merger of two banks in Germany in the same year created the second largest bank in Germany with a capital base of US$ 541 billion. However, Cornett and Terhranian (1992) and Key (1993), find some evidence of superior post-merger period because of the merged firms' enhanced ability to attract loans. They also show increased employee productivity, increased market power due to reduced competition and net asset growth (Okpanachi, 2006).

Reasons for Mergers and Acquisitions

According to Muyiwa (2006), the key common reasons that influence positively the decision to undertake a merger or acquisition exercise are:

a) **Source of supplies:** The acquiring company may be seeking to safeguard the source of supply for Materials so that it will not be thrown out of business suddenly.
b) **Management Expertise:** The motive here is to acquire management team that is highly experienced, aggressive, and competent of managerial tactics.

c) **Increased Market Share:** According to Ernst and young (1995), increase in market share is one of the plausible benefits of mergers and acquisitions. This eliminates competition or protects an existing market. Nwude (2003), mergers often provide the quickest entry into other markets and industries.

d) **Risk Diversification:** Diversification could be defined as the penetration of the markets other than the company's traditional market. Diversification therefore spreads business risk (Nwude, 2003). **Stock Quotation:** A private Company unable to meet the listing requirements of the Stock Exchange but desirous of public quotation may integrate with a publicly quoted company in order to realize its goal (Okpanachi, 2010).

e) **Technological Drive:** A company desirous of enhancing its operations but constrained by its inability to easily access the needed technology may be driven into merging with another which has the technological advantage over it (Muyiwa, 2006).

f) **Profit:** The aim of merger or acquisition should be to make profit. Thus, business combination provides a means of entering a market at a lower cost than would be incurred if the company tried to develop its own resources.

g) **Desired for growth:** A company with a view to harnessing the facilities of the other company to achieve the desired growth may enter into merger arrangement.

h) **Economy of scale:** This refers to the fact that the combined company can often reduce its fixed costs by removing duplicate departments or operations, lowering the cost of the company relative to the same revenue stream, thus increasing profit margins.

i) **Economy of scope:** This refers to the efficiencies primarily associated with demand-side changes, such as increasing or decreasing the scope of marketing and distribution of different types of products.

METHODOLOGY

The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of eighty (80) questionnaires were administered to respondents of which only seventy-seven (77) were returned and validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 77 were validated for the analysis.

DATA PRESENTATION

Table 1 Demographic profile of the respondents

Demographic information	**Frequency**	**percentage**
Gender		
Male	42	54.5%
Female	35	45.5%
Age		
25-30	15	19.5%
31-35	19	24.7%
36-40	23	29.9%
41+	20	25.9%
Marital Status		
Single	10	12.9%
Married	64	83.1%
Separated	0	0%
Widowed	3	3.9%
Education Level		
WAEC	15	19.4%
B.Sc.	51	66.2%

M.Sc.	11	14.2%
MBA	00	0%

Source: Field Survey, 2021

Descriptive Analysis

Question1: What is the impact of merger and acquisition to of Access bank and Diamond bank to Nigerian economy?

Table 2

Options	Yes	No	Uncertain	Total
It profits rise due to lower costs	77 100%	00 %	00 %	77 100%
Increase the market share of your company quickly.	77 100%	00 %	00 %	77 100%
Increases the size of firms	77 100%	00 %	00 %	77 100%

Field Survey 2021

From the responses derived in the above table, 100% of the respondent said Yes, There was no record No and Uncertain.

Question 2: How can private and public organizations survived under the merger and acquisition?

Table 3

Options	Yes	No	Uncertain	Total
The acquired company should Prepare your elevator pitch	77 100%	00 %	00 %	77 100%

Merger and Acquisition Organization should Update technical documentation.	77 100%	00 %	00 %	77 100%
Merger and Acq…….. ,l.l.lmuisition Plan for the best and prepare for the best	77 100%	00 %	00 %	77 100%

Field Survey 2021

From the responses derived in the above table, 100% of the respondent said Yes, There was no record No and Uncertain.

Question 3: Would merger and acquisition provide social economic of scale?

Options	**Frequency**	**Percentage**
Yes	45	58.5
No	23	29.8
Uncertain	09	11.7
Total	**77**	**100**

Field Survey 2021

From the responses derived in the above table, 58.5% said Yes, 29.8% said No, 11.7% of the respondent ticked Uncertain.

Inferential Statistics

HO: Merger and acquisition does not bring about improvement in market performance.

HI: That merger and acquisition bring about improvement in market performance.

HO: That merger and acquisition does not lead to increase in profitability of the combined firms.

HI: Merger and acquisition lead to increase in profitability of the combined firms.

Merger and acquisition does not bring about improvement in market performance.

Options	**Fo**	**Fe**	**Fo - Fe**	**(Fo - Fe)2**	**(Fo--Fe)2/Fe**
Yes	38	25.6	12.4	153.8	6.0

No	10	25.6	-15.6	243.4	9.5
Undecided	29	25.6	3.4	11.7	0.5
Total	**77**	**77**			**16.0**

Source: Extract from Contingency Table

Degree of freedom = (r-1) (c-1)

(3-1) (2-1)

(2) (1)

= 2

At 0.05 significant levels and at a calculated degree of freedom, the critical table value is 5.991.

Findings

The calculated X^2 = 16.0 and is greater than the table value of X^2 at 0.05 significant level which is 5.991.

Decision

Since the X^2 calculated value is greater than the critical table value that is 16.0 is greater than 5.991, the Null hypothesis is rejected and the alternative hypothesis which states that That merger and acquisition bring about improvement in market performance is accepted.

Merger and acquisition lead to increase in profitability of the combined firms.

Options	**Fo**	**Fe**	**Fo - Fe**	**(Fo - Fe)2**	**(Fo--Fe)2/Fe**
Yes	40	25.6	14.4	207.4	8.1
No	11	25.6	-14.6	213.2	8.3
Undecided	26	25.6	0.4	0.16	0.6
Total	**77**	**77**			**17.0**

Source: Extract from Contingency Table

Degree of freedom = (r-1) (c-1)

(3-1) (2-1)

(2) (1)

= 2

At 0.05 significant levels and at a calculated degree of freedom, the critical table value is 5.991.

Findings

The calculated $X^2 = 17.0$ and is greater than the table value of X^2 at 0.05 significant level which is 5.991.

CONCLUSION

It has become obvious from the study that merger and acquisition is quite indispensible as far as organizations growth, long term survival and development are concerned. The results however showed that the organizations not only improve in profit but also in synergy and expansion. It is indeed evident that a company that is not able to grow at a fast rate by internal expansion or as a result of stiff competition can achieve the desired growth rate faster by the adoption of merger and acquisition. Finally, merger and acquisition should be adopted when banks or organizations are not performing well. This will help the management of such organizations to overcome developmental and environmental challenges especially in era of economic crisis.

Based on the research conducted, the followings are the findings:

1. That Merger and Acquisition is an effective and efficient growth strategy in banking sector.
2. The turnover of banks studied improved after they adopted merger and acquisition.
3. There has been efficient allocation of resources and risk reduction arising from management expertise.
4. Merger and Acquisition brought about synergic benefit.

RECOMMENDATION

Based on the findings of the study and taking cognizance of the importance of the subject matter under study to the business organizations, the researcher was inclined to make the following recommendations:

1. That merger and acquisition should be resorted to as it promotes growth especially in the case of business that is not performing well.

2. Merger and Acquisition should be adopted as a viable alternative to organizations than failing and folding up with costly consequences to their owners and economy which increases unemployment.

3. The management of companies that have adopted merger and acquisition should identify high-risk areas of their business and make sure they receive adequate attention on-an-on going basis. This should be done for strategic positioning.

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