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| **Author 1**  | OGBANJE, ELAIGWU CHRISTOPHER  
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| **Title:**    | THE IMPACT OF BANK CONSOLIDATION ON THE  
SOCIO-ECONOMIC DEVELOPMENT OF NIGERIA |
| **Keyword:**  |  |
| **Description:** | DEPARTMENT OF MANAGEMENT |
| **Category:** | FACULTY OF BUSINESS ADMINISTRATION |
| **Publisher:** |  |
| **Publication Date:** |  |
| **Signature:** | Ogbonna Nkiru  
Digitally Signed by: Content manager’s Name  
DN : CN = Webmaster’s name  
O = University of Nigeria, Nsukka  
OU = Innovation Centre |
THE IMPACT OF BANK CONSOLIDATION ON THE SOCIO-ECONOMIC DEVELOPMENT OF NIGERIA

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JANUARY, 2014
THE IMPACT OF BANK CONSOLIDATION ON THE SOCIO-ECONOMIC DEVELOPMENT OF NIGERIA

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A DISSERTATION PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (MBA) IN MANAGEMENT, UNIVERSITY OF NIGERIA, ENUGU CAMPUS

SUPERVISOR: DR. C. A. EZIGBO

JANUARY, 2014
DECLARATION

I, Apanta Ikechukwu O. J. of the Department of Management, University of Nigeria, Enugu campus hereby declare that this project was carried out by me, it is original work and has not been submitted in part or full to this university or any higher institution of learning.

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APPROVAL

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DR. C. A. EZIGBO Date
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DR. V. ONODUGO Date
Head of Department
DEDICATION

This work is dedicated to God Almighty

The giver of wisdom, knowledge and understanding

Also to my parents, and sponsor,

Whose financial support and

Unceasing encouragements remains the

“Back-bone”

Of my

Academic

Pursuits.
ACKNOWLEDGMENTS

A research of this magnitude could not have been made possible without the unreserved support of other people. I am truly indebted to them. I thank my able supervisor Dr. C. A. Ezigbo, whose constructive criticisms and directions made this work to be a valuable document.

The researcher is also grateful and indebted to Dr. V. Onodugo the Head of Department of management, who offered useful advice and encouragement in the course of the study.

I am equally grateful to all the lecturers in the department of Business Management. Also my appreciation goes to my relations, friends, colleagues and classmates who in one way or the other made my study worthwhile I LOVE YOU ALL from the depth of my heart.

Finally, to God Almighty, be all the glory and adoration for His infinite and enduring mercies who gave me the grace and ability to successfully carry out this work in spite of all odds.
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ABSTRACT

The research is on the impact of bank consolidation on the socio-economic development of Nigeria. Specifically, the study seeks to identify the benefits for implementing bank consolidation in Nigerian banking sectors; identify the challenges for implementing bank consolidation in Nigeria banking sectors; determine the effects of bank consolidation on the socio-economic development of Nigeria. The study has a population of 485 out of which a simple size of 219 was realized using Taro Yamane’s formula at 5% error tolerance and 95% level of confidence. Instrument used for data collection was primarily questionnaire and interview. The total number of 219 copies of the questionnaire were distributed while 196 copies were returned. The descriptive research design was adopted the three hypotheses proposed were tested using chi-square statistical tools. The findings indicate that injection of fresh capital and mergers and acquisitions are the benefits from implementing banking consolidation, Poor corporate governance, Insolvency and weak capital based are challenges from bank consolidation; Job creation and innovative customer service delivery are the effects of bank consolidation. The study recommends that government should create awareness and educate the general public both local and international that Nigeria has strong and trustable banks, where citizens can keep their money without fear.
CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nigeria banking sector has experienced a boom-and-bust cycle in the past 20-25 years. After the implementation of the structural adjustment programme (SAP) in 1986 and de-regulation of the financial sector, new banks proliferated mainly driven by attractive arbitrage opportunities in the foreign exchange market (Heiko 2007:89), but prior to the de-regulation period, financial intermediation never took off and even declined in the 1980’s and 1990’s (Capirio and Kligbiel, 2003:20).

The Nigerian banking industry has witnessed and is still witnessing revolutionary metamorphosis in recent years as a result of the restructuring programmes channelled towards resolving the existing problems of the industry by the apex bank. The most recent championed epitome is the recapitalization exercise which has shaped the structure of the Nigerian banking industry significantly. According to Adegbaju and Olokoyo (2008:43) the banking sector reforms and recapitalization resulted from deliberate policy response to correct perceived or impending banking sector crises and subsequent failures. A banking crisis can be triggered by weakness in banking system characterized by persistent illiquidity, insolvency, undercapitalization, high level of non-performing loans and weak corporate governance, among others they added. Similarly, Uchendu (2005:17) submits that the reforms in the banking sector proceeded against the backdrop of banking crisis due to highly undercapitalization deposit taking banks; weakness in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behaviour of banks. The primary objective of the reforms therefore is to guarantee an efficient and sound financial system by equilibrating the competitive muscles of the existing weak banks through mergers and acquisitions (Asikihia, 2009 and Lemo, 2005).

By far, the most widely pursued corporate strategies are those designed to achieve growth in sales, assets, profits or some combination. Companies that do business in expanding industries must grow to survive. Continuing growth involves increasing sales and a chance to take advantage of the experience curve to reduce the per-unit cost of products sold, thereby increasing profits. A company can grow internally by
expanding its operations both globally and domestically or it can grow externally through mergers, acquisitions and strategic alliance (Wheelen and Hunger, 2008:65).

The consolidation of banks has been the major policy instrument being adopted in correcting deficiencies in the financial sector as well as accelerating the rate of growth in the sector. The economic rationale for domestic consolidation is indisputable. An early view of consolidation in banking was that it makes banking more cost efficient because larger banks can eliminate excess capacity in areas like data processing, personnel, marketing, or overlapping branch networks. Cost efficiency also could increase if more efficient banks acquired less efficient ones. Though studies on efficiency in banking raised doubts about the extent of overcapacity, they did point to considerable potential for improvement in cost efficiency through mergers. Consolidation is viewed as the reduction in the number of banks and other deposit taking institutions with a simultaneous increase in size and concentration of the consolidation entities in the sector (Somoye, 2008:43).

The consolidation reform is consistently predicted to engender some positive changes in the Nigerian banking industry. In line with this argument, Asikhia (2009:12) comments as follows, “This new policy has the intention of repositioning the Nigerian banking industry for the development challenges of the 21st century. It hopes to place the industry in a better stead to compete at the global level, more so that national barriers have been dismantled by Information and Communication Technology (ICT). It also hopes to equip the Nigeria banking industry to finance the key sectors that will foster growth in the economy, reduce unbridled competition among banks and over dependence on government and interbank funds”. Kwan (2004:43) and Oyewole (2008:98) further reported that bank recapitalization will allow for emergence of mega banks that enjoy hidden subsidy referred to as ‘too-big-to-fail” subsidy due to the market’s perception of an illusion of government backing of a mega bank in times of crisis. “Experts equally predict a change from the usual banking method to retail banking by most banks. In the past, banks have not found this segment of the market profitable and one doubts if things would change significantly, unless banks are able to deliver retail banking services in a very efficient manner, with technology playing a major role, they may not be able to keep their customers” (Asikihia,2009:19).
1.2 STATEMENT OF THE PROBLEM
Although the consolidation programme sounded attractive at the onset, experts have argued that the exercise is policy induced rather than market-driven and as such may encounter difficulties in realizing the anticipated goals. According to Somoye (2008:59), the Government policy-promoted bank consolidation rather than market mechanism has been the process adopted by most developing or emerging economies and the time lag of the bank consolidation varies from nation to nation and as such. “There are for instance, high degree of suspicions among the antagonists that the consolidation policy lacks critical consideration of the realities on ground, and that the authorities may have adopted it to disempower certain group of bank owners who were recently linked to various forms of economic crimes and financial improprieties” (Ezeoha,2007:21 and Soludo, 2004:76). A great concern for the consolidation exercise, despite its good intents, has been the level of controversy it generated since the CBN announced it in July 2004. In the remarks of Akpan (2009:42), maximizing returns and optimizing profitability became the challenge for banks immediately after the consolidation exercise where banks were required to significantly increase their level of returns and at the same time manage costs, to realize this, banks will have to offer innovative products and services to the marketplace including new ways of delivering them.

1.3 OBJECTIVES OF THE STUDY
The study has the following specific objectives:
1. To identify the benefits from bank consolidation.
2. To identify the challenges from bank consolidation.
3. To determine the effects of bank consolidation

1.4 RESEARCH QUESTIONS
For this study to accomplish the desired objectives, these research questions were formulated.
1. What are the benefits from bank consolidation?
2. What are the challenges from bank consolidation?
3. What are the effects of bank consolidation?

1.5 RESEARCH HYPOTHESES

The following hypotheses were formulated for this study

1. Ho: injection of fresh capital and mergers and acquisitions are not benefits from bank consolidation
   Hi: Injection of fresh capital and mergers and acquisitions are the benefits from bank consolidation

2. Ho: Poor corporate governance, insolvency and weak capital base are not challenges from bank consolidation
   Hi: Poor corporate governance, insolvency and weak capital base are the challenges from bank consolidation

3. Ho: Job creation and innovative customer service delivery are not the effect of bank consolidation.
   Hi: Job creation and innovative customers delivery are the bank consolidation.

1.6 SIGNIFICANCE OF THE STUDY

1. The study is significant because it assesses the benefits and challenges from bank consolidation.
2. The study is significant because it will serve as a research material for future researchers who wish to carry out further studies on this topic.

1.7 SCOPE OF THE STUDY

The study focuses on the concept of bank consolidation, Evolution of banking in Nigeria, history of Nigerian banking sector, opportunity and challenges of bank consolidation, impact of bank consolidation on Nigerian society, Regulation and supervision of bank, Merger and acquisition of banks.
1.8 LIMITATIONS OF THE STUDY
As part of the research experience by researchers all over the globe, certain limitations hindered the effective and smooth collection of data. The limitation of the study are:

1. **Time:** One of the limitation for this study is time, some of the places where data and relevant information could have been obtained were not visited.

2. **Attitude of the Respondents:** Another limitation of this study is non-challant attitude of the respondents in supplying the necessary information. This was probably due to their ignorance.

3. **Financial constraint:** A lot of money is required for data collection, analysis and interpretation, the researcher is constrained financially. Owing to these constraints the researcher could not cover all the banks in Enugu state.

1.9 DEFINITION OF TERMS

**Bank:** can be defined as a place of business that receives, lends, issues, exchanges and takes care of money, extend credit and provide ways of sending money and credit quickly from place to place (Umar, 2009:6).

**Consolidation:** It is the reduction in the number of banks and other deposit taking institution with a simultaneous increase in the size and concentration of the consolidation entities in the sector (Bis, 2001:2).

**Merger:** is the union or integration of two or more companies to become one in all possible legal ways (Hunger, 1996:32).

**Acquisition:** this is a process when the management of a company makes a direct offer to the shareholders of another company and acquires the controlling interest of that company (Omojafor1998:98).
REFERENCES


CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1 CONCEPT OF BANK CONSOLIDATION

Bank consolidation is viewed as the reduction in the numbers of banks and other deposit taking institutions with a simultaneous increase in the size and concentration of the consolidation entities. It is most motivated by technology innovation, deregulation of financing services, enhancing intermediation and increase emphasis on shareholders value, privatization and international competition (Berger et al, 1991:54; De Nicole et al…2003:18; IMT:-2001:28)

The process of consolidation has been argued to enhance bank efficiency through cost reduction revenue in the long run. It also reduces industry’s risk by elimination of weak banks and acquiring of the smaller ones by the bigger and stronger bankers as well as creates opportunities for greater diversification and financial intermediation.

The pattern of banking system consolidation could be viewed in two different perspectives namely: market driven and government led consolidation. The market driven consolidation which is more pronounced in the developed countries sees consolidation as a way of broadening competitiveness with added corporate advantage in the global context and eliminating excess capacity more efficiently than bankruptcy or other means of exit.

On the other hand, government-led consolidation stems from the need to resolve problems of financial distress in order to avoid systematic crisis as well as to restrict inefficient banks (Ajayi, 2005:2). One of the general effects of consolidation of banks is to reduce the number of banks, especially weak ones and moving the industry forward for sectorial and national development.

2.2 EVOLUTION OF BANKING IN NIGERIA

The banking operation began in Nigeria in 1892 under the control of the expatriates and by 1945, some Nigerians and Africans had established their own banks. The first era of consolidation ever recorded in the Nigeria banking industry was between 1959 and 1969. This was occasioned by bank failures during 1953-1959; this was due to liquidity of banks. Banks then do not have enough liquid assets to meet customers’ demands.
There was no well-organized financial system with enough financial instruments to invest in. Hence, banks merely invested in real assets which could not be easily realized to cash without loss of value in times of need. This prompted the federal government then backed by the World Bank’s report to institute Loynes commission on September 1958. The outcome was the promulgation of the ordinance of 1958, which established the Central bank of Nigeria (CBN). The year 1959 was remarkable in the Nigeria banking history not only because of the establishment of Central Bank of Nigeria (CBN) but that the Treasury bill ordinance was enacted which led to the issuance of our first Treasury bill in April 1960.

The period (1959-1969) marked the establishment of formal money, capital market and portfolio management in Nigeria. In addition, the company acts of 1968 were established. This period could be said to be the genesis of serious banking in Nigeria. With CBN in operation, the minimum paid-up capital was set at four hundred thousand naira (N400, 000) (USD $480,000) in 1958. By January 2001, banking sector was fully de-regulated with the adoption of universal banking system in Nigeria which merged merchant bank operation to commercial banks system preparatory towards consolidation programme in 2004.

In the 90’s, proliferation of banks which also resulted in the failure of many of them led to another re-capitalization exercise that saw bank’s capital being increased to five hundred million (N500,000,000)(USD $5.88million) and subsequently two billion (N2,000,000,000) (USD $0.01billion) on 4th July 2004 with the institution of a 13 point reform agenda aimed at addressing the fragile nature of the banking system, stop the boom and burst cycle that characterized the sector and evolve a banking system that not only could serve the Nigeria economy, but also the regional economy. The agenda by the monetary authorities is also an agenda to consolidate the Nigeria banks and make them capable of playing in International financial system. However, there appears to be deliverance between the state of the banking industry in Nigeria vis-à-vis the vision of the government and regulatory authorities for the industry.

This, in the main, was the reason for the policy of mandatory consolidation which was not open to dialogue and its components also seemed cast in concrete. In terms of number of banks and minimum paid-up capital between 1952 and 1978, the banking...
sector recorded forty-five (45) banks with varying minimum paid-up capital for merchant and commercial banks. The number of banks increased to fifty-four (54) between 1979 and 1987. The number of banks rose to one hundred and twelve (112) between 1988 and 1996 with substantial varying increase in the minimum capital. The number of banks dropped to one hundred and ten (110) with another increase in minimum paid-up capital and finally dropped to twenty-five (25) in 2006 with a big increase in minimum paid-up capital from N2 billion (USD $0.0166 billion) in January 2004 to N25 billion (USD $0.2 billion) in July 2004 (see Table I).

2.3 HISTORY OF THE NIGERIAN BANKING SECTOR
There were no formal supervision between the year 1892 to 1951. In 1892 the African Banking Corporation was first established to replace the British Bank for West African that catered for the then colonial government. This bank enjoyed monopoly until 1971 when Colonial bank (now Union Bank of Nigeria Plc) and British and French Bank (now United Bank for Africa Plc) were established in Nigeria. (Ebhodaghe, 1990:54; Ibru, 2006:54). There were no banking legislation until 1952 at which point we had three foreign banks and two indigenous banks with a sum total of forty branches.

2.3.1 The Budding Phase of the Nigerian Banking Sector
The Central Bank of Nigeria was established by the CNB Act of 1958, and begun operations on July 1959. It was statutorily independent of the federal government until 1968. At that period the three foreign banks; British Bank for West Africa, British and French Bank and Colonial Bank, were wholly foreign owned until in 1970 when the federal government purchased a majority share holdings. (Ibru, 2006:19). The indigenous banks as at this stage were the establishment of National Bank of Nigeria Limited in February 1933, African Development Bank Limited, which later became known as African Continental Bank Plc in 1948 and Agbonmagbe Bank Limited (now Wema Bank Plc) in 1945. The presence of these local banks challenged the monopoly enjoyed by the foreign banks. (Ebhodaghe, 1990:76). This phase of the banking system 1959- 1969 marked the establishment of formal money, portfolio management and capital markets. This was the genesis of real banking with the CBN in operation, the company acts 1668 were established. The minimum paid up capital was set at N400,000 ($480,000) in 1958. (Somoye, 2008:10).
2.3.2 The Expansion Phase of the Nigerian Banking Sector

This phase of the Nigerian banking system witnessed extraordinary expansion from 1986 to the 1990. There was a key shift in policy initiated by the monetary authorities, liberalisation of the Nigerian economy and relaxation of controls. The Structural Adjustment Program (SAP) established in 1986 was government policy to liberalise the economy with banking sector inclusive. There was a remarkable increase in the number of licensed banks at this point there was a total of 120 in 1991 as against 40 banks in 1985. (Agbaje, 2008:75).

After the introduction of SAP, new generation banks emerged. These banks emerged in the late eights and early nineties brought a new level of competition into the banking industry by introducing new innovation, technology, better and speedy services delivery. This gave customers flexibility and ease in banking. The sudden invasion of banks into the banking sector brought stiff competition and made the sector more market driven. Seeing everyone scrabbling for available resources principally human resources, suggested that the bank was grossly inadequate to support this growth in the sector. This resulted to mal practices and unconventional banking culture to the point that the banking sector was seriously threaten, and the existence of some of these banks that could not fully cope with the volatile situation was equally threaten. This eventually drew the attention of the Central Bank of Nigeria (Bichi, 1996:18; Okoduwa, 1995:32; Umaru, 1993: 31). At the end of 1988, the banking system consisted of the Central Bank of Nigeria, forty-two (42) commercial banks, and twenty-four (24) merchant banks.

With the insecurity, volatile and unstable situation in the banking system, the government in 1990 invested N503million into set up community banks in order to promote community development. In 1990-1991 the Nigerian authorities established prudential guideline as a result of low financial intermediation. This guideline exposed the unhealthy nature of the banks in operation. Which lead to the fall in stock prices and stock market thereby leading to a major financial crisis? According to Caprio and Klingebiel (2003:24), Nigeria faced a systemic banking crisis throughout the 1990 and the extent of the non-performing loans became evident. The systemic shocks lead to the termination of 5 banks out of the 120 banks in 1994-1995. (Buchi, 1996:54). Around this period also the Nigeria Deposit Insurance Corporation (NDIC) pronounce 24 banks
insolvent and 26 in serious trouble. For that reason the CBN and the NDIC obtain a court order to acquire 12 distress banks in order to develop and implement the most cost effective way to resolve and revive these banks. (Augusto and Co., 1996: 7).

The common attribute of these distressed banks was found in their ownership structure, management challenges, other issues such as liquidity, assets, financial system deposit were noted to be very low. By 1998, 36 banks were eventually liquidated by NDIC.(Imala (2004:28)

Even though the macroeconomic environment improved with the new civilian government regime after 1999, the Nigerian financial system was still characterized by high fragmentation and low financial intermediation.

2.3.3 The Consolidation Phase of the Nigerian Banking Sector

In this phase of the Nigerian banking system the sector was fully deregulated with the adoption of universal banking system. In 2001, the operations of merchant bank were merged with commercial banks operations in readiness for consolidation program in 2004. Best practises were expected from banking practises. These included corporate governance, increase capital base, bank culture and risk appetite, better IT driven culture so that the banks could compete globally and have an international standard of operations. On the dawn of 2004, the governor of CBN, Prof Soludo, made pronouncements on Nigerian banking sector reforms. He announced a new capital base of N25 billion for Nigerian banks from the previous N2 billion (Somoye 200:538). The major elements of the reform in this phase of the banking sector were; capitalization for banks should be N25 billion with full conformity December 2005; Only banks that mets this requirement can participate in DAS and hold public sector deposit; the withdrawal of public sector funds from banks, starting in July 2004; Adoption of a risk focused, and rule-based regulatory framework and Consolidation of banking institutions through mergers and acquisitions.

The objective of this reform was in two folds to advance the economy, create an environment of confidence and to strengthen the banking system in order to facilitate growth. The first and most importance reason was to enhance the size of banks through merger and acquisition in order to increase economies of scale, generate new products
and over all produce a more stable banking system. In addition to the above mention the second major reason the reform was also intended to ensure diversification, ensure safety of depositors money, play an active role in developing the economy, become a competent players and a global financial system. This eventually resulted in the compression of 74 banks into 25 new banks (Komolafe and Ujah, 200":65).

Despite all these, the new generation banks could not generate as much business as was needed to dent the reputation of the existing banks especially First Bank, Union Bank and United Bank for Africa (UBA). This was because of their small size (shareholder fund), low balance sheet size and poor branch network. These obstacles prevented them from generating large enough deposits and so they could not pull through projects that required large funding. Moreover, the bigger banks still kept a sizeable part of the government's financial business and this dimmed the new generation banks' earnings prospects. (Omoh, 2006: 5).

2.3.4 The Post-Consolidation Phase

In this fourth phase of the Nigeria banking system after witnessing a remarkable transformation in terms of deposit base, increase number of bank branches, total assets and enlarge volume of loans and advances since the regulation of the financial sector. Never the less acknowledging the potentials of the market, all banks needs to put in more efforts, particularly in the financing. The programme was expected to have a positive impact on financing the real sector of the economy, create job availability and also credit availability in forms of loans and advances to small and medium scale entrepreneurs. (Ebong, 2005:64). In this post consolidated phase of the Nigeria Banking system there was the need to further improve the payment system, particularly in the settlement of high value payment on a online real time basis. Hence the Real Time Gross Settlement system (RTGS) was introduced. This period of the banking system has produced reasonable stable well capitalized banks, that has stimulated and inspired public confidence in the system. The resulting liquidity in the system also induced a significant fall in interest rates in the form of reduced bank charges to their customers. Banks now have greater potential to finance immense transactions with higher single obligor limit. Now that all the banks are publicly quoted, there is more regulation and supervisory oversights, with the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) joining the regulatory team. Regulatory
bodies will be better focused being that they have fewer banks to supervise. And with the merger between IBTC Chartered Bank Plc and Stanbic Bank of Nigeria Limited in 2007, the number of banks have been further reduced from 25 to 24 (Adesida, 2008:32; Ekundayo, 2008:55).

2.4 CHALLENGES AND OPPORTUNITIES OF CONSOLIDATION

2.4.1 Challenges of Consolidation

The challenge of consolidation is viewed from the progressing decline in the financial strength of banks and the rising frequency of bank failures. (oviemuno, 2006:42). As the existing banking sector reform was intended to promote a sound and stable organisation to adequately meet the target and objective of rapid economic growth and development. The reform agenda was to put the Nigeria banking industry on the path to globalization. (Ebong 2005:36) Apart from the keen competition banks have also faced problems in this consolidation era. The major challenges that the consolidation reform was targeted at include, the following:

- **Weak capital base.** Most banks in Nigeria had a capital base that was less than US$10 million while the largest bank in the country had a capital base of about US$240 million. This compared unfavourably with the situation in Malaysia where the smallest bank had a capital base of US$526 million. The small size of most local banks, coupled with their high overheads and operating expenses, has negative implications for the cost of intermediation. It also meant that they could not effectively participate in big-ticket deals, especially within framework of the single obligor limit.

- **Poor corporate governance practices.** There were several instances where Board members and management staff failed to uphold and promote the basic pillars of sound corporate governance because they were preoccupied with the attainment of narrowly defined interests. The symptoms of this included high turn over in the Board and management staff, inaccurate reporting and non-compliance with regulatory requirements.

- **Over-reliance on public sector deposits.** These deposits accounted for over 20% of total deposits in the system. In some institutions, such public sector funds represented more than 50% of total deposits. This was not a healthy situation from the viewpoint of effective planning and plan implementation, given the volatile nature of these deposits.
• Insolvency. The magnitude of non-performing risk assets was such that it had eroded the shareholders' funds of a number of banks. For instance, according to the 2004 NDIC Annual Report, the ratio of non-performing credit to shareholders' funds deteriorated from 90% in 2003 to 105% in 2004. This meant that the shareholders' funds had been completely wiped out industry-wide by the non-performing credit portfolio.

Other challenges in innovativeness, in product market development and IT driven delivery methods are some other factors faced by the consolidation reform. All these factors have combined to create a challenging and precarious financial environment for banks.

2.4.2 Opportunities of Consolidation
However it is not all totally down sided for the consolidation era. There have been quite a great number of positive attributes related to merger and acquisition in the economy and most especially for bank consolidation. The following are some of the highlights of the consolidation reform in the Nigerian banking industry.

• Injection of fresh capital into the industry which addresses cases of weak capitalization directly or indirectly. Provides investment capital for service delivery systems and risk management capabilities.

• Mergers/Acquisitions, enables the industry to use increased volume to dilute the impact of inevitable margin reductions and reaps the benefits of scale/ scope economics.

• International integration.

• Post consolidation banks will become more internationally competitive especially in West Africa

• Increased opportunities to access more significant offshore lines of credit to boost financing of local projects/companies

• Increased ability to access certain up-market opportunities that are currently significantly not locally banked e.g. upstream oil & gas, Telecoms.
2.5 BANK REGULATION AND SUPERVISION OF THE NIGERIAN BANKING SYSTEM

There can not be a proper history without mentioning the bodies that have help shaped the Nigerian banking sector. These are the bank regulators and the supervisors of the banking sector. According to Llewellyn (1986 as cited by Alashi, 2002:137), bank regulation is a body of specific rules, which is an explicit agreement, imposed by government or external agency that limits the activities and operation within the bank. Since bank are the most regulated sector based on their role as financial intermediaries. Hence the Nigerian banking sector is highly regulated due to strict supervision on banking activities by the regulatory bodies. Regulating the industry ensures safe and sound banking practice and transparency. The peak of the regulator and supervisory structure is the Central Bank of Nigeria (CBN), others however shares and exercise responsibility together with the CBN. They include the following bodies; Federal Ministry of Finance (FMF), Nigeria Deposit Insurance Corporation (NDIC) and last of all the Securities and Exchange Commission (SEC). (Onyibo, 2000:12)

2.5.1 Central Bank of Nigeria (CBN)

CBN is the head or apex of the regulatory and supervisory bodies of the Nigerian banking sector. It maintain the external reserve of the country, issue legal tender, encourage stability in money and create a sound financial environment. These objectives are stated in the CBN act of 1958. Over the years, the monetary policy objectives have still been the accomplishment of balance of payments, but the emphasis on how to achieve these objectives have changed. There have been two distinct stages in the pursuit of the monetary policy, the first stage places importance on direct monetary controls and the second stage relies on market mechanism. Ogechukwu, 2006). One of the monetary policy instrument was the issuance of credit rationing guidelines, that helped to set the rates of change for the components and aggregate commercial bank loans and advances to the private sector. The fixing of interest rates at relatively low levels was done mainly to promote investment and growth. Government also target the regulation of the business environment in Nigeria, as such they promote small business and rural development by making available credits and deposits services, in order to increase the total output production capacity of small and medium enterprises (SME).( Ogechukwu, 2006). In the bid to promote and encourage this small business, government launched in August 2001, the Small and Medium Industries
Equity Investment Scheme (SMIESIS). It required banks to set aside 10% of their profit before TAX, for equity investment in small and medium scale enterprises. The major reason for this scheme was to make long term funds available to SMEs by allowing banks provide financial support, in form of equity, to small and medium scale entrepreneurs'.

And in continuance to this good gesture of the government, Central bank of Nigeria (CBN) also established the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) to remove the rigidity in credit market in Nigeria and increase credit to the real sector. This scheme is to be funded and managed 100% by CBN. (Soludo, 2006:54).

2.5.2 Federal Ministry of Finance
The Federal Ministry of Finance is responsible for the management and control of all finances of the Federal Government as prescribed by the constitution of the country. However certain financial matters are regulated by other laws created by the National Assembly such as the Finance (Control and Management Act, 1958, as amended) as well as the Annual Appropriation Law and Supplementary Appropriation Law and Allocation of Revenue Act of 1981 as amended.

2.5.3 Nigerian Deposit Insurance Corporation
NDIC is an agency of the federal government of Nigeria, with its own independent. It was commission in March 1989 to work alongside with CBN in regulating and supervising the banking sector. It was established in response to banking collapse and panic and distress in the banking industry. The purpose of NDIC was to protect depositors and guarantee the settlement of insured funds thereby helping to maintain financial system stability.

2.5.4. Securities and Exchange Commission
The Securities and Exchange Commission (SEC) was certified in 1976 by federal government. Its main function was to regulate and develop the Nigerian capital market, in addition to determining the prices of issues and setting the basis of allotment of securities. Its other roles include registering and regulating Securities Exchange;
approving and regulating mergers and acquisitions and maintaining surveillance over
the market to enhance efficiency.

2.6 THE IMPACT OF BANK CONSOLIDATION ON THE NIGERIAN SOCIETY
Reforms are new conceptual frame work of doing things based on paradigm. In any
economy, the philosophy of bank reforms is essentially renewal-based, designed to
improve their operations by eliminating weaknesses and faults accumulated in the
system over time. Reform serves as new initiative to inject into the existing system an
improved and modern ingenuity that would bring in fresh life, so that the system can
confront the challenges of the present and enhance the future performance. Reform is
technological innovation motivated and designed to enhance intermediation and general
performance for a competitive place in the global standard, stability and growth.
(Berger Allen, 1998:29). There are two views in the correlation of bank consolidation
with the entire financial sector stability and growth. Proponents of consolidation opine
that increased size and innovative changes could potentially increase bank returns
through revenue and cost efficiency. It also reduces industrial risk through the
elimination of weak banks and creates better diversification (Berger, 2000:39). On the
other hand, the second view argues that consolidation could increase banks propensity
toward risk taking through increase leverage and off balance sheets operations. Ugowe
(2004:23) argues that the essence of consolidation policy in any sector of the economy,
especially as it concerns the Nigeria banking sector is a sound promise of sustaining a
sector that would discharge its function effectively as was the case in Kenya. He further
stated that the economy is in dared need of a financial sector that has the viability to
mobilize and channel funds to the various sectors. A consolidated banking industry
working with other financial institutions like the capital market and other institutions
that operate within that sector such as: Stock Exchange, Security and Exchange
Commission, Issuing Houses and the Stock brokers, assist in mobilizing long term
capital for investment.

Carmeron (1967:48) and Michimon(1973:54) in their separate studies on bank
consolidation, provide a linkage between banks financial market and the micro
economies. The argument of these studies is that there is a symbiotic relationship
between financial market and economic growth, noting that a well developed financial
market is a sine qua non for the growth and development of less developed economics. (Townsend, 1979; Stightz and Weiss, 1981:44) succinctly underscore this and developed further some of the first bank related models, based on utility and profit maximization. Nnanna (2004:28) focused on the role played by asymmetric information in the resource allocation. This position was held by (Diamond, 1984; Gale and Hellwhing, 1985:93; Boyed and Prescott, 1986:33), who developed a theoretical framework for modeling financial intermediaries in an explicit manner. Banks evolve a natural process towards overcoming asymmetric information problems. Particularly, banks were presumed to possess economics of scale in regard to information gathering. On the banking sector and holistic economic growth of a nation, king and Levine (1993:86) have established that the banking sector development is not only a correlation with economic growth, but it is also a cause of long term growth.

Further works building on the kings and Levine thesis, have been able to show that financial markets are major sources of economic growth. (Fernandez and Caletovic, 1995:14; Levine and Zervos, 1996:37; and Levine,1999:76), have all explored the correlation between the banking sector and economic growth, opining that a strong and stable financials system arising from financial sector consolidation could impact positively on real economic performance by affecting the composition of savings and influencing the scope for credit rationing.

On the gains of merger of banks, Isek (2004:58), noted that large banks have the capacity to be involved in loan production than in portfolios that are biased towards investment in securities. Spong (1990:43), puts it: Commercial banks must have enough capital to provide cushion for absorbing possible loan losses or other problems; funds for internal needs and for expansion; and added security for depositors and deposit insurance system. In addition, higher capital serves to increase the financial stake that stockholders have in the safe and sound operation of the banks. Consequently, banks regulators view capital as an important element of banking risks to an acceptable level. This opinion is widely held among banks regulators about the role of capital in absorbing operational losses, funding fixed assets, and fostering depositors confidence. Greuning and Bratanovic (2003:40), argue that in addition to serving as a safety-net for a variety of risk exposures and absorbing losses, adequate capital is a determinant of a banks lending capacity and maximum level of assets. In other words, the volume of
loans and advances that a bank is capable of creating is directly related to the level of bank capital, ceteris-paribus.

On the symbiotic relationship between technological progress and banks size, Berger (2003:53), noted that technological progress may allow large banks to push out their risk expected return frontier more than small banks. Generally, economies of scale may expand or create advantages for large banks to make high risk “high expected return of investment, improve access to uninsured funding and or economize on costly equity capital. The studies of (Berger and Mester, 1997:11 and Stiroh 2000:32), using data of US banks, suggest a more substantial scale efficiency arising from the diversification of loan risk as bank loan portfolio size increase up to $1 billion. McAllister and Mcmanus (1993:55) also upheld this view. The studies by Hughes and Mester (1998:50), found that the higher ratios of equity capital were associated with great resources devoted to managing risks and that the resources cost were lower for the largest US banking organizations consistent with scale efficiency. In their studies, Demeltz and Stalian (1997:54), found that large institutions took the benefits of an improved risk expected return primarily in higher expected returns by increasing risky loans and reducing equity ratios.

The banking sector reform going on in Nigeria since January 2006 can be likened to a holocaust, a revolutionary trend in the socio-economic life of the country. Prior to the reforms, only 5 to 10 out of the 89 existing banks had the N25 billion capitalization mark, 30 were within N10 - N20b, while the remaining 50 â€“ 60, representing about 60% were below N10b. The resultant effects were; a multifarious economic and social paralyses, growing apathy among Nigerians in the banking business, lost of confidence, and frustration on the side of government of not having a viable financial sector that is able to play her role on financial intermediation, mobilize savings, and inculcating banking habits for economic growth in the small and medium scale enterprises.
2.7 EMPIRICAL REVIEW OF BANK CONSOLIDATION IMPACTS ON THE NIGERIAN SOCIETY

2.7.1 Banks Consolidation and Employment Generation

The strongest point of the critics of the consolidation bordered on its negative impacts on employment, as they argued that those that failed the consolidated requirements will close up for business, which will lead to retrenchment of their staff. The Nigerian banking sector before the December 31st, 2005 consolidation deadline, employed a skilled workforce of 40,000. Of this number, 15,000 were laid off in the 14 banks that could not make it in the merger or raised the N25bn minimum capital requirement. (CBN forth Annual monetary policy Conference, 2004:64). As the 25 mega banks went for aggressive bank network, over 26,000 new jobs were created, exceeding the 15,000 thrown into the labour market in the 14 liquidated banks. This scenario is reflective of the expanded branch networks, which has swallowed up the shortfalls occasioned in the 14 liquidated banks. There is also a positive spill-over of massive job creation in the brokerage firms, insurance companies and other financial institutions operating within the financial sector.

2.7.2 Bank Consolidation and Innovative Customer Service Delivery

Businesses in Nigeria run the risk of losing large volume of cash to arm robbery and other risk associated with cash carrying system. In 2005 alone, the Nigerian commercial banks lost over N1.2bn to armed robbers in the cause of moving cash, (the Bullion, Vol.2, 2006: 22). This with its multifarious problems adversely affected the profit margin of the banks and the expected return of the shareholders dividend. It also further encouraged the growing apathy towards banking services and encouraged a further drift to traditional attitudes of barter, thrift and investment in non profit ventures. The Central bank of Nigeria has put the currency in circulation within the economy to over N790.2bn, out of which a staggering figure of N570bn is outside the banking system, leaving less than N200bn notes changing hands in the banks (CBN Annual Report, April 2008). This trend portends grave danger for business transaction in the economy. One measure that has put a check to this ugly trend is the success of the consolidation of the banking system which is driving the economy towards a cashless system. Besides this, the introduction of innovative technological and ICT driven service is tending towards total elimination of risk of carrying cash. Many banks have adopted the Automated Teller Machine (ATM). A cash withdrawal mechanism that
guarantees withdrawal of cash with minimal risk, even at unbanked times of the day and night. The Intercontinental Bank Plc, recently launched some made-easy transaction devices, called; the 1 â€“ cash international and 1 â€“ cash mobile, as product powered by the C-transact platform. The product is designed to assist millions of Nigerians who desire to transfer fund to their loved ones and business partners through the use of the mobile phones. (Sunday punch, March 2, 2008).

To further deepen their efficiency drive and excellence in customer satisfaction, the banks have developed further into specialized and unconventional banking services to win customers confidence and attract unbanked capital. One of such is the Children Saving Scheme (CSS) designed to encourage customers to save towards their children education.

2.7.3 Bank Consolidation and Citizens Empowerment and Poverty Reduction

The major areas of success recorded in the consolidation of the Nigeria banking sector, is its impact on financial empowerment and the poverty reduction programme. Through their various aggressive capital mopping, they have encouraged the culture of saving and investment among Nigerian. This is reflected in the slashing of the minimum deposit for operating a new account to N100 by some banks to accommodate daily savings and extension of the gains of banking services, to large percentage of the low income earners in the society. Significant to note in this regard, is the Spring Bank aggressive customer drive through which the bank reduced her minimum cash deposit to N100, and her introduction of home services that saves the large percentage of the petty traders the risk of moving cash and the convenience of banking from their homes and market shops. In addition, it introduced a bonus of 10% interest for every new account. (Punch Nov. 12, 2008). Other banks have also engaged in many financial empowerment promos through which many customers have become owners of cars, properties and cash prices which has positively changed their fortune.

Moreover, the Guarantee Trust Bank (GT Bank Plc.) has in an effort to empower the citizenry, initiated an offer in the US dollar of 750m, called the Global Depository Receipts (GDRs) in the London Stock Exchange, out of which 500 US dollars is for foreign institutions and individual investors, while N250m is being offered to Nigerian investing public, an opportunity for Nigerians to own shares and investment in foreign
companies. The bank in partnership with some domestic under-writing syndicates such as; Afrinvest (West African Ltd), BGL Ltd.

First City Monument Bank Plc, Future-view Financial Services, IBTC Chartered Bank Plc. Sterling Capital Market Ltd., Vetiva Capital Management Ltd and WSTC Financial Services Ltd, provided the Nigerian investors a unique offer aimed at purchasing dollar based international investment. The Nigerian investors have through this innovation, the privilege of having their dividend paid in the US dollar. (GT Bank Financials Report, Vol.II, 2007). Also, in its effort to add value to her numerous customers, Afribank introduced a 5-in-1 new Financial Empowerment Package (FEP). The package are: Afribank life Improvement Facility (A-life), this product provides relief in the acquisition of dream assets like cars, household items etc, without hurting one finances. In this package, one is required to make initial payment of 30% for the purchase of assets like; air-conditioners, cars, computers, and furniture, this reduces the by-effect of inflation while aiding the channels of disposal incomes into other areas of need. Afribank Educational saving Account (AESA). This helps parents/guardians build a strong financial base for their children education. Afribank Finances Against Next Salary Tranche (FAST). The product provides an opportunity for employees of both public and private bodies, multinationals, schools, and parastatals to draw from their account against the next urgent financial obligations. Afribank School Support Facility (ASSF). This product is aimed at helping educational institution in structural development and capital projects. Additional benefits include: saving for expansion, free ATM cards to students, free account opening and Afribank cash express for money transfer services. Afribank Facility Against Collateral (FACC). This product is made for entrepreneurs who want to make transaction urgently but do not wish to break their investments. The product basically safe-guards subscribers short and long term investment. Ogwu, (2008:32,) states that in encouraging wealth generation, the bank consolidation had expanded wealth generation tentacles of Nigerians beyond the nations world of business investment. More banks like: Zenith Bank, UBA, GT Bank, Access and Intercontinental Banks have joined the league of banks with foreign branches, especially in the west and the United Kingdom. This development has empowered Nigerian shareholders in those banks to be co-owners of international business network. This development of expanded assets base has informed the growing balance sheet and total Assets base of the banks from N3, 392 b in 2004 to N10, 431bn.
in 2007 and added over 40% the dividend of shareholding of share holders in the years under review (Soludo, 2007:28).

2.7.4 Bank Consolidations and Overall Developments of the Banking Sector.
The anticipated negative impact of the consolidation programme in the Nigeria banking system was a reduction in the number of banks and branch network. Consequently, the 25 Mega banks have added 1137 new branches to a total of 4519 branches all over the country from 3382 branches of the 82 banks before the full implementation of the consolidated policy. These new branches have costs a whopping amount of N90.0bn, which amount to expanded business opportunities in the building industry and created job opportunities for specialist and artisans in the building industry. On encouraging agriculture for sustainable food security, the banks within the period of the consolidation exercise have shown a considerable commitment. The agricultural sector received credits from banks to the tone of N149,58bn in 2008 as against N62,10bn in 2004, covering a percentage increase of over 199.15% (CBN quarterly Review, 2007:21). They have also engaged in direct agricultural development projects with some state governments and co-operative Societies. The Fidelity Bank in partnership with the Federal government massive rice production programme, has launched an agric loan scheme through which it has procured and distributed equipment to rice producing states and cooperative society between 2006 - 2008. This programme has swelled up grants and soft loans to the tune of N55bn for cassava production, purchases and subsidy to modern agric equipment for an enhanced food production (This Day, March 2, 2008).

2.8 DEFINITIONS OF MERGER AND ACQUISITION (M&A)
Merger and acquisition often said at the same time and used as thought they mean the same thing, this term means slightly different things when looked more closely at its context.

Merger happens or takes place when two company of about the same size be in agreement to come together as a new single company. Acquisition on the other hand occurs when one company takes over another company clearly establishing itself as the new owner. From a legal point of view, the target company ceases to exist, the buyer "swallows" the business and the buyer's stock continues to be traded. In the merger
situation both companies' stocks are given up to the new single company stock issued in its place. (www.business.edu.pl).

The major reason for acquisition or merger is to create shareholder wealth above that of the two companies. Two is better than one is what M&A logic seems to be saying. This thinking is most appealing and attractive during tough times, where stronger companies will proceed to buy another company for economy of scale. Then together both companies will create a more competitive, cost-efficient company hoping to gain a greater market share and achieve greater efficiency. For this reasons companies prefer to come together especially when they know they cannot survive alone. Overwhelmingly M&A are an important part of the global retail financial services that has come to be. Mergers and acquisitions are a means by which firms are able to increase market share and capitalise upon scale efficiencies within an increasingly competitive market for financial products and services.

In the past two decades, M&A has been on the increase. In the US, mergers and acquisitions took places at peak periods of 1929, last half 1960 and first half of 1980. The Bank of America merger is a significant event in the history of bank. It provided the foundation for the rapid growth of the bank and a major contribution to the achievements the bank holds in today's world. Bank of America has gone through with a lot of mergers the most important ones being with Nations Bank (merger); ABN North America and LaSalle Bank (acquisition). In US alone there had been over 7,000 cases of banks merger since 1980. In Europe an United Kingdom, M&A was also picking up the trend. Specifically, in the period 1997-1998, 203 bank mergers and acquisitions took place in the Euro area. Cross-country mergers were also taking hold so much that in the European banking markets, banks could choose to consolidate through mergers and acquisitions. But Unlike results from most of the US-based event studies literature, we found that there are improvements in performance in the European Union after the merger has taken place particularly in the case of cross-border M&As. (Altunbas and Ibanez, 2004:7)

In this present times, the knowledge on the performance effects of banks M&A comes from the analysis and examination of the US market. While the European bank merger is less fascinating because of the methodological difficulties in studying the fragmented
European bank markets. Nevertheless US experiences cannot be applied to European environment because of the dissimilarity or difference in regulation and banking structures. (Huizinga, Nelissen and Vennet, 2001:43)

In 1998 a merger in France resulted in a new bank with a capital base of US$688 billion, while the merger of two banks in Germany in the same year created the second largest bank in Germany with a capital base of US$541 billion.

In the emerging markets, consolidation has also become prominent, as banks strive to become flexible to shocks, become much more competitive and restructures operations to cope with the challenges of the increasing globalized banking system. Such countries as Argentina, Brazil and Korea have fully embraced M&A. In Korea, for example, the system was left with only 8 commercial banks with about 4,500 branches after consolidation. (Soludo, 2004:66).

Lots of theories and hypothesis have been developed by academics to explain and predict the M&A phenomenon, covering issues like motives, attitudes, and approaches to the consequences of the transactions. Also Including the prediction of short term performances and long term performances, corporate governance to joint venture and strategic alliances which are other forms of M&A. But some of these theories used to explain M&A observable fact in developed economies may not be suitable when trying to explain M&A activities in developing markets. (Khanna and Palepu, 2000:42).

2.9 IMPACT OF MERGER AND ACQUISITION (M&A) ON BANK PERFORMANCE
There is a substantial impact of consolidation of the banking industry on both organisation of the institution and the structure of the industry. The M&A wave is resulting to a number of small banks and a decreasing proportion of assets controlled being controlled by them. This changing nature is of great concern as banking markets might result in reduced credit availability and higher interest rates for small business borrowers (Berger, 2007:28). There have been many studies testing the effect of bank size to credit availability to small business and this has found that there is a much lower proportion of their assets to small business loans allocated by large banks than do small
banks. (Berger et al 1995:4, Keeton, 1995:6 and Strahan and Weston, 1996:76). Other studies found that after large banks are involved in M&A, the ratio of small business loans to assets declines e.g., Berger et al., 1998, Peek and Rosengren, 1998 and Strahan and Weston, 1998). Yet some other studies also established that there is a significant external effect or equilibrium effect in the local market in which other banks respond by increasing their supplies of small business lending credit. These increases come from both incumbent banks (e.g., Berger et al., 1998 and Avery and Samolyk, 2004) and from increased entry of newly chartered banks (Berger et al., 2004).

On the cross-border M&A issues, there was improved performance of the merging banks due to diversification in their loan and credit risks strategies. But a negative performances was observed in diversity in their capitalisation and the technology and financial innovation strategies. This proves that the difficulty in integrating institutions with widely different strategic orientation is true. In the United States there is extensive empirical evidence on the effects of financial consolidation, in the past decade the U.S. banking industry also has experienced major structural changes, including a significant reduction in the number of independent banking organisations. This change is partly the result of the increased pace of bank mergers and acquisitions.

2.9.1 Mergers and Acquisitions’ Activities in the Nigerian Banking Sector

In Nigeria the recent bank reforms on consolidation (2005) prompted regulatory induced restructuring and engendered the alignment and realignment of banks and banking groups into the merger of some and the acquisition of others to ensure a sound, responsive, competitive and transparent banking system suited to the demands of the Nigerian economy and the challenges of globalization (Kolo, 2007;32)

With the announced new minimum capitalisation for banks in Nigeria is N25billion (approximately $181m), all banks are expected to comply with this directive by December 2005. As a result there was a drastic transformation in the Nigerian banking sector with increase activities in merger and acquisition as a means of consolidation. A major consequence of this CBN directive was the emerging scenario of mega-banks in Nigeria through the recapitalization of banks. The period 2004-2005 witnessed the highest M&A in the Nigerian banking history. Prior to this it was the acquisition of African Banking Corporation in 1894 by ‘The British Bank for West Africa’ (now First
Bank of Nigeria Plc) and Bank of Nigeria's acquisition of Citi Trust Merchant Bank Limited that were the notable bank M&A in Nigeria. (Danjuma, 1993; IBTC, 2007).

On a large scale 'mega bank' emerged as a result of M&A, it was aimed at making Nigeria banks able to compete with international financial institutions counter-parts, to help the banking sector become Africa's financial hub, make possible intra-regional investments and trades and to join the world class bank groups. (Adesida, 2008:64; Moin, 2004:32; Ogbonna, 2007; Soludo, 2006:66). In addition mega banks also brought about a change management, by right sizing, refocusing, re-engineering new businesses. This made the banks, multi managed, cultural and multinational (Kolo, 2007:32).

The consolidation reform was successful as available statistics show that there was a remarkable improvement on the sector as a whole. The Balance Sheet size and Profit and Loss profile of most banks in Nigerian have more than doubled since December 2005 to date. (Ekundayo, 2008:12; Soludo, 2006:21; Soludo, 2008: 15).

It was witness during the consolidation of the Nigerian banking sector through M&A the number of banks reduced from 89 to only 25 banks. A further merger between IBTC Chartered Bank Plc and Stanbic Bank of Nigeria Limited after the December 31st, 2005 deadline has further reduced the number of banks from 25 to 24 (Adesida, 2008:12; Ekundayo, 2008:38).

2.9.2 Benefits of Merger and Acquisition

Creation of wealth is the first motivation of banks creation hence to maximise shareholder profit will be the primary motivation of consolidation. It results to overall benefit to shareholder more when the post merger bank is more valuable. The primary cause of this gain in value, is supposed to be the performance improvement following the merger, this include increased cost efficiency, reduced quantity of redundant operating costs , increased bank size allows advantage of economies of scales. M&A activities may also promote revenue efficiency in a manner analogous to cost efficiency. (Santomero1996:76)

Management in the new banks increase revenue by executing superior pricing strategies, presenting more profitable product mix and also by integrate refined sale and
marketing programs. They can also increase revenue by cross-selling various products of each merger partner to customers of the other partner. Another benefit of M&A in banks is that it allows for rapid size growth and improves knowledge of new products and markets. It preserves falling margins by increasing market share and eventually attracts new customers. Merger-related gains may also stem from increased market power by reducing the number of competition in the market. Another market gain is that the market share of the surviving organization in these markets is raised, increase market power also results to higher profit through raising loan rates and lowering deposit rates. (Santomero1996). Finally M&A may boost bank diversification level by broadening the geographical coverage or increasing the breadth of the products and services offered

2.9.3 Consequences of M&A

Berger et al 1999, surveyed a substantial literature investigates the causes and consequences of bank mergers. And although it is not easy to measure the opportunity costs of bank mergers, it is rational to assure that the worst risk in evident in the transition period and the issues associate with combining different management teams, techniques and place of work habits. If the transition does not take place smoothly, services could be interrupted causing dissatisfied customers to choose other banks. Also bank M&A increase portfolio diversification which means additional work for bank managers and his team. The most important possible drawbacks of bank consolidation may exist at the local level and with respect to small firm financing. The larger size of banks may, in fact, lead to larger loans given to fewer customers thereby increasing the risk of bank failures. Furthermore, the decrease in the number of small banks may reduce the amount of small business loans.

The limitation on M&A may be some of the attributes that leads to bank failure. A recent report outlines some primary reason why bank merger and acquisition may fail.

1. Size Issues:

A mismatch in size between acquirer and target has been found to lead to poor acquisition performance. Many acquisition fail either because of ‘acquisition indigestion' through buying too big targets or failed to give the smaller acquisitions the time and attention it required.
2. Excessive Premium:
Too high premium particularly in hostile takeovers, the acquirer may pay too high a premium. While the shareholders of the acquired company, particularly if they receive cash, do well, the continuing shareholders are burdened with overpriced assets, which dilute future earnings. When the price paid is too much, how well the deal maybe executed, the deal may not create value. This will come into sharp focus next year as companies are forced by the new merger accounting rules to revalue and write off goodwill booked in prior-year acquisitions.

3. Poor Cultural Fits:
Cultural fit between an acquirer and a target is one of the most neglected area of analysis prior to the closing of a deal. However, cultural due diligence is every bit as important as careful financial analysis. Without it, the changes are great that M&As will quickly amount to misunderstanding, confusion and conflict. Cultural due diligence involve steps like determining the importance of culture, assessing the culture of both target and acquirer. It is useful to know the target management behaviour with respect to dimension such as centralized versus decentralized decision making, speed in decision making, time horizon for decisions, level of team work etc. Potential sources of clash must be managed. It is necessary to indentify the impact of cultural gap, and develop and execute strategies to use the information in the cultural profile to assess the impact that the differences have.

4. Management’s Failure to Integrate:
Often the acquirer's concern with respect to preserving the culture of the acquired company results in a failure to integrate, with the acquired company continuing to operate as before and many of the expected synergies not being achieved. A well-conceived plan for business integration, without disruptive culture clash, is the single most important element of a successful merger.

5. Over leverage:
Cash acquisitions frequently result in the acquirer assuming too much debt. Future interest costs consume too great a portion of the acquired company's earnings. An even more serious problem results when the acquirer resorts to cheaper short-term financing and then has difficulty refunding on a long-term basis. A well-thought-out capital structure is critical for a successful merger.
2.10 MARKETING CHALLENGES OF THE CONSOLIDATION REFORM

1. Product Challenges

A product consists of the tangible or intangible benefits that a buyer receives in exchange for money or other forms of trade, as in the case of bartering. It is anything that can be offered to a market to satisfy a want or need (Kotler, 1998:54). The import of this is that product is anything capable of satisfying human wants and this can be broadly categorized into physical goods (tangible) and services (intangible). Because banking activities are intangible, we classify it as services. Just as physical good are capable of offering satisfaction to consumers, services are equally capable of offering satisfaction even though they are mere experiences or encounters. The production of product (be it goods or services), takes place in the context of certain controllable and uncontrollable environmental factors and as such, are both subject to the influence of those factors. For instance, just as government policies impact either positively or negatively in the marketing of tangible products, marketing of intangible products can equally be affected by government policies. It is on this note that the product challenges of the consolidation reform come handy.

First, the consolidation reform has heightened the competitive pace of the surviving banks. The consolidation of banks is likely to attract a significant level of foreign banks entrance into Nigeria which will become a feature in the industry over time. This will further intensify the competitive tempo of the operating banks. This implies that the quality of services which Nigerian banks are expected to render to their customers must improve if they are to retain their customers. According to Akpan (2009:34) to maximize returns and optimize profitability amidst the competitive challenges occasioned by the consolidation programme, banks will have to offer innovative products and services to the marketplace including new ways of delivering them. Corroborating this, Soludo (2008:53) affirms that the competitive terrain of the Nigerian banking environment calls for filling crucial gaps in the resources and capabilities stock and allocations for the banks to develop effective banking services.

Second, in achieving the objective of consolidation, quite a number of risk factors were involved both during and after the consolidation which have implications for industrial relations in the banking sector. The human risk factors included; downplaying of employees welfare in merger and acquisition, dealing with employee resistance to
change under the new reality, loss of job commitment, redundancy, and employee turnover with concomitant loss of key talents, treating human capital as cost, imbalance pay setting and post merger fits (Ugbaka 2004:87). The implication of the foregoing which is in contradiction to the formally held view is that the quality of services rendered to customers will be at stake. Employees who are battered by job insecurity cannot be expected to remain committed to the quality of services rendered to the customers. Since simultaneity is one of the basic features of services and the role of employees are very significant, the face to face interaction which is a basic element in the service production process has been seriously threatened by the challenges of the consolidation reform. According to Adeyemi (2009:54) once two or more banks begin to talk about merger or acquisition, the staff of the affected institutions become jittery about job security which invariably affect their productivity.

Another product element challenge which the surviving banks have to battle with is the issue of branding. In this post-consolidation era, competition in the Nigerian banking industry will be at its peak. The monopoly, which the big banks used to enjoy, will be broken. It is a totally fresh start and the stakes are high, from the point of view of the mega banking. Serious efforts will be directed towards consolidating the new status and synergizing the relationship, in the case of mergers. All of these present a good business opportunity for branding. However, as earlier hinted, the challenges of creating effective brands in the post N25 billion era vary, according to the recapitalization strategy deployed by the banks. The challenge is made even more enormous because a new http://astonjournals.com/assj corporate identity and image have to be projected from scratch to members of the public. This requires a great deal of discipline, consistency, deliberate effort and processed thought to create an effective brand.

Finally, in respect of the surviving banks that achieved the N25 billion recapitalization through a public offer, initial public offer, rights issue or private placement, the major branding challenge is that of consolidating the banks through strategic image enhancement machineries and brand projection via advertising.

2. Pricing challenges
Price is the amount of money needed to acquire something. It is the cost of owning something, whether product or service. On the other hand, pricing refers to the process of determining the price at which a product or service will sell. Going by the definition
of consolidation, it is an exercise that gives birth to an entirely new business entity. Given that consolidation is effected through mergers and acquisitions, a major pricing challenge that arose was how to determine the valuing rate and method of the shares of each merger candidates to ensure equity in shares valuation. Due to the limited timeframe given to the banks by the CBN to meet the minimum capital base, there were many reported cases of hurriedly and unfriendly takeovers. According to Bello (2000:72) “it is apparent from the structure of the twenty-five banks that scaled the hurdle that acquisitions and takeovers were consummated, rather than the mergers and acquisitions the CBN would want us to believe. In fact there are credible evidences that some are even “hostile takeovers”. Most of the banks were of un-equaled asset base, liquidity, branch spread, information and technology capability”. Given these internal structural discrepancies, it is obvious that the prices at which the shares of the merging banks were valued were likely to be inequitable.

The banking industry is now oligopolistic in structure leading to the existence of few strong participants that will definitely refute the entry of new players. This has made the pricing of banking services skew in favour of the banks at the expense of the customers thereby degenerating into a sellers’ market. This can not be contested because recent observations have not even shown that the charges of Nigerian banks are commensurate with the quality of services they render. For instance, users of United Bank for Africa (UBA)’s ATM complain that the bank charge them monthly irrespective of whether they made withdrawals through the ATM or not. Related cases of other pricing improprieties are still reported of other banks in the industry. These are blunders that cannot be excused in a pure competitive set-up. The consequential effects of these indiscriminate charges by banks are high rate of customer turnover and this has resulted in many dormant accounts. This racket has equally challenged banks to embrace the “Know Your Customer (KYC)” orientation as recently directed by the CBN.

Before the consolidation, evidences show that some of the banks were not quoted in the Nigeria Stock Exchange. As a result of this, determination of the prices at which their shares will sell equally posed a major challenge more especially as what was consummated by banks was acquisitions and takeovers as opposed to the mergers and acquisitions initially proposed by the apex bank. There is no doubt therefore that prices of shares were haphazardly fixed, thus leading to overvalued and undervalued shares.
The struggle to raise finances to meet the minimum capital base equally made the stock market to be flooded with a lot of issues which in turn led to the fall in the prices of shares more especially as the consolidation reform was implemented in the era of the global financial crises that led to crash in the prices of shares.

Finally, the consolidation of banks is likely to attract a significant level of foreign banks entrance into Nigeria which will become a feature in the industry over time. This will bring about more confidence by the international community of the banking sector thereby attracting more foreign investment into the country. As the level of financial intermediation increases, interest rate is likely to fall and increase lending to the real sector that will generate employment and booster growth, thus contributing to increase in the pace of marketing activities.

3. Place challenges

Place marketing decisions deals mainly in making products widely available in the market. It concentrates more on how to reach and service customers at the right place, time, quality, quantity and condition. In a nutshell, it centers on customers’ services. Already established is the fact that the role of customer service is to provide ‘time and place utility’ in the transfer of goods and services between buyers and sellers. Put another way, there is no value in a product or service until it is in the hands of the customer or consumer. It follows that making the product or service ‘available’ is what, in essence, the place function of the business is all about.

The consolidation proposal no doubt, created some place mix marketing challenges. One of these is the branch network challenge. Given the changing tastes and preferences of the consumers and the competitive profile that characterized the post-consolidation era, the surviving banks had no choice than to expand their branch network as wide as possible to meet the new challenges of the emerging market.

According to Asikhia (2007:21), “customers say the banks of their choice are those with national presence whose network are nationwide such that withdrawal and deposits could be made anywhere in the country, as most Nigerians are gradually losing the desire to carry cash around. This also explains the reason most customers prefer banks with efficient online banking facilities, most of the banks that have these facilities would attract quite a sizable number of customers, which means if customers all come
at the same time queuing is inevitable yet customers say they do not like to queue”. This even complicated matters the more. Similarly, Kwan (2004:10) further reports that the lesson from bank recapitalization is that it often results in fewer banking institutions and more branches, which are likely to thrive if the loyalty of the customers to their respective banks is assured given different options that are likely to be available in different localities.

The impact of technology is now being felt with the new channels as opposed to the traditional brick-and-mortar. These channels include Automated Teller Machines (ATM), Internet, Point of Sale Terminal (POS), mobile phones, etc. Using these channels effectively to deliver additional products and services and managing their assets of service delivery to their retail customers may be a challenge (Asikhia 2009:18).

Finally, present customers possess a higher level of education, are more discriminating in their purchases, and are more willing to try new products and services. Customer traits are constantly changing. Banks that fail to keep abreast with such changing customer demands are missing sales opportunity. To be successful, a business person must adapt to the needs and wants of customers, including staying open at hours which suit customers and offering the kind of goods and services that will attract them.

4. Promotion challenges
As noted earlier, going by the definition of consolidation, it is an exercise the gives birth to an entirely new business entity. As was equally mentioned earlier, the birth of a new company poses the challenge of positioning the new entity in the minds of the consumers. Since the pre-consolidation period was characterized by myriad irregularities which led to the loss of public confidence in the industry, the new industrial players that emerged had to grapple with the problem of repositioning itself favourably in the minds of the consumers in order to restore the already betrayed confidence. With regards to branch implications, the new entities that survived the dust of the consolidation exercise will need to deal with brand-related issued such as:
- Changing of name if two or more banks come together and decide not to adopt any of the participating bank names.
- Dropping the logos which were formally used by each of these banks and adopting another one.
- Evolving new brand culture for the emerging banks after consolidation.
- To achieve the aforesaid, the brand message of the consolidated banks had to also be changed.

For the banks that were not formerly quoted that wishes to embark on initial public offer, it became relatable that promotional campaigns be instigated to get the consumers become aware of their offers. This implies heavy investment in awareness creation advertisement campaigns. Printing of catalogues (prospectus) which is a document of notice issued by the company when inviting the members of the public to subscribe its shares or debentures in which it publishes information about itself and the terms and conditions for the purchases of such securities equally became inevitable. Promotional campaigns were equally highly needed to inform the general public about the prices at which the shares were selling per unit and to project the offerings of banks favourably in the minds of the investing public. With increasing consumerism and public awareness of social responsibilities, http://astonjournals.com/assj banks equally needed to employ public relations tools to let the general public in on their programmes for the society where they are operating.

Banks have likewise been compelled by the attendant confrontations of the consolidation reform to embark on many sales promotional activities to attract and retain customers. The Guaranty Trust Bank “i-think” Promo, the First Bank “Golden Promo” running from June 2010 to May 2011, the Skye Bank “Western Union Promo” running from October 15, 2010 to November 15, the Wema Bank Promo running between September 24, 2010 to October 31, 2010, the “Naija Diamonds” promo powered by Diamond Bank, the AfriBank saver’s Promo, to mention a few, are current examples of sales promotional campaign in the Nigerian banking industry. Equally, banks have been calling on both old and new customers to open savings account with a specified amount of money or maintain existing accounts to a particular savings ceiling to qualify for draws that will make them instant millionaires, become proud owners of brand new automobiles or win an all-expense-paid trips to Europe or America.
The place of ICT in the bank which has changed as a result of the reform demands the use of various points of purchase materials and window display promotional materials to guide customers on how to accomplish their transactions. Also, given that when new technology is invented, training becomes the first casualty, the need to train marketing staff on the use of the various innovative means such as Internet, contact managers, database technologies and websites to scout, attract, retain and keep the name of the company alive in the memory of the customers became readily pertinent. In this age of incredible complexity, vicious competition, and escalating challenges, the bank marketing job has not gotten any easier, but digital age communication tools which can help bank marketers master the complexity, overcome the competition and make more sales need to be made known to them.

5. People Challenges
For most services especially the banking epitome, people are a vital element of the marketing mix. This is attributed to the high-contact nature of such services as noted by Lovelock and Wright, 2001:24). The interaction between staff and customers can be the essential turning point between any decision making process. It is at the point of contact between the representatives of organizations (employees) and the customers better described as the “moment of truth” in services marketing parlance that determines the success or otherwise of the service encounter. This in turn implies that people are very vital in service production. This might be the reason Lovelock and Wright (2001:88) states that the difference between service businesses often lies in the quality of employees serving the customers. The type of customers who patronize a particular service business helps to define the nature of the service experience and as such; people become part of the product in many services they further added. This therefore means that managing service encounters can be challenging especially when there are structural changes in the operations of an enterprise. No doubt, the Nigerian consolidation reform has its accompanying people marketing mix challenges.

According to (2009:136) “The period of consolidation in the banking sub-sector in Nigeria (July 2004 – December 2005) was a period of change that created anxiety and concerns for employees in the banks. This is because on the long run they are at the receiving end. To many employees, the news of consolidation of banking sub-sector to the tune of N25billion may have been greeted with apprehension”. Further, some banks
that went to Stock Exchange to source funds, relegated the welfare and working conditions of workers to the background, while gearing all its efforts towards attracting any available funds they could muster to meet the target and deadline (Akanbi and Oso 2005:76). The implication of the literature is that the consolidation reform proposal engendered job insecurity. Just as was noted earlier, it is not possible for an employee who is battered by job insecurity to give his or her best to its employer. It follows therefore that service encounters will be deeply affected and this is capable of marring the organization’s overall productivity and profitability.

Another people marketing challenge on consolidation that confronted the consolidated banks according to Okafor (2009:129) is the issue of employees’ remuneration, staff harmonization and placement. He further held that reports on banks in the post-consolidation period showed that management and workers union on several occasions spoilt for http://astonjournals.com/assj war wage reviews. Yet the time expended on ratifying this issue would have been utilized in executing other meaningful managerial tasks. Similarly, in many banks the changes in placements have resulted into serious job cuts and rationalization in both consolidated and nonconsolidated banks. This only serves to make bankers regard their jobs as unstable. Job cuts are continuous in the banking sector and this has the tendency to make employees less committed to their jobs and as well accentuate the already worsen labour turnover in the sector (Fanimo, 2006:98).

Another issue that challenged the merged banks which has people marketing implications is the unfriendly climate of industrial relations that befell the banking sector. Reacting to this issue, (Olaosebikan, 2006:24) as cited in Okafor states: “The employer-employee relations in the banking industry has been the worst...banks attracted people into their organizations with fat salaries only to destroy and ravage their intellect. First class graduates were turned into zombie by these banks within a few years of employment. The bank made them embrace unsustainable and expensive life style and believed that the only thing that mattered was money. The staff were used and dumped at will without a care for them and the families they supported. Once a woman in their employment was married, she was as good as having lost her job. Even now most of the employees come to work each day unsure if they still had a job”. 
Loss of job commitment and wage disparity is yet another human resource challenge that characterized the post-consolidation epoch. Akpan (2009:43) reports: “The inability of the management to harmonize pay structure between these employees has breached industrial peace. The employees affected by the wage reduction were found to have reduced their productivity because they found themselves carrying out similar job description with new employees from acquired bank who had negotiated their pay through individual bargaining”. On the overall, these people challenges that subsequently confronted the merged banks means that managing service encounters, especially those between customers and service employees which is a challenging task has been further complicated. Hence, amidst these human resource confrontations, management of service encounters will become harder than ever before for Nigerian banks and this has a negative implication for productivity and profitability for the merged banks since people are a vital element in any service-oriented enterprise.

6. Process challenges
“Creating and delivering product elements to customers requires the design and implementation of effective processes. A process describes the method and sequence in which service operating systems work. Badly designed processes are likely to annoy customers because of slow, bureaucratic, and ineffective service delivery. Similarly, poor processes make it difficult for front-line staff to do their jobs well, result in low productivity, and increase the likelihood of service failures” (Wright, 2001:98). In spite of the nugget success coming out of the consolidation of banks, several challenges in the area of integration, lending, survival and future of the various mergers are parts of the technical and professional challenges in the sector. In the areas of integration, banks are finding it quite difficult to integrate disparate cultures, information technology processes and systems and staff harmonization. Many banks that merged in the area of integration are spurious. Banks that came out of the consolidation programme as a result of mergers are particularly finding it difficult to achieve seamless integration of their various identities. Several banks in the post-consolidation era are in this dilemma and are yet to solve this problem successfully. The implication of this is that transactions cannot be done online real-time and customers have been subjected to delays, sometimes outright denials when making transactions (Oyewale, Tokede, Afolabi, 2006:121).
Another process mix marketing challenge of the consolidation exercise is the need for the merged banks to move from the conventional banking system to retail banking. This has been largely supported by experts. For instance, Asikhia (2009:18) notes that experts presently predict a change from the usual banking method to retail banking by most banks. In the past, banks have not found this segment of the market profitable and one doubts if things would change significantly, unless banks are able to deliver retail banking services in a very efficient manner, with technology playing a major role, they may not be able to keep their customers. The import of the literature is that the traditional frontiers of the banking system have been transcended and given that the competitive pace of the business environment has been equilibrated, the banks that survived the pressure of the consolidation exercise cannot afford to continue to operate the conventional banking processes. So adapting to this change itself is a challenge that the surviving banks stands to confront. http://astonjournals.com/assj

The present state of technology and the changing dictates of consumers’ needs and wants demand an accompanying change in the delivery process of banking services, a situation that has compelled banks to adopt different IT packages in accomplishing their banking operations. It is a well-known fact that different banks employ different banking applications software to gain competitive edge. The challenge here is that some of these ICT packages are not compatible and banks have already incurred huge costs in the acquisition of these technologies. This, therefore, increases the cost of consolidation as the entire bank has to work with less than one IT platforms.

To merge or acquire an institution is one thing, but to get the institutions involved to work harmoniously is another. The post consolidation integration will pose more challenges in a consolidation case involving more than two institutions. The new organization may lack flexibility in responding quickly to changing market situation due to the large size. Additionally, every organization has its own corporate culture. When two or more organizations come together to form one company, there is bound to be culture conflicts. Such conflicts would be more where the style of management of the organizations differs. Thus, the integration of the operations, processes, procedures, people and products to let the consuming public see the emerging entity as one group is a daunting challenge which the consolidated banks have to contend with (Adeyemi, 2004:86).
The import of the literatures is that given the differences in the operational structures and processes of the banks which formerly operated as separate entities before their subsequent mergers, getting the newly integrated players to work harmoniously is a major process marketing challenge for the consolidated Nigerian banks. This arises from the fact that resolving structural and cultural organizational differences is not an easy tide to stem since each employer of the merged institutions will always prefer his or her own system of getting things done to a strange modus operandi.

7. Physical evidence challenges
Because of the intangible nature of a service this subsequently means that potential customers are unable to judge that service before it is consumed. An important element of marketing planning is therefore to reduce this level of risk by offering tangible evidence of the nature of the service (Adrian, 2005:77). The 2004 Bank Consolidation and Reform Programme, which had by 2006 seen the depletion of banks operating in Nigeria from 89 to 24 equally confronted some problems in this respect. Given that the consolidation reform is expected to drive down cost and improve the efficiency of the surviving banks while at the same time confronting varying cultural and structural discrepancies of these merged institutions, the need to invest in infrastructures that will assist in repositioning the new entities has been largely supported by authors. Accordingly, Asikhia (2009:13) reflects, “achieving economies of scale, responding to customers emerging banking patterns and information needs in this dispensation cannot be overemphasized. Hence the need for banks to deploy assets or capabilities to match the prevailing needs of technology and other vital variables of the marketplace becomes inevitable”. Corroborating Soludo (2008:32), affirms that the competitive terrain of the Nigerian banking environment calls for filling crucial gaps in the resources and capabilities stock and allocations for the banks to develop effective banking services, structure transactions and drive down costs in the unveiling technology and regulations. More so, certain that several banking services delivery channels have gone virtual in counteraction of the formally extant traditional “brick and mortar” approaches as a result of technical dynamisms coupled with the recent bank mergers, the need to deploy new physical channels to reposition the newly merged banks in the minds of the customers is also challenging. This is so because the acquisition of these resources can be very costly.
REFERENCES


Dynamics of Branding: Case Study of the Nigerian Banking Sector. [http://www.adstratcom.net/articles-1.htm]


CHAPTER THREE
RESEARCH METHODOLOGY

This chapter discusses the various methods and techniques adopted in this study. It encompassed the overall research plan and design, that guided the process of data collection and the range of approaches used to collate the data. Specifically, the chapter contains research design, sources of data, description of research instrument, population of the study, Sample size determination, sampling techniques, validity and reliability of the instrument and the statistical tools for data analysis.

3.2 RESEARCH DESIGN
According to Agbaeze (2004:56) research design is simply a map or plan of action showing what and how the researcher will carry out, the step-by-step procedure for accomplishing the research task. For the purpose of this study, survey research design was adopted.

3.3 SOURCES OF DATA
The data for this study, were obtained specifically from two sources namely: primary and secondary sources.

(a) Primary Source
In collecting primary data for the work, three devices were employed thus: personal interview, observation and questionnaire

(b) Secondary Source
The secondary source involves the use of existing but related literature, which was produced by earlier researchers for the purpose of the study, secondary data for this study were obtained from journals, magazines, text-books and internet.
3.4 DESCRIPTION OF RESEARCH INSTRUMENTS

The instrument for data collection used in this research, was a structured questionnaire. The questionnaire has two parts. All the questions in part A provided general information about the respondents while the remaining questions in part B addressed the research questions. Five-point Likert scale format was used. There were 16 questions in the questionnaire.

Interview schedule: some respondents were interviewed personally using interview schedule to get more details about the study especially those not covered by the questionnaire

Observation: the researcher made direct observation on the physical environment of the selected banks and some relevant data were recorded for the purpose of analysis.

3.5 POPULATION OF THE STUDY

The target population for this work includes both senior and junior staff of the selected banks

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>S/NO</th>
<th>NAMES OF BANK</th>
<th>Senior</th>
<th>Junior</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Access Bank</td>
<td>32</td>
<td>66</td>
<td>98</td>
</tr>
<tr>
<td>2.</td>
<td>United Bank for Africa</td>
<td>29</td>
<td>60</td>
<td>89</td>
</tr>
<tr>
<td>3</td>
<td>Eco Bank</td>
<td>29</td>
<td>74</td>
<td>103</td>
</tr>
<tr>
<td>4</td>
<td>Diamond Bank</td>
<td>29</td>
<td>68</td>
<td>97</td>
</tr>
<tr>
<td>5</td>
<td>Fidelity</td>
<td>28</td>
<td>70</td>
<td>98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>147</strong></td>
<td><strong>338</strong></td>
<td><strong>485</strong></td>
</tr>
</tbody>
</table>

Source: Fieldwork 2013.

3.6 SAMPLE SIZE DETERMINATION METHOD

Sample size is the number of observations used for calculating estimates of a given population. For the fact that it was difficult to study the entire population due to time and cost, a portion of the population known as sample size that represent the entire population was determined and used for this study. The formula adopted in determining the sample size for this study is that propounded by Taro-Yamane (1964). The mathematical formula is given as
\[ n = \frac{N}{1 + Ne^2} \]

Where

- \( n \) = Sample size desired
- \( N \) = Population size
- \( e \) = Maximum acceptable margin of error (0.05).
- \( I \) = Theoretical constant

This applying this formula in determining the sample size for this study we substitute as follows.

\[ n = \frac{485}{1 + 485(0.05)^2} \]
\[ n = \frac{485}{1 + 485(0.0025)} \]
\[ n = \frac{485}{1 + 1.2125} \]
\[ n = \frac{485}{2.2125} \]
\[ n = 219.2090395 \]
\[ n = 219 \]

Therefore 219 represent the sample size for the population, the sample size for each, stratum or category of staff is estimated using Bowley’s proportional allocation statistical technique stated below.

\[ nh = \frac{nN_h}{N} \]

Where

- \( nh \) = The number of unit allocated to each stratum/category of staff.
- \( N_h \) = The number of staff in each stratum category of staff
- \( n \) = The total sample size
- \( N \) = The actual or total population
Thus:
Access bank of Nigeria Enugu main proportion of senior management staff to be sampled.
\[nh = \frac{32 \times 219}{485} = 14\]
Proportion of junior staff to be sampled
\[nh = \frac{66 \times 219}{485} = 30\]
Bank B: United Bank for Africa proportion of senior staff to be sample.
\[nh = \frac{29 \times 219}{485} = 13\]
Proportion of junior staff to be sampled.
\[nh = \frac{60 \times 219}{485} = 27\]
Thus:
Bank C:Eco bank of Nigeria Enugu main proportion of senior management staff to be sampled.
\[nh = \frac{29 \times 219}{485} = 13\]
Proportion of junior staff to be sampled
\[nh = \frac{74 \times 219}{485} = 33\]
Bank D: Diamond Bank proportion of senior staff to be sample.
\[nh = \frac{29 \times 219}{485} = 13\]
Proportion of junior staff to be sampled.
\[nh = \frac{68 \times 219}{485} = 31\]
Bank E: Fidelity Bank proportion of senior staff to be sample.

\[ nh = \frac{28 \times 219}{485} = 13 \]

Proportion of junior staff to be sampled.

\[ nh = \frac{70 \times 219}{485} = 32 \]

Therefore

\[ n = 14 + 30 + 13 + 27 + 13 + 33 + 13 + 31 + 13 + 32 = 219 \]

3.7 VALIDITY OF THE RESEARCH INSTRUMENT.

Onwumere (2005:69) define validity as the extent to which a measuring instrument on application performs the function for which it is designed. To make sure that the research instrument applied in this work are valid. The researcher ensured that the instrument measure the concept they are supposed to measure. A proper structuring of the questionnaire and a conduct of a pre-test of every question contained in the questionnaire was carried out to ensure that they are valid. Also design of the questionnaire was made easy for the respondents to tick their preferred choice from the options provided as it has been established that the longer the length of questionnaire, the lower the response rate (Lavine 1987). Response validity was obtained by recontacting individuals whose responses appear unusual or inconsistent.
3.8 RELIABILITY OF THE RESARCH INSTRUMENT.

To test for reliability of the instrument, a test re-test method was adopted in which 20 copies of the questionnaire were distributed to staff of the selected banks. After some days, the instrument was collected and readministered for second time, using the Pearson- Product Moment Correlation, coefficient of reliability which was found to be r=0.96 showing that there is consistency in the items of the survey.

Pearson-Product Moment Correlation Coefficient

\[
r = \frac{n\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{n\Sigma x^2 - (\Sigma x)^2} \sqrt{n\Sigma y^2 - (\Sigma y)^2}}
\]

Table 3.7 Pearson – Product Moment Correlation Coefficient showing the reliability of instrument

<table>
<thead>
<tr>
<th>Organizations</th>
<th>First Average Response (x)</th>
<th>Second Average Response (y)</th>
<th>Xy</th>
<th>X²</th>
<th>Y²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access bank</td>
<td>4</td>
<td>5</td>
<td>20</td>
<td>16</td>
<td>25</td>
</tr>
<tr>
<td>UBA bank</td>
<td>5</td>
<td>4</td>
<td>20</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td>ECO bank</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Diamond Bank</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Fidelity bank</td>
<td>4</td>
<td>3</td>
<td>12</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
<td><strong>20</strong></td>
<td><strong>76</strong></td>
<td><strong>75</strong></td>
<td><strong>82</strong></td>
</tr>
</tbody>
</table>

Source: Researcher’s Field survey 2010.

Formula:

\[
\sqrt{\frac{n\Sigma xy - (\Sigma x)(\Sigma y)}{(n\Sigma x^2 - (\Sigma x)^2)(n\Sigma y^2 - (\Sigma y)^2)}}
\]

\[
\sqrt{\frac{20(76) - (19)(20)}{20(75) - (19)^2(20(82) - (20)^2}}
\]
The data that were collected were analysed using tables and percentage and hypotheses were tested using chi-square (\(X^2\)).

\[
X^2 = \frac{(F_o - F_e)^2}{F_e}
\]

Where \(X^2\) = Value of the chi-square
c = Summation
F_o = Observed frequency
F_e = Expected frequency

The calculated chi-square (\(X^2\)) will be compared with tabulated chi-square using the normal level significance of 5% which level of freedom is \((R - 1)\).

\((C - 1)\) = number of column in the contingency table, the contingency show the observed and expected frequencies.
REFERENCES


CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

The focus of the chapter is presentation and analysis of data generated through interviews and questionnaire administered to the respondents.

Table 4.1 Questionnaire Distribution

<table>
<thead>
<tr>
<th>Banks</th>
<th>Number Distributed</th>
<th>% Returned</th>
<th>% Returned</th>
<th>% Not Returned</th>
<th>% Not Returned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Bank</td>
<td>44</td>
<td>20</td>
<td>40</td>
<td>18</td>
<td>4</td>
</tr>
<tr>
<td>UBA</td>
<td>40</td>
<td>18</td>
<td>35</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>ECO Bank</td>
<td>46</td>
<td>21</td>
<td>42</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>Diamond</td>
<td>44</td>
<td>20</td>
<td>38</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Fidelity</td>
<td>45</td>
<td>21</td>
<td>41</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>219</strong></td>
<td><strong>100</strong></td>
<td><strong>196</strong></td>
<td><strong>89</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

Source: Field work 2013.

From the table above, a total of 219 copies of the questionnaire were distributed to the banks. A total of 196 representing 89% were returned and used while 23 representing 11% were not returned.

Table 4.2 Gender Distribution of the Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Access</th>
<th>UBA</th>
<th>ECO</th>
<th>Diamond</th>
<th>Fidelity</th>
<th>Freq.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Senior</td>
<td>Senior</td>
<td>Junior</td>
<td>Senior</td>
<td>Junior</td>
<td>Senior</td>
<td>Junior</td>
</tr>
<tr>
<td>Male</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Female</td>
<td>10</td>
<td>15</td>
<td>7</td>
<td>16</td>
<td>7</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>26</strong></td>
<td><strong>10</strong></td>
<td><strong>25</strong></td>
<td><strong>13</strong></td>
<td><strong>29</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

Source: Fieldwork 2013.
Table 4.2 above shows that 38% of the respondents were males while 62% were females. This indicates that there were more females than males.

### Table 4.3: Age Distribution of the Respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Access</th>
<th>UBA</th>
<th>ECO</th>
<th>Diamond</th>
<th>Fidelity</th>
<th>Freq.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior</td>
<td>14</td>
<td>10</td>
<td>13</td>
<td>29</td>
<td>13</td>
<td>196</td>
<td>100</td>
</tr>
<tr>
<td>Junior</td>
<td>26</td>
<td>25</td>
<td>29</td>
<td>11</td>
<td>28</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Fieldwork 2013.

Table 4.3 shows that 38% of the respondents were under 30 year old, 29% fall within 31-40 years, 21% were 41-50 years and 12% were 51 years and above. This means that majority of the respondents were under 30 years.

### Table 4.4: Marital Status of the Respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Access</th>
<th>UBA</th>
<th>ECO</th>
<th>Diamond</th>
<th>Fidelity</th>
<th>Freq.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>2</td>
<td>17</td>
<td>4</td>
<td>15</td>
<td>3</td>
<td>3</td>
<td>74</td>
</tr>
<tr>
<td>Married</td>
<td>10</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>20</td>
<td>10</td>
<td>114</td>
</tr>
<tr>
<td>Widowed</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Fieldwork 2013.
Table 4.4 above, shows that 38% of the respondents were single, 58% of the respondents were married while 4% of the respondents were widows, this show that there are more married people.

**Table 4.5: Educational Qualification**

<table>
<thead>
<tr>
<th>Age</th>
<th>Access</th>
<th>UBA</th>
<th>ECO</th>
<th>Diamond</th>
<th>Fidelity</th>
<th>Freq.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Senior</td>
<td>Junior</td>
<td>Senior</td>
<td>Junior</td>
<td>Senior</td>
<td>Junior</td>
<td>Senior</td>
</tr>
<tr>
<td>OND/NCE</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>B.Sc/HND</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>7</td>
<td>8</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>M.Sc/MBA</td>
<td>4</td>
<td>9</td>
<td>6</td>
<td>8</td>
<td>5</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>26</td>
<td>10</td>
<td>25</td>
<td>13</td>
<td>29</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Fieldwork 2013.

From Table 4.5, shows that 23% of the respondents hold OND/NCE, 49% of the respondents hold B.Sc/HND, and 28% of the respondents hold M.Sc/MBA. This shows that B.Sc/HND holders were more than the others.

**Hypothesis One**

**Ho:** Injection of fresh capital and mergers and acquisitions are not benefits from bank consolidation.

**H1:** Injection of fresh capital and merges and acquisitions are benefits from bank consolidation.
Table 4.6 What are the Benefits from Bank Consolidation

<table>
<thead>
<tr>
<th>Options</th>
<th>Agreement</th>
<th>Disagreement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Injection of fresh capital</td>
<td>167</td>
<td>29</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>(165)</td>
<td>(31)</td>
<td></td>
</tr>
<tr>
<td>2 Bank consolidation encourage merger and acquisition which boost the economy</td>
<td>164</td>
<td>32</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>(165)</td>
<td>(31)</td>
<td></td>
</tr>
<tr>
<td>3 Bank consolidation position banks to compete favourably in the international area</td>
<td>163</td>
<td>33</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>(165)</td>
<td>(31)</td>
<td></td>
</tr>
<tr>
<td>4 Bank consolidation increases opportunities to access more offshore line of credit to boost financing of local projects.</td>
<td>166</td>
<td>30</td>
<td>196</td>
</tr>
<tr>
<td></td>
<td>(165)</td>
<td>(31)</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>660</td>
<td>124</td>
<td>784</td>
</tr>
</tbody>
</table>

Source: fieldwork 2013

Table 4.7 Chi-Square Tests computed from the frequency cross tabulation

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>153.665(a)</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>168.203</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>52.110</td>
<td>1</td>
<td>.643</td>
</tr>
<tr>
<td>Association</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>784</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS Version 15.00.

Table 4.7 is the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies with the response options of agree to disagree based on the responses of the research subjects from five banks. Pearson Chi-Square computed value ($X^2_c = 153.665$) is greater than the Chi-Square tabulated value ($X^2_t =21.03$) with 12 degrees of freedom (df) at 0.05 level of alpha ($X^2_c =153.665$, p,< .05)
Decision Rule
The decision rule is to accept the alternate hypothesis if the computed Chi-Square value is greater than tabulated Chi-Square value otherwise reject the null hypothesis.

Decision
Since the Pearson Chi-Square computed $X^2_c = 153.665$ is greater than Chi-Square table value $X^2_t = 21.03$, the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that injection of fresh capital and mergers and acquisitions are the benefits from bank consolidation.

Hypothesis Two
Ho: Poor corporate governance, Insolvency and weak capital base are not challenges from bank consolidation.
H1: Poor corporate governance, Insolvency and weak capital base are challenges from bank consolidation.

Research Question 2: What are the challenges from bank consolidation?

Table 4.8: The Challenges from Bank Consolidation.

<table>
<thead>
<tr>
<th>Options</th>
<th>Agreement</th>
<th>Disagreement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Weak capital base pose constraint on bank consolidation</td>
<td>168 (172.75)</td>
<td>28 (23.25)</td>
<td>196</td>
</tr>
<tr>
<td>2 Poor corporate governance practices pose threat on bank consolidation</td>
<td>173 (172.75)</td>
<td>23 (23.25)</td>
<td>196</td>
</tr>
<tr>
<td>Over-reliance on public sector deposit is unhealthy situation for Bank consolidation</td>
<td>180 (172.75)</td>
<td>16 (23.25)</td>
<td>196</td>
</tr>
<tr>
<td>Insolvency reflect on the magnitude of non-performing risk assets was such that had eroded the shareholder funds of a number of banks</td>
<td>170 (172.75)</td>
<td>26 (23.25)</td>
<td>196</td>
</tr>
<tr>
<td>TOTAL</td>
<td>691</td>
<td>93</td>
<td>784</td>
</tr>
</tbody>
</table>

Source: fieldwork 2013
Table 4.9 Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>45.483(a)</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>44.700</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>.281</td>
<td>1</td>
<td>.596</td>
</tr>
<tr>
<td>Association</td>
<td>N of Valid Cases</td>
<td>784</td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS Version 15.00.

Table 4.9 is the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies with the response options of agree to disagree based on the responses of the research subjects from five banks. Pearson Chi-Square computed value ($X^2_c = 45.485$) is greater than the Chi-Square tabulated value ($X^2_t = 21.03$) with 9 degrees of freedom (df) at 0.05 level of alpha ($X^2_c = 45.483, p < .05$)

**Decision Rule**

The decision rule is to accept the alternate hypothesis if the computed Chi-Square value is greater than tabulated Chi-Square value otherwise reject the null hypothesis.

**Decision**

Since the Pearson Chi-Square computed $X^2_c = 45.483$ is greater than Chi-Square table value $X^2_t = 21.03$, the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that poor corporate government, insolvency and weak capital based are challenges from bank consolidation.
Hypothesis Three

H0: Job creation and saving culture are not the effects of Bank consolidation on the socio-economic development of Nigeria Bank.

H1: Job creation and saving culture are the effects of Bank consolidation on the socio-economic development of Nigeria Bank.

Research Question 3 what the effects of Bank consolidation

Table 4.10: Effect of Bank Consolidation.

<table>
<thead>
<tr>
<th>Options</th>
<th>Agreement</th>
<th>Disagreement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Employment generation</td>
<td>171 (176)</td>
<td>25 (20)</td>
<td>196</td>
</tr>
<tr>
<td>2 Bank consolidation promote innovation customer service delivery</td>
<td>186 (176)</td>
<td>10 (20)</td>
<td>196</td>
</tr>
<tr>
<td>Citizens empowerment and poverty reduction</td>
<td>170 (176)</td>
<td>26 (20)</td>
<td>196</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>527</td>
<td>61</td>
<td>784</td>
</tr>
</tbody>
</table>

Source: fieldwork 2013

Table 4.11 Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>79.176(a)</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>79.213</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>21.204</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>Association N of Valid Cases</td>
<td>784</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS Version 15.00.
Table 4.11 is the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies with the response options of agree to disagree based on the responses of the research subjects from five banks. Pearson. Chi-Square computed value \( X^2_c = 79.176 \) is greater than the Chi-Square tabulated value \( X^2_t = 21.03 \) with 9 degrees of freedom (df) at 0.05 level of alpha \( (X^2_c = 79.176, p,< .05) \)

**Decision Rule**
The decision rule is to accept the alternate hypothesis if the computed Chi-Square value is greater than tabulated Chi-Square value otherwise reject the null hypothesis.

**Decision**
Since the Pearson Chi-Square computed \( X^2_c = 79.176 \) is greater than Chi-Square table value \( X^2_t = 21.03 \), the null hypothesis is rejected and alternate hypothesis is accepted. Thus, we conclude that job creation and innovative customer service delivery are the effects of bank consolidation.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The result based on the descriptive statistics reveals the following:

1. Injection of fresh capital and mergers and acquisitions are benefits from bank consolidation ($X^2_c = 50.523 > X^2_t = 21.03$)
2. Poor corporate government, Insolvency and weak capital based are challenges from bank consolidation ($X^2_c = 45.483 > X^2_t = 21.03$)
3. Job creation and innovative customer service delivery are the effects of bank consolidation ($X^2_c = 79.176 > X^2_t = 21.03$)

5.2 CONCLUSION

Bank consolidation has been the major policy instrument being adopted in correcting deficiencies in the financial sector as well as accelerating the rate of growth in the sector. Bank consolidation stems from the need to resolve problems of financial distress in order to avoid systematic crises.

5.3 RECOMMENDATIONS

The study recommendations that:

1. Government should create awareness and inform the general public both local and international that Nigeria has strong and trustable banks, where citizens can keep their money without fear.
2. Governments should encourage more banks consolidation in order to promote strong and rich socio-economic development in the nation.
BIBLOGRAPHY


Dynamics of Branding: Case Study of the Nigerian Banking Sector. [http://www.adstratcom.net/articles-1.htm]


Dear respondent

I am a postgraduate student of the above mentioned university, currently conducting a research on the impact of bank consolidation on the socio- Economic development of Nigeria.

The research is strictly academic. It will be of immense assistance if answers to the questions in the questionnaire are given without bias. Your response will be treated with utmost confidentiality and will be used solely for the purpose of this research.

Thanks in anticipation of your special co-operation

Yours Faithfully,

Apanta Ikechukwu O.J
SECTION A

BIOGRAPHICAL QUESTIONNAIRE

Name of your school- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -

1  Sex (a) Male [ ]   (b) Female [ ]

2  Marital Status (a) single [ ] (b) Married [ ] (c) Widowed [ ]

3  Educational Qualification (a) OND/NCE (b) HND/BSC [ ] (c) MBA/MSC

4  Age (a) Under 30 years [ ]  (b) 31-40 years [ ]  (c) 41-50 years [ ]  (d) 51 years above [ ]

SECTION B

INSTRUCTION: please indicate your views about the statements by ticking the option which most closely matches your opinion. Use the responses of Strongly Agree (SA) = 5, Agree (A) = 4, Disagree (D) = 3, Strongly Disagree (SD) = 2.

<table>
<thead>
<tr>
<th></th>
<th>AS</th>
<th>A</th>
<th>UD</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To identify the benefits from bank consolidation.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Injection of fresh capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Bank consolidation encourage merger and acquisition which boost the economy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Bank consolidation position banks to compete favourably in the international arena</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Bank consolidation increases opportunities to access more offshore line of credit to boost financing of local projects.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>To identify the challenges from bank consolidation.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Weak capital base pose constraint on bank consolidation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Poor corporate governance practices pose threat on bank consolidation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7) Over-reliance on public sector deposite is unhealthy situation for bank consolidation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(8) Insolvency reflect on the magnitude of non-performing risk assets was such that had eroded the shareholder funds of a number of banks

<table>
<thead>
<tr>
<th>To determine the effects of bank consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(9) Employment generation.</td>
</tr>
<tr>
<td>(10) Bank consolidation promote innovative customer service delivery</td>
</tr>
<tr>
<td>(11) Citizens empowerment and poverty reduction</td>
</tr>
</tbody>
</table>