Assessing the Effects of Merger on the Performance of Access Bank Ghana and Intercontinental Bank Ghana

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Abstract — The study looked to analyze the effect of merger on the presentation of Intercontinental bank and Access bank. The principle issues talked about were the effect of merger on association's corporate exhibition, cost of activity and usage of assets as it results in the money related execution and long haul advancement of the bank. This examination along these lines planned to decide the impact of merger on the exhibition of organizations Access bank and Intercontinental bank.

With respect to issue of how the executives was engaged with the post-merger process, 75% of the respondents showed that thirty six (36) respondent from the old administration of the banks were coordinated in the development of the new administration. In opposition to this outcome, 51.6% of lower the executives was less associated with a large portion of the choices of the merger procedure attempted by the association.

Also, they (lower the executives) questioned the entire merger process since more often than not top administration never boarded to incorporate them in many considerations.

In addition, half of the respondents (half) were of the view that the approaches, procedures and practices have change after the merger. With respect to factors that have been most significant in the post-merger exercises. The result demonstrated that the procedural, physical and socio-social components were to some degree critical to the staffs in the post-merger process.

Keywords: merger, financial institution, bank, interncontinental, access

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1 Introduction

THIS This section provides relevant background information on the assessment of the effects of Merger on the performance of Access Bank Ghana and Intercontinental Bank Ghana. The general idea of merger is highlighted as well as the scope of the study. The chapter then proceeds with the statement of the research problem, the research objectives and research questions, the significance of the study, limitations and organization of the study, the proposed research methodology, and finally, the organisation of the study.

Banking merger is one of the features of globalization and may be the driving force for non-competitive banks. In Europe, financial markets deregulation, technological development and the creation of the European monetary Union (European single currency) created the common platform for bank competition which led to expansion in the form of mergers. Similarly, (Green, 1990; Gaughan, 2007) argued that merger strategies are gaining more popularity as a result of the globalization, deregulation of multiple industries in many different countries coupled with favourable legislation as well as increased number and size of domestic and cross-border mergers and acquisitions.

Additional information reveals that result of bank mergers in Europe in individual countries within the Union have reduced in number. In Germany banking and credit service institutions fell from 4,740 in 2001 to 3,450 in 2017. In France during the same period, it fell from 1,962 in 2001 to 1,340 in 2017, and similarly fell from 665 to 537in the UK at the same period.

Nonetheless, the major survival strategy for most businesses has been growth strategy.

The reasons why growth is key to a firm's survival strategy is to enable it compete for market share. However, it is believed that with low market share, companies are not assured of their revenue inflow which forms the backbone of any company's survival.

In the light of the forgoing, mergers have become the order of the day in the global business system in which businesses in West Africa are not in isolation. The fundamental objective of a merger is to provide a strong and resilient capability of meeting customer satisfaction, and also to reduce fierce competition and evolve into technological development that will enhance better performance and realization of substantial profits. West African firms like their counterparts in the other regions of the world are not left behind in their quest to achieve excellence in their business performance. Over the years, several merger exercises were undertaken, cutting across different industries with banking sector recording

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highest number of mergers. However, it is not historically certain that all merger exercises yielded better outcomes after post-merger evaluations; hence case-by-case evaluation of post-merger outcomes is crucial to establish if such mergers have yielded better outcomes or not.

The evaluation of business performance is highly imperative to the banking industry. This evaluation is of direct and immediate importance to the business itself and to the larger business environment. Financial performances are used to indicate the quantitative benefits that have accrued to a company over a period of time and for that matter financial ratios can be used as the better indicator of a firm's financial performance when mergers occur.

These financial ratios can be classified into two main types, namely profitability ratios in relation to sales, profitability and investment ratios. Performance is concerned with the achievement of objectives; such objectives may include profitability, growth, and efficiency, continuity of existence, market share, turnover and size.

(Green, 1990; Gaughan, 2007).evidence suggests that the shareholders of acquired firms realize significant positive "abnormal returns" while shareholders of the acquiring company are most likely to experience a negative wealth effect.

To them, the overall net effect of merger transactions appears to be positive: almost all studies report positive returns for the investors in the combined buyer and target firms. This implies that merger creates economic value, presumably by transferring assets to management teams that operate them more efficiently. Merger is cited to be a complete absorption of one firm by another, thereby the acquiring firm retain its name and identity, and it acquires all of the assets and liabilities of the acquired. As companies merge, there is a danger that their greatest size makes them monopolistic and a threat to free competition.

The survival of a business depends on the ability of management to select competitive strategies which will enable it to achieve expected performance which will maximise the gains of the shareholders. To a large extent, merger activity is based on a belief that gains can accrue through expense reduction, increased market power, reduced earnings volatility and scale and scope economies. Most importantly shareholders value can also be increased. As with any other business activity, merger can be part of management's overall strategy to maximize shareholder value. Again, merger activity has the potential to increase efficiency and profitability in the sector through the benefits of synergy, the transfer of efficient managerial and operational practices, an increased capital base and the expansion of product lines.

2.0 LITERATURE REVIEW

2.1 Definition of Mergers

Merger: A merger refers to the combination of two or more organizations into one larger organization. Such actions are commonly voluntary and often result in a new organizational name (often combining the names of the original organizations). Merger is a combination of two companies in which only one company survives and the merged company ceases to exist, whereby the acquiring company assumes the assets and liabilities of the merged company. From the above distinction, it is apparent that a merger occurs when two or more companies transfer their businesses and assets to a new company (or to one of themselves) and in consideration, their members receive shares in the transferee company. This activity is what transpired between Access bank and Intercontinental bank, but both banks operate as separate legal entity under the control and management of Access bank plc after Access bank acquired 75 per cent interest.

2.2 Types of Mergers

Mergers are broadly classified into horizontal, vertical and conglomerate (Green, 1990; Gaughan, 2007).Other researchers refer additionally to concentric mergers as a different type of mergers and acquisitions. The horizontal merger type is subdivided into two more groups. The first group covers mergers within the same product line, but allocated to different countries. Consequently the acquiring firm gains market shares and power through the merger in new geographical areas, for instance. The second type consists in mergers of companies with slightly different product lines. As a result, the acquiring firm increases its product line through the merger. However horizontal mergers are highly controlled by market and governmental regulations, which limit the value creation in some cases such as restraining the formation of monopolies (Green, 1990; Straub, 2007). In contrast, in a vertical merger, companies do not acquire firms with the same product line, but firms connected to their own production chain. Also this type of

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merger can be subdivided into two different groups; merging vertical backward or forward. The purpose of the forward vertical acquisition for the acquiring company is to have a sure buyer to which it can provide its own products. On the other hand, acquiring vertical backwards means to ensure a constantly guaranteed supply of raw materials that are needed for the acquirer's production. In general a vertical merger leads to a rise of the acquiring company's value (Green, 1990; Straub, 2007).

2.3 Motives for Mergers

Companies adopt mergers as growth strategy for different reasons. Hopkins (1999) classified the motives of mergers suggested in prior studies as *four* distinct but related motives: *strategic*, *market*, *economic*, and *personal* motives.

2.3.1 Strategic motive: Strategic motive is concerned with improving the strength of the firm's strategy, example, creating synergy, utilizing a firm's core competence, increasing market power, providing the firm with complementary resources, products and strengths.

2.3.2 Market motive: Market motive aims at entering new markets in new areas or countries by acquiring already established firms as the fastest way, or as a way to gain entry without adding additional capacity.

2.3.3 Economic motive: Establishing economics of scale is included in economic motive; the agency problem and management hubris are included in personal motives.

3.0 THEORETICAL ANALYSIS

3.1 Theories of Mergers

Value creation theory: *Value Creation* theory postulates that managers look after the interest of the shareholders since they strive to create surplus value. From an economical point of view, mergers make sense when there is synergy; the value of the merged part is greater than the sum of the target and bidder alone.

Redistribution theories of merger comprise the hubris and the agency theories: The *hubris* theory supposes that managers are overconfident in their own ability of running a firm. Although they pursue synergy in order to maximize the shareholder value of the firm, the synergy value is not as high as they expect because they suffer from an inflated ego (Green, 1990; Gaughan, 2007), stated that merger driven by hubris, in most of the cases, have a surplus value but that this value is lower than the takeover premium.

The *agency* theory assumes that managers and shareholders have different interests because management and control of a company are separated. Therefore, managers will not always try to maximize shareholder value but act in their self-interest; pursue private benefits. This is to say that, empire building is a reason for conducting mergers. A big company gives a manager more status and his salary will also increase hence, managers do not strive to maximize the shareholder value of the company but pursue their own goal. Another reason for undertaking merger is free cash flow. This money could be paid out as dividend to shareholders. However, in the agency theory this money will be used to acquire a company to satisfy the desire of managers.

3.2 Impact of Mergers on Financial Performance

Many studies have empirically examined the impact of merger on corporate financial performance. Studies based on analysis of accounting data have attempted to assess the economic impact of merger by testing for changes in the profitability of the merged firms and the results are inconsistent.

3.2.1 Positive impact of Mergers on Financial Performance

Some studies reported improved performance after merger event. For example, some measures of corporate performance, such as profitability, suggest statistical significant gains in the years following merger. Studies conducted which compared pre-merger performance with the post-merger provided some evidence that mergers improve the post-merger operating performance. Studies conducted in Hong Kong to test the long-term post-merger financial performance of merged companies concluded that there is a positive significant improvement in the post-merger performance. Also conducted examined and analysed the effects of mergers and found that profitability is positive in all five years after mergers and is significant in every year at 10% level. On country level, the results suggest that the U.S., the United Kingdom, Continental Europe, Australia, New Zealand and Canada have the same pattern regarding the increase in profits and decrease in sales. In Japan, the results were somewhat different as three of the five profit comparisons were negative, while sales were greater than projected in two of the five post- merger years.

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3.2.2 Negative Impact of Mergers on Financial Performance

In contrast to the above, some studies have reported losses after merger event which connote negative effect of merger on performance. Such studies reported a decreased profitability of firms due to mergers, insignificant negative change in productivity, significant downward trend in profitability, significant negative effect on the sales growth rate, and downsize in the workforce after mergers and generally concluded that mergers have a negative impact on firm performance. Other studies confirming negative impact of mergers on performance found that Return on Asset, Return on Equity and Return on Sales values are significantly lower than pre-acquisition value. Studies by Ravenscraft and Scherer (1987) also report negative impact of mergers on performance.

3.2.3 Positive and Negative Impact of Mergers on Financial Performance

Other empirical studies have found mixed results. Kumar (2009) concluded that the post-merger profitability, assets turnover and solvency of the acquiring companies, on average, show no improvement when compared with premerger values. This shows that merger do not lead to superior financial performance. They argued that merger has a modest negative effect on long-term financial performance of acquiring firms. Studies reported that pre-and post-merger values obtained mixed results. Some measures of corporate performance such as total assets turnover, which measures firms' efficiency, suggest statistically significant gains in the long-run analysis, following mergers. Other performance variables such as net income return on asset (ROA), return on sales (ROS), capital expenditure, capital expenditure/sales (CESA) and capital expenditure/total asset (CETA) did not show significant gains after merger in the short run analysis and thus concluded that merger does not lead to all improved corporate performance both in short-run and long- run period.

3.3 Effects of Mergers on Banks Performance in West Africa

In Africa, few studies have been conducted to test whether mergers results in successful improvement of banks' profitability and efficiency. A wide range of performance indicators have been applied in these studies, ranging from simple statement of financial position and statement of comprehensive income ratios to more advanced statistical efficiency measures. In West Africa, most of the researches in the field have been conducted in Nigeria and Ghana.

Available statistics show that the consolidation of the Nigerian banking sector through mergers and organic growth resulted in a remarkable improvement on the sector as a whole. The statement of financial position and statement of comprehensive income profile of most banks in Nigerian have more than doubled since December 2005 to date.

3.4 Effects of Mergers on Banks Performance in US Banks

Hunter and Wall (1989) examine the financial characteristics of the target banks in 559 U.S. bank mergers during the 1981 to 1986 period. Their results, which were stable across time and geographic region, indicate that the most valued merger partner is likely to have faster growth in core deposits and total assets, higher than average profitability, a higher ratio of loan-to-assets, and rely on more financial leverage than the typical bank in the sample. Cheng, Gup, and Wall (1989) attempt to identify acquirer and target financial characteristics that explain the ratio of purchase price-to-book value paid for target banks. They find that the growth rates of assets and core deposits return on equity, as well as the loan quality of the target banks are positive determinants of merger premiums. They also report premiums are negatively related to the return on assets and asset growth of the acquiring banks and positively related to market-to-book value.

Houston and Ryngaert (1994) find wealth transfers from bidding to target shareholders using a "leakage date" rather than the announcement date. By combining the average residuals from a market model regression of the returns related to the acquiring and target firms, however, they show that the five-day average residuals are not significantly different than zero. They also find the average residuals are higher when both firms have above-average return on assets, significant overlap in operations, the relative size of the target is larger, and the payment method is not in the form of stock.

Frame and Lastrapes (1998) also find wealth transfers from bidding to target shareholders on the announcement of the transaction. In a study of 52 acquiring banks during the period 1990 to 1993, they find, however, that interstate acquisitions using the purchase method of accounting actually increased

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shareholder wealth for acquirers on the announcement. Over a longer event horizon of 11 days, Frame and Lastrapes find the relative size of the transaction and the method of accounting to be the most important determinants of acquirer abnormal returns. Studies report that higher merger premiums are paid for smaller size targets, targets with higher return on equity and lower leverage, interstate transactions, and stock acquisitions.

Palia (1993) identifies financial, regulatory, and managerial factors that impact the level of bank merger premiums. The managerial factors include the equity ownership of the acquiring bank's management and the equity ownership of the target bank's management. Palia finds financial factors related to loan quality and market power are positively related to merger premiums and negatively related to the relative size of the participants, suggesting a lack of opportunities to realize economies of scale or scope when acquiring a relatively large bank. All three regulatory factors are statistically significant and are positively related to merger premiums. This suggests that a protective regulatory environment for the target bank is potentially more valuable to the acquirer. Palia also identifies a non-linear relationship between the management ownership values and merger premiums. For acquirers, the results exhibit a U-shaped relationship between merger premiums and the acquirer's management ownership, implying potential agent-owner conflicts. For targets, an inverted U-shaped relationship exists between merger premiums and the target's management ownership.

Consistent with an earnings diversification hypothesis related to mergers, Benston, Hunter, and Wall (1995) find that bid premiums are negatively related to the variances and covariances of the bidder's and target's returns on assets and relative size, as well as positively related to the capital-to-assets and market-to-book value ratios. Demsetz and Strahan (1997) support the earnings diversification hypothesis. The studies find that large bank holding companies can diversify more than their smaller counterparts via geography, product scope, and by the sheer number of customers. The larger bank holding companies can increase their financial leverage to compensate for the natural decrease in business risk afforded by size. As a result, the large bank's total risk can remain unchanged while increasing its after-tax cash flows.

In contrast to prior research that focuses on short-term performance and merger premiums, studies conducted of 48 bank mergers during 1982-1991 using both stock market and accounting data and finds that both sets of performance measures do not show any significant changes during the 2-year post-merger period. Not surprisingly, Piloff does not find a consistent set of factors that explain the observed insignificant changes in post-merger performance. Using an earlier data set, other studies find corroborating evidence for Piloff's results in that both post-merger cost and profit measures are unaffected by bank acquisition activities. Similarly, other studies also measures post-merger efficiency using accounting data during 1980-1990 and finds that acquirers failed to improve efficiency after the acquisitions have been completed. Madura and Wiant (1994) focus on stock market reactions to bank acquisitions and find evidence supportive of the weak results identified by the above research. They note that acquiring banks experience negative stock price reactions that persist for 3 years after the merger. Those mergers that perform better than average are those that have poor pre-acquisition performance and are made within the acquirer's existing operating region.

DeLong (2003) uses 54 bank mergers during 1991-1995 to examine whether "focusing" strategies (i.e., concentrating on a geographic area or generating economies of scale) or "diversifying" strategies (e.g., diversifying geographically or generating economies of scope) affect the long-term performance of measures such as return on assets, stock return, and efficiency (as measured by the non-interest expense-to-revenue ratio). She finds that the only consistently significant variable that explains cross-sectional differences in long-term performance is the relative volatilities of earnings of the target and acquirer, thus suggesting that banks with similar earnings streams might be effectively using an earnings diversification strategy.

Contrary to the numerous studies described above that have found negative or insignificant changes in post-merger performance measures, there are two papers that have found positive post-merger results. Using a set of 30 large bank mergers, Cornett and Tehranian (1992) find positive post-merger gains in accounting- and stock-based performance measures and

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that these gains are correlated with increased growth rates in profits, productivity, assets, and deposits. Houston, James, and Ryngaert (2001) examine a set of 41 bank mergers during 1985-1996 and find positive changes in the combined market value of bidders and targets. They find that these positive results are primarily driven by cost savings rather than increased post-merger revenues. These two papers suggest that the post-merger performance of banks is not clear-cut and that there may be some winners in this area. Further, these results indicate that changes in growth rates might be an important determinant that distinguishes between the winners and losers.

The above literature suggests that earnings diversification-related and interstate mergers are rewarded by investors. Also, there is some evidence that regulation and managerial ownership can play an important role in affecting merger premiums. The vast majority of the above studies are primarily focused on short-term stock market reactions related to merger premiums and announcement effects. In addition, other papers that do focus on long-term performance such as Rhoades (1982, 2000), typically concentrate on long-term changes in financial statement variables such as return on assets, return on equity, financial leverage, etc., and do not examine long-term stock performance. In particular, our focus on the effect of sustainable growth and other factors on the bank's post-merger long-term stock performance provide a new way of studying the performance of bank mergers.

3.5 Causes of Failures of Mergers

There could be many causes of failed mergers. It is most likely that a failed merger would be a as a result of poor management decisions and over confidence, overpayment, integration issues, selecting target, strategic issues amongst others. They could be subjective reasons considering which consolidation tend to enter into much activities and hence tend to ignore the primary motives of mergers, creating shareholder values, but good decisions may also boomerang due to wholesome business reasons.

3.6 Overview of the Ghanaian Banking Industry

The economy of Ghana can be described largely as a developing economy with several sectors of which the banking sector plays an important role in the development of the economy. The banking sector in Ghana has seen tremendous growth and development from the colonial era through to independence in 1957 to date. Banks were established to mobilize financial resources from savers and make these resources available to borrowers for investment. In general, the evolution of the banking system in Ghana may be seen as a response to certain perceived credit needs of some sectors in the economy at different point in time. Banking emerged in the colonial era with the aim of providing banking services for the British trading enterprises and the British colonial administration.

The British Bank of British West Africa, which later became known as Standard Chartered Bank, was established in 1896 followed by Barclays Bank DCO, now Barclays Bank Ghana Limited (BBG) in 1917.In spite of their objectives of providing banking and currency services to expatriate companies and the colonial administration, the bank attracted the patronage of some indigenous Africans. This therefore led to the establishment of an indigenous bank called the Bank of the Gold Coast in 1953, to operate for the benefit of the indigenous private sector.

After independence, however, Ghana left the West African Currency Board (WACB) and split the bank of the Gold Coast into two, that is, the Bank of Ghana (BOG), taking on central banking activities and the Ghana Commercial Bank now GCB Limited taking commercial banking activities. For financing the purchases of cocoa, the co-operative bank was established in 1935 by the farmers' co-operatives and the colonial government.

To cater for medium and long-term financing needs of the manufacturing and agro-business sectors, the National Investment Bank (NIB) was established in 1963 to provide long-term credit facilities. In 1965, the Agricultural Credit and Co-operative Bank now Agricultural Development Bank (ADB) was established to provide finance for the development of the agriculture sector. The Bank for Housing and Construction (BHC) was also established by government decree in 1972 to undertake mortgage-financing activities, facilitate the participation of domestic or foreign private capital in the construction sector and enter into joint venture projects in this sector

The Security Guarantee Trust Limited (SGT) and after a year it

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became Social Security Bank (SSB) now SG-SSB Bank limited was established in 1975 to allow salaried workers to acquire consumer goods. It was also tasked with the operation of development finance scheme for small-scale industrial and agriculture projects. Merchant banks now Universal Merchant bank (UMB) emerged to accept deposits and open checking accounts for only corporate bodies and individuals trading under business names with high net worth and with relatively substantial turnovers as well as for individuals (non-traders) who have big deposits or whose incomes are substantial. The individual banks in the merchant banking business in Ghana were the Universal Merchant Bank (UMB), Ecobank Ghana Ltd, CAL Merchant Bank Ltd and First Atlantic Bank, Access bank plc, Fidelity Bank, Zenith Bank, Consolidated Bank Ghana etc. In addition, specialized banks were established to cater for various credit needs in the rural sectors.

4. Methodology

4.1Study Area

Access bank entered the Ghanaian market and started operations in June 2009 becoming one of the most capitalized banks in the country. Intercontinental bank however, entered much earlier in October 2006 after acquiring Citi savings and loans. In 2012, Access bank and Intercontinental bank merged after Access bank plc acquired a 75 percent controlling interest in Intercontinental bank plc. Until then, both banks will operate as separate legal entities under the control and management of Access bank complying with all legal and regulatory requirements, while meeting all obligations to customers and shareholders. The bank is a member of the Access Bank Group with seven (7) subsidiaries. Out of these, six (6) are in Africa; the Democratic Republic of Congo, Ghana, Rwanda, Sierra Leone, The Gambia and Zambia. The merger creates Access bank a formidable Ghanaian financial institution ranked amongst the top 7 in the banking industry, and has 39 branches in Ghana. Access bank plc a strong local bank and one of the leading banks in Ghana. Access bank and Intercontinental bank serves corporate customers, individuals and Small and Medium Enterprises (SMEs). The mission is to create the preferred banking institution, which employs professionalism, teamwork and innovation to provide quality products and services that best satisfy the needs of our customers. It has also been selected because it has experienced merger and has the same characteristics as many banks in British West Africa.

4.2 Research Design

The aim of a research design is to contribute in answering the specific research questions and meeting the objectives of the study. In order to perform a successful research and to meet all the objectives of the study: to identify and assess the strategies and policies of Access and Intercontinental bank after the merger, and to assess the qualitative impact of post-merger activities such as accounting reports and market valuations on the performance of Access bank and intercontinental bank after the merger correspondingly, as well as to assess the impact of post-merger and acquisition activities on the performance of banks in Ghana; the researcher employed a descriptive research method which is useful when a researcher wants to collect data on phenomena, for instance, opinions on an organization's services or performance. A descriptive research design is a scientific method, which involves observing and describing the behaviour of a subject without influencing it in any way. According to Creswell (1994) the aim of descriptive research is to verify formulated prepositions that refer to the present situation in order to explain it; descriptive approach is quick and practical and this method allows a flexible approach, thus, when important new issues and questions arise during the study, further investigation may be conducted. Hence, the descriptive method is advantageous to the researcher due to its flexibility, giving the researcher greater options in selecting the instrument for data gathering.

4.3 Research Population

One hundred and sixty (160) employees comprising of (110) junior staffs and (50) senior staff of Access bank and Intercontinental bank constituted the sample of interest out of a population of 750. Views from these respondents were examined to assess the impact of post-merger activities on the performance of banks in Ghana using purposive sampling a non-probability sampling technique. This is because the particular interests of this study fall within their area. According to (Green, 1990; Gaughan, 2007), a sample size of 100 and above is sufficient to present good research findings and provide good representation of the population or any subject investigated.

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4.5 Sample Size and Sampling Procedure

Purposive sampling technique was used to seek the views of the respondents on the impact of post-merger activities on the performance of banks. Purposive sampling method was considered because the criterion chosen allowed the study to focus on people who truly experience, know about, or have knowledge on the impact of post-merger activities on the performance of banks in Ghana. A purposive sample is one in which a researcher tries to create a representative sample without sampling at random. In other words, purposive sampling targets a particular group of people. The importance of purposive sampling lies in selecting information rich-cases, for in-depth analysis related to the central issue being studied.

4.6 Research Instruments

Combinations of primary and secondary sources of data were utilised to accomplish the study's objectives. Primary data was collected using questionnaires as the main instrument developed and administered to the 160 respondents of which 143 were retrieved. The questionnaire was designed to answer questions relating to the objectives of the study, and the research problem. Questions were made up of both closed and open ended items. The questionnaire also provided first-hand information on assessing the impact of post-merger activities on the performance of banks in Ghana. Secondary sources of data were collected from documents and website of the Access bank, conferences and workshop. The usage of the secondary sources of data saved time associated with the collection of data for the study.

5. RESEARCH FINDINGS

5.1 Introduction

The research sought to investigate the impact of merger on the performance of Intercontinental Bank and Access Bank. This chapter is concerned with the analysis, discussion and representation of results. It is structured into sub-headings: demographic characteristics of respondents, strategies and policies instituted by Access Bank and Intercontinental Bank after the merger, and the impact of accounting reports and market valuations on the performance. Frequency tables, pie charts and bar graphs were presented first, followed by its discussion, and analysis.

This section heighted the impacts of accounting reports, market valuations and key informant descriptions on the performance of management after the merger. It discussed pertinent issues such as change in the consolidated business's market share (CBMS), consolidated business's sales (CBS), the firm's internal profitability (FIP), and the firm's profitability relative to industry average (FPRIA), changed in revenue and cost changed (RC) and a change in revenue and cost composition and sustainability (RCCS).

Table 5.9 Change in accounting reports, market valuations and key informant descriptions on the performance of management after the merger

Qualitative impact	SI		IN		NC		SD		D	
	F	%	F	%	F	%	F	%	F	%
CBMS	26	54.2	12	25	3	6.3	6	12.5	1	2.1
CBS	24	50	14	29.2	4	8.3	3	6.3	3	6.3
FIP	23	47.9	16	33.3	4	8.3	2	4.2	3	6.3
FPRIA	27	56.3	11	22.9	3	6.3	4	8.3	3	6.3
RC	30	62.5	5	10.4	3	6.3	5	10.4	5	10.4
RCCS	29	60.4	13	27	3	6.3	2	4.2	1	2.1

Source: Field data, June 2015

Note: Significant Increase (SI), Increase (IN), No Change (NC), Significant Decrease (SD), Decrease (D)

From Table 5.10, the researcher wanted to find out if there has been a change in accounting reports, market valuations and key informant descriptions on the performance of management after the merger. The result showed that 38(79.2%) were of the view that consolidated business's market share of the organisation has significantly increased, 7(14.6%) also said that consolidated business's market share of the organisation has significantly declined while only 3(6.2) shared their view that there has been no change.

Moreover, 38(79.2%) believed that consolidated business's sales has significantly increased, 6(12.6%) also mentioned that consolidated business's sales has significantly declined with only 4(8.3%) were of the view that there has been no change.

Concerning internal profitability of the organisation, 39(81.2%) stated that there has been a significant increase, 5(10.5%) mentioned significant declined whilst 4(8.3%) claimed that there has been no change in the firm`s internal profitability.

Again, with regards to the firm's profitability relative to industry average, 38(79.2%) said that there has been a significant increase, 7(14.6%) said there has been a significant declined in the firm's profitability relative to industry average. However, only 3(6.2%) shared the view that there has been no change

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Furthermore, 35(72.9%) believed that there has been a significant increase in the firm`s revenue and cost, 10(20.8%) also argued that the firm`s revenue and cost has declined significantly. Nonetheless, only 3(6.3%) said that there has been no change.

Finally, in the light of revenue and cost composition and sustainability, 42(87.5%) expressed their view that revenue and cost composition and sustainability has significantly increased, 7(6.2%) mentioned significant declined with just 3(6.3%) represented those who think that there has been no change in the firm`s revenue and cost composition and sustainability since the merger process.

From the result above, it can be concluded that on the average there has been a significant change (increased) in accounting reports, market valuations and key informant descriptions on the performance of management after the merger.

Table 5.10: Recommendations towards policies, strategies, market valuations and accounting reports instituted by maa-Geent

Recommendations	Frequency (f)	Percentage (%)
Policies		
Speed Policies Implementation	7	14.6
Improved logistical Support	5	10.4
Good credit policy / appraisal	21	43.7
Intensify shareholders education	15	31.2
Strategies		
Effective risk management systems	17	35.4
Instituting of sound corporate governance	9	18.7
Quality of board and management	11	22.9
Liquidity management competence	6	12.5
Internal control and fraud management	5	10.4
Market Valuations		
Concentration on core business activities	6	12.5
Frequent market monitoring of the banks even after the consolidation	17	35.4
Reinforce the confidence of all stakeholders in the banking system	6	12.5
Development of new products	15	31.2
Control of threats of mega banks	4	8.3
Accounting reports		
ICT software integration	39	81.2
Feedback and control mechanism	9	18.8

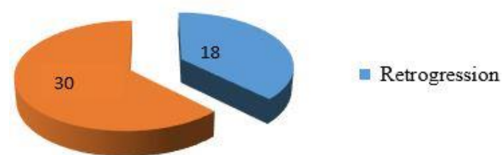
Source: Field data, January 2019

In soliciting the recommendations towards policies, strategies, market and accounting reports instituted by management, Table 5.10 revealed the responses from respondents as follows; Results on recommendations towards policies showed that about 21(44%) recommended the establishment of good credit policy/ appraisal, 15(31.2%) formed those who mentioned that management must intensify shareholders education, 7(15%) stated that management must speed up policies implementations and only 5(10%) suggested that management must improve on the logistics support of the firm.

Again, concerning strategies, about 17(35%) mentioned the practice of effective risk management systems. The rest of the results are as follows; 9(19%) for Instituting of sound corporate governance, 11(23%) for quality of board and management, 6(12%) stated Liquidity management competence and 5(10%) stressed the need for internal control and fraud management.

Additionally, issues regarding suggestions to improve market valuation revealed that about 17(35.45) suggested that there should be frequent market monitoring of the banks even after the consolidation which formed the majority, 15(31.2%) mentioned that management must consider developing new product to complement the existing ones, 6(12.5%) stated that management should focus on core business activities and reinforce the confidence of all stakeholders in the banking system respectively with only 4(8.3%) suggested that management should endeavour to control threats of the mega banks.

Finally, the result from the suggestions toward effective accounting reports showed that about 39(81.2%) stated that management must adopt ICT software integration that seeks to promote database management system in all department of the company. Also just 9(19%) of the respondents suggested that management must communicate feedbacks and control systems on accounting reports to all stakeholders in order for decision making to be realized in a timely manner.



Source: Field data, January 2019

Figure 5.1: Opinions of respondents on the general performance of the banks after the merger

With respect to the general performance of banks after the merger 18(38%) respondents stated that organisation`s per-

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formance is retrogressing whiles 30(62%) of respondents were of the view that there has been improvement in the Bank's operation as outlined in Figure 4.1.

5.3.2.2: Qualitative impact of accounting reports, market valuations and informant descriptions on the performance of management after the merger

Table 5.17: Change in accounting reports, market valuations and key informant descriptions on the performance of management after the merger

Ratings of Qualitative impact	SI		IN		NC		SD		D	
	F	%	F	%	F	%	F	%	F	%
CBMS	35	36.8	24	25.3	12	12.6	12	12.6	12	12.6
CBS	40	42.1	31	32.6	9	9.5	10	10.5	5	5.3
FIP	33	34.7	27	28.4	10	10.5	15	15.8	10	10.5
FPRIA	29	30.5	34	35.8	11	11.6	10	10.5	11	11.6
RC	30	31.6	25	26.3	15	15.8	16	16.8	9	9.5
RCCS	39	41.1	31	32.6	5	5.3	10	10.5	10	10.5

Source: Field data, January 2019

Note: Significant Increase (SI), Increase (IN), No Change (NC), Significant Decrease (SD), Decrease (D)

From Table 5.17, the researcher wanted to find out if there has been a change in accounting reports, market valuations and key informant descriptions on the performance of management after the merger. The result showed that 59(62.1%) were of the view that consolidated business's market share of the organisation has significantly increased, 24(25.3%) also said that consolidated business's market share of the organisation has significantly declined while only 12(12.6) shared their view that there has been no change.

Moreover, 71(74.7%) believed that consolidated business's sales has significantly increased, 15(15.8%) also mentioned that consolidated business's sales has significantly declined with only 9(9.5%) were of the view that there has been no change.

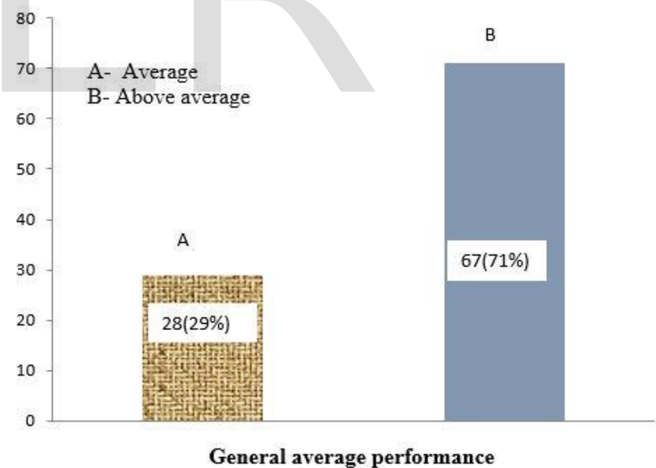
Concerning internal profitability of the organisation, 60(63.1%) stated that there has been a significant increase, 25(26.3%) mentioned significant declined whilst 10(10.5%) claimed that there has been no change in the firm`s internal profitability.

Again, with regards to the firm's profitability relative to industry average, 63(66.3%) said that there has been a significant increase, 21(22.1%) said there has been a significant declined in the firm's profitability relative to industry average. However, only 11(11.6%) shared the view that there has been no change.

Furthermore, 55(57.9%) believed that there has been a significant increase in the firm`s revenue and cost, 25(26.3%) also argued that the firm`s revenue and cost has declined significantly. Nonetheless, only 15(15.8%) said that there has been no change.

Finally, in the light of revenue and cost composition and sustainability, 70(73.7%) expressed their view that revenue and cost composition and sustainability has significantly increased, 20(21.0%) mentioned significant declined with just 5(5.3%) represented those who think that there has been no change in the firm`s revenue and cost composition and sustainability since the merger process.

From the result above, it can be concluded that on the average there has been a significant change (increased) in accounting reports, market valuations and key informant descriptions on the performance of management after the merger.



Source: Field data, April 2019

Figure 3: The general performance of Access Bank after the merger

Rating the general performance of the bank after the merger, 71% of respondents rated management performance above average whiles 29% of the respondents rated it average as depicted in Figure 3 above. This shows that Merger has positive impact on performance of banking institution.

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Analysis of Quantitative Results (pre-merger)

5.2 Access Bank performance compared with industry average 2009-2011

5.4 Financial ratios of operating results 2009 -2011(pre-merger) for Access bank Ghana

Details	2009	2010	2011
Net profit before tax Tax Net profit after tax	GH₵10,515,000 2,212,000 8,303,000	GH₵12,300,000 3,800,000 8,500,000	GH₵12,870,000 3,980,000 8,890 ,000
Net banking income increased by	12.3%	17.8%	18.2%
Current operating expenses grow by	69.47%	70.16%	48.26%
Shareholders' funds increased from	GH₵57,014,000 representing an increase of 12.7%	GH₵57,014,000 to GH₵76,519,000 representing an increase of 15.3%	GH₵76,519,000 to GH₵92,921,000 representing an increase of 13.4%
Dividend of	GH₵0.047 per share amounting to GH₵2,455,000 which represents a 29.6% of distributable profits	GH₵0.037 per share amounting to GH₵2,866,000 which represents a 33.7% of distributable profits	GH₵0.074 per share amounting to GH₵3,199,000 which represents a 36% of distributable profits

Source: Annual statement 2009-2011

Discussion of results of financial ratios

The net profit after tax has being on an increasing growth rate from GH₵8,303,000 in 2009 through to GH₵8,890, 000 in 2011. This is an indication that the financial performance is improving. Net banking income also rose from 12.3% in 2009 through to 18.2% in 2011, also a positive financial performance. Shareholders' fund has also being on the increase in significant proportions.

A remarkable observation made in the summarised financial performance indicators in the table above is that the entire financial indicators keep increasing in 2011 with the exceptions of shareholders fund and current operating expenses. The reason for this performance could not be too far from the rejuvenation period of the global financial and economic crisis coupled with complex interrelated factors ascribed to fiercely competition and managerial deficiencies.

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Analysis of Quantitative Results (pre-merger)

5.2 Access Bank performance compared with industry average 2009-2011

Indicators	Bank & industry average	2009	2010	2011
Liquidity fund/total deposits	Access Bank	10.29%	1.85%	1.13%
	Industry average	0.68%	0.73%	0.71%
Liquidity fund/total assets	Access Bank	0.77%	0.86%	0.67%
	Industry average	0.48%	0.52%	0.54%
ROA	Access Bank	4.3%	4.2%	3.0%
	Industry average	1.6%	2.3%	2.4%
ROE	Access Bank	10.4%	9.6%	8.6%
	Industry average	12.1%	16.6%	17.8%
Profit before tax margin	Access Bank	9.9%	54.3%	17.9%
	Industry average	19.7%	27.7%	30.5%
Net interest margin	Access Bank	9.1%	10.4%	9.3%
	Industry average	7.7%	9.4%	8.0%
Loan portfolio profitability	Access Bank	13.0%	6.8%	7.9%
	Industry average	15.9%	17.1%	13.4%

Source: Annual report Access Bank 2009-11

Access Bank performance compared to the industry average is also encouraging.

- In terms of liquidity funds to total deposits, the bank out-performs the industry average in 2009, 2010 and 2011 respectively.
- In terms of liquid funds to total assets, the bank again out-performs the industry average in 2009 through to 2011.
- In terms of return on asset (ROA) the bank out-performs the industry.
- Return on equity (ROE): The industry averages out performs the banks performance in all three year period.
- Profit before tax: Again the industry average out performs the bank in 2009 and 2011, but in 2010, the bank out performs the industry.

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- In terms of net interest margins, Access bank out-performs the industry average in 2009, 2010 and 2011 respectively.
- Nevertheless, in terms of loan portfolio profitability the industry continues its outstanding performance by outperforming the bank in 2009, 2010 and 2011 respectively.

5.3 Financial ratios of operating results 2012 -2014 (post-merger) for Access Bank Ghana

Details	2012	2013	2014
Net profit before tax Tax Net profit after tax	GHȻ26,825,000 6,706,000 20,119,000	GHȻ71,763,000 26,185,000 45,578,000	GHȻ123,176,000 37,958,000 85,218,000
Net banking income increased by	19.5%	31.27%	42.5%
Current operating expenses grow by	57.19%	51.09%	48.19%
Shareholders' funds increased from	GHȻ124,481,000 to GHȻ170,059,000 representing an increase of 21.3%	GHȻ170,059,000 to GHȻ215,637,000 representing an increase of 21.8%	GHȻ215,637,000 to GHȻ290,229,000 representing an increase of 16.9%
Dividend of	GHȻ0.18 per share amounting to GHȻ10,898,000 which represents a 54.2% of distributable profits	GHȻ0.41 per share amounting to GHȻ10,626,000 which represents 23.3% of distributable profits	GHȻ0.77 per share amounting to GHȻ 10,626,000 which represents 12.5% of distributable profits

Source: Annual statement 2012-2014

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Discussion of results of financial ratios

The net profit after tax has being on an increasing growth rate from GHȻ20,119,000 in 2012 through to GHȻ85.218, 000 in 2014. This is a positive signal that financial performance is strong. Net banking income also rose from 19.5% in 2012 through to 42.5% in 2014, also a positive financial performance. Shareholders' fund has also being on the increase in significant proportions. This result indicates that there is growth in terms of financial ratios which are higher than that of pre-merger ratios which earns Access bank, the bank of the year award in 2013.

Analysis of quantitative results (post-merger)

5..4 Access Bank performance compared with industry average 2012-2014

Indicators	Bank & industry average	2012	2013	2014
Liquidity fund/total deposits	Access Bank	0.86%	0.64%	0.65%
	Industry average	0.65%	0.69%	0.70%
Liquidity fund/total deposits	Access Bank	0.58%	0.47%	0.73%
	Industry average	0.50%	0.50%	0.71%
ROA	Access Bank	4.3%	4.6%	5.1%
	Industry average	3.5%	4.2%	4.4%
ROE	Access Bank	20.4%	21.1%	29.4%
	Industry average	23.8%	27.5%	30.5%
Profit before tax margin	Access Bank	36.9%	48.7%	51.8%
	Industry average	37.3%	45.3%	50.5%
Net interest margin	Access Bank	16.4%	16.7%	14.3%
	Industry average	15.4%	16.4%	16.3%
Loan portfolio profitability	Access Bank	21.0%	14.8%	23.1%
	Industry average	14.2%	14.3%	19.7%

Source: Annual report Access Bank 2012-14

Although Access Bank has significantly performed over the years in terms of net profit after tax, net banking income, and shareholders' funds and in terms of dividends payment, its performance compared to the industry average is also encouraging.

- In terms of liquidity funds to total deposits, the industry average out-performs the bank in 2013 and 2014 respectively.
- In terms of liquid funds to total assets, the industry out-performs the bank in 2013.
- In terms of return on asset (ROA) the bank out-performs the industry.
- Return on equity (ROE): With respect to this measure, the industry averages were higher than the banks performance.

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- Profit before tax: Again Access Bank out-performs the industry average in 2013 and 2014, but in 2012, the industry average out performs the bank.
- In terms of net interest margins, Access bank out-performs the industry average in 2012 and 2013, however, in 2014; the industry average out-performs Access bank.
- Again Access bank continues its encouraging performance by outperforming the industry average for the loan portfolio profitability in 2012, 2013 and 2014.

Discussion of qualitative results of major developments after the merger 2012-2014

5.5 Post merger developments

The year 2014 in the history of the bank after the merger saw major developments, it is therefore necessary to highlight such significant developments. The following are the highlights as it occurred in the 2014 which affected operations and consequently profitability of the bank.

Business banking operations

- Strong growth in deposit and moderate evolution in credit recorded amidst challenging conditions:
- Intense local competition;
- Growing sophistication of clients;
- Prudent risk appetite.
- Corporate client services and support desk established to allow sales team focus on client recruitment; and to improve servicing of existing clients to achieve total client satisfaction
- Robust international banking operations: 43% growth in Export flows, 58% growth in import operations including letters of credit established.

5.9: Findings

This section sought to discuss in detailed the findings of the study in relation to the research objectives and relevant literature reviewed. It specifically examines the strategies and policies instituted by management after the merger and the impact of accounting reports and market valuations on the performance of management after the merger.

It was revealed that the majority respondents both top and lower management affirmed that they were working for the organisation at the time of the merger process. This means that they helped in the merger decision process undertaken by the organisation. These contributions could be seen in the light of transfer of technical and product knowledge skills.

Concerning the issue of how management was involved in the post-merger process, majority of the respondents indicated that some members of the old management of both Banks were integrated in the formation of the new management. Contrary to this result, lower management was less involved in most of the decisions of the new merger process undertaken by the organisation. This result conforms to the studies conducted by (Green, 1990; Gaughan, 2007). To them, from an economical point of view, mergers make sense when there is synergy; the value of the merged part is greater than the sum of the target and bidder alone. Although they pursue synergy in order to maximize the shareholder value of the firm, the synergy value is not as high as they expect because they suffer from an inflated ego.

Regarding the factors that have been most important in the post-merger activities. The outcome indicated that the procedural, physical and socio-cultural factors were somewhat very important in the post-merger process. Procedural factors and socio-cultural factors were below average respectively. However, physical factors were recorded been the most important in the post-merger process of the banks. Procedural factors concerns the integration of systems and procedures, in order to harmonize and standardize work processes was most important in the post-merger process. Physical factors are concerned with the integration of product-and production lines, equipment and real estate. Socio-cultural factors relates to the integration of people and organizational cultures and the establishment of new leadership.

Additional information concerning changes in accounting reports, market valuations and key informant descriptions on the performance of management after the merger indicated that there has been a significant increase in accounting reports, market valuations and key informant descriptions on the performance of management after the merger. This is justifiable by the fact that all the factors under consideration such as the consolidated business's market share, consolidated business's

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sales, the firm's internal profitability, and the firm's profitability relative to industry average, revenue and cost and revenue and cost composition and sustainability all attained above average responses.

This finding is in line with work of (Ramaswamy and Waegelein (2003) , In their studies reported improved performance after merger event. For example (Green, 1990; Gaughan, 2007) found that some measures of corporate performance, such as profitability, suggest statistical significant gains in the years following merger. Studies conducted by (Green, 1990; Gaughan, 2007) which compared pre-merger performance with the post-merger provided some evidence that mergers improve the post-merger operating performance. Ramaswamy and Waegelein (2003) tested the long-term post-merger financial performance of merged companies in Hong Kong and concluded that there is a positive significant improvement in the post-merger performance. In contrast to the above, some studies have reported losses after merger event which connote negative effect of merger on performance.

With regards to the content analysis of the bank (annual reports and annual statements) shows that there has been a positive growth in the general performance of the bank`s post-merger activities as compared to the pre-merger performance. It is evident that the firm continues to enjoy about 10%-15% growth in its profitability in 2012, 2013 and 2014 respectively (Post merger). For example, they found that some measures of corporate performance, such as profitability, suggest statistical significant gains in the years following merger.
Similarly, studies conducted by (Green, 1990; Gaughan, 2007). which compared pre-merger performance with the post-merger provided some evidence that mergers improve the post-merger operating performance. Ramaswamy and Waegelein (2003) tested the long-term post-merger financial performance of merged companies in Hong Kong and concluded that there is a positive significant improvement in the post-merger performance. Additional research by (Green, 1990; Gaughan, 2007).examined and analyzed the effects of mergers and found that profitability is positive in all five years after mergers and is significant in every year at 10% level.
In conclusion, it is obvious from the study that merger ensures sanity and stability in the sector and the economy at large and as such it should be given a pride place in Ghanaian economy as it remains one of viable tools for economic growth and sustainable development.

6. Conclusion and Recomendation

6.1 Conclusion

The study sought to examine the impact of merger on the performance of Intercontinental bank and Access bank. The main issues discussed were the impact of merger on firm's corporate performance, cost of operation and utilization of resources as it results in the financial performance and long term development of the bank. This study therefore hoped to determine the effect of merger on the performance of companies Access bank and Intercontinental bank.
Regarding the issue of how management was involved in the post-merger process, 75% of the respondents indicated that thirty six (36) members of the old management of the banks were integrated in the formation of the new management. Contrary to this result, 51.6% of lower management was less involved in most of the decisions of the merger process undertaken by the organisation.
Additionally, they (lower management) doubted the whole merger process since most of the time top management never boarded to include them in most deliberations.
Moreover, half of the respondents (50%) were of the view that the policies, strategies and practices have change after the merger.
Regarding the factors that have been most important in the post-merger activities. The outcome indicated that the procedural, physical and socio-cultural factors were somewhat very important to the staffs in the post-merger process.
Finally, management accounting reports, market valuations and key informant descriptions on the performance of management after the merger has been somewhat positive. This includes,

(1) **Liquidity:** The analysis of the current ratio after the merger has shown that the liquidity ratio has increased significantly after the merger. This shows that the merger has improved the situation of the bank in terms of liquidity.
(2) **Financial performance:** The net profit after tax has being on an increasing growth rate from GH₵20,119,000 in 2012 through to GH₵85,218,000 in 2014. This is a positive signal that financial performance is strong.

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Net banking income also rose from 19.50% in 2012 through to 42.50% in 2014, also a positive financial performance. Shareholders' fund has also being on the increase in significant proportions. Thus, return on asset (ROA) has also increased significantly during the period after the merger. It can be concluded that, the merger has positive effect on the ROA both short term and long term. The same positive effect is recorded in terms of return on equity (ROE).

(3) **Investment valuation:** The analysis of the earning per share (EPS) after the merger shows that it has a positive effect on both short term and long term.

It can be concluded that the level of performance of the banks after the merger is somewhat generally positive. It was discovered that merger in banking industry can be seen as a global phenomenal, ensures sanity and stability in the sector and economy at large, improves management efficiency in banking industry, leads to efficient use of shared resources and exploitation of the leaning and experience due to increased scale of production.

More so, the collective analysis shows that there has been a diverse change in the policies, strategies and practices have change after the merger. This might be the fact that there has been integration in the formation of the new management board as well as reviewed of work related tasks to suit the current demands of the highly competitive market.

Additionally, lower management involvement in decision making process in minimal as well as stakeholders education.

6.2 Recommendations

After the completion of an insight analysis of the impact of merger on the performance of Intercontinental bank and Access bank, the following measures are suggested in order to mitigate the deficiencies in the overall operations of the bank as well as enhancing sound banking operations in the post-merger activities.

Firstly, management must control its internal operations regarding policies, strategies, market valuations and accounting reports.

Management must institute good credit policy/ appraisal and also strengthen shareholders education and awareness.

Also, merger is one of the solutions to bank liquidation thus improving the competitive power of the banks. It is recommended that the government and regulatory authorities should monitor the activities and encourage a free market economy of merging banks to be able to extend their operations to the highest level in the economy.

It is also recommended that merger should be given a pride place in Ghana's economy as it remains one of viable tools for economic growth and sustainable development. Merger assists to look how debt financing will be used and their level of competitiveness between the required banks. The viability of the banks is much important for growth of the national economy and sustainable development.

Lastly, the bank should put in place proper policies to avoid their performances to the industry averages declining in the near future.

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