ASSESSING THE TAKEOVER OF INTERCONTINENTAL BANK GHANA LIMITED BY ACCESS BANK GHANA LIMITED (ABG) AND ITS IMPACT ON THE FINANCIAL PERFORMANCE OF ABG

By

THEOPHILUS BUADEE (B. Com)

A thesis submitted to Department of Accounting and Finance

Kwame Nkrumah University of Science and Technology School of Business

in partial fulfilment of the requirements

for the degree of

MASTER OF BUSINESS ADMINISTRATION (FINANCE OPTION)
School of Business, KNUST

College of Humanities and Social sciences

August, 2015

DECLARATION

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

Theophilus Buadee (PG9611513)	…………………………..	…………………..
(Student Name & ID)	Signature	Date

Certified by:

Mr. Michael Adusei	…………………………..	…………………..
(Supervisor)	Signature	Date

Certified by:

Dr. K. O. Appiah	…………………………..	…………………..
(Head of Department)	Signature	Date

ABSTRACT

The increased globalization has seen businesses enter new markets in order to expand their customer base and compete better within the ever increasing competitive environment. Mergers and acquisitions (Takeovers) has become one major strategy of growth used by these businesses to survive these competitions and ensure growth. This study assessed the takeover of Intercontinental bank Ghana Limited (IBG) by Access Bank Ghana Limited (ABG) as a growth strategy. The research was undertaken as a case study where quantitative research analysis was employed to determine the impact of the takeover on the financial performance of ABG (the predator bank) while assessing the existence of synergy in the takeover process. The final objective was to identify the challenges faced by ABG after acquiring IBG and assess the various strategies employed by management to overcome the challenges. Secondary data (Published financial reports of ABG and IBG) was used for measuring financial performance and synergy. Here, financial ratios were calculated for financial performance measurement while in measuring synergy, t statistics analysis was used to determine the significance difference between the mean of ABG after the merger, and ABG & IBG together where there is no merger. A researcher administered interview was also used to gather primary data for assessing the challenges encountered during the takeover and strategies adopted by management to overcome the challenges. The study found that, the takeover had a positive impact on the financial performance of ABG as majority of the financial ratios calculated gave a positive impact. In terms of synergy, there was a positive evidence of synergy in the takeover processed. This was confirmed with the t statistics results where it was found that the mean of the financial figures for ABG was significantly higher for when there is a merger than when there is no merger. The study recommended that the bank liberalizes its banking philosophies to take advantage of the large retail banking opportunity of IBG.

DEDICATION

I dedicate this work to my wonderful parents; Mr. Frank Gabriel Buadee and Mrs Joyce Buadee, and my lovely wife Mrs Regina Esi Buadee.

ACKNOWLEDGEMENT

I am very grateful to the Lord God Almighty for my life and the strength for this piece. I am proud to show my appreciation to my supervisor, Mr. Michael Adusei, KNUST School of Business (KSB), Department of Accounting and Finance. Your guidance and tolerance put me in the right psychological mind frame to produce this work. May the Almighty God bless you and your family abundantly.

I am also grateful to all authors whose works served as a guide, and Management and staff of Access Bank Ghana Limited; I say, thank you very much for your support.

Mrs. Regina Esi Buadee, my love and wife, thank you very much for your words of encouragement and support.

TABLE OF CONTENTS

CONTENT **PAGES**

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The opening chapter gives an introductory knowledge about takeovers (mergers or acquisitions) and other useful background information that would serve as a foundation for appreciating the subject, this study seeks to explore. This chapter also includes a discussion of the research problem statement, the objective of the study and the research questions. The limitation and organisation of the study would then be presented.

1.1 Background

The economy of Ghana has experienced an advancement of her financial industry since the turn of the century. This advancement in the financial industry is essential for the growth of the economy since a strong economy is characterised by a strong financial sector. Ghana has experience a tremendous growth in the banking industry and can now boast of 28 commercial banks. However, the banking industry is experiencing a trend of mergers and acquisitions both locally, (for the locally owned banks) and foreign, at the international level, (where the merger and or acquisition is done by the parent organisations and consequently affects its subsidiaries).

Mergers and Acquisition usually involves the consolidation of companies. A merger involves the combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed. It can be realised that mergers and acquisitions are an important source of growth of business at any stage of development; both at start up level and the mature or established level. Experts in the financial sector have assigned the recent growth in mergers and acquisitions to the call by governments for local content drive; and other analysts believe it is more as a result of globalisation, encouraging more international investment.

Associated with every mergers and acquisitions is the concept of synergy and creation of value. Synergy is that form of business asset that results in enhanced cost efficiencies of the new business. The growing tendency towards mergers and acquisitions worldwide has been driven by intensifying competition. Firms need to reduce their costs, reach global size, take benefit of economies of scale, increase investment in technology for strategic gains, desire to expand business into new areas and improve shareholder value. Thus, this basic aim of acquiring a company is to create shareholder value over and above that of the sum of the two companies. Two companies may come together and would be more valuable than as two separate companies and this is the reasoning behind mergers and acquisitions. Weaker companies usually seek refuge in mergers when times are tough and survival becomes difficult. Thus, strong businesses will buy other companies to create a stronger, more competitive and cost-efficient company. These companies will come together to attain a greater market share or to achieve greater efficiency.

The reform process of the Ghanaian banking industry is part and parcel of the government's strategic agenda to reposition and integrate the Ghanaian banking sector into the African regional and global financial system. In an attempt to strengthen Ghanaian banking sector, the government has made remarkable changes within the industry, mostly in the form of the number of institutions, structure of ownership, as well as depth and breadth of operations. Thus takeovers at the International and the National level have become strategic instruments for the increase of the product portfolios, penetration of new markets and the purchase of new technologies. This is as a result of the intensification of competition over the last few decade on the global market. Recently, banks across the globe have channelled their expansionary paths through mergers and acquisitions. This started from the United States (US) and Europe and then spreading to other countries around the world. (Focarelli et al., 2002). Most studies of bank mergers and acquisitions have thus focused on the US as it was the first country to witness bank mergers and acquisitions in the late 19th century (Hubbard, 2001).

The increase in the arrival of foreign and local investors into the different sectors of the Ghanaian economy has given rise to competition and consequently a face-lift of the sector. This has alerted firms to look internally by analysing their operational procedures and change strategically to meet up with these challenges to ensure that they gain competitive edge. The fast rate of growth in the financial sector in the last decade has caused an equal growth in mergers and acquisition activities in Ghana. Notable among them is Ecobank Transnational taking over The Trust Bank and Access Bank acquiring Intercontinental Bank. Bank of Africa, also bought out the 49% equity stake in the erstwhile Amalgamated Bank which was held by Nigerian investment holding company, Meeky Investments. In Addition a Nigerian private equity firm bought a controlling interest in erstwhile full First Atlantic Bank two years ago. Further acquisition in Ghana’s banking industry saw First Bank of Nigeria’s takeover of erstwhile Malaysian owned International Commercial Bank. Mr Randolph Rodrigues, a senior investment banker in Ghana, and a staff at Stanbic Bank Ghana, has claimed that there would be a rise in mergers and acquisition activities in the country due to the government’s emphasis on local content across various sectors in the country. He also stated that the renewed quest for the institution of local content requirements across industries is expected to give rise to an increase in mergers and acquisition activities, with larger foreign-owned enterprises partnering indigenous ones to continue to grow within the legal framework of their respective industries. Banks are thus well placed to lead the way in advisory services.

The continuous reforms by the Central Bank (Bank of Ghana) have also sparked an increasing trend of mergers and acquisition in the banking industry. Merchant Bank Ghana was named as Universal Merchant Bank (UMB) after Fortis Equity Fund Ghana acquired the bank in the much-contested takeover.

With this trend in the banking industry giving rise to more takeover opportunities, the economy should expect more takeovers.

1.2 Statement of the Problem

The Ghanaian banking industry has experienced a dramatic increase in the level of foreign investments across its various sectors. As a result, Foreign Direct Investment (FDI) inflows and mergers and acquisitions have also responded with significant increase. However, most of these mergers do not materialize in enhanced value creation. Some analysts argue that the mergers will cut costs or increase revenues by more than enough to justify the premium paid. It may look simple that the mere coming together of two companies will force down the price of supplies and the merged giant will be more profitable than its parts. In theory, this idea would sound great but the results may be negative and unexpected.

1.3 Objectives of the study

The study assesses the takeover of Intercontinental Bank Ghana Ltd by Access Bank Ghana Ltd.

The specific objectives of the study are:

i. Assess the effect of the takeover of IBG on the financial performance of Access Bank Ghana Ltd.

ii. Examine the existence of the principle of synergy in the takeover of IBG by Access Bank Ghana Ltd.

iii. Identify the major challenges Access Bank Ghana Ltd encountered during and after the takeover of Intercontinental Bank Ghana Ltd.

1.4 Research questions

The research questions are:

i. How did the takeover of IBG impact on the financial performance of Access Bank Ghana Ltd?

ii. To what extent did the principle of synergy existed in the takeover of IBG by Access Bank Ghana Ltd?

iii. What were the major challenges Access Bank Ghana Ltd encountered during and after the takeover?

1.5 Scope of the study

The study assesses the takeover of IBG by Access Bank Ghana Ltd and the impact of this takeover on the performance of Access Bank Ghana Ltd, using data of Access Bank Ghana Limited from the period 2010 to 2014 and IBG from 2008 to 2010

1.6 Significance of the study

Research review found little empirical evidence to show the effects of takeovers on the operating performance of banks in Ghana. Hence, the study would assess the impact of mergers and acquisitions on the financial performance and competitiveness of banks within the Ghanaian industry, using Access Bank Ghana Limited as a case study.

The study would be of great benefit to the participants in the banking industry. The outcome of this study can be used as a reference for further research into the new trends in the Ghanaian banking industry and the necessary takeover or anti-takeover strategies undertaken by these participants. Models could be developed on banks' response to changing trends in the banking industry and evaluation of banks. The key relationship between mergers and acquisitions and its impacts on banks' performances coupled with the success factors for the relationship would be brought to the know of the management and stakeholders of the banks in Ghana, to ensure that the necessary steps are taken to forestall any imminent issues relating to the subject.

The practical challenges inherent in mergers and acquisitions in Ghana would also be highlighted. The findings of this research can also be relied upon by foreign investors who intend to invest in the Ghanaian banking industry and prefer to acquire an existing local bank rather than starting from the scratch; and to measure the consequence of their planned investment decisions in the Ghanaian Banking industry.

1.7 Justification

Most studies conducted analysed bank mergers and acquisitions in Europe, mostly after the European Union was formed and their currency was harmonised. (Lindblom et al., 2002; Yener et al., 2004). However, it very uncommon to find research into mergers and acquisitions of banks in the developing economies of the world. This is because these expansion activities were non-existent until the later part of the 90s. This is due to the protective regulations that were found within the developing world coupled with large public sector interference, thus restricting growth of the banking sector. A similar research was conducted in 2012 by Abraham Tetteh Attablayo to assess the impact of post mergers and acquisition activities on the performance of banks; a study of SG SSB Ghana. Another research has been done to assess the impact of mergers and acquisitions on some selected commercial banks in Nigeria, (Onaolapo Adekunle A. R. nd). Again, another research has been undertaken to make comparative analysis of the impact of mergers and acquisition on financial efficiency of banks in Nigeria, (Okpanachi, J. 2010).

A review of the research done in the field of mergers and acquisitions in the banking industry shows that, further research needs to be carried out in different locations and at a different time frame to confirmed or refute the previous findings on researches in mergers and acquisition. Also, further research into impact of mergers and acquisitions has become necessary due the increasing trend and pressures for mergers and acquisitions in Ghana as a result of the intense competition in the banking industry.

1.8 Methodology

1.8.1 Research Design

The research would be a case study; that will assess the takeover of IBG by Access Bank Ghana Ltd. The research will evaluate how well Access Bank Ghana Ltd has performed after taking over Intercontinental Bank Ghana and also examine the extent to which the principle of synergy has worked in the consolidation. The main data that would be analysed for this research would be;

1. Financial statements of Access Bank Ghana Ltd (2010 – 2014);
2. Financial Statement of IBG (2008 – 2010)

Also, there was a researcher administered interview to identify the major challenges faced by the bank after the merger/acquisition and the strategies management employed in the face of the challenges. Group heads of the various units and some management staff were interviewed.

1.9 Limitations of the study

The following limitations were encountered in the conduct of the study;

Period of research Analysis: The ideal situation is to analyse data of Access bank three years before it acquired IBG and three years after the acquisition. However, Access bank Ghana Limited was incorporated in 2009 and thus published their first financial statement in 2010, and later acquired IBG two years there on. Thus, the analysis takes two years before the acquisition and three years after. However, this research would assist determine how banks can use mergers or acquisition as a growth strategy after entering new markets.

Time Constraints: Due to the academic work being pursued by the researcher and the time required to producing the report, the researcher had to limit the study to the Banking industry and even there, the researcher had to conduct the study on only Access Bank Ghana Ltd and erstwhile Intercontinental Bank Ghana Ltd. Thus generalization of findings would be done cautiously.

Financial Constraint: Due to inadequate financial resources available to the researcher, the researcher conducted the research at only Access Bank Ghana Ltd (IBG) as data collection from all the banks in Ghana could not be facilitated. The research was thus carried out carefully to overcome this shortfall so that the findings would reflect what actually pertains in the banking sector of the economy.

Information as a competitive asset: Information within the banking industry is used as competitive tool; thus, managers were not so much willing to reveal strategies implemented in overcoming the challenges they face after the takeover, even for academic work. However, the researcher persevered and assured these managers of the extent to which the information would be treated as confidential. This enabled the researcher to properly collect the data that ensured efficiency of work.

1.10 Organisation of the study

This thesis is divided into five chapters; with each chapter having a number of subcategories. The first chapter aims at defining the key concepts and terms, which will be employed throughout the thesis. It also deals with the introduction, which encompasses a short preview of the thesis. Furthermore, chapter one addresses the rationale and motivation which led the author to choose the presented topic for analysis. The problem formulation and specifically the core research questions intended to be answered throughout the analysis was also dealt with in the first chapter. Finally, attention will be focused on the objective of the study, justification, scope, organisation of the study, and the inherent limitations.

Chapter two constitute the theoretical approach, that is, it presents a theoretical review into mergers and acquisition. In addition, existing literature and other research work done within the scope of this study would be reviewed to determine the gaps in the existing research work that has necessitated this study.

Chapter three describes the research methodology, how the data was collected, the source and type of data used. It also defines key terms that were used in collecting and analysing data, and end with the profile of Access Bank Ghana Ltd.

Chapter four presents the calculation of key financial figures, pre and post-mergers, presentation of figures and diagrams of the research findings and discussion of the research findings.

The last chapter is the conclusion of the thesis, and is intended to sum up the analysis undertaken throughout this paper, and its implications, and recommendations

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter of the study reviews literature work carried out in the field of mergers and acquisitions, and other theoretical work. Firstly, it provides an insight into the evolution of mergers and acquisition, and the theories behind mergers or takeovers. The chapter also explains some terms under takeovers, types or mergers and takeovers, justification for takeovers and an examination of the principle of synergy. Finally, it assesses research work done in the field of mergers and acquisitions and the reasons for the failures of takeovers.

2.1 Background of Mergers and Acquisitions

Mergers and takeovers perform an important function in the quest by most companies to grow. For many companies, mergers and takeovers are used as a catalyst for external growth when organic growth is almost impossible or very slow. In practice, buying an existing company may be far more complex than buying a machine or building a factory. Firstly, determining the value of the target company and estimating the potential benefits of acquiring it may be a more complex preposition than valuing a simple project. Sometimes, the target company may resist the bid for the takeover which usually delays the takeover and makes it unpleasant.

2.2 The evolution of mergers and takeovers

The evolution of mergers and acquisitions have being in five stages. These takeovers are usually initiated by macroeconomic forces, namely the growth in GDP, interest rates and monetary policies.

The following are the various stages that make up the evolution of mergers and acquisitions;

First Wave Mergers

The first wave of mergers took place between the years of 1897 to 1904. These mergers occurred between companies that were monopolies and took place in the transport and energy sectors of the economy. The mergers within this phase were mostly horizontal mergers that took place among firms of equal sizes like the manufacturing firms.

Most of the mergers that were conceived during the first phase failed because they could not achieve the desired efficiency. This failure was compounded by the slowdown of the global economy in 1903 and the stock market crash in 1904.

Second Wave Mergers

The second wave mergers took place between the years of 1916 to 1929 and they focused on the coming together between oligopolies, unlike the first wave where the mergers were among monopolies. These mergers resulted from the economic boom that followed the post-World War I. Developments in the form of new and advanced technology resulted in the invention of railroads and transportation by motor vehicles and these provided the necessary infrastructure for this period mergers to occur. The government policy that was implemented in the 1920s also encouraged firms to work in unison.

The 2nd wave mergers were mainly horizontal or conglomerate in nature with the major industries being the metals industries, food, petroleum, transportation industry.

The investments banks played a pivotal role in facilitating the mergers and acquisitions.

The 2nd wave mergers ended in 1929 after the stock market crash and great depression.

Third Wave Mergers

Conglomerate mergers characterised this wave of mergers and took place during 1965 to 1969. These mergers were inspired by high stock prices, interest rates and strict enforcement of antitrust laws. Also, the major sources of financing these mergers were equities; thus, the influence of the investment banks were limited. In 1968, the Attorney General developed a plan that was intended to split conglomerates. This plan was seen as the force behind the collapse of this phase of merger. The plan was developed due to the poor performance of the conglomerates. Some mergers in the 1970s set the precedence; the most prominent ones were the INCO-ESB merger; United Technologies and OTIS Elevator, which is the merger between Colt Industries and Garlock Industries.

Fourth Wave Merger

The 4th wave merger started from 1981 and one major characteristics of this phase is that most of the acquisition targets were larger in size compared. These mergers took place among the very large industries, namely, the oil and gas, pharmaceutical, banking and the airline industries. This phase saw the influx of hostile takeovers with some of these takeover having foreign predator companies. The 4th Wave mergers ended in 1989 with anti-takeover laws, coupled with the Financial Institutions Reform and the Gulf War.

Fifth Wave Merger

The fifth Wave Mergers took place between the period of 1992 and 2000 and was triggered by globalization, stock market boom and deregulation. The main industries that experienced mergers within this wave were the banking and telecommunications industries. The firms within these industries were mostly financed with equity capital and driven by a long term growth objective instead of short term profit motives. The 5th Wave Merger ended with the burst in the stock market bubble.

2.3 Theories and Reasons for Mergers and Acquisitions

Most researchers have concluded that 70% of mergers fail by explaining that they fail to earn the cost of capital for acquiring firms. These conclusions are sometimes misleading because they include only small transactions where the level of sophistication is not high. Other studies that involved bigger mergers suggested that the probability of success is closer to 50% than to 30%. Thus, an attempt is done to explain their argument using theories on mergers. This theory of mergers can be summarized into three major explanations, as seen in Table 2.3a. The first category is synergy or efficiency; here, the total value from the combination is greater than the sum of the values of the component firms operating independently.

Hubris, which is the second category is the result of the winner‘s curse, which causes the bidder to overpay; it states that value is unchanged.

The third category is made up of those in which total value is decreased due to the fact that managers who put their own preferences above the well-being of the firm; resulting in an agency problem.

Table 2.3a; Pattern of Gains Related to three Takeover Theories.

Type	(1) Total Value	(2) Gains to Target	(3) Gains to Acquirer
Efficiency or synergy	+	+	+
Hubris (winner's curse, overpay)	0	+	–
Agency problems or mistakes	–	+	–

Source: Berkovitch and Narayanan, 1993.

Column 2 in Table 2.3a above shows that gains to targets are always positive. Since the acquired firm is usually paid a premium, there are pluses under each type of takeover theory.

Secondly, we consider gains to acquirers, as depicted in column 3. With synergy or efficiency, total value can be increased sufficiently to provide gains to acquirers. With hubris, by definition, total value is not increased, so acquirers lose.

For the mistakes or agency problems, the total value is decreased, so that the gains to targets firms mean severe loses in value for the acquirers. Therefore, within this framework, the main source of value increases is efficiency gains.

2.4 The term; Mergers and Takeovers

The terms mergers and takeovers are usually used synonymously. However, there is a slight distinction between the two.

A merger is defined to be a friendly coming together of two separate and willing organisations to become a new organisation. Since mergers involve firms of similar size, the problem of one company dominating the other is usually eliminated.

A takeover involves the acquisition of one company called the target company by another, called the predator company. Here, the companies are usually not of the same size; the predator company is usually larger the target company.

2.5 Types of mergers

Broadly, Mergers may take two forms;

Mergers through absorption: This is the type or merger where all the companies, except one losses their identity. Thus, all the merging companies would agree to come together and maintain the identity of only one usually the one with a stronger marketing brand.

Mergers by Consolidation: Unlike mergers by absorption where one company absorbs the rest, mergers by consolidation involves the dissolution of all the merging companies and a new one formed. Thus, the identity of the merge companies is lost.

2.5.1 Mergers distinguished by the relationship between the two companies that are merging:

Horizontal merger- This involves a merger of two companies that are in direct competition and battle one another for the same market share.

Vertical merger – This is the merger of two companies who complement each other. For example, a supplier being acquired by the company it supplies materials to.

***Market-extension merger*–**This is the merger between two different companies that sell the same or similar products in different markets merge. This is usually done to increase market share and compete better within the market.

Product-extension merger–This is where two companies selling different but related products in the same market come together to become one company.

Conglomeration – This is the merger between two companies that have no common business areas.

2.5.2 Mergers distinguished by how the merger is financed:

Purchase Mergers – This kind of merger is the situation where one company buys another. The purchase can be made through cash or the issue of a debt instrument. Acquirers usually prefer this type of merger due the benefit of tax deductibility. This is because, the sale is usually taxable

Consolidation Mergers - With this merger, a brand new company is formed and both companies are bought and combined under the new entity. The tax terms are the same as those of a purchase merger.

2.6 Distinction between mergers and takeovers

A business purchase is termed as an acquisition when one company takes over another and clearly established itself as the new owner while it still maintains its identity. Here, the target company ceases to exist because it is consumed up by buyer. Usually, such target companies' stocks ceases to trade on the stock exchange. A merger on the other hand refers the case when two firms, who are of the same size, decide to come together and operate as a single new company instead of remaining separately owned and separately operated. Here, the stocks of both companies ceases to operate and a new one is issued to replace it on the exchange. For instance, when Daimler-Benz and Chrysler merged, both companies ceased to exist and the new company called DaimlerChrysler was formed. However, in an attempt by mergers to make the takeover palatable, they use the term merger instead of acquisition, though one company might have acquired the other.

2.7 Justification for takeovers

1. Synergy: $PV_{A+B} > PV_A + PV_{B;}$ (PV = Present value)

Synergy is the invisible business force that causes companies whose assets and operations complement each other to combined and generate an output that is more than their separate outputs if they had not merged. For instance, a company may acquire or merge with another company which can provide certain essential services at a reduced cost when the company finds that it cannot provide for itself or would cost more to provide such service internally. Thus, by coming together, most inefficiencies are eliminated and the combined output achieved become higher.

2. Economies of scale

Economies of scale can be seen as the end product of synergy benefits as the scale of operation is larger after a takeover or merger. Such economies are most likely to arise from horizontal mergers or acquisitions but may also arise from vertical acquisitions or mergers in areas such as finance, production and management. A production economy can occur where two companies producing the same or similar goods using similar machines, now combined and produce their output from a single, larger and comparatively cheaper machine after the coming together. Another example of an economy is where a company gains the benefit of enjoying bulk buying discounts following a merger or acquisition because of its larger scale of production.

3. Replacement of inefficient management

A company whose managers pursue their own interest rather that the shareholders interest and value maximization would result in poor and inefficient management.

This would cause a constant decline in the shares of the company which would in turn attract potential bidders who believe they can manage the company more efficiently. Where the takeover bid becomes successful, the inefficient managers would be replaced by a more efficient management team who can deliver a better level of performance. Thus, shareholders usually prefer to eliminate non-performing and inefficient management through takeovers rather than voting them out of office because the latter may be practically difficult.

4. Entry to new markets

In an attempt to meet their strategic objectives and compete well on the global market, companies may want to expand into new geographical and business areas. This becomes necessary when organic or internal growth seem to be slow and costly and it is found mostly in the retail trade where starting operations from scratch is both expensive and time consuming. Certain fixed cost may be too high and render starting from the scratch too difficult.

5. Means of growth

Once a company reaches its maturity stage of its life cycle, further growth becomes difficult and almost impossible. The best solution and alternative is by a merger or acquisition. Further, the new age of information technology have placed a success criteria on most industries where without the requisite technology, a business cannot survive and grow. These technologies are sometimes expensive and require large capital investment which may be beyond the capability of smaller companies. A merger or acquisition becomes an option, where the new company will then have a large capital base to be able to acquire such technology to ensure growth and survival on the market.

2.8 Principle of Synergy

Synergy has been found to be the invisible business asset that allows the business to achieve a comparably higher output after a merger. Thus the main brain behind this principle is that; one plus one makes three. Therefore managers buy new business with the primary motive of creating shareholder value over and above that of the sum of the two individual companies. This means that the companies come together to have a higher value than if they separately are operated. Thus, when times are tough and business survival is threatened, companies find their way out through mergers and takeovers. Strong companies will usually buy weaker companies to create a more competitive, cost-efficient company. The companies will come together with the hope of gaining greater market share and achieving greater efficiency. Because of these potential benefits, target companies will often agree to be purchased when they know they cannot survive alone.

By merging, the companies hope to benefit from the following:

Economies of scale – Most managers argue that size of their businesses matter if they intend to achieve higher returns; whether they intend to purchase stationery or a new corporate information technology system, the bigger company placing the orders can save more on costs since it can bargain for higher discounts. Thus, mergers translate into improved purchasing power to buy equipment or office supplies because they acquire an enhanced ability to negotiate prices with their suppliers. This means that operating business on a large scale has cost implications that benefit the company by reducing unit cost and consequently increasing overall profit levels.

Staff reductions – During the process of merger and takeovers, there is always the possibility of job losses. This would translate into cost savings; for example the merger would result in a reduction of the number of staff of the various functional sections. Job cuts will also include the former CEO, and other departmental or group heads which help reduce staff cost. For example, a company would have one staff each to head such functional units like HR, Finance, Production, Marketing and General Administration. Mergers or takeovers eliminate one of the heads of these functional units which would have existed should it be two separate companies operating. This reduces duplication.

Acquiring new technology–Technology has now become the foundation for the efficient running of a business entity. Such entities like banks cannot operate without the usage of current technologies like ATMs and networked business office/branches. For businesses to be able to compete well, they must always be abreast of technological trends and new technology developments and map their business applications in line with those trends. By buying a smaller company with unique technologies, therefore, a large company can maintain or develop a competitive edge.

Improved market reach and industry visibility - Companies have the primary motive of reaching new markets and growing earnings when they think of new companies. A merger may result in an expansion of the marketing and distribution assets of the new company, resulting in new sales opportunities. A merger can also improve a company's credit worthiness within the investment community: ensuring that these bigger firms raise additional capital easier than smaller ones.

It can be seen that a merger sometimes would just give an opposite results. Managers may perceive the attainment of synergy as easy as acquiring a physical asset when two companies merge. However, it is not an automatic outcome and would depend on certain post-merger activities and achievement of efficiency. Unfortunately, one plus one may add up to less than two and synergy opportunities may be only a dream in the minds of corporate leaders.

2.9 Anti-takeover measures

According to Frimpong J. (2014), many companies have taken various measures designed to discourage unfriendly takeover attempts; the following are some shark repellents used to discourage unfriendly anti-takeovers;

1. **Staggering the terms of the board of directors:** the company can stagger the terms of the board of directors to ensure that the entire board do not come up for election at one time. This way, the acquiring firm would find it difficult electing its own board of directors to gain control. An example is where the target company stagger the terms of the board of directors by electing only one-third of the board each year. The bidding company would have to go through two annual elections to obtain board control.
2. **Golden Parachute:** this is where the target company would give the executives contracts that would give them large benefits if their appointments were terminated without a sufficient cause after the merger.
3. **Super Majority voting approval for takeover:** this is where the company would put in the corporate charter, voting rules that require supermajority of shares, say 90%, to approve any takeover.
4. **Covenant governing the level of allowable debentures:** the company can institute covenants to govern the level of debentures allowable. This would prohibit and dramatically reduce additional debt that can be incurred by the company which makes it difficult for a raider to use the assets of the company for the leverage needed to finance the takeover.

5. **Poison Pills:** The Company can issue securities that become valuable only when there is an unfriendly takeover. An example is a bond that has a put option that can be exercised only if an unfriendly takeover occurs. The company thus hopes that the cashing of the bond holders after the takeover would make the takeover unattractive.
6. **Divest crown jewels:** Here, the company would either divests or spin-off some of its profitable businesses in the form of independent subsidiary companies. They usually sell off the most attractive businesses (the crown jewels), to reduce the attractiveness of the existing company to the buyer.
7. **White Knight:** When management of a company arranges for it to be taken over by a friendly bidder, such target company is said to use a white knight to prevent a hostile takeover.

2.10 Research Literature

There has been various research work channelled towards determining if mergers and acquisition is the solution to the problems of banks globally. In the studies of Cabral et al (2002), Carletti et al (2002) and Szapary (2001), they gave the foundation for a research on the linkage between banks' mergers and acquisition and profitability. In addition, the evidence as provided by De-Nicolo (2003) and Caprion (1999) suggested that mergers and acquisitions in the financial system could impact positively on the efficiency of most banks. Overall, some of these studies and research work provide mixed evidence and this usually fail to show a clear relationship between mergers and acquisitions and performance.

Other researches have also been channelled towards determining the performances of the acquiring firms or the resultant firms after the merger and acquisition. Dickerson et al, (1997), did a study on a cross-section of UK firms and they found that acquisitions have an unfavourable effect on firm's performance and can lead to additional and permanent reduction in profitability. In another study by Kumar (2009), he came out with the conclusion that mergers and acquisitions do not improve the financial performance of firms making his conclusion from most of the studies conducted up to date. In a corresponding study conducted on Indian firms from 1999 to 2002, there were also no significant signs of better post-merger operating performance of the predator firm (Kumar, 2009).

However, most firms embark on mergers and acquisitions to increase their size and thus their ability to handle larger transactions and increase profit levels. The director of Ghana Ports and Harbours Authority recently made a statement on the fact that banks in Ghana are not strong enough to finance bigger expansion works and additional investments the ports wish to undertake. Currently, the total insurance companies in Ghana have the capacity to hold only 30% of the total risk exposure inherent in the oil extraction industry in Ghana. Thus, banks merge or acquire one another to form a strong entity capable of competing effectively and efficiently on the competitive global market. However, most banks merge and are unable to improve their competitiveness on the market. An investigation into the banks that have emerged in Ghana reveals that most of these banks that merged were not financially strong. Thus, the merger was seen as a way that is not necessarily to correct the flaws in their operating system but to ensure that those weaker banks meet the mandatory requirement and continue to stay in operation.

There are also contrasting reports and conclusions from other researches done to ascertain the relationship between mergers and acquisitions, and its impact on financial efficiency, profitability and performance. Calomiris and Karenski (1996), Caprion (1999), and De-Nicolo et al. (2003) are all of the view that mergers and acquisitions in the financial system could impact positively on both the financial and operational efficiency of most banks. Thus, they were in support of the fact that mergers stand the chance of solving the challenges faced by banks. However, De Long and De Young (2007) concluded otherwise. They came out with their findings on their research of mergers and acquisitions in the United States banking sector by saying that that these mergers did not have a positive influence on performance in terms of improved financial efficiency. Humphrey (1992), in his study found that banks significantly improved their profit efficiency after mergers. Healy et al. (1992) in his work also gave a negative stand. He found that mergers and acquisitions in the banking sector did not lead to improved financial efficiency, and this stand was supported by the research findings of Straub (2007). Straub supported the findings of Healy et al by pointing out that mergers and acquisitions have often failed to significantly improve the performance of the merged banks and consequently, the whole banking sector. Research studies conducted on takeovers in the Nigerian economy have not been able to clearly conclude whether mergers and takeovers results in an improvement in financial efficiency. This is as a result of the fact that mergers and takeovers in the Nigerian banking industry has being a continuous scheme and the industry is also undergoing reforms due to the global economic crises which affected profits. Research work that has been carried out within the industry also uses fewer number of banks as population samples for their studies. These findings could have been different if all the twenty one (21) banks that are quoted in the official daily lists of the Nigerian Stock Exchange (NSE) market (as at 30thOctober, 2009) were used as the population sample for the study. The studies conducted in the Nigerian banking industry concluded that there is no significant difference between the pre and post mergers and acquisitions period in terms of gross earnings, profit after tax and net assets as the calculated t-values is less than the t-critical value at 5% level of significant. In addition, the studies revealed that the post mergers and acquisitions periods recorded higher performances in gross earnings and low performance in profit after tax while net assets has a better performance in the post-merger than the pre mergers or acquisitions period. The finding in this paper is quite in agreement with the work of Calomiris and Karenski (1996), Caprion (1999), Nicolo et al. (2003) and Sanni (2009).

De-Nicolo et al (2003) further explained in their study and were of the view that mergers and acquisitions within the financial sector can have a positive impact on the performance of banks either in terms of operation or finance. Furthermore, Sobowale's research work in 2004 gave the conclusion that banks improved their efficiency in generating profit significantly after they undertake mergers. The study further supported their position with the point that there were obvious evidences of improvement in the performance of the selected banks. He measured the improvement in performances with the level of gross profit, and deposit levels. Also, his calculated F-values was greater than the critical value at 5% level of significant. Thus, the findings of his paper also supported the work of Nicole et al (2003) and Sanni 2009. The paper finally gave the recommendation that banks would have to be more aggressive in their products marketing to ensure that they improve their financial position in order to realise the full benefits of a merger or an acquisition. It can therefore be concluded that every bank should make all members of their workforce potential marketers, training them to know that each staff can market the bank's product at any point of contact with the customer. This can only be achieve if the banks make the development of human capital their paramount objective. Banks should also ensure that they undertake massive investment in information technology, and implement regular redeployment of staff to ensure that the workforce become abreast of the requisite standards and knowledge necessary to attain the financial efficiency and improved marketing.

A research comprising fifteen different studies was conducted to assess the impact of mergers and acquisition on the performance of the merged institutions. The research was done in the area of profit margins, return on assets, growth rates, return on capital and yields. Four out of the fifteen studies were of the opinion that there is always a negative impact after a merger thus, the performance post-merger performance is usually lower that the pre-acquisition performance. Another three reports took a positive position in terms of performance after a merger, while the remaining eight could not realise a positive or negative impact.

Inherent within these finding is a rich message and only four could identify but could not explain further. Meeks (1977) tried to explore the benefits of mergers when he used a sample of transactions in the United Kingdom between the years of 1964 to 1971. One advantage of this research work over the others was that it used a relatively large sample (233 observations) and also tested to see if there was any change in profitability after the merger took place. He compared the change in the return on assets of the firm with that of the industry. After his work, he found out that there has been a fall in the return on asset for the acquiring firms after the takeover. The results showed that two-thirds of acquirers' performance was below the industry average. He therefore gave a final conclusion that the mergers that took place experienced mild reduction in the level of profitability.

Additional research work was done by Mueller (1980) who analysed a series of takeovers and their consequence on profitability; conducting his research across seven nations namely Belgium, German, and France, Netherlands, Sweden, UK, and US. All the studies apply standard tests and data criteria and, therefore, afford an unusually rich cross-border comparison of results across part of Europe and the US. In the research, he tested theories about changes in size, risk, leverage, and profitability. He measured profitability in the following context: profit as a ratio of equity, profit to assets, and profit divided by sales. In conducting the test, the level of change in profitability for an acquiring firm was compared to the outcome for two similar benchmark groups.

Mueller's work gave conclusions that was consistent with that of Meeks. He concluded that the acquiring firms are significantly larger than targets and that these firms have a high growth rate compared to their competitors. His conclusion on profitability was that acquirers show no significant differences in their profit levels. The specific data analysed for US were usually a representation of the findings across many nations.

In explaining the results from the research in the seven countries, Mueller (1980) made it clear that, there was no realisation of either an improved level of profitability or a deteriorated one as he could not identify such patterns. He further explained that mergers would appear to have a slight improvement in one part and a slight deterioration in another part meaning that the appropriate generalization that can be drawn would be that mergers and acquisitions have a modest impact on the level of profitability whether positively or negatively. Thus, any economic gain that would arise out of mergers would be very small.

Healey, Palepu, and Ruback (1992) also conducted their own study on the post-acquisition accounting data for the 50 largest US mergers between 1979 and mid-1984. In testing performance, they used the industry's average performance as a benchmark against which the performance of the acquiring firms would be measured. They found out that there was significant improvement in Asset productivity for these firms following the acquisition. This improvement resulted in higher operating cash flow returns in proportion to their rates of capital expenditure and the level of research and development in proportion to their industry averages, suggesting that the improved performance was made possible due to the additional investment in capital expenditure and research and development made.

In his work on takeovers, Ajit Singh's (1975, gave little evidence to support the opinion that shareholders should throw their support for management who have the desire to acquire another company. He found in his research that the short term and long term prices of the stocks of the acquirers usually worsen thus deteriorating the shareholders wealth. However, he stressed that the acquirer might not experience a positive impact immediately but overtime, the firm would start experiencing a positive impact on its profit levels. The takeover process as a whole seems to be characterized more easily in terms of either the pursuit of managerial self-interest or in terms of the hubris hypothesis proposed by Roll (1986): If there really are no aggregate gains in takeover, the phenomenon depends on the overbearing presumption of bidders that their valuation is correct; there is little reason to expect that a particular individual bidder will refrain from bidding because he has learned from his own past errors, (Roll 1986). It remains to be seen whether in five or ten years' time, when the dust has settled on the private equity boom, the conclusions that Ajit Singh drew in his original work will remain true. We repeat those conclusions and endorse them here: ‘in so far as the neoclassical postulate of profit maximization relies on the doctrine of economic natural selection in the capital market (via the takeover mechanism) the empirical base for it is very weak’, (Singh, 1975).

2.11 Success or Failure of Mergers/Takeovers

The trends of mergers and takeovers show that about two thirds of big mergers will fail by losing value on the stock market. The motives for mergers and takeovers may be negative and a result efficiencies may not be achieved. The following may account for some reasons why some mergers and acquisitions fail.

Flawed Intention

In times of booming stock markets, managers may be tempted to undertake mergers; which can result in the collapse of their business because the value perceived in the target company may be non-existent. In addition, mergers may be moved by the achievement of their colleague managers in other firms after their own takeovers to also acquire a new company. This may be as a result of a competitor acquiring another company which propels managers to follow competitors’ strategies. Sometimes a merger may have the motivation of glory-seeking than business strategy. The executive ego, which is seen in buying a competitor can be an incentive for mergers and takeovers, especially when these deals are pushed by bankers, lawyers and other advisers who stand the chance of earning big fees from clients engaged in mergers. Most CEOs get to where they are because their motive were to become the biggest and the best, and by pursuing their motives, they would realize big bonuses for the deals, irrespective of what happens to the share price later. On the other side of the coin, mergers can be driven by generalized fear. Globalization, the arrival of new technological developments or a fast-changing economic landscape that makes the outlook uncertain are all factors that can create a strong incentive for defensive mergers. Sometimes the management team feels it has no choice and must acquire a rival before being acquired. The idea is that only big players will survive a more competitive world.

The Obstacles of making it work

Pursing the objective of mergers and takeovers can be time consuming. Managers may concentrate so much on the merger thus neglecting their core functions which have a future negative impact on the success of the merger. The corporate culture of the acquiring firm can also be a great obstacle for ensuring the successful integration of the acquired firm into the activities of the acquiring firm. In the process of takeovers, the decision is usually based on product or market synergies, but cultural differences are often overlooked. It is usually difficult to overcome personnel issues. For example, the structure of some companies make top management easily accessible by lower level employees while other organisation have the organisational structure that takes top managements far off the employees. Other companies may have a relaxed working environment which affects the staff when such a company is acquired by one with a strict working environment. These aspects of a working environment may not seem significant, but if new management removes them, the result can be resentment and shrinking productivity.

McKinsey, a global consultancy found in his study that most companies often focus too much on cutting costs after mergers, while revenues, and profits are put at the receiving end. Merging companies may focus on harmonisation and cost-cutting so much that they overlook the day-to-day running of the business. This leads to a loss of earnings consequently causing the mergers to fail. However, not all mergers end up in failures. Size and global reach can be advantageous, and strong managers can sometimes generate greater efficiency out of badly run rivals.

All mergers and acquisitions, irrespective of the form have one common goal: that is they are all meant to create synergy that makes the value of the combined companies greater than the sum of the two parts. Thus the test of success or failure of a merger or acquisition is whether this synergy is achieved.

CHAPTER THREE

METHODOLOGY AND PROFILE OF ACCESS BANK GHANA LTD

3.0 Introduction

This chapter would provide the research design and methodology adopted in this study. The chapter starts with the research design, research strategy, population and the data collection method used. The chapter also includes in analysis, the type of data used, the data analysis criteria used for analysing the data collected and the definition of key terms of the data analysis. The final part of the chapter provides the corporate profile of Access Bank Ghana Ltd.

3.1 Research Design

Research design can be quantitative or qualitative. This study allowed for a more structured approach hence the quantitative approach was adopted. The rationale for using a quantitative approach for this study was to measure how financially, the synergistic mathematics of 1 + 1 = 3 was achieved after the takeover by Access Bank Ghana Ltd.

Quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical or computational techniques. The objective of quantitative research is to develop and employ mathematical models, theories and or hypotheses pertaining to a phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. The researcher analyses the data with the help of statistics with the hope that the numbers will yield an unbiased result that can be generalized to some larger population. Qualitative research, on the other hand, asks broad questions and collects word data from phenomena or participants. The researcher looks for themes and describes the information in themes and patterns exclusive to that set of participants. Qualitative methods produce information only on the particular cases studied, and any more general conclusions are only hypotheses. Quantitative methods can be used to verify which of such hypotheses are true. The research design of most quantitative studies is highly structured, while the research design in qualitative studies is more fluid.

3.2 Research Strategy

A case study was used for this study. This is because the phenomena under study is in its natural setting and so it will be more appropriate to adopt a case study to better evaluate it.

A case study is a research method focusing on the study of a single case which usually, is not designed to compare one individual or group to another. Though it is possible to conduct a series of case studies, each study would not be designed specifically to enable comparison with others. A case study is most appropriate when it is necessary to study the phenomenon in its natural setting. The researcher can ask “how” and “why” questions so as to understand the nature and complexity of the processes taking place, especially where the research is being conducted in an area where few, if any, previous studies have been conducted.

3.3 Population

The population for the study is Access bank Ghana Ltd (ABG) and erstwhile Intercontinental Bank Ghana Ltd (IBG). Access bank was chosen because it is a new entrant on the market and adopted an acquisition as the corporate growth strategy. Thus, the study would assist determine whether the synergistic way of growth was successful. Also, the researcher is a staff of Access Bank Ghana Limited which provided the assumption that secondary data collection and researcher administered interviews would be easier due to the academic nature of the study.

3.4 Method of Data Collection

The sources of the data used in the research are both the primary and secondary. Data collected from secondary sources were done from published financial reports, that is, the published financial statements of ABG from 2010 -2014 and IBG from 2008 to 2010 as audited. This data was requested from the Ghana Financial Control department of Access Bank Ghana Limited. The unit of the secondary data collected is in thousands of Ghana cedis.

Also, a researcher administered interview was used to collect primary data to find out the major challenges the bank experienced after the takeover, and the strategies the bank implemented to overcome the challenges.

The questions was designed for the managers (Group heads of Access bank Ghana Ltd). The questions was designed as open ended where the respondent would not be restricted on the response to the questions. Since it is researcher administered, it was easier to get only the information necessary for the study. The data would be on the challenges faced by the bank after the takeover and the strategies implemented by management to survive the challenges.

3.5 Method of data analysis/statistical procedure

In examining the effectiveness of merger and acquisition on the financial performance of Access Banks, descriptive statistics in the form of tables, ratios and graphs to measure the level of deposits, profit and revenue were used.

The secondary data obtained are analysed and discussed, using some selected accounting ratios with their corresponding graphs also generated. The accounting ratios were calculated for the two years immediately before the takeover and three years immediately after the Takeover. The period before the takeover was two years because after incorporation, Access Bank Ghana Ltd operated for two years before it acquired IBG. The calculated accounting ratios and their corresponding generated graphs for periods under study helped in determining the financial performance of ABG after the takeover, while also identifying and comparing the trends in the financial performance of the ABG before the mergers and after it acquired IBG.

Synergy was also measured using time series where the individual banks financial figures where projected into three year values, comparing the sum of each element with the actual figure for the same element for ABG after the takeover to measure the realisation or otherwise of the principle of synergy in the takeover process. Thus;

Where; Value of new ABG > Value of (old ABG + IBG) = SYNERGY

Value of new ABG < Value of (old ABG + IBG) = NO SYNERGY

Also, a t test analysis was used to determine the extent of significance of the mean of the merger with the case where there is no merger to determine synergy.

The following ratios were used for measuring the financial performance of ABG:

Profitability Ratios

1. Net Profit Margin (NPM) = Profit before tax/Total operating income
2. Return on Assets (ROA) = Profit before tax /Total Assets
3. Return On equity (ROE) = Profit before tax/Total Equity

Liquidity

1. Current Ratio (CR) = Current Assets/Current Liabilities

Gearing

1. Gearing Ratio = Total Liabilities / [Total liabilities and Equity]

t – test Analysis

To determine the impact of the takeover by ABG, a two tailed test at 0.05 level of significance was used. The 0.05 level of significance for rejection of null hypothesis, means a researcher is willing to accept the probability that chances are less than five in one hundred that the observed difference is due to sampling error. Therefore, the probability of committing a type one error is less than 5%.

Thus, the null hypothesis is that;

H_O: The takeover did not impact positively on the financial performance of ABG

The alternate hypothesis is;

H_1: The takeover impacted positively on the financial performance of ABG.

These approaches were used because the financial performance of an organization is presented in its financial statements that is best presented and summarised by the financial ratios. Also, the use of the t statistics analysis ensured that the mean of the pre takeover figures was compared with that of the post takeover to determine how significant the two means differ.

3.5.1 Research Working Definitions

The data was analysed using the accounting ratios (provided above) to measure the financial performance of the bank after the consolidation. The following ratios (as explained below) were used to analyse the data with the results used for performance measurement.

Profitability Ratios

The Profitability Ratios are the financial ratios that are usually used to assess a business's ability to generate revenue as against its expenses during a specific period of time, mostly one accounting period. Profitability ratios that give higher values relative to competitors' ratios or the same organization's ratio from a previous accounting period is an indication that the company is performing better. These ratios are usually measured using the profit margins, return on assets and return on equity.

- ***Profit Margin***

Profit Margins (Gross profit and Net profit) are ratios of profitability calculated as a ratio of income to revenues, or sales. It measures how much profit an organization makes from every cedi of sales made. Profit margin is more appropriate when comparing companies within the same industry. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. Profit margin is displayed as a percentage; a 10% profit margin, for example, means the company has a net income of 10 pesewas for each cedi of sales.

The difference between the values for Gross profit margin and Net profit margin shows how the new bank enjoys economies of scale and thus a reduced cost of operation.

- ***Return on Assets - ROA***

Return on Assets shows how well a company uses its total assets to generate income. ROA gives an idea of how efficient management are using the company’s assets to generate earnings. ROA shows how much a company generates as income for every cedi of total asset used. It is calculated as a ratio of a company's annual earnings to its total assets. ROA is usually reported in percentages and sometimes referred to as "return on investment".

The ROA was used to assess the efficiency of the management to turn over the increased value of total asset to generate income after the merger which is better the before the merger.

- ***Return on Equity - ROE***

Return on Equity is the amount of net income returned as a ratio to shareholders equity. It measures the extent to which the company is able to generate income for the capital invested by the shareholders. Return on equity is a measure used to assess a company's profitability by revealing how much profit a company generates with the capital the shareholders have invested.

The ROE was used to measure any additional wealth that has been generated for the shareholders. This would show if shareholders were made better-off of worse-off after the takeover.

Liquidity Ratios

Commercial banks usually maintain current and saving accounts where the depositors can show up at any time to withdraw their funds. Thus, banks increase their deposits in an attempt to increase their liquidity while they also strive to make as much loans as possible, to be able to generate the required return for shareholders. Thus, most banks aim to take over another bank with the intention of boosting their liquidity level.

Liquidity Ratio is that accounting ratio which is used to determine a company's ability to pay off its short-terms debts and external obligations as the fall due. Failure to fulfil this could lead to liquidation of the bank. Increasing amount of loans a bank can make comes with sacrificing liquidity. Managers have the task of ensuring an efficient mix of these two to generate maximum profit. Generally, the higher the value of the ratio, the larger the margin of safety the company possesses to cover short-term debts. Common liquidity ratios include the current ratio, the quick ratio and the acid test ratio.

- ***Current Ratio***

Quick Ratio is a measure of a company's short-term liquidity position. The quick ratio measures how strong the position of a company is in meeting its short-term obligations with its most liquid assets. The higher the current ratio, the better the company’s position in meeting its obligations, and thus ensuring its survival.

Gearing Ratio

This ratio measures the extent to which the bank finances its business with outside obligations. In other words, the proportion of liability capital in the total capital of the bank. Every organisation should have an optimal proportion of debt and equity capital to be able to generate the maximum level of profit. Financing with liabilities has the benefit of tax deductibility but this benefit may be consumed by financial distress should the debt financing become exceedingly high

3.6 Organizational Profile of Access Bank Ghana Ltd

3.6.1 Corporate Profile:

Access Bank Ghana Ltd is a subsidiary of Access bank Plc, which parent bank is in Nigeria. The bank has standardized its processes and operations as it seeks to get ISO recognition. Thus, the corporate profile, culture and values transcends from the parent company through to all the subsidiaries.

Access Bank (Ghana) Limited is one of commercial bank in Ghana who have the Bank of Ghana's licence to operate as a universal commercial bank within the economy. The bank was incorporated as a private limited Liability Company, as registered by the Registrar General in May 2009.

The Bank is one of the nine subsidiary banks that make up the Access bank Group called the Access Bank PLC. In addition to the investment by the parent bank, some Ghanaian investors as well as foreign individual and institutional investors have shareholding within the capital structure of the bank. The bank also enjoys the goodwill of having the parent bank ranked amongst the Top 10 Banks in Africa.

Currently, Access Bank Ghana has 55 branches and agencies while it has 61 ATM sites that is spread across seven regions of Ghana.

3.6.2 The Vision

The vision of Access Bank plc (Which is same for ABG) is:

"To become the world's most respected African Bank"

3.6.3 The Mission

"Setting standards for sustainable business practices that unleash the talents of our employees deliver superior value to our customers and provide innovative solutions for the markets and communities we serve".

3.6.4 Core Values

Excellence: Going beyond the perceived impossibility

Innovation: Always challenging the status quo

Leadership: Helping others do what they did not realise they could do.

Passion for Customers: Having the desire to exceed customers' expectation by going to the last mile

Professionalism: Upholding all values and requirements of carrying out ones duties

Empowered Employees: Continuous training to improve the human capital of the bank

3.6.5 The Brand Promise: Speed, Service and Security

Speed: Driving new innovations in the banking sector

Service: Providing a world class customer experience

Security: Generating safe, sustainable returns for investors

3.6.6 Credit Ratings

Access Bank's ratings by the following reputable national and international agencies are eloquent testimonies to its financial stability and adherence to best practice in our

Governance, risk and credit management processes:

3.6.7 History

Access bank started as a minute commercial bank in Nigeria a couple of decade ago and it has transformed itself into an international standard financial service institution. Currently, the parent bank, Access Bank PLC is ranked among the top five banks in Nigeria. The bank built its core business in corporate banking and it is now taking advantage of the personal and business banking of IBG to expand and broaden its business horizon.

The bank began operation in 1988 in Nigeria with a banking licence. Later in 1989, it was incorporated as a privately owned commercial bank at which time it started commercial activities. In 1998, the bank became a Public Limited Liability Company and got listed on the Nigeria Stock Exchange in the same year. In 2001, it finally obtained a Universal banking licence to operate as such from the Nigeria Central Bank.

CHAPTER FOUR

ANALYSIS, DISCUSSIONS AND PRESENTATION OF RESULTS

4.0 Introduction

This chapter analyses the data collected, which would be the basis for the measurement of the research objectives. The chapter analyses the financial performance of Access Bank Ghana (ABG) pre and post takeover of IBG, (that is, before ABG acquired and after it acquired IBG), to determine the impact of the takeover on the financial performance of ABG. Secondly, the two individual banks separately projected figures would be compared with the consolidation figures (actual ABG performance after the takeover) to determine the level of synergy in the takeover process. Also, a t test analysis would be conducted to determine how significant the mean of ABG financial figures would be after the merger compared with where there is no merger for further confirmation of synergy.

The t test analysis results of the ABG's financial performance indicator elements would also be discussed to confirm if the takeover had a positive impact on the performance of Access Bank Ghana Limited (ABG).

Finally, the various challenges experienced by the bank after the takeover and various strategies implemented by management to overcome the challenges would be discussed.

4.1 Financial Performance Analysis

Financial performance of a company is measured by the values in the financial statements, namely, the statement of financial position, the income statement, the statement of cash flow and the statement of changes in equity. This information is quite dense and accountants usually summarize those information using financial ratios. This section thus analyses the financial performance of Access Bank Ghana Ltd (ABG) both before and after the takeover using financial ratios calculated from the published financial statements during the period 2010 to 2014 to determine how the bank performed before and after it acquired IBG. The various selected financial ratios are calculated and discussed below;

4.1.1 Net Profit Margin of ABG

The Net profit margin shows the proportion of the total margin / interest income / total operating income which is realised as profit. The Net profit margin for Access bank was calculated as: *Profit before tax / Total operating income*. The profit before tax was used because it is the last profit value that management have control over and can thus influence its magnitude. The profit margin measures the performance of management in terms of their ability to generate income and ensure that such income is not consumed up by excessive expenses.

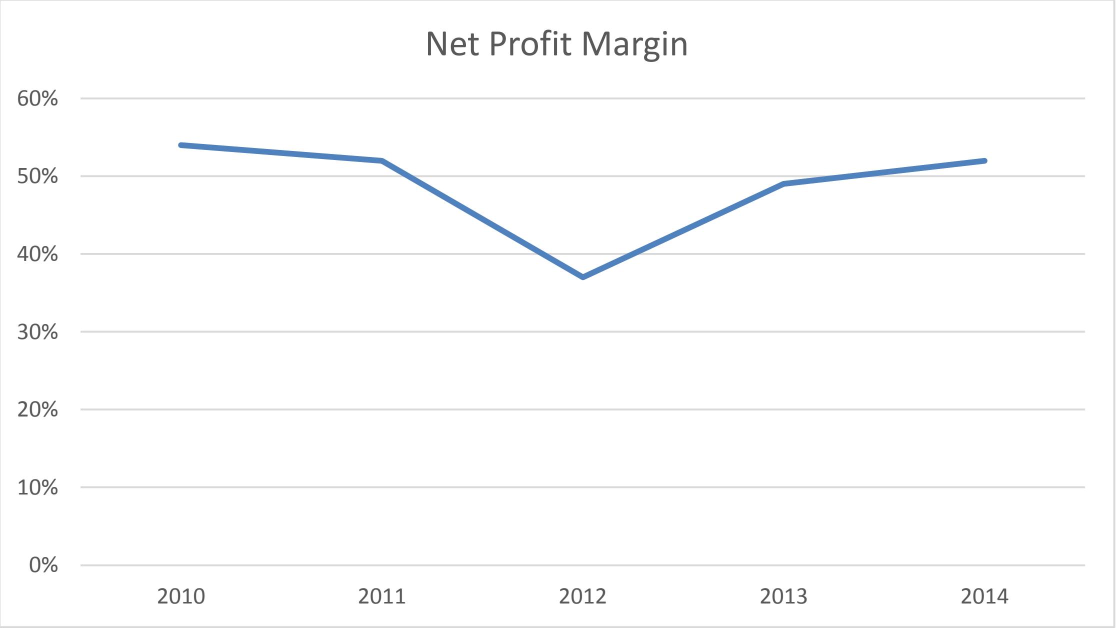
Below is the calculated Net profit margin of ABG from 2010 to 2014.

Table 4.1.1a: Net Profit Margin Ratios of ABG (2010 – 2014)

Year Before: 2010 – 2011 **After: 2012 – 2014**	Net Profit Margin of ABG
2010	54%
2011	52%
2012	**37%**
2013	**49%**
2014	**52%**

Source: Researcher's results from financial statement analysis

Figure 4.1.1a : Net Profit Margin Trend of ABG (2010 – 2014)



Source: Researcher's results from financial statement analysis

Analysis of the Net Profit Margin shows that the bank had an above 50% margin before the takeover. However, there was a sharp drop immediately after the takeover to 37% in 2012 and started rising steadily until it achieved 52% in 2014. This sharp drop might be due to the shock of merging two banks with different banking and marketing philosophies. Thus, performance after the takeover was low in the short run compared to the pre-takeover performance. This shows that the impact of the economies of scale that arises from mergers was not realised immediately. This might be due to the friction that comes from merging two different banks. Thus, the potential advantages of the takeover is expected to be realised in full as the years go by.

4.1.2 Return on Asset (ROA) of ABG

The ROA measures how well the firm and its management are able to turn over the assets of the company to generate revenue. It is the level of profit that is attained from the use of a cedi of every asset. It shows how much the firm generates as income, from every cedi use of the firms total assets. This was calculated as; *Profit before Tax/ Total Assets*

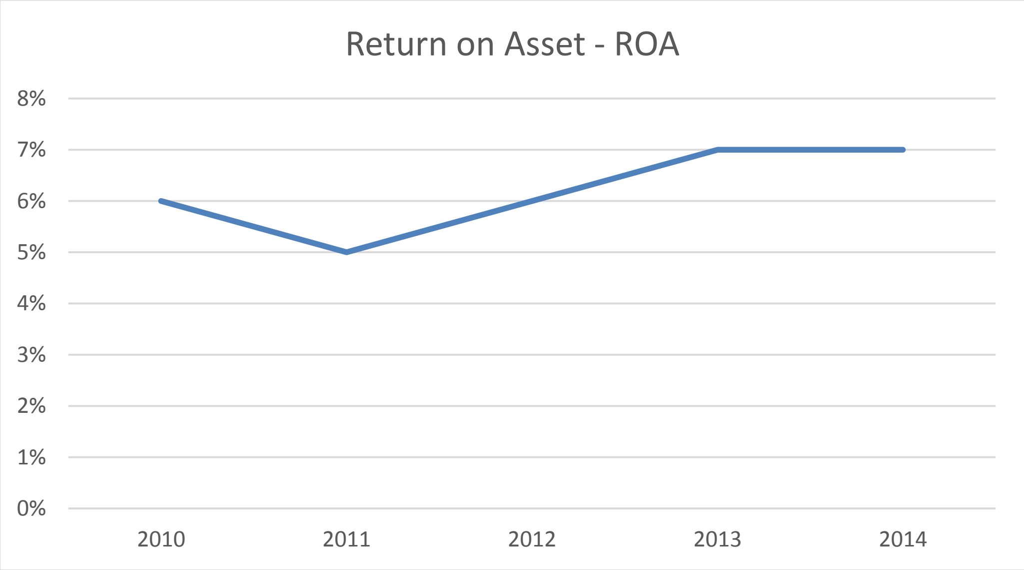
From the financial analysis, the post-merger ROA of ABG was slightly above that of the pre-takeover. The bank did not record a significant rise in its ROA showing that though the takeover had a positive impact on the level of return on the asset, the impact was not significant in terms of the ability of the bank to generate income out of turning over their assets. This is shown by a pre-takeover ROA averaging 5.5%, a percentage below the post take-over ROA as shown in the table and graph below;

Table 4.1.2a : Return on Asset Ratios of ABG (2010 – 2014)

Year Before: 2010 – 2011 **After: 2012 - 2014**	Return on Asset – ROA of ABG
2010	6%
2011	5%
2012	**6%**
2013	**7%**
2014	**7%**

Source: Researcher's results from financial statement analysis

Figure 4.1.2a : Return on Asset Trend of ABG (2010 – 2014)



Source: Researcher's results from financial statement analysis

The bank's inability to significantly improve its ROA after the takeover could be due to the difficulties in harmonizing the two separate banks to achieve efficiency. This also confirms the fact that a bank may not experience significant improvement in its financial performance immediately after a takeover but such performance would improve with time. A positive ROA could be achieve if the assets of the two banks easily complement one another. However, the insignificant impact on the ROA after the takeover is supported by the fact that Access Bank specialized in corporate banking while IBG specialized in retail. Thus, complement assets is key to positively enhanced ROA.

4.1.3 Return on Equity (ROE) of ABG

The return on Equity is the return earned by the equity holders of the business for each cedi invested in the business. The ROE measures how much income the business generates for the investment made by the owners of the business. Thus, a higher ROE shows that the investment of the equity holders is yielding enough to compensate them for the risk taken since they are the risk bearers of the business. The ROE was calculated as; *Profit after Tax / Total Equity*. The profit after tax was used because it is the residual profit after all expenses, that is attributable to the equity shareholders.

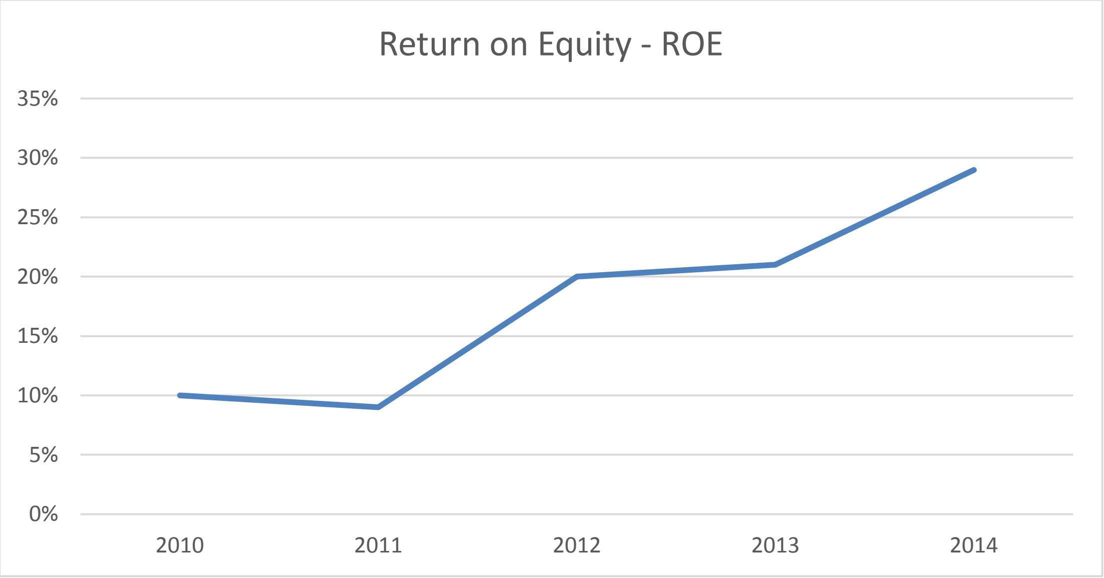
Analysis of the ROE shows that the takeover impacted positively on the return for shareholders; that is, the shareholders profited from the takeover by experiencing an increase in their return. This benefit might accrue from owning a bigger bank as compared to owning a smaller bank. This is also attributed to the fact that the returns was leveraged up by the large liability financing employed by the bank after the takeover. This impact is seen by a pre-takeover ROE average of 9.5% which rose to as high as an ROE of 29% by the end of 2014. Usually, equity financing is ideal if the future is not certain and with few takeovers having taken place in Ghana, using debt capital would have resulted in negative consequences. Therefore, the ROE measure shows a positive impact accruing to ABG for taking over IBG. This is show in the table and graph below.

Table 4.1.3a : Return on Equity Ratios of ABG (2010 – 2014)

Year Before: 2010 – 2011 **After: 2012 - 2014**	Return on Equity – ROE of ABG
2010	10%
2011	9%
2012	**20%**
2013	**21%**
2014	**29%**

Source: Researcher's results from financial statement analysis

Figure 4.1.3a : Return on Equity Trend of ABG (2010 – 2014)



Source: Researcher's results from financial statement analysis

4.1.4 The Current Ratio of ABG

The current ratio measures the ability of the firm to meet its debt obligations when they become due for payment. It also measures the extent to which the business' existing cash covers its obligations. A high current ratio means that the bank is safer since most of its liabilities are deposits which means that the inability of the bank to meet these requests for the customers can lead to penalties from the central bank (Bank of Ghana) and consequently, liquidation. The bank's ability to have enough cover would help reduce the impact of financial distress. The current ratio was calculated as; *Cash and Cash equivalents / Total liabilities*. Total Liabilities was used to determine the current ratio for ABG because, unlike non-financial institutions whose liabilities may be long term such as bonds and other bank loans, ABG's liabilities are made up of deposits and other current liabilities with the deposits comprising demand deposits (for checking, savings and call accounts) and term deposits (which usually mature in less than a year).

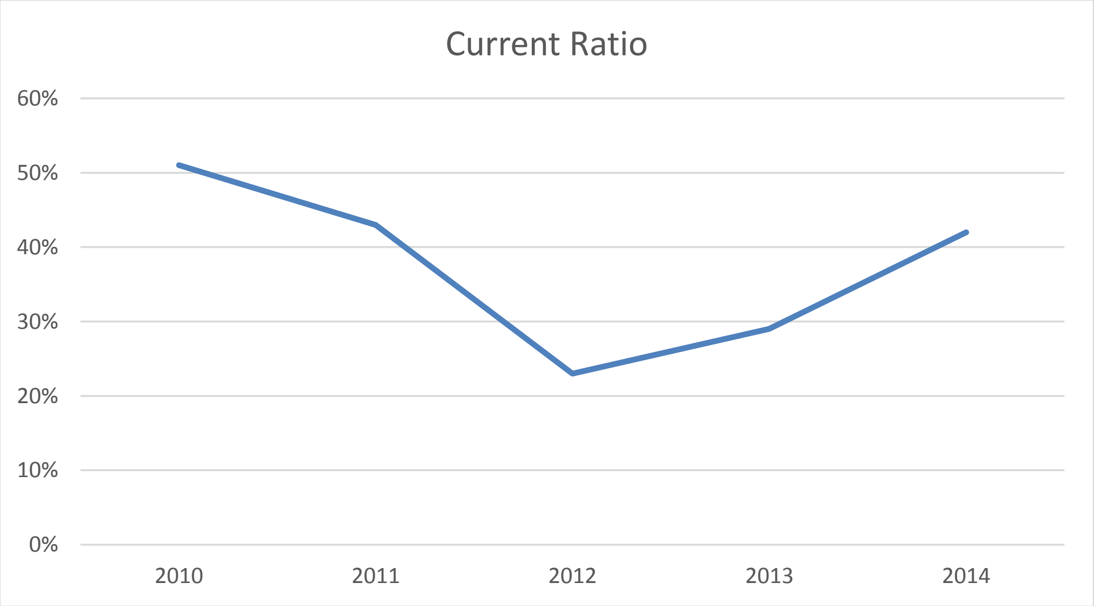
From the analysis of the financial statements, the current ratio of ABG had started declining and the takeover further worsened the trend. Thus, the takeover could not improve the bank's position in terms of its ability to cover obligation of customers; rather, the takeover put the bank in a more vulnerable position. However, the 2014 current ratio shows an improvement which shows a trend in the post takeover ratios; that is, the takeover had a negative impact in the short run but the metrics become better after the bank overcame the friction and challenges inherent in the takeover and harmonisation process.

Table 4.1.4a : Current Ratios of ABG (2010 - 2014)

Year Before: 2010 – 2011 **After: 2012 - 2014**	Current Ratio of ABG
2010	51%
2011	43%
2012	**23%**
2013	**29%**
2014	**42%**

Source: Researcher's results from financial statement analysis

Figure 4.1.4a : Current Ratio Trend of ABG (2010 – 2014)



Source: Researcher's results from financial statement analysis

It be seen that, the current ratio started rising in 2013 and continued in 2014 showing a U shaped curve. However, the bank could not attain the current ratio level of above 50% as achieved in 2010 showing that the impact of the takeover had not been reflected in the financial performance of the bank but the trend shows an improvement for the future.

4.1.5 The Expense Ratio of ABG

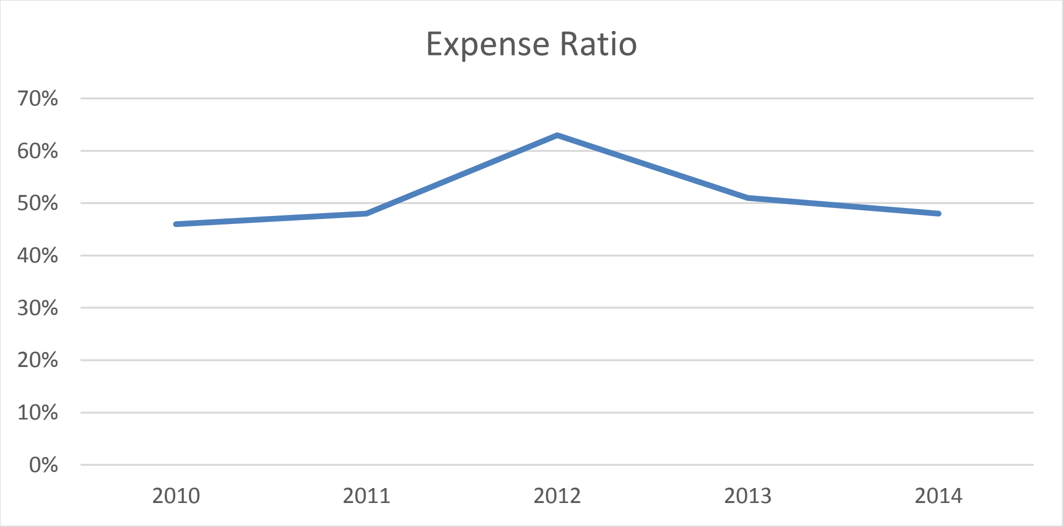
The expense ratio is a measure of efficiency; that is, how well management are able to control expenditure in an attempt to maximize profit. It shows the percentage of total income that is consumed as expenses. The higher the expense ratio, the lower the efficiency of the revenue generation process; the inverse is also true. A higher expense ratio means that most of the revenue generated is paid out as expense which is in contrast with the principle of economies of scale. With economies of scale, the bank should be able to reduce costs and expenditure but the bank had the highest expense ratio in the year of takeover, that is, 2012 of 63%. The expense ratio was calculated as; *Total Operating expense / operating income*.

Table 4.1.5a : Expense Ratios of ABG (2010 – 2014)

Year Before: 2010 – 2011 **After: 2012 - 2014**	Expense Ratio of ABG
2010	46%
2011	48%
2012	**63%**
2013	**51%**
2014	**48%**

Source: Researcher's results from financial statement analysis

Figure 4.1.5a : Expense Ratio Trend of ABG (2010 – 2014)



Source: Researcher's results from financial statement analysis

From the financial statement analysis, the bank could not achieve the benefits of economies of scale that comes with operating at a bigger size. This is because; the lowest expense ratio that was achieved prior to the takeover (in 2010) could not be matched let alone bettered after the takeover. The least achieved was in 2014, which was 48%, two percent above that attained in 2010 (46%). Thus, the takeover could not result in a better performance in the short run compared to the pre-takeover as comparable expenses incurred after the takeover exceed that incurred before the takeover.

4.1.6 Gearing Ratio of ABG

The gearing ratio measures the extent to which the business finances its operations with debt or liabilities. Though, liability financing increases the value of shareholders due to tax deductibility, it also poses the danger of financial distress. Thus, business should have an optimal mix of liabilities and equity which maximizes the positive impact of the tax deductibility while minimizing the impact of financial distress.

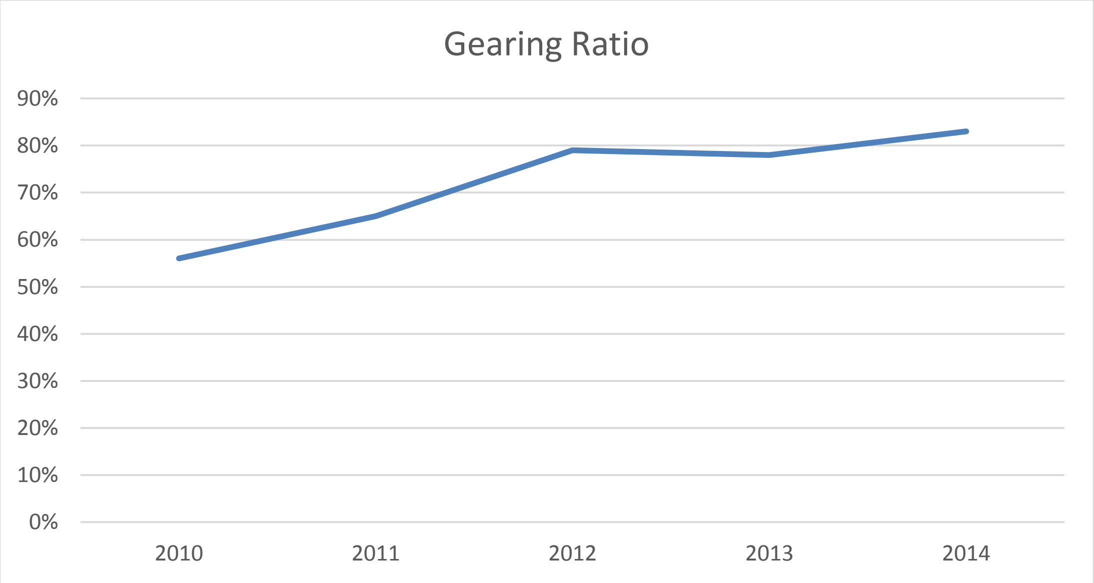
From the analysis the gearing ratio was high during the pre-takeover period and continued to rise till it became 83% in 2015. This situation is not ideal since it exposes the bank to more risk of liquidation. This could be attributed to those takeovers that are financed with debt capital. This sometimes affects the ability of the firm to benefit from the positive impacts of the takeover.

Table 4.1.6a : Gearing Ratios of ABG (2010 – 2014)

Year Before: 2010 – 2011 **After: 2012 - 2014**	Gearing Ratio of ABG
2010	56%
2011	65%
2012	**79%**
2013	**78%**
2014	**83%**

Source: Researcher's results from financial statement analysis

Figure 4.1.6a : Gearing Ratio Trend of ABG (2010 – 2014)



Source: Researcher's results from financial statement analysis

The results show an increasing level of leverage financing. This has the impact of causing financial distress and thus, it is not a good situation. The takeover could not improve but rather worsened the situation; meaning that the takeover could not affect the gearing ratio positively.

The general result shows an improvement in the financial performance after the takeover, though not significant. However, the long term results show more positive impacts of mergers or takeovers on the financial performance ABG than the short term results. This might be due to the struggle for power and supremacy among the management of the two banks and other friction that affects the creation of value by the firm.

4.2 Synergy Analysis

Synergy is the principle in business which states that the value of two businesses that has merged is higher (after merging) than the addition of their individual values if they had not merged. This results from the efficiency and elimination of duplicate costs that ensures that profit levels are increased and the total value of the firm increased.

The level of synergy was measured by comparing the value of the bank after the takeover with the projected value of the individual banks, if there was no takeover; with the two values combined. The values of the individual banks were projected using time series where the trend of growth in the financial statement elements was used to estimate the values for 2012, 2013 and 2014. The synergy was measured with some key elements of the financial statement whose changes affect the value of the firm. They were; cash and cash equivalent, Deposits, operating income, operating expenses and profit before tax and after tax.

4.2.1 Cash and Cash equivalent

Financial managers prioritise cash over profit because cash is needed to support the day to operations of a business entity. A business entity may realise huge profits but might be forced into liquidation if it is unable to meet its obligations when creditors call upon. In the case of a bank, cash becomes more relevant since banks work with customers' deposits and failure to honour such deposits upon demand can lead to liquidation.

The results from the analysis show that ABG could not achieve synergy in their takeover of IBG in terms of cash and cash equivalents. This is shown in the table and graph below.

Table 4.2.1a :Synergy in Cash and Cash Equivalent (In thousands of Ghana cedis)

Cash and Cash Equivalent		
	Merger (ABG)	Without merger (ABG + IBG)
2012	123,322.00	346,360.10
2013	212,955.00	515,743.40
2014	502,136.00	768,231.74

Source: Researcher's results from financial statement analysis

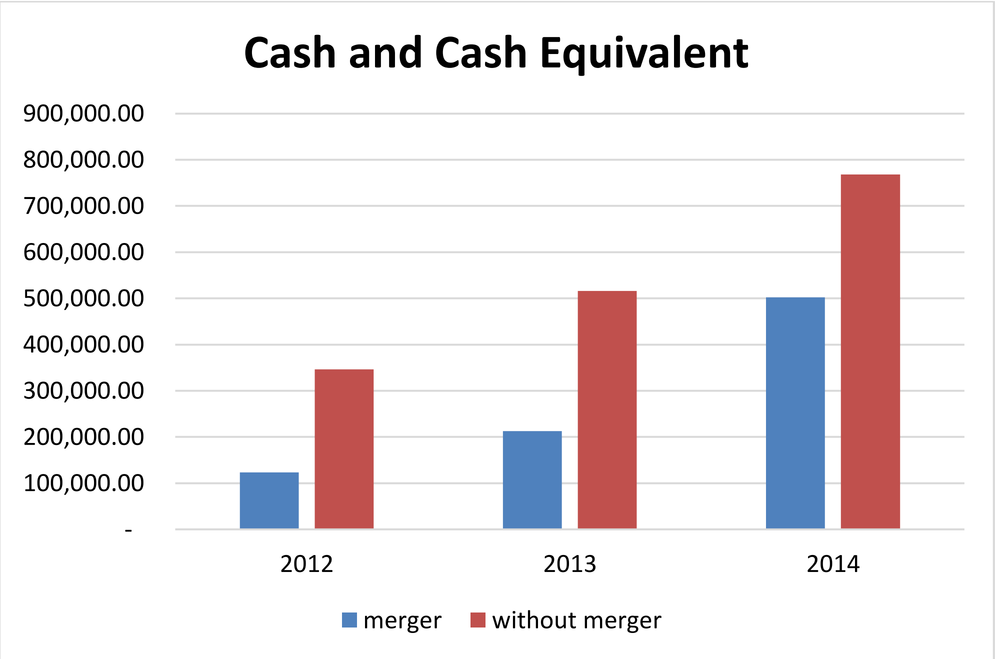
Table 4.2.1b: Two-sample t test for Synergy in Cash and Cash Equivalent

Variable	Mean	Std. Err.	[95% Confidence Interval]	
Merger	279471	114299.7	-212321.1	771263.1
No merger	543445.1	122569	16073.37	1070817

t-statistics = -1.5751, (p>0.1)

Source: SPSS Output

Figure 4.2.1a :Synergy in Cash and Cash Equivalent (In thousands of Ghana cedis)



Source: Researcher's results from financial statement analysis

From the table and graph, ABG's actual cash and cash equivalent between 2012 to 2014 fell below the values should there had been no takeover. This means that the value of the firm reduced, measuring with the cash and cash equivalent indicator. This might be due to excessive payment of legal liabilities and other staff exit packages. Usually, takeovers come with harmonization costs and marketing of the new brand, in which case, this takeover spend large portion of funds on this cost due to the IBG brand being stronger than the Access brand within the Ghanaian market. Thus, the takeover was not a success measuring from the cash assets. This is confirmed by the t test results which shows a lower mean value for the merger as compared with the case where there was no merger.

4.2.2 Deposits

Deposits are key elements to the survival of banks in competitive markets. It shows how much asset the bank can build in terms of loans to generate interest income.

Analysis shows that ABG and IBG would be better off without the coming together. This is because the total deposits for ABG was below the projected deposit levels of the individual banks if there was no merger. Thus, synergy was not realised using the deposits indicator just as was realised from the cash and cash equivalent indicator. This is shown in the table and graph below;

Table 4.2.2a : Synergy in Deposits (In thousands of Ghana cedis)

Deposits		
	Merger (ABG)	Without merger (ABG + IBG)
2012	545,352.00	939,098.90
2013	726,982.00	1,337,505.82
2014	1,199,681.00	1,966,420.15

Source: Researcher's results from financial statement analysis

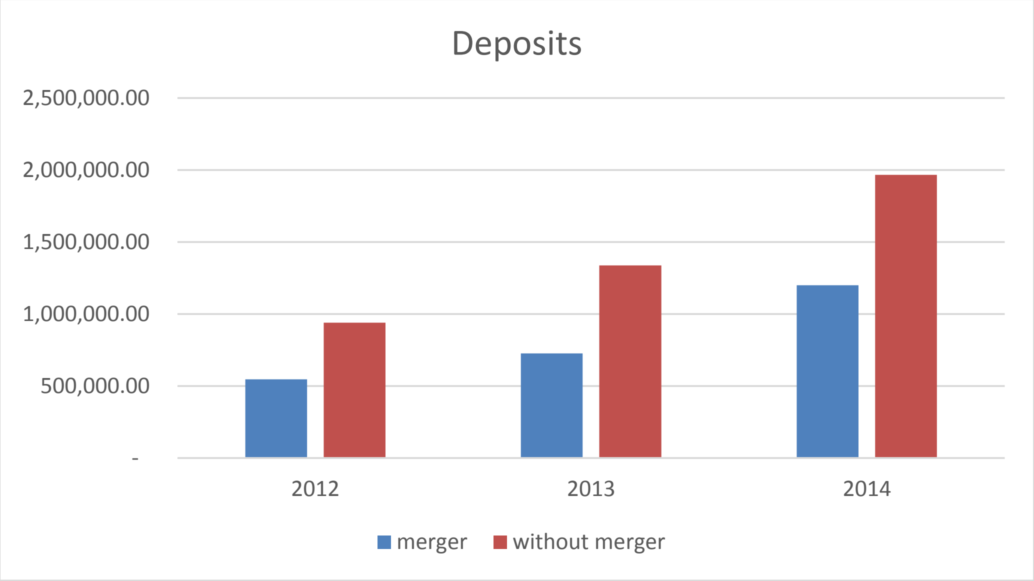
Table 4.2.2b: Two-sample t test for Synergy in Deposits

Variable	Mean	Std. Err.	[95% Confidence Interval]	
Merger	824005	195018.6	-15092.11	1663102
No merger	1414342	299040.2	127675.7	2701008

t-statistics = -1.6536, (p>0.1)

Source: SPSS Output

Figure 4.2.2a : Synergy in Deposits (In thousands of Ghana cedis)



Source: Researcher's results from financial statement analysis

From the table and graph above, the level of deposits between 2012 and 2014 for ABG was below the combined deposits level for ABG and IBG if there was no merger, showing the absence synergy from the takeover; this was also confirmed by the t test results where the average or mean of the deposit level of the merger fell short of the average deposits for no merger. This could be attributed to the differences in the banking strategies which results in different competences being built by the two banks. This means the assets could not complement one another; thus, the value of the bank was reduced.

4.2.3 Operating Income

Operating income levels affect the value of a firm by pulling it in the direction it will move; thus an increase in operating income has the potential of increasing the value of the firm.

From the synergy analysis, ABG could not realise the effect of synergy until the third year after the takeover. During the first two years, the value of the bank was below the expected value. Thus, the operating income for 2012 and 2013 was below what the two banks could have achieved separately. However, synergy was realised in the third which might be attributed to the fact that the bank had overcome challenges faced after the takeover and it has now overcome the challenges.

Table 4.2.3a : Synergy in Operating Income (In thousands of Ghana cedis)

Operating Income		
	Merger (ABG)	Without merger (ABG + IBG)
2012	125,947.00	129,201.10
2013	147,395.00	161,149.99
2014	237,803.00	201,490.71

Source: Researcher's results from financial statement analysis

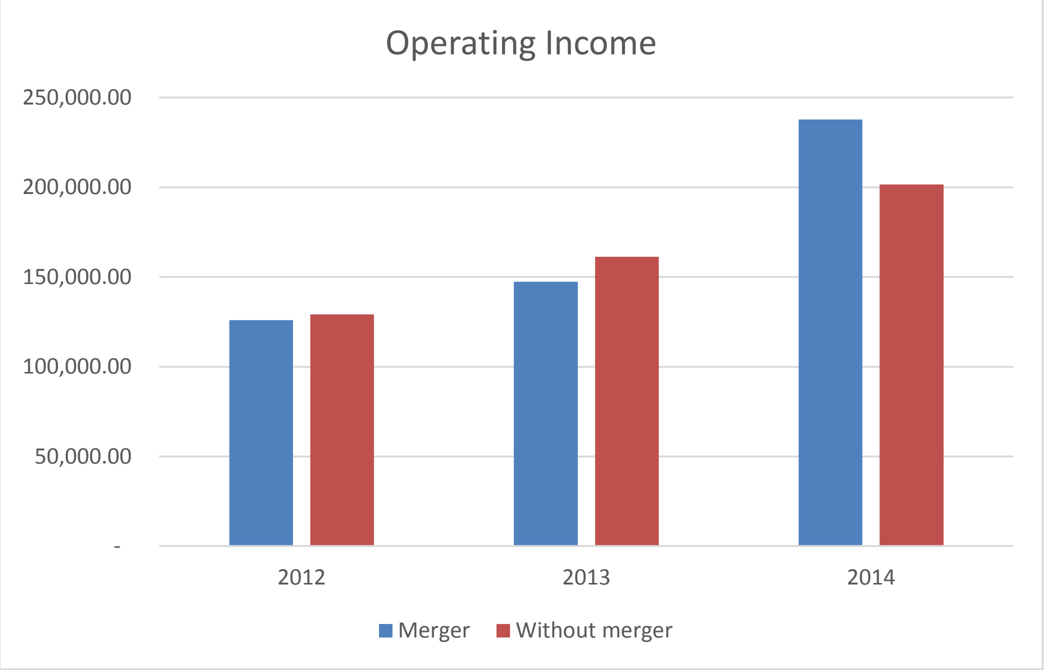
Table 4.2.3b: Two-sample t test for Synergy in Operating Income

Variable	Mean	Std. Err.	[95% Confidence Interval]	
Merger	170381.7	34274.54	22910.24	317853.1
No merger	163947.3	20915.03	73957.15	253937.4

t-statistics = 0.1603, (p>0.1)

Source: SPSS Output

Figure 4.2.3a : Synergy in Operating Income (In thousands of Ghana cedis)



Source: Researcher's results from financial statement analysis

From the table, synergy was realised in the third year after the takeover. This comes to confirm the friction that took place during the harmonisation process which reduced the level of efficiency in the initial periods of the takeover. The t test result however confirms the comprehensive impact that shows the existence of synergy after the merger.

4.2.4 Operating Expenses

Operating expenses has the potential of affecting the value of the business depending on the direction it takes. An increasing level of operating expenses potentially reduces the value of the business while the decreasing operating expenses have the potential of increasing the value of the business, therefore showing an inverse relationship.

The analysis shows that the bank achieved efficiency and synergy in its operating expenses. This might be due to economies of scale and elimination of duplicate expenses. This is shown in the table and graph below.

Table 4.2.4a : Synergy in Operating Expenses (In thousands of Ghana cedis)

Operating Expenses		
	Merger (ABG)	Without merger (ABG + IBG)
2012	79,419.00	128,823.80
2013	75,387.00	188,810.74
2014	114,627.00	277,950.42

Source: Researcher's results from financial statement analysis

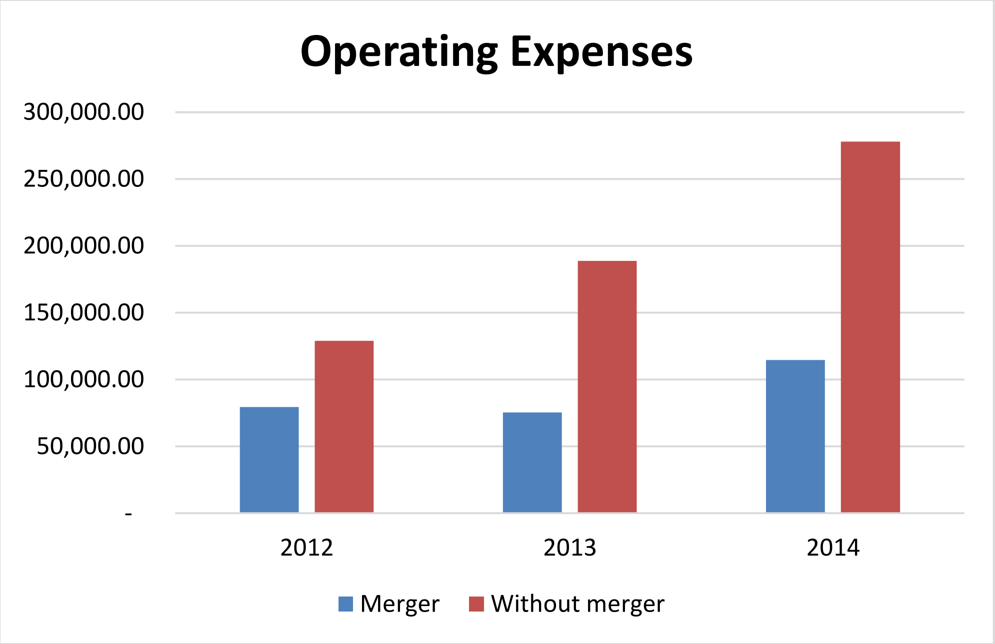
Table 4.2.4b: Two-sample t test for Synergy in Operating Expenses

Variable	Mean	Std. Err.	[95% Confidence Interval]	
Merger	89811	12462.47	36189.31	143432.7
No merger	198528.3	43322.48	12126.75	384929.9

t-statistics = -2.4117, (p<0.1)

Source: SPSS Output

Figure 4.2.4a : Synergy in Operating Expenses (In thousands of Ghana cedis)



Source: Researcher's results from financial statement analysis

From the table and graph, the operating expenses for ABG from 2012 to 2014 was lower than the level of expenses that would have been incurred by the two banks separately if there was no takeover. This is a sign of economies of scale. This result works in the inverse where lower values is better that larger values because it is an expense. Thus, the takeover, which results in elimination of some costs resulted in a positive synergy. The t test analysis also gave a significantly lower mean for the merger showing that the comparative efficiency is better with the takeover than without the takeover or merger. Thus, synergy was achieved in operating expenses.

4.2.5 Profit before Tax

The level of profit made has the potential of affecting the value of the firm. Increasing profit levels has the potential of increasing the value of the business. Analysis of the profit before tax shows the achievement of synergy after ABG took over IBG. The profit before tax of ABG after the takeover was higher and above the profit levels that would have been achieved separately by ABG and IBG if there was no merger. This shows an impact of the synergistic effect.

Table 4.2.5a : Synergy in Profit before Tax (In thousands of Ghana cedis)

Profit before tax		
	Merger (ABG)	Without merger (ABG + IBG)
2012	46,427.00	21,477.63
2013	71,763.00	21,701.39
2014	123,176.00	22,122.00

Source: Researcher's results from financial statement analysis

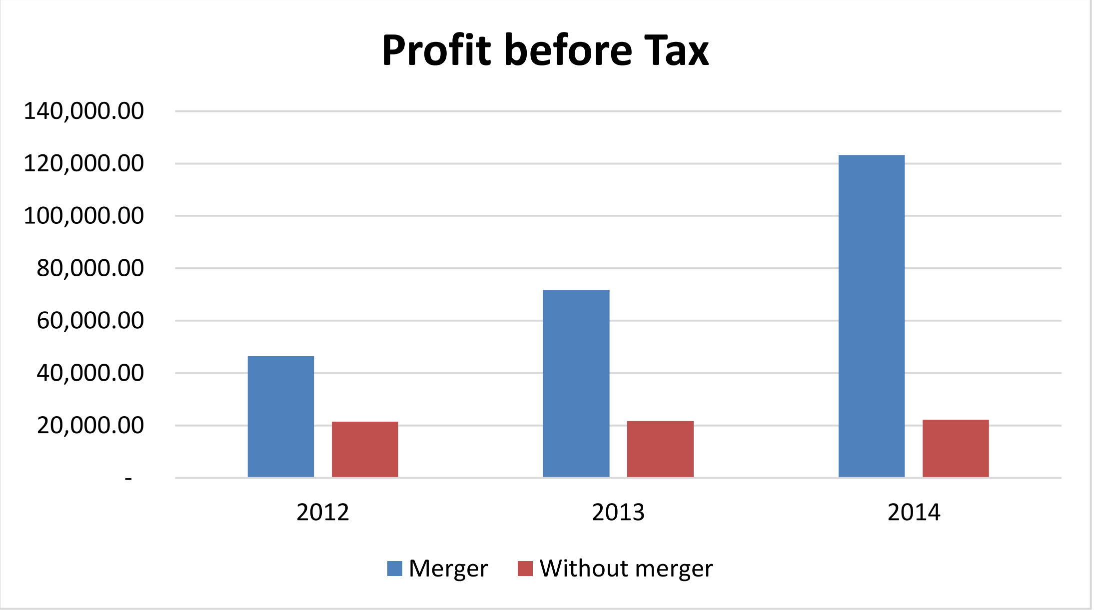
Table 4.2.5b: Two-sample t test for Synergy in Profit before Tax

Variable	Mean	Std. Err.	[95% Confidence Interval]	
Merger	80455.33	22577.79	-16689.05	177599.7
No merger	21767.01	188.8847	20954.3	22579.71

t-statistics = 2.5993, (p<0.1)

Source: SPSS Output

Figure 4.2.5a : Synergy in Profit before Tax (In thousands of Ghana cedis)



Source: Researcher's results from financial statement analysis

From the table and graph, it was realized that the level of profit generated after the merger far exceeds the levels of anticipated profit of the two banks if there was no merger. Thus, the principle of synergy was realised after the takeover. Measuring from the t test, the mean value for the merger was higher than that without the merger. This could be attributed to the working of the expense levels were costs were reduced. Reduction in cost with revenue constant would mean an increase in profit.

It can also be concluded that synergy was achieved in the area of income and value creation but not in terms of enhancement in assets. This might be due to the fact that expenses reduced after the takeover.

4.3 t statistics test Analysis

The t test analysis conducted to confirm the extent of significant difference in the mean of ABG financial figures before and after the takeover gave the results below;

Table 4.3a: t-Test: Paired Two Sample for Means

	AFTER	*BEFORE*
Mean	1039991.051	328670.4565
Variance	9.68322E+11	1.11452E+11
Observations	10	10
Pearson Correlation	0.969111949	
Hypothesized Mean Difference	0	
df	9	
t Stat	3.379432896	
P(T<=t) one-tail	0.004067146	
t Critical one-tail	1.833112933	
P(T<=t) two-tail	0.008134292	
t Critical two-tail	2.262157163	

From the results, it can be concluded that the null hypothesis (H_o = The takeover did not impact positively on the financial performance of ABG), should be rejected. This is because, the value of the **t stat** is greater than the **t critical two tail (3.379 > 2.262).** Also, the level of significance which is 0.008 is lower than the acceptable significance level of 0.05. This means that the values used contributed significantly in determining the overall impact of the takeover.

Thus, comparing the financial values of the merger to that of no merger, it is realised that the mean of ABG's financial performance is significantly higher after it acquired IBG than when it has not done the takeover.

Based on this, it can thus be concluded that the alternate hypothesis (H_1: The takeover impacted positively on the financial performance of ABG) is accepted.

Thus, the takeover impacted positively on the financial performance of ABG.

4.4 Challenges encountered in the takeover process

Staff Turnover

One major challenge the bank faced during and after the process of the takeover was high staff turnover. Most staff felt their job security was at risk and could not wait to be dismissed from the work place. Most of them therefore found an escape route by resigning and joining other organizations where they felt their jobs would be safe. This led to the bank losing majority of its human resource. This could be one assigned reason why the bank could not significantly realize the benefits of economies of scale and synergy in the short run since it lost quality human capital during the process and after the takeover. The consequence of this was a reduction in the value of the combined bank, (in terms of assets), thus not realizing the principle of synergy in the initial stages of the takeover.

Dispute over HR polices and severance payment

Another major challenge Access Bank Ghana encountered was the dispute over the different human resource policies between the two banks. In an attempt to prevent the expected high level of staff turnover and assure the existing employees of their job security, Access bank Ghana decided to absorb all existing employees of IBG. Since the HR policies of the two banks differ, the existing staff of IBG expected that they would be paid severance for terminating their appointment with IBG. However, ABG opted not to pay such compensation but rather allow the IBG staff to be absorbed and continue working in the bank as a continuation from their service in IBG. This created a great agitation and upheaval of which the case is still at the court for settlement. Thus, all existing staff who failed to sign the new appointment letters counted themselves as dismissed. This caused a shakeup in the bank which affected staff motivation and attitude to work. This was worsening when the staff realized that the parent bank paid the severance for their staff. This was a really big challenge for the bank to overcome and this could be a major reason why the expected added value from synergy was not realized.

Differences in banking Strategies

The philosophy a bank adopts affects the kind of banking service it offers and how the service is provided. Access bank Ghana pursued a corporate banking strategy where their commitment and attention was channelled on medium to large businesses and formal sector workers. Intercontinental Bank Ghana on the other hand pursued a retail banking strategy where their commitment and attention were channelled towards individuals, both in the formal and informal sectors, the small and medium businesses. Thus, the value created by IBG in the retail banking sector was not leveraged on by ABG. This led to a loss of large customer base in the retail banking division who felt they could not attain much assistance from the bank anymore. Such facilities like overdrafts and loans to individuals and smaller business were no more supported by ABG as was done in IBG and this serve as a catalyst for most customers to swap banks and joined other banks. This affected the ability of the bank to enjoy the expected economies of scale potential.

Information asymmetry

Information asymmetry is where there are two or more parties to a contract and one has more information pertaining to the contract than the other(s). Information flow and transparency is one key resource for ensuring effectiveness and efficiency in a merging process. All stakeholders expect to be given periodic and progress information on the merging activities and how they would be affected so that such information would assist them make informed decisions. This was however absent in the merging process between ABG and IBG. This resulted in fear and panic as most stakeholders did not know their fate. This contributed to the high level of staff turnover and customer loss. This is because, most relationship officers and managers had built trust in their customers to the extent that when they moved to other banks, their customers also followed them to their new banks. This caused a great reduction in the staff and customer based which meant that the bank had to incur extra cost to attract new customers.

System challenges

One common challenge that faces most takeover processes is system challenge. This challenge is more true for mergers than for takeovers because, mergers mostly involves two organizations of similar sizes so that when the combine entity does not enrol on a new and bigger system, the current systems may not be able to support the data load. This challenge, which is usually minimal in takeovers because the bidder company is usually larger than the target company, was a huge challenge for the merging of ABG and IBG. ABG was a new entrant on the market and had a smaller base and size relative to IBG. Thus, the best way to forestall the possibility of system challenge was to adopt the systems of the bigger bank or enrol on a new and larger system. However, the management of ABG decided to continue using its own systems resulting in the major system challenge since the system of ABG could not hold the data load of both banks. These system failures affected the level of service delivery and consequently affected profit levels and growth.

4.5 Strategies Employed to Overcome the Challenges

Access United

Management of Access bank Ghana Ltd realised that operations staff form approximately 50% of the total work force. In addition, it also had contract staffs that were equivalent to 25% of the total permanent employees. However, only the marketing and relationship management department had deposit targets as their Key Performance Indicators. Management therefore decided to assign deposit targets to the operations and the contract staff. These two sections of employees who were not having deposit targets contributed to 40% of the total demand deposits generated by the bank in 2013 and this strategy has been adopted since. This boosted the total deposit level of the bank

Appointment of a new Managing Director

The struggle for power among the management coupled with certain disrespecting treatment given to some management staff left most of the management staff with bitterness. There was thus the need for a change in management. First was the managing director who also ensured that certain management in key positions were replaced. This restored trust in the management and influx of new ideas and ways of management which propelled the bank to achieving the bank of the year in for 2013.

This was made possible due to the extensive experience which the new MD had in steering the new ABG which was far bigger than the old ABG.

Team Bonding: Regular Staff Durbar and End of Year Dinner

The new management employed the strategy of team bonding, which included regular staff durbar and all staff end of year dinner. One key principle that promotes efficient staff coordination in banking activities is trust. Through the regular staff durbar employed by management, all staff across the country meet in Accra for a staff durbar where management meet all staff while staff get the chance to meet other colleagues from other geographical locations whom they have been working closely with, either communicating regularly by email of by phone. This helps promote trust and improves coordination for effective service since the staff build friendship among one another and assist one another to execute transactions swiftly.

Management also organise all staff end of year party at the regional level and sometimes at the national level. Like the staff durbar, the end of year party also promoted team bonding among the staff, trust, motivation and a positive work attitude.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of the findings from the study, the conclusions made from the findings of the study and the recommendations made for ensuring efficiency in future mergers or takeovers within the banking industry.

5.1 Summary of Findings

The research objectives were to determine the impact of the takeover on the financial performance of Access bank Ghana and also assess the principle of synergy in the takeover process. The third objective was to determine the challenges the bank faced prior and post-merger process and the strategies implemented to overcome the challenges.

From the research findings, the takeover impacted positively on the financial performance of ABG. The value of the **t stat** was greater than the **t critical two tail (3.379 > 2.262).** Also, the level of significance which is 0.008 is lower than the acceptable significance level of 0.05. This was thus used as the basis for rejecting the null hypothesis (H_O) that, the takeover did not impact positively on the financial performance of Access Bank Ghana Limited. Using the financial ratios analysis, though, some ratios like the gearing ratio gave a negative impact, other ratios did not have an instant impact on the financial performance. While the ROA and the ROE gave an instant positive impact on the financial performance relative to prior merger figures, the profit margin, the expense and current ratios did not show an instant positive impact but recovered in the first and second years after the takeover to show a trend that is expected to continue into the future. In general, majority of the ratios gave positive impacts. These findings is in support of the findings of Singh, 1975, where found that the positive impact was not realised immediately but became better and better over time.

In testing synergy, it was realised that while the statement of financial position elements did not show the existence of the principle of synergy, the income statement elements gave a strong impact of the existence of synergy; the operating expense and profit before tax gave a positive realisation of synergy showing that the takeover made the two banks better off than if they had operated separately. Both elements gave an instant synergy after the takeover. However, the operating income, though not showing an instant synergy existence, recovered after the first two years to realise synergy in the third year which is expected to continue into the future. On the other hand, the statement of financial position elements could not realise the synergy principle. This was realised from the analysis of synergy using the cash and cash equivalents and the deposit level.

The last objective of the study which was to determine the challenges faced by ABG in the takeover of IBG discovered the following challenges; High staff turnover, dispute over Human Resources policies, differences in banking strategies, information asymmetry, and system challenges. In their bid to overcome these challenges, ABG undertook the following decisions and strategies; Access United marketing strategy, appointment of a new and experienced MD, and undertaking regular team bonding activities.

5.2 Conclusion

The general objective of the study was to determine the impact of the takeover on the financial performance of Access Bank Ghana Limited, identify the existence of otherwise of the principle of synergy in the takeover and identify the challenges encountered and strategies used to overcome the challenges. These objectives were achieved using quantitative research analysis, where the published financial reports of ABG was used as the source of data (secondary data).

The results from the calculated financial ratios revealed a positive impact of the takeover of the financial performance of ABG though some of the ratios did not give immediate impact. The synergy analysis also revealed the existence of positive synergy in the takeover process with the t statistics values confirming the existence of the synergy.

The findings from the study point to the fact that, Access Bank Ghana Ltd benefited from the takeover of Intercontinental Bank Ghana Ltd. In other words, the takeover impacted positively on the performance, efficiency and corporate profitability of the bank. Though the bank could not achieve 100 percent synergy, the key variables of efficiency and economies of scale, namely cost and revenue realised the synergy principle where both revenue and costs where positive comparative to the individual banks' figures if they had continued operating separately. The findings confirm the findings Calomiris and Karenski (1996), Caprion (1999), and De-Nicolo et al. (2003) who all concluded that Mergers or acquisitions impact positively on the financial performance of the acquiring firms.Again, assets and deposits level could not realise synergy, but the ability to generate enough returns at a reduced cost can be attributed to efficiency and economies scale.

It can be concluded that compatibility between the business philosophies of the two merging banks would always be a key factor for the success of a merger or takeover.

Also, the assets of both banks should complement each other for a successful merger. This would reduce friction after the takeover and ensure a high level of efficiency.

Also, it was found that other key success factors are the existence of an efficient and experienced management team, information symmetry among stakeholders during the takeover process remove all forms of insecurity to ensure higher output by the human capital

The bank had an enhancement in corporate goodwill through its award as the best Bank for 2013 at the national banking awards. This award was merited by the transformation the bank experienced in its financials after the takeover, even in times of the challenges experienced by the bank. This award enhanced its ability to attract higher profile customers and business which impacted positively on the profit levels of the bank. The positive impact of the takeover has led to an increased number of branches from 35 branch network to 43 as at the end of 2014.

The bank also acquired ISO certification in June 2015 showing a strong impact of the takeover.

5.3 Recommendations

The study found out that the gearing ratios of Access Bank has not improved after the merger. It is therefore recommended that the bank undertake strategies to improve its debt equity ratios to prevent future financial distress.

The study also found out that the profit returns has improved significantly. The net profit margin, return on equity and return on assets have improved after the merger. Also, the expense has reduced proportionately. It is recommended that Access bank continue to implement its strategies that ensured efficiency and further enhance those strategies to maximise these returns. Such activities like outsourcing can be enhanced and other cost bearing activities monitored further to achieve maximum returns.

In terms of synergy, it was also realised from the study that Access Bank could not achieve synergy in deposit levels after the merger. This might be attributed to the fact that Access bank could not leverage on the retail banking market base left by IBG. This is because, both banks operated with different banking philosophies. It is thus recommended that Access bank liberalizes it banking and marketing philosophy to take advantage of the large retail banking market opportunity within the industry.

After the merger, Access Bank Ghana Limited could not achieve synergy in cash and cash equivalent which is one key asset for meeting customers demand for withdrawals. This means the bank is working with limited cash relative to its assets. I therefore recommend that the bank improves it cash management activities and ensure that the level of cash and cash equivalent is in line with the level of income generation to ensure that obligation payments are met when they fall due.

The above recommendations should be implemented with the aim of putting the bank in a stronger position to meet future competitive within the banking industry, reduce operational cost, and improve liquidity, profitability, and general business performance to ensure sustenance shareholder wealth and value.

REFERENCES

Abdul-Ramon O. A. (nd) *Effects of merger and acquisition on the performance of selected Commercial Banks in Nigeria.*

Access Bank Ghana Limited. Published Annual Reports and Accounts, Various Issues (2014)**.**

Burns, N. and Grove, S. K. (1997). *The Practice Of Nursing*: New York, National League for Nursing.

Calomiris, C. and Karenski, J. (1996). *The Bank Merger Wave of the 1990s:* Nine Case Studies. University of IIIinois.

Carbral, I., Dierick, F. and Vesala, J. (2002). "*Banking Integration in the Euro Area"*, Eur. Central Bank Occasional Pap. 1 (6).

Carletti, E., Hartmann, P. and Spagnolo, G. (2002): *Banking Mergers, Competition and Financial Stability*. Committee of the Global Financial System Conference 2, Part 2.

Carprion L. (1999): "*The Long Term Performance of Horizontal Acquisitions*." INSEAD Work. Pap. 99/24/SM, April.

De Long, G. and De Young, R. (2007). *Learning by Observing: Information Spillovers in the Execution and Valuation of Commercial Bank Merger and Acquisitions.* J. Finan., 62: 181-216.

De-Nicolo, G. (2003). *"Bank Consolidation, Internationalization and Conglomeration*": Trends and Implications for Financial Risks. IMF Working Paper 03/158.

Dickerson, A. P., Gibson H. D. and Tsakalotos, E. (1997).'*The Impact of Acquisitions on Company Performance: Evidence from a Large Panel of UK Firms'*, Oxford Economic Papers, 49: 344–61.

Employee Central, Access Bank Staff Portal; [Accessed on 05/03/2015]

Focarelli, D., Panetta, F. and Salleo, C. (2002). *Why do Banks Merge?*: Journal of Money, Credit and Banking, 34, 4:1047-1066.

Frimpong J. M. (2015). *Corporate Financial Strategy*

Galliers, R. D. (1991). *Information Systems Research: Contemporary Approaches and Emergent:* European Journal of Information Systems 1 (1), 55-64, 374.

Healy, P.M., Palepu, K.G. and Ruback, R.S. (1992). Does Corporate Performance Improve after Mergers? J. Finan., Econ., 31.

Hubbard, N. (2001). *Acquisition Strategy and Implementation*. Palgrave Macmillan.

Humphrey, B. (1992). *Megamergers in Banking and the Use of Cost Efficiency as an Antitrust Defense*

Intercontinental Bank Ghana Limited. Published Annual Reports and Accounts, Various Issues (2010).

Kumar, R. (2009). *Post-Merger Corporate Performance: an Indian Perspective*. Management

Lindblom, T. and Von Koch, C. (2002). *Cross-Border Bank Mergers and Acquisitions in the EU.* In: The Service Industries Journal, 22 (4: 41-72).

Meeks, G. (1977). *Disappointing Marriage: A Study of the Gains from Merger*, Cambridge: Cambridge University Press.

Meeks, G. and Meeks, J. (1981). *Profitability measures as indicators of Post-merger efficiency.* Journal of Industrial Economics, 29:335-344.

Mueller, D.C. (1980). *The Determinants and Effects of Mergers: An International Comparison*, Cambridge, Mass: Oelgeschlager, Gunn & Hain

Okpanachi, J. (2010). *Comparative analysis of the impact of mergers and acquisition on financial efficiency of banks in Nigeria*

Pilot, D. F. and Hungler, B. P. (1995). *A policy for the development of a district health,* 6th edition, Philadelphia: Lippincott.

Roll, R. (1986). *The Hubris Hypothesis of Corporate Takeovers*; Journal of Business, 59: 197-216.

Sanni, M.R. (2009). "*Short term Effect of the 2006 Consolidation on Profitability of Nigerian Banks*". Nig. Res. J. Accountancy. Inst. Chartered Account. Nig. 1 (1) October

Singh, A. (1975). *Take-overs, Economic Natural Selection, and the Theory of the Firm:* Evidence from Post-war United Kingdom Experience, Economic Journal, 85 (339), September: 497–515.

Sobowale, D. (2004). Soludo's Revolution and N25 billion Capital Base Policy, The Grave Danger Ahead; *Mergers, Acquisitions and Recapitalization Options, How Feasible*. Weekend Vanguard, July.

Straub, T. (2007). *Reasons for Frequent Failure in Mergers and Acquisitions* – A Comparative Analysis. Deutscher Universitats Verlag, Wiesbaden.

Szapary, G. (2001). "*Banking Sector Reform in Hungary":* Lessons Learned Current Trends and Prospects. In Current Issues in Emerging Market Economies organized by the Croatian National Bank on *28th-30th June.*

Tetteh-Attablayo, A. (2012). *The impact of post mergers and acquisition activities on the performance of banks; a study of SG SSB Ghana.*

Yener, A. and Ibáñez, D. M. (2004). Mergers and Acquisitions and Bank Performance in Europe the Role of Strategic Similarities. *In: European Central Bank Working Paper Series*. No. 398.

WEBSITES VISITED

http://www.myjoyonline.com/business/2014/may-8th; Report on mergers and acquisitions on the rise in ghana. [Accessed on 02/02/2015]

Wikipedia (2015) "*Merger and Acquisitions of Banks"* (http://www.wikipedia.com), [Accessed 2015 January 30].

http://www.investopedia.com/university/mergers/ [Accessed on 06/02/2015]

http://en.wikipedia.org/wiki/Quantitative_research [Accessed on 12/03/2015]