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Regulatory-Induced Consolidation Through Mergers and Acquisitions and Its Implication on Banks Performance in Nigeria

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Abstract
This paper examined regulatory-induced consolidation through mergers and acquisitions (M&A) and its implications on banks performance in Nigeria. The scope of the paper is from 2000 to 2010 using eight bank performance ratios consisting of pre-merger and post merger periods. Descriptive statistics and the paired t-test tool of analysis were employed. The descriptive statistics showed that the financial performance of the banks after the regulatory–induced M&A deteriorated and they became riskier in terms of profitability, liquidity, and some leverage performance ratios (such as Networth to total asset and loan to total Deposit ratios) employed except capital adequacy ratio. The t-test results revealed that there is no statistically significant improvement change at 5% level of significance for the profitability, liquidity and leverage performance ratios considered. The study recommends that when contemplating mergers and acquisitions in the future, policy makers and merging firms should sufficiently understand the economic and market conditions prevailing before deciding on any policy to drive consolidation through M&A. Also, sufficient time is proposed if regulatory-induced mergers and acquisitions are favoured as against creating a market- driven M&A.

1. Introduction

The precarious state of majority of the deposit money banks in Nigeria and the attendant feelers of another imminent round of distress and possible failure prompted the CBN to take proactive step to announce a far-reaching reform agenda to reposition the sector for effective performance on July 6, 2004. The major plank of the reform was to raise banks capitalization to ₦25 billion from the level of ₦2 billion representing 1150% increase .The then CBN governor Soludo in 2004, described the banking industry as being generally characterised by small-size and marginal players with very high overhead costs. These banks showed obvious signs of undercapitalization, illiquidity, weak asset quality and poor earnings. Pointers of such grave intensity unambiguously caused the CBN to design a reform road map to engender efficient and strong banking sector that will not only earn depositors confidence, but build unwavering faith that could drive the anticipated developmental and transformational programmes of government. The laudability of the reform and the accompanied strong defence put forward by CBN was anchored on the premise that a strong capital base indeed will help banks to absorb losses due to non-performing loans and improve overall performance. To ensure that the reform succeeds, various strategies were identified but the favourably disposed to strategy by CBN for banks to achieve the N25Billion capital base was consolidation through mergers and acquisitions driven by regulation. The choice of M & A is in line with Ajayi (2006) submission that merger and acquisition option is the most widely used corporate strategy to strengthen capitalization in banks.

It is the firm belief of CBN that the adoption of merger &acquisition (M&A) no doubt will remove marginal banks players and provide viable, solid capital-based banks that will enjoy economies of scale by reduction in expenses and earnings risks, increase in long-term profitability, sustainability of growth, soundness and stability including overall performance. A lot of arguments and counter arguments were raised about the policy but after a while the dust settled. The implementation of the reform strategy radically reduced the number of banks from 89 to 25 at the end of 2005.Analysis revealed that of the 25 banks,20 banks were consummated through M &A within a space of one year and six months. The literature on M&A as documented show that empirical evidence reveals mixed results regarding the value gains expectation from M&A and the case of Nigeria is not an exception. For instance at the end of October 2012,the 25 banks further reduced to 21 banks giving rise to three banks wearing the toga of 'bridge bank status'(which are Mainstreet bank limited, Keystone bank limited and Enterprise bank limited). Clearly this indicates that 4 out of the 25 recapitalized banks collapsed within 7 years period of the merger and acquisition. This scenario made industry analysts and researchers to ponder whether the industry reform driven mostly by M&A as robustly expected and defended by CBN achieved the value gain criterion.

It is against this backdrop that this paper intends to succinctly examine empirically whether or not the regulatory–induced M&A in the Nigerian banking industry really achieved the contemplated financial gains. Specifically the paper will examine the gains from the standpoint of liquidity, leverage, profitability and their associated risks (standard deviations) of the banks recapitalized through M&A in Nigeria.

2. Literature Review

As a way of providing robust understanding on M&A a review of literature about the conceptual, theoretical and empirical issues are germane.

2.1. Conceptual Issues on M&A

Conceptual underpinnings of M&A are well discussed in the literature and it is pertinent to delineate the distinction among the terms often used interchangeably as having the same meaning -merger, acquisition, buy-out and take-over .Merger as the term connotes, indicate that the shareholders of the merging firms retain part of their ownership in the newly formed firm as the merging firms dissolved into one firm. In acquisition, buy-out or take-over, the shareholders of the acquired firms are paid off and the acquirer becomes the owner of all, or a great part of the assets of the acquired firm. The dividing line is the fate of the shareholders which is thus obvious. Ullah, Farooq, Ullah, and Alhad (2012), noted that where these concepts are used together it could mean an event that brings two or more companies together often to share costs, increase efficiency or gain market power. Pazarskis, Alexandrakis, and Karagiorgos (2010) view M&A as one of the mechanisms by which firms gain access to new resources via resource redeployment, increased revenues and reduced costs. While Jorgenson and Jorgenson (2010) agree that M&A is an aspect of corporate strategy, corporate finance and management dealing with buying, selling and the combination of another company that can aid finance or help a growing company in a given industry to grow rapidly without having to create another entity. These propositions strengthen the arguments that M&A is a strategic decision through which firms combine or acquire assets to create value and maximize the existing shareholders' wealth.

Although M&A is a complex phenomenon, for the purpose of this paper the generic meaning would be adopted- That is M&A is a strategic decision through which firms combine or acquire assets to form one larger organization. Several motives have been identified with M& A which are classified as financial and non-financial. The financial motive is based on the firm's desire to achieve risk reduction while maintaining its rate of return; it is also a desire to grab the improved financing position that a merger can create as a result of expansion in size and the tax loss-carry forward that might be available in a merger. The non-financial motives include the desire to expand management and marketing capabilities as well as the acquisition of new products (Poposki, 2007).Support is more geared towards the financial than the non –financial motives. The position of Glezako et al (2012) lends credence to this assertion averring that increasing explanatory powers of accounting parameters is becoming stronger with time, in increasing number of countries.

M&A strategy could be seen as an independent decision of corporate firms with converging strategic needs and desires to combine to take synergistic corporate growth. It could also arise from a combination of shocks which the strategy facilitates the industry to reorganise itself (Achua and Ola,2013).They argue that shock waves explain why M&A activities are high or low at given periods of time. Indeed, the major causes of M&A shock waves as documented in the literature are explained by neoclassical and behavioural models. From the neoclassical perspective, Mitchell and Mulhern (1996) posit that M&A activities result from a country's economic, regulatory and technological environment. While Shleifer and Vishny (2003) from the behavioural standpoint sees M&A arising with period of shock waves activities which are correlated with high market valuations when rational managers take advantages of consistent pricing errors in the market to buy real assets with over-valued stocks. In the Nigeria context, M&A was occasioned by a response to shocks stirred by CBN directive asking deposit money banks to raise share capital to N25billion with a time space of 18 months.

The convergence of both Neoclassical and behavioural models was observed by Harford (2005), who noted that ''whether the shock leads to a wave of mergers, it however, depends on sufficiency of liquidity in the capital market''. This strand of argument indicates that sufficiency of liquidity in capital market drives M&A shock waves. In addition, a booming economy has been seen as a factor that drives M&A shock waves (Marks, 2003). In developing economies, empirical findings tend to support this line of argument. For instance Deb and Mukherjee (2008) findings show that there is a strong causal flow from the stock market development to economic growth in India. In Pakistan, Shahbaz et al (2008) findings indicate a bidirectional causal relationship between real market capitalization ratio and economic growth. The findings of Ujunwa and Salami (2011) in Nigeria show that stock market size and turnover ratios are positive in explaining economic growth. The results of the studies lend support to the supply leading hypothesis which argues that the state of the capital market matters for the success of M&A. Reinforcing the argument, Ginsburg and Levin (1989) concluded that the market is the force that drives the strategy to success and that when the underlying currents of M&A are not sustained by market forces, it is bound to have problems of value creation, or even survival. Although several issues underline success of M&A and the neglect of some key issues are bound to threaten the success. One of such important issues is the factor of 'speed' recognized by DiGeorgio (2002).Speed refers to the sense of urgency (not haste)that must accompany the integration of firms. The consequences of hasty corporate integration/combination of firms are well documented in the literature. Bakera and Sava-soglub (2002) model of risk arbitrage illuminates clearly on this issue. The model espouses that arbitrageur's risk bearing capacity is deeply affected by deal completion risk and the target size of the firms involved in the M& A.

2.2. Mergers and Acquisition in the Nigerian Banking Sector

It is worthy to note that banking in Nigeria from inception had witnessed series of mergers and acquisitions triggered by regulatory motive. The first merger and acquisition took place in 1894,when African Banking Corporation (ABC) was acquired by the British Bank for West African (which has metamorphosed into be First Bank of Nigeria Plc). Uche (1999) noted that the government desire to resolve prevailing banking problems and strengthen the financial sector at that time resulted to the use of M&A. Other M&A incidences in the Nigeria banking industry at a time include Union Bank of Nigeria (UBN) acquisition of Citi-Trust Bank in 1995,Nigeria Intercontinental Merchant Bank Ltd acquisition of Meridien Equity Bank of Nigeria in 1996,Guaranty Trust Bank acquisition of Magnum Trust BANK in 1996,National Insurance Corporation acquisition of Nigeria–Arab Bank Plc in 1997,The acquisition of Continental Trust Bank by Standard Trust Bank in 2003 (Atedo,2005).

Historical antecedents of banks recapitalization strategy in Nigeria have not been divorced from the employment of M&A. The recent 2004 exercise did not deviate either. As such, the use of M&A as a strategy for restructuring banks capital is as old as the history of banking in Nigeria. This infers and underscores ''the one-fits-all'' strategy. This should not be the case. Holder (1993) held this point strongly and averred that the dynamics of banking industry make certain elements essential for each case of evaluation concerning banks mergers and acquisitions therefore,'' such analysis must be done on a case-by- case basis''. A systematic exploration of the use of regulatory-induced M&A strategy by CBN in banks capital restructuring suggests that this strategy has not yielded the desired results. For instance out of the six consummated M&A in banks prior to 2005 in Nigeria, only 3 are existing to date (which are First Bank of Nigeria Plc ,Union Bank of Nigeria Plc and Guaranty Trust Bank Ltd). Kouser and Saba (2011) emphasized that increasingly foisting M&A as growth strategy on banks is not necessary and that success of the strategy varies with contextual factors. This aligns with Holder (1993) position which stressed that a case –by- case analysis is imperative in order to decide on suitable strategies in consideration of the peculiarities of the circumstances inherent in the parties involved in the M&A, and the environment. Ostensibly noted in the literature, is that most of the successful M&A were induced by market forces rather than imposed by regulation and they were implemented at different times, not in a shock wave environment.

In Nigeria the intent of the 2004 recapitalization policy mainly through M&A was to transform the banks from their marginal status into big-sized bank players that could compete globally in the unfolding world financial architecture. The strategy driven by regulation emphasized ''size'' of banks only to the detriment of other considerations. As an observation Achua and Ola (2010) opine succinctly that it is imperative that the theoretical framework of M&A strategy should be aligned to the corporate strategies of the restructuring banks in order to determine the feasibility and appropriateness of the strategy in their circumstances. Achua (2007) remarked that some of the economic and finance theories are often lifted from developed economies and transplanted in African settings without articulating their effectiveness and implications in relation to the peculiarities presented by local conditions. The failed Structural Adjustment Programme (SAP) of 1986 is an eloquent example of a transplant. On this note Uche (2000) cautioned that a clear understanding of theoretical issues involved in regulation is important if the forces that drive regulation are to be appreciated fully.

2.3. Theoretical Review

Different theories have been advanced to support the motives for mergers and acquisition. Notable amongst them is hereunder reviewed.

2.3.1. Say's Law Theory

The argument of this theory is that recapitalization of banks lead to increased capital base which imply that availability of loanable funds to the economy. This should lead to a fall in interest rate and should be capable of stimulating or eliciting a demand following response as envisaged by Say's Law of markets. While Say's Law remained silent with regard to the role of money, it however argues that the only reason to have money is to buy goods; hence this theory did not envisage the Keynesian outcome that there could be the precautionary and speculative demand for money (Kates, 1998).

2.3.2. Concentration Theory

This theory explains the degree of control in which larger firms have on economic activities in the country (Sathye,2002).This theory argues that economies of scale bring about bank merger and acquisition so that concentration will be based on efficiency(Demirguc-kunt and Levine,2000).Although some theoretical arguments have been advanced that less concentration on banking industry with small size-banks bring about financial crisis in banking sector than the large banks (Allen and Gale,2000 and Demirguc-kunt and Levine,2000).The proponents of this theory argue that large banks can grow faster and as well enhance profitability than the smaller banks. Small banking industry is easy to monitor than those large banks because corporate control of banks will be more effective (Beck, Demirguc-kunt and Levine, 2000).

2.3.3. Disturbance Theory

This theory is of the opinion that merger waves are caused by economic disturbances. Example of a common economic shock could be a rapid change in technology and knowledge. That is industries with high rates of growth are industries with a large fraction of 'technical personnel' are viewed as proxies for disturbances and had higher rates of merger, e.g. Research &Development type of merger &acquisition .When there is positive expectations about the future, manifested by strong economic growth and high stock prices, it creates a conducive atmosphere for mergers. Again, when stock prices are buoyant and the cost of capital is reduced then the value of potential acquired firm rises, making the merger more desirable

2.4. Empirical Review

Numerous empirical studies have examined whether mergers and acquisitions are solutions to bank problems. Some of these studies provide mixed evidence and many fail to show a clear relationship between M&A and bank performance. Cabral et al (2002), Carlett et al (2002) and Szapary (2001) provides the foundation for the research on the linkage between banks mergers and acquisition and performance. The notable works of Caprion (1999) and De-Nicolo (2003) provides evidence that mergers and acquisitions in the financial system could impact positively on the efficiency of most banks.

Kwan and Elsenbels (1999) found that banking organization significantly improved their profit efficiency ranking after mergers. Okpanachi (2006) find some evidence of superior post merger period of the merged firms' that enhanced ability to attract loans including increased employee productivity and net asset worth. Uche (2005) using simple percentages to analyze data in Nigeria found out that mergers and acquisition made Nigerian banks more efficient. Akpan (2007) investigation using chi square to test his hypothesis, found out that the policy of recapitalization has ensured customers confidence in the Nigerian banking industry in terms of high profit.

The study of Stiroh (2002) using data on United States banks suggest that, there may be more substantial scale efficiency from larger sizes of banks as a result of mergers and acquisitions.

David and Yener (2004) showed that mergers and acquisitions played an important role in improving post merger's financial performance which is a stimulus for efficiency.

Enyi (2008) examined the synergistic harvest of banks consolidation in Nigeria and compares the pre and post merger financial statements of four consolidated banks. The study outcome reveal that all the four merger groups investigated produced in addition to operational and relational synergy, financial gains far more than the 2+2 =5 synegistic effects.

Viverita (2008) examined the effects of mergers on bank's performance in Indonesia during 1997-2006.Using the traditional financial ratios and non-parametric Data Envelopment Analysis (DEA) approach to investigate any efficiency gain in the pre and post merger periods of bank mergers. The study provides evidence that mergers create synergy and significantly increase the post merger financial performance.

In the study of Mantravadi and Reddy (2008) of the effects of bank consolidation on performance for a five year period in Argentina showed that banks returns increased with consolidation and insolvency risk reduced and conclude that bank consolidation has a positive and significant effect on performance.

Okpanachi (2011) using gross earnings, profit after tax and net assets as indices of financial efficiency of three merged banks and employing t-test statistics to analyse the data obtained from their published annual reports and accounts reveal that the banks were more financially efficient in post M&A than the pre-M&A period. Although the sample size of these studies have been criticised as being too small to vouch for the validity and reliability of their outcome given the statistical technique deployed.

Adebayo and Olalekan (2012) investigated the impact of mergers and acquisitions on commercial banks' performance in Nigeria. Obtaining data on 10 out of twenty four banks that emerged from the consolidation exercise and tested the data using percentages and tables. The result show that there is a significant relationship between pre and post merger/acquisition capital base and level of profitability as well as a significant difference between pre and post merger earnings per share. That merger/acquisition has also increased the capitalization of banks with evidences of changes in company's share ownership, increase in the cost of services and changes in bank lending rates. The study concludes that merger and acquisition programme has improved the overall performances of banks significantly and has also contributed to the growth of the real sector for sustainable development.

Odi (2013) empirically analysed the impact of pre and post bank consolidation through mergers and acquisition in Nigeria using data from 2000-2011 and employing the t-test statistics. The study provide evidence that post bank consolidation have significant positive effects on the growth of the Nigerian economy while pre bank consolidation has positive and insignificant effect on economic growth. Overall the study concludes that mergers and acquisitions growth strategy results in superior economic growth and that pre bank consolidation is not significant to economic growth.

Aileman and Oyero (2013) examined the impact of merger on deposit money banks performance in Nigeria between 2000and 2009. Employing panel data and ordinary least squares approach, the results show that merger created synergy as indicated by statistically significant increasing post merger financial performances although banks not jump at any merging opportunity that offers itself because the exercise is not an opportunistic one.

Empirical studies that show contrary evidence abound in the literature.

Berger et al (1999) showed that majority of studies comparing pre and post mergers performance indicate that these potential efficiency derived from merger and acquisitions rarely materialize.

Beitel et al (2003) also found no gain effect due to mergers and acquisition. Straub (2007) provided evidence that mergers and acquisitions have often failed to add significantly to the performance of the banking sector. Rhoades (1993) shared similar results.

Badredira and Kalhoefer (2009) examine the effect of M&A on banks performance in Egypt that have undergone mergers and acquisitions from 2002-2007 using return on equity. The findings showed that M&A have no clear effect on the profitability of banks in the Egyptian banking industry.

Ebimobowei and Sophia (2011) investigation using theoretical (speculative) method reveal that the consolidation activities in Nigeria did not meet the desired objectives of liquidity, capital adequacy and corporate governance which have resulted to more troubled banks after the consolidation.

Okpara (2011) study of the 2004 recapitalization programme in Nigeria provide evidence that besides showing significant decreasing effect on return on equity, the reform did not impact significantly on any other banks' performance indicator as well as influence on the financial deepening indicators.

But Okafor (2012) using industry-wide data from Central Bank of Nigeria finds that even though consolidation has improved the performance of the Nigerian banking industry in terms of asset size, deposit base and capital adequacy, the profit efficiency and asset utilization efficiencies of the banks have deteriorated since the conclusion of the consolidation programme. Further the study posits that consolidation of banks may not necessary be a sufficient tool for achieving stability for sustainable development. It argued that there is need to develop a new framework for achieving financial sector stability rather than relying on the M&A consolidation policy. It observed further that banking consolidation in Nigeria, as in many other countries, has not proved to be reliable panacea for bank failures and crisis.

Achua and Ola (2013) investigation of mergers and recapitalization strategy and banks financial volatility in Nigeria using eight financial ratios and data from 2001-2009 for both pre and post M&As. Employing t-test tool the study revealed that there is no significant improvement in the financial performance of post-M&A banks in all the areas of profitability, liquidity, leverage and earnings volatility after the M&A deals

3. Methodology

The study population was made up of the nineteen banks that were consummated through M&A as at the 2005 consolidation exercise and which truly were in operation as at the end of 2009. To have a good representation of the population, a sample was drawn. The sample selection was based on some criteria. The criteria include (1) that the bank must have been a product of merger or acquisition in the 2005 banking consolidation exercise (2) Such a bank should be listed on the Nigerian Stock exchange as at the end of 2010. (3) It must have at least 5 years financial reports and accounts regarding the individual banks that merged and 5 years financial reports and accounts for the resulting post M&A bank. The sampling process produced 15 banks thus representing more than 78% of the study population. By this, the outcome of the study is believed to be representative of the population and conclusion drawn will be valid.

The study covers between 2000-2004 pre M&A and 2006-2010 for post M&A while 2005 serves as the merger/acquisition year. Financial ratios on financial performance of the sampled banks were extracted from their audited financial reports and accounts for the period under review. These reports were obtained from the banks' annual returns filed with both the Corporate Affairs Commission and the Nigerian Stock Exchange. The election to use financial ratios is borne from the fact that if M&A leads to gains then such impact need to be reflected in the financial ratios of the banks resulting from the merger/acquisition. Although some reservations are expressed about the use of accounting ratios, however, these ratios are still considered as a convenient and reliable analytical tool. Kermal (2011) noted strongly, that ratio analysis being a time –tested technique, is most frequently employed in all financial decision-making processes.

The study utilizes both descriptive and t-test analytical tools for both the pre and post M&A periods. The t-test model is given as

$$T = \frac{\overline{X_1} - \overline{X_2}}{\sqrt{\frac{\delta_1}{N_1} + \frac{\delta_2}{N_2}}}$$

Where N= number of ratios examined, $\overline{X_1}$ = mean of pre merger financial ratios, $\overline{X_2}$ = mean of post merger financial ratio, δ_i =standard deviation of financial ratios for pre merger and δ_2=standard deviation of financial ratios for post merger. N_1=group of pre merger financial ratios, N_2=group of post merger financial ratios.

The paper used the t-test tool because it is appropriate and as Vanitha and Selvam (2007) noted that the t-test research approach is informed by reliability and comparability of results. In addition the model has been used by Achua and Ola (2013), Mantravadi and Reddy (2008), Saboo and Gopi (2009) and Pazarskis et al (2010) which have similar objectives as this study.

4. Presentation and Analysis of Descriptive Statistics

Below is the results of the descriptive statistics for the pre and post M&A banks performance indicators as shown in table 1.

Table 1. *Descriptive Analysis of rate of change for pre and post M&A.*

Performance Indicator	Minimum		Maximum		Mean		Std. Deviation	
	Pre	Post	Pre	Post	Pre	Post	Pre	Post
ROE	(138.12)	(284.24)	176.25	247.65	23.34	14.06	33.60	68.14
ROA	(60.15)	(80.24)	7.14	4.32	1.12	(2.94)	9.36	13.68
OPM	(89.26)	(348.45)	46.56	368.63	15.96	6.21	20.26	99.76
CR	00	00	3.15	15.43	2.10	2.68	0.78	1.95
NWC	(401,240)	(28,964,000)	1,543,000	16,430,000	1646400	1943800	262740	743980
NWTA	(41.45)	(44.18)	27.13	37.76	10.26	14.75	9.86	14.78
LTD	00	00	119.12	108.54	48.54	51.69	21.87	20.13
CAR	(3.42)	(1.87)	5.14	1.16	0.32	0.43	0.87	0.34

Source: Author's computation 2013

1. The return on equity (ROE) represents profit after tax divided by shareholders equity. It shows the percentage return on a naira invested by shareholders. In the period the mean ROE decreased from 23.34 pre- M&A to 14.06 in post-M&A. The standard deviation rose from 33.60 pre to 68.14 post M&A. This indicates high riskiness showing that more risk is required to generate high income.

2. Return on assets (ROA), this ratio indicates how much is generated with respect to a naira invested in the bank assets. The mean of this ratio fell from 1.12 pre M&A to (2.94) post M&A. This reveals that despite more investment in assets due from the merger, the banks were unable to deploy them to generate more revenue. Even, the banks riskiness increased from its 9.36 to 13.68.

3. The operating profit margin (OPM) an indicator of good business and management decision was adversely affected. The mean OPM fell from its level of 15.96 pre- M&A to 6.21 post M&A.

4. Current ratio (CR) is an indicator of the ability of the bank to meet its maturing obligations. This ratio showed an increase from 2.10 pre-merger to 2.68 post merger. The meaning of this is that the merged banks were able to manage their current assets to meet their current obligations as they fall due. The riskiness of this ratio measured by the standard deviation shows more volatility after the merger.

5.The net working capital (NWC) a measure of availability of capital to prosecute business transaction grew from a pre-merger mean of 1646400 to 1943800 post merger .It is the belief that additional capital raised from M&A was responsible which was in excess of previous minimum capital requirement. However, the riskiness increased from 262740 to 743980 as depicted by the standard deviation.

6.The net worth to total asset (NTWA) a measure which indicate the extent assets are financed by shareholders equity fund was comparatively higher in post merger (14.75) than the pre merger (10.26) period. This is reflected also by increased volatility as shown by the standard deviation from 9.86 to 14.78.

7. The loan to deposit ratio (LTD) which shows the extent loans are covered by deposit as a management performance index. The mean ratio increase from 48.54 pre-merger to 51.69 post merger suggesting a good management performance of a stable financing mix. But the volatility reduced from a pre merger 21.87 to 20.13.

8. The capital adequacy ratio (CAR) which is a measure of how shareholders funds are used to finance banks operation other than customers' deposits. The mean of this ratio increased from its 0.32 level in pre-merger to 0.43 in post merger period. And the volatility shrink from 0.87 to 0.34 signifying that the banks are at less risk at post merger than pre merger period as shown by the standard deviation.

Overall, the descriptive statistics show that the financial performance of the banks after M&A deteriorated and they became riskier in terms of profitability, liquidity and some leverage ratios' indicators except the capital adequacy ratio.

4.1. The Test of Hypothesis

The hypothesis is that: There is no significant improvement in the performance of banks after the recapitalization exercise through M&A. Using the t-test statistical tool the Table 2 below shows the results of the difference in paired t-test of the performance indicators and their p-values.

Table 2. *Performance Indicators*

Variables of Performance Indicators	Difference of paired t-value	P-value
Profitability Indicators		
Return on equity (ROE)	1.354	0.340
Return on Assets (ROA)	1.736	0.232
Operating Profit Margin (OPM)	0.745	0.687
Liquidity Indicators		
Current Ratio (CR)	-1.058	0.465
Net Working Capital (NWC)	-2.049	0.062
Leverage		
Networth to Total Assets (NWTA	-2.147	0.049
Loan to Total Deposit (LTD)	-1.856	0.139
Capital Adequacy Ratio (CAR)	-0.565	0.842

Source: Author's computation, 2013

Data Analysis

The profitability indicators show that there is no statistically significant change at 5% level. This clearly indicates that there is no significant improvement in the profitability of the merged banks after the consolidation exercise.

The liquidity ratios did not fare better. They were negatively signed and therefore, not statistically significant at 5% confidence level. This shows vividly that the merged banks financial performance in the terms of liquidity was not really impressive.

The leverage ratios were all negative. The Networth to total assets (NWTA) ratio is negatively significant at the confidence level of 5% while both Loan to Total Deposit ratio (LTD) and Capital Adequacy Ratio (CAR) are statistically not significant at 5% confidence level.

4.2. Discussion of Findings

The descriptive statistics and the t-test results show clearly that:

(i) There is no significant positive improvement in the profitability of Nigerian banks after the consolidation exercise through mergers and acquisitions.

(ii) There is no significant positive improvement in the liquidity position of Nigerian banks after the consolidation exercise through mergers and acquisitions

(iii) There is no significant positive improvement in the leverage position of Nigerian banks after the consolidation exercise through mergers and acquisition.

(iv) The riskiness (standard deviations) of profitability, liquidity and leverage ratios were generally higher (worsened) after the merger.

This vividly indicates that the mergers and acquisitions strategy adopted was not market driven but regulatory-induced. This produced hasty mergers and acquisitions arrangement without due consideration of due diligence and compatibility in order to meet the time deadline set by CBN. These results conform with those of Achua and Ola (2013, Ebimobowei and Sophia (2011) and Okpara (2011).It also aligns with the arguments of Harford (2005), Ginsburg and levin (1989) and Marks(2003) who maintained that capital market matters for M&A success. The success of mergers and acquisition are mostly anchored on the capacity of the capital market to provide available capital which proposes the indispensability of the supply leading hypothesis as espoused by Deb and Mukherjee (2008).The CBN directive obviously undermine the time duration as well as the prevailing economic and market conditions in the country . As noted by Bakera and Sava-soglub (2002) and Digeorgio (2002) time is of essence to the success of mergers and acquisition . The 18months time frame given by CBN was rather too short to consummate an enduring mergers and acquisitions. As such the hasty mergers and acquisitions in the Nigerian banking industry stimulated by regulatory shock waves have all the trappings of 'strange bed fellows' mergers and acquisitions. The situation provided the banks with no convenient option but to consummate mergers and acquisitions as a survival strategy to remain relevant as a player in the industry .On this basis ,the paper believes that the merging banks' managers' decision to merge is for survival and also borne from their misguided economic self-delusion or an attempt to deceive the shareholders of the capacity of the mergers and acquisitions to create value for them.

This paradox was re-echoed by Pilloff and Santomero (1997) when they averred that managers are probably misguided by self-delusion or they lie to the shareholders that mergers will create value when actually they are more concerned with the intention to expand their own power base and compensation. In another dimension, it could be that the policy makers were those in self –delusion who tirelessly defended the policy to hoodwink the public that the resulting mergers and acquisitions would create value when actually they were only trying to create an economic power base for their parochial / political considerations and those of their god fathers. This may have been the case in the Nigerian experience. Particularly in the later assumption, Ikoku (1998) succinctly puts it 'the influence –seeking theory' whereby politicians and their cronies (bureaucrats) usually introduce policies in order to capture contrive pecuniary and non-pecuniary benefits.

5. Conclusion, Policy Implication and Recommendations

It is pertinent to note that the findings of this paper show that there is no positive significant improvement in the performance indicators of banks after the consolidation of Nigerian banks through regulatory –induced mergers and acquisitions .One is tempted to say that the submission of Pilloff and Samtomero (1997) and Ikoku (1998) are at play in this regard or that the intentions of the banks managers involved in the mergers and acquisitions were underlined by corporate survival instincts rather than corporate synergistic intentions .It is the belief of the paper that when contemplating mergers and acquisitions in the nearest future in the Nigerian banking industry, policy maker should sufficiently understand the economic, market and financial conditions prevailing before deciding on any policy to drive consolidation. Sufficient time must proposed if regulatory-induced mergers and acquisitions is favoured as against creating a market- driven M&A. Policy makers are reminded that success of M&A are more guaranteed by market conditions. In addition, all merging parties must design an acceptable memorandum of understanding which should be devoid of personal or group gains/interest. This of course will improve the overall banking sector and enable it to play its intermediation role, resource mobilization, resource allocation, facilitating the payment system and enhancing the effectiveness of the nation's monetary policy.

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