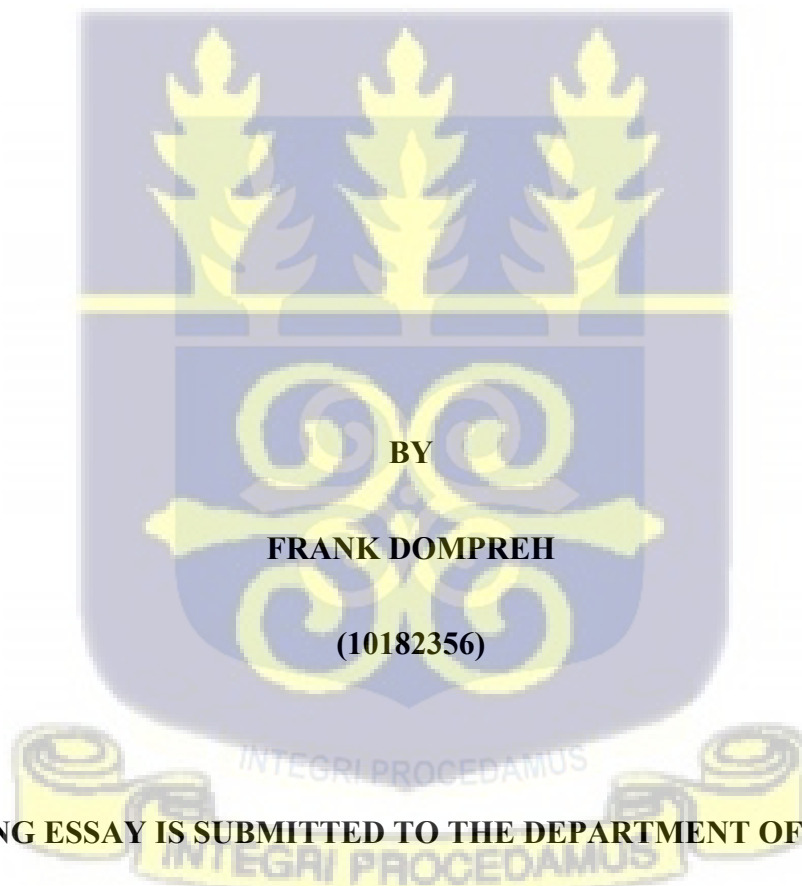


UNIVERSITY OF GHANA

**THE IMPACT OF MERGERS AND ACQUISITION IN THE BANKING INDUSTRY IN
GHANA.**



BY

FRANK DOMPREH

(10182356)

**THIS LONG ESSAY IS SUBMITTED TO THE DEPARTMENT OF FINANCE,
UNIVERSITY OF GHANA BUSINESS SCHOOL, LEGON, IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION DEGREE, FINANCE**

SEPTEMBER, 2020

DECLARATION

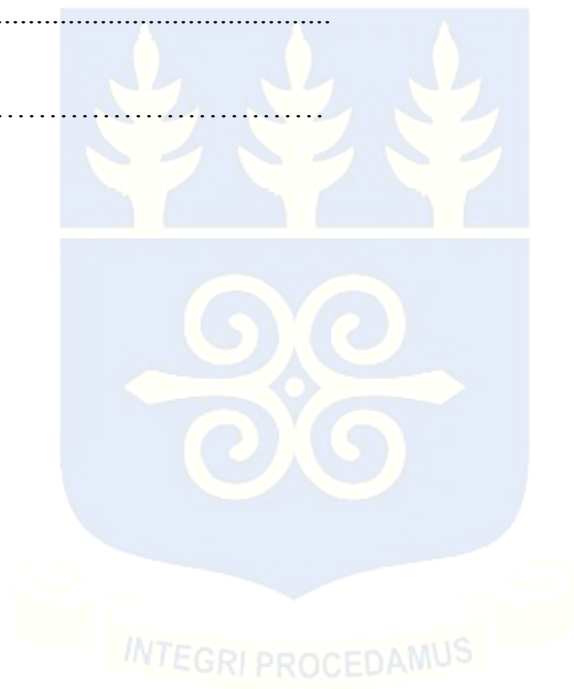
I, hereby declare that apart from references to other people which have been duly cited, this project work is as a result of my own work, and that it has not been presented anywhere for any academic purpose in its entirety.

Candidate's Name: Frank Dompseh

Index Number: 10182356

Signature:

Date:



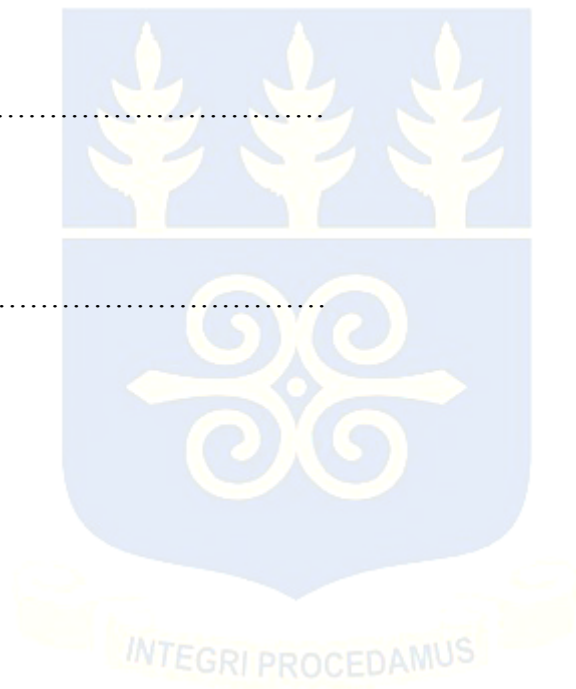
CERTIFICATION

I, hereby declare that the preparation and presentation of this long essay was supervised by me in accordance with the guidelines and supervision on long essays laid down by the University of Ghana.

Supervisor's Name: Dr. Lordina Amoah

Signature:

Date:



DEDICATION

To my wife, Mrs. Hilda Afun Dompseh; for your many sacrifices and encouragement throughout the years. Thank you for all the prayers and support.



ACKNOWLEDGEMENTS

To the numerous people who have assisted in divers ways to enable me complete my project work I say a big thank you but the below are worth mentioning.

First of all to my supervisor and coach Dr. Lordina Amoah whose guidance and coaching has brought this work to a successful completion despite the challenges of COVID-19.

Again to Dr. Edward Asiedu of University of Ghana Business School for your assistance and guidance through seminar II presentations and constructive feedback.

Also to Mr. John Batsa Madjitey of Ecobank Ghana and Mr. Isaac Fiifi Quarthey of Fidelity Bank Ghana for your support in divers ways concerning this project.

Finally to all my wonderful lecturers, family members and friends for their encouragements, tolerance and desire to see me fulfill my academic goals.

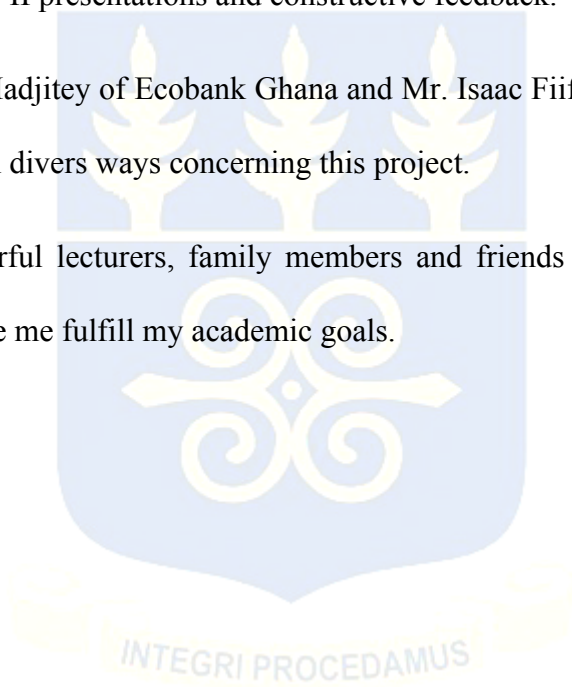


TABLE OF CONTENTS

DECLARATION	i
CERTIFICATION.....	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABSTRACT.....	xii
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background to the study	1
1.2 Statement of the Problem	2
1.3 Study Objective	3
1.4 Research Questions.....	4
1.5 Significance of the Study.....	4
1.6 The scope of the study	5
1.7 Limitation and Delimitation	5
1.8 Organization of the study	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1 Overview of Concept.....	7
2.1.1 Definition of Mergers and Acquisitions	7

2.1.2 Types of Mergers and Acquisitions.....	7
2.1.3 Stages of Mergers and Acquisition.....	8
2.1.4 Reasons for Mergers and Acquisitions.....	10
2.2 Theoretical Literature	11
2.2.1 Disciplinary Mergers Theory.....	11
2.2.2 Efficiency Theory.....	12
2.2.3 Monopoly Theory.....	12
2.2.4 Transaction Cost Theory	12
2.2.5 Industry Shock Theory.....	13
2.3 Empirical Literature.....	13
CHAPTER THREE	17
METHODOLOGY	17
3.1 Research Approach/Design.....	17
3.2 Sample Size.....	17
3.3 Sampling Technique.....	18
3.4 Data.....	18
3.5 Data Source.....	18
3.6 Data Analysis.....	19
3.7.1 PROFITABILTY RATIOS	19
3.7.2 EXPENSE RATIO	20
3.7.3 LIQUIDITY RATIOS	21
3.7.4 INVESTMENT RATIO	22
3.7.5 SOLVENCY RATIOS (LEVERAGE RATIOS).....	22

3.7.6 GROWTH RATIOS	23
CHAPTER FOUR.....	25
ANALYSIS OF DATA AND PRESENTATION OF RESULTS	25
4.1 Introduction	25
4.2 Financial Performance of the Bank Before and After Acquisition	25
4.3 Discussion of Results	30
4.3.1 Profitability Ratio.....	30
4.3.2 Expense Ratio	36
4.3.3 Liquidity Ratio	40
4.3.4 Investment Ratio.....	48
4.3.5 Solvency Ratio.....	52
4.2.6 Growth Ratio.....	60
CHAPTER FIVE.....	76
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	76
5.1 Introduction	76
5.2 Summary.....	76
5.3 Conclusion.....	81
5.4 Recommendations	82
REFERENCES.....	83

LIST OF TABLES

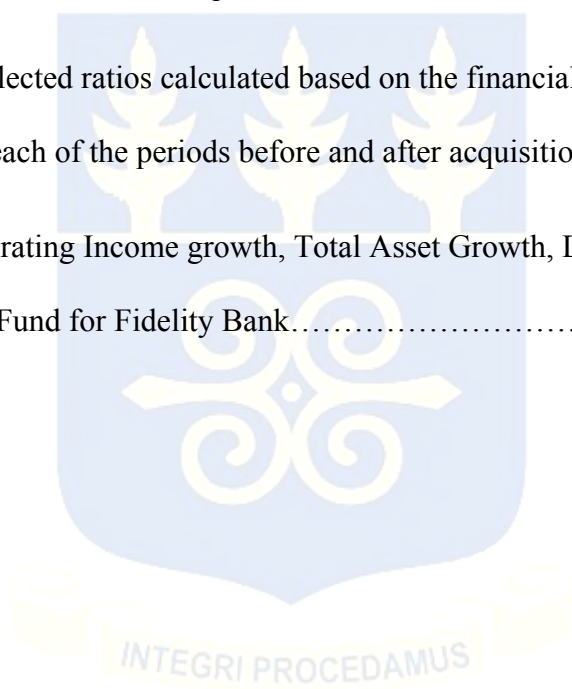
Table 4.2: Selected ratios calculated based on the financial statement of Ecobank (2009 to 2015) for each of the periods before and after acquisition..... 26

Table 4.3: Selected ratios calculated based on the financial statement of Fidelity Bank (2011 to 2017) each of the periods before and after acquisition..... 27

Table 4.4: Selected items from the financial statements of Ecobank (2009to 2015) and FBN Bank for each of the periods before and after acquisition..... 28

Table 4.5: Averages of selected ratios calculated based on the financial statement of Fidelity Bank (2011 to 2017) for each of the periods before and after acquisition.....28

Fig 4.38 Averages of Operating Income growth, Total Asset Growth, Deposit Growth and Growth In Shareholder’s Fund for Fidelity Bank.....67

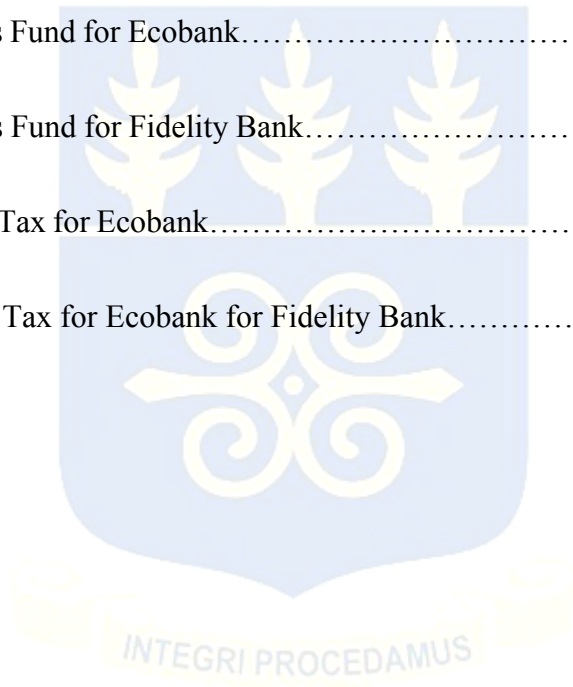


LIST OF FIGURES

Figure 4.1: Net Profit Margin and Return on Capital Employed for Ecobank.....	30
Figure 4.2: Net Profit Margin and Return on Capital Employed for Fidelity Bank.....	31
Figure 4.3: Return on Asset for Ecobank.....	32
Figure 4.4: Return on Asset for Fidelity Bank.....	33
Figure 4.5: Averages of Net profit Margin, ROCE and ROA for Ecobank.....	34
Figure 4.6: Averages of Net profit Margin, ROCE and ROA for Fidelity Bank.....	35
Figure 4.7: Expense to Income Ratio for Ecobank.....	36
Figure 4.8: Expense to Income Ratio for Fidelity Bank.....	37
Figure 4.9: Averages of Expense to Income Ratio for Ecobank	38
Figure 4.10: Averages of Expense to Income Ratio for Fidelity Bank.....	39
Figure 4.11: Capital Adequacy and Non-Performing loans for Ecobank.....	40
Figure 4.12: Capital Adequacy and Non-Performing loans for Fidelity Bank.....	41
Figure 4.13: Loan to Deposit Ratio for Ecobank.....	42
Figure 4.14: Loan to Deposit Ratio for Fidelity Bank	43
Figure 4.15: Averages of Capital Adequacy and Non –Performing loans Ratio for Ecobank.....	44
Figure 4.16: Averages of Capital Adequacy and Non –Performing loans Ratio for Fidelity.....	45
Figure 4.17: Averages of Loan to Deposit Ratio for Ecobank	46
Figure 4.18: Averages of Loan to Deposit Ratio for Fidelity Bank.....	47

Figure 4.19: Earning Per Share for Ecobank.....	48
Figure 4.20: Earning Per Share for Fidelity Bank.....	49
Figure 4.21: Averages of Earning Per Share for Ecobank	50
Figure 4.22: Averages of Earning Per Share for Fidelity Bank	51
Figure 4.23 Interest Coverage Ratio for Ecobank.....	52
Figure 4.24 Interest Coverage Ratio for Fidelity Bank.....	53
Figure 4.25 Debt Ratio for Ecobank.....	54
Figure 4.26 Debt Ratio for Fidelity Bank.....	55
Figure 4.27 Averages of Interest Coverage Ratio for Ecobank.....	56
Figure 4.28 Averages of Interest Coverage Ratio for Fidelity Bank.....	57
Figure 4.29 Averages of Debt Ratio for Ecobank	58
Figure 4.30 Averages of Debt Ratio for Fidelity Bank.....	59
Figure 4.31 Operating Income Growth and Total Asset for Ecobank.....	60
Figure 4.32 Operating Income Growth and Total Asset for Fidelity Bank.....	61
Figure 4.33 Deposit Growth for Ecobank.....	62
Figure 4.34 Deposit Growth for Fidelity Bank.....	63
Figure 4.35 Growth in Shareholder’s Fund for Ecobank.....	64
Figure 4.36 Growth in Shareholder’s Fund for Fidelity Bank.....	65

Figure 4.37 Averages of Operating Income Growth, Total Asset Growth, Deposit Growth and Growth In Shareholder’s Fund for Ecobank.....	66
Figure 4.38 Averages of Operating Income Growth, Total Asset Growth, Deposit Growth and Growth In Shareholder’s Fund for Fidelity Bank.....	67
Figure 4.39 Operating Income, Total Asset and Deposit Ratio for Ecobank.....	68
Figure 4.40 Operating Income, Total Asset and Deposit Ratio for Fidelity Bank.....	69
Figure 4.41 Shareholder’s Fund for Ecobank.....	71
Figure 4.42 Shareholder’s Fund for Fidelity Bank.....	72
Figure 4.43 Profit Before Tax for Ecobank.....	73
Figure 4.44 Profit Before Tax for Ecobank for Fidelity Bank.....	74



ABSTRACT

This project work looked at the impact of mergers and acquisitions in the banking industry in Ghana using Ecobank's acquisition of The Trust Bank (TTB) and Fidelity Bank's acquisition of Procredit Saving and Loans Limited as case studies.

Financial Statements of acquiring entities were analyzed prior to acquisition and also after their respective acquisitions with the year of acquisition being included in the analysis. The results indicated an overall improvement in the post-acquisition ratios for the majority of the ratios computed for Ecobank with a decline in the capital adequacy ratio.

However for Fidelity bank's acquisition of Procredit Savings and loans, half of the post-acquisition ratios computed showed a decline while the other half showed general post acquisition improvement. There was a great improvement in the Net profit margin, loan to deposit ratio, interest coverage ratio and income growth for Ecobank while Fidelity Bank recorded a massive increment in its capital adequacy ratio and interest coverage ratios respectively.

The study concluded with a summary, conclusion and recommendations on how the positive effects of mergers and acquisitions on the financial performance of banks could be maximized.

Keywords: Synergies, Merger, Acquisition, Ecobank Ghana Limited, Fidelity Bank, banking.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The concept of mergers and acquisitions (M&A) dates back to time immemorial. Businesses in different sectors engage in strategic mergers and acquisitions to enhance synergy or to achieve specific financial goals either in the form of cost saving or economies of scale (Gaughan, 2010).

Mergers and acquisitions are understood to be major financial breakthrough for businesses with financial challenges but that is not always the case. In most instances, mergers and acquisitions allows two companies with comparative advantages in certain areas to join efforts and put together their comparative advantages so that they can become one and take a leading control in the industry. A large number of foreign and local banks all over the world are engaged in merger and acquisition activities. Over the last decade, the financial sector of Ghana's economy has seen a number of mergers and acquisitions specifically within the banking space.

Mergers and acquisitions in the banking sector are forms of horizontal merger in that companies are involved in similar type of business or commercial activities. In some instances, non-bank financial institutions are also merged with other banks if they performed similar type of service.

Globalization, regulation, privatization and relaxation of controls have triggered unprecedented upsurge in cross and within border M&A by Ghanaian companies. Ghana's financial sector has witnessed a lot of mergers and acquisitions which changed the ownership structure of banks in Ghana, especially Ghanaian banks from local to foreign banks. The immense change of ownership structure of most of these banks, as can be noticed, were motivated by the Bank of Ghana's regulations concerning the change in banks' operating in Ghana's minimum capital requirement.

In 2003, the Central bank of Ghana instructed all commercial banks to raise their capital to a minimum of GH¢7 million to improve their capital base. In 2008, it increased same to ¢60 million all in an effort to make the banks stronger against unforeseen or expected losses and in 2013, this figure was further increased to GH¢120 million. Recently, the figure have risen as the Central bank pegs it minimum capital requirement to GH¢400 million.

Strategically, the main reason for this exercise by the Bank of Ghana is to protect depositor's funds. After these increments, some of the banks who could not meet the deadline resorted to mergers and acquisitions in order to comply with the Bank of Ghana's directive. Also, other big banks sought to consider the unreachable niche and hence will also go in for the synergy. This is to facilitate their growth and increase in market share. For this reason, the study seeks to comparatively provide the impact mergers and acquisition have on bank performance.

1.2 Statement of the Problem

Despite the fact that mergers and acquisitions are largely recognised to assist companies in their expansionary effort as a corporate strategy; by providing them with lots of positive opportunities, it has also been discovered by some empirical researchers that mergers and acquisitions also come along with some challenges.

Some of the challenges cited by Šević (1999) advanced that M&As may fail due to the over-promising expectations of the benefits and misconception of post integration challenges such as difficulty in finding market, technology issues and business culture clashes. Entities which have undergone M&As are likely not to perform up to their optimum and are at future periods combined or acquired by a different acquirer in another merger or acquisition agreement. Ghana's banking industry is no exception (Case of UT and BPI Bank). According to Petit and Ferris (2013), acquisitions fail for different reasons, but one recurrent theme is that acquirers overpay for the

target and they overestimate either the target's value, the expected synergies associated with the acquisitions or both.

Healy, Palepu and Ruback (1992) established in their research that the merged companies recorded an improvement in performance during post-merger periods in connection to that of their industry peers. The development was attributed to increase in their asset productivity.

Ikeda and Do (1983) also pointed out some merits when they concluded in their research after testing criteria such as efficiency, profitability, growth, research and development discovered that the financial performance in relation to profitability was higher during the post-merger period for the merged firm.

The study is therefore motivated by the above mentioned problems to investigate into the mergers and acquisitions that have occurred in the Ghanaian financial sector.

1.3 Study Objective

In general, the study seeks to provide an analysis of the impact of mergers and acquisition on the performance in the banking industry in Ghana and specifically:

1. To analyse the financial performance of the acquiring bank before and after acquisition of the target bank.

1.4 Research Questions

1.4 As established by the research problem, the study compares the evaluation strategies in the mergers and acquisition between two selected banks. With this, the researcher is motivated to ask the following questions;

1. What was the financial performance of the acquiring bank before acquisition of the target bank?
2. What was the financial performance of the acquiring bank after acquisition of the target bank?
3. To what extent have mergers and acquisitions impacted on the financial performance of banks in the Ghanaian banking industry?

1.5 Significance of the Study

The significance of the study can be seen along the following lines: research, practice and policy. In research, this study will help identify some key and strategic impact on performance of exclusively prominent banks in Ghana through mergers and acquisitions.

For policy, the study will help identify specific policies to put in place to ensure that the focus banks in Ghana as well as the Central Bank of Ghana are comfortable and sound to deliver the required services for growth within the industry.

For practice, the study will help provide the means of implementing the various policies formulated and also ensure that the required results are achieved. This will also serve as a source of information to academia, policy makers and industry participants in their bid to investigate the comparative analysis between banks in mergers and acquisitions.

1.6 The scope of the study

The study limited its scope to two main banks which have been involved in mergers and acquisition in Ghana, that is Fidelity bank's acquisition of ProCredit savings and loans in 2014 and Ecobank Ghana Limited's acquisition of The Trust Bank in 2012, all within Accra. Secondary data would mainly be collected from both companies from their annual reports.

1.7 Limitation and Delimitation

Tight academic schedule coupled with the time frame allotted for the study is limited, but efficient time management was be employed.

Financial constraints in the form of printing of questionnaires, paying fees of data collection personnel among others with no form of research funding from external sources will hinder the depth and breadth of the research.

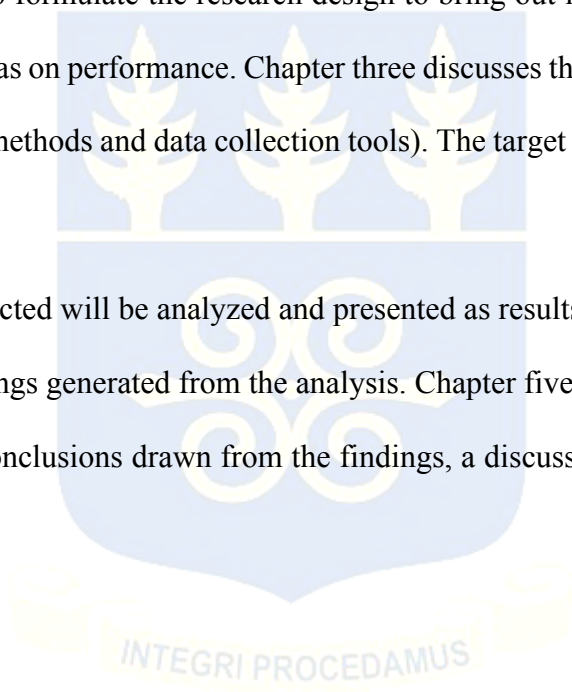
Also, access to data from some of the management members within the institutions in the research location was not readily available as some information may be treated confidential and have limited accessibility to the public. All through these, the researcher did his best to get adequate amount of information to help facilitate the progress of the study.

1.8 Organization of the study

Chapter one presents the introduction, statement of the problem, research objectives and research questions significance of the study and limitations of the study.

Chapter two provides a review of the literature on works done by other researchers in this field. This will help to solicit for ideas from previous researches and have an in-depth understanding in this field; and also help to formulate the research design to bring out issues regarding the impact mergers and acquisition has on performance. Chapter three discusses the methods that will be used to gather data (sampling methods and data collection tools). The target group for this research will also be discussed.

In chapter four, data collected will be analyzed and presented as results of the study. This chapter will also present the findings generated from the analysis. Chapter five will contain a summary of the study and findings, conclusions drawn from the findings, a discussion, and recommendations for further study.



CHAPTER TWO

LITERATURE REVIEW

2.1 Overview of Concept

2.1.1 Definition of Mergers and Acquisitions

Transactions between two entities which involve the exchange of shares with only one firm remaining is referred to as mergers according to Umar (2009). The combination of two or more businesses into one entity was the definition of merger given by Anthony (2008).

The result of merger is legal non-existence of one firm after the convergence of two or more entities to form one entity was a description given by DePamphilis (2011). His definition of merger was supported by Sudarsanam (1995), who defined merger as the coming together of two firms to form a third firm; and with the owners of the two entities become joint owners of the new business.

2.1.2 Types of Mergers and Acquisitions

Mergers and Acquisition can take place in various forms. Some of the well-known forms have been highlighted in the works of Roberts et al (2010) and DePamphilis (2011). According to them, there exists three types of mergers and acquisitions; and these are:

- i. Vertical Integration
- ii. Horizontal Integration
- iii. Conglomeration

Roberts et al (2010) referred to Vertical Integration as a form of merger or acquisition in which the acquiring entity merges or acquires a specialized firm within its supply chain. This is done with the aim of reducing the cost of production. There exist two forms of Vertical Integration and these are

- i. Forward integration
- ii. Backward integration

Mergers which often takes place between competing businesses where the target business operates within the same industry as the acquiring firm is referred to as Horizontal Integration according to Roberts et al (2010).

On the other hand, mergers which often takes place between unrelated businesses where the target business operates within and unrelated industry as the acquiring firm is referred to as Conglomeration according to DePamphilis (2011).

2.1.3 Stages of Mergers and Acquisition

As indicated by Sudarsanam (2003), mergers and acquisition is a process and not an event. He identified the stages involved in the merger or acquisition of a business. Below are the stages he identified:

- i. Development of Corporate Strategy
- ii. Organizing for Acquisitions
- iii. Negotiation and the Structuring of Deal
- iv. Post-Acquisition Integration
- v. Post-Acquisition Audit and Organizational Learning

According to Sudarsanam (2003), Development of Corporate Strategy is the first stage involved in the merger and acquisition process. This involves the maximization of shareholders value through the optimization of the firm's current portfolio. The aim of this stage is to increase the firm's market share, benefit from economies of scale and internalize of vertically-linked operational activities in order to reduce cost.

Organizing for Acquisitions is the second stage of the merger and acquisition process. According to Sudarsanam (2003), this stage involves the scanning of the industry for potential target firms. SWOT analysis is conducted at this stage to identify potential target firms and assess whether the acquiring firm will benefit from such a merger or acquisition.

The third stage of the merger and acquisition process which is Deal Structuring and Negotiations, according to Sudarsanam (2003) involves the contacting of selected potential target firms to structure a deal and negotiate of various terms and conditions through the presentation of a merger or acquisition proposal. This stage goes through the following processes:

- Determining of the value of the target firm
- Choosing advisors to assist with the structuring and negotiations of the deal
- Gathering of intelligence about the target firm and analyze your findings
- Conducting of Due diligence
- Negotiating for the position of senior management for both firms within the context of a post-merger deal
- Developing appropriate bid and defense strategy within the regulatory regime

Sudarsanam (2003) referred to the fourth stage as the Post-Acquisition Integration stage. According to him, it involved the integration of systems, processes, strategy and people of all firms involved in the merger or acquisition. This is to ensure that the merged firm is ready to deliver on the targets and aspirations of shareholders.

The Post-Acquisition Audit and Organizational Learning was recognized as the last stage in the merger and acquisition process according to Sudarsanam (2003). Focusing on the auditing of the merged or acquired firm's books to ascertain the true financial position of the merged or acquired

firm is the aim of this stage. At this stage, trainings are organized for employees of the newly merged firm to ensure a better understanding of how to use the newly merged firm's systems.

2.1.4 Reasons for Mergers and Acquisitions

Mergers and acquisitions take place for different reason. The rationale behind a firm taking the decision to either merge or acquire another firm has been categorized into four (4) different reasons. These according to Roberts et al (2011) are the identified as follows:

- i. Speculative Reason
- ii. Financial Necessity Reason
- iii. Political Reason
- iv. Management Failure Reason

A situation where the acquiring firm perceives the target firm as a commodity is identified to by Roberts et al (2011) as a Speculative Reason why a merger or acquisition will take place. According to them, the acquiring firm approaches the target firm based on the perceived benefits to be derived from the merger or acquisition.

Financial Necessity is another reason identified by Roberts et al (2011) for mergers and acquisitions taking place. Mergers and acquisitions of this nature take place due to the financial distress experienced by the target firm. This puts the target firm in a position where it has no other choice but to allow itself to be merged or acquired by an acquiring firm with a solid financial background.

Some mergers and acquisitions according to Roberts et al (2011) can be politically motivated. An example is a situation where directives given by the governing authority within an industry affect

the operations of the target firm and threatens its existence. The target firm is left with no other choice but to either merge or be acquired in order to save the business from total collapse.

Management Failure identified by Roberts et al (2011) could lead to a merger or an acquisition. According to them, an attempt by shareholders of the target firm to change the management team of their business for failing to meet their expectations can trigger a merger or an acquisition process. This is referred to as a punitive measure against management of the target firm for failing to perform.

2.2 Theoretical Literature

Many theories have been propounded by researchers into why mergers and acquisitions take place within and across industries. But this study seeks to discuss about five of these theories and they are as follows:

- i. Disciplinary Mergers Theory
- ii. Efficiency Theory
- iii. Monopoly Theory
- iv. Transaction Cost Theory
- v. Industry Shock Theory

2.2.1 Disciplinary Mergers Theory

The theory of Disciplinary Mergers is of the view that mergers and acquisitions are allowed by shareholders as a way of instituting disciplinary actions against managers who acted in their personal interest rather than that of the shareholders. These type of mergers and acquisitions are done to serve as a deterrent to other managers who intend on seeking their own interest in any

transaction rather than that of shareholders. Based on this, managers are then forced to take decisions that will allude to the benefit of shareholders rather than themselves.

2.2.2 Efficiency Theory

This theory is of the view that the combination or transfer of assets of two separate firms leads to an operational synergy which lowers cost of transacting business as well as the offering of new and unique products and services by the merged firm. Porter (1985) discovered that financial operational synergy arises from the combination of the operation or knowledge transfer of two separate units.

2.2.3 Monopoly Theory

This theory which was propounded by Edwards (1955) is of the view that mergers and acquisitions take place solely for the purpose of gaining market power. This can be done through the tacit collusion with competitors from different markets.

2.2.4 Transaction Cost Theory

This theory developed by Coase (1937) assumes that mergers and acquisitions take place as a result of firms' intention to reduce cost of production. By this, the firm tends to merge or acquire other firms that supply them with a particular input in their production process. This is to ensure that the cost involved in procuring that input is eliminated or reduced to its barest minimum. This type of merger or acquisition is referred to as vertical merger or acquisition.

2.2.5 Industry Shock Theory

The Industry Shock theory is of the view that mergers and acquisitions do not take place amongst firms because they desire to, but rather due to changes in the industry they find themselves. Such changes include regulations, cost of inputs, increased competition and technological innovation. These changes drive mergers and acquisitions within the industry as and when they become necessary. According to Mitchell and Mulherin (1996), corporate takeovers are the least costly means for an industry to restructure in response to the changes associated with economic shocks as the post-takeover performance of these firms do not necessarily improve, compared to their pre-industry shock performance.

In view of the above theories and for the purpose of this research, the efficiency and transaction theories are directly related to my research.

2.3 Empirical Literature

Different discoveries and findings have been drawn regarding the effect of mergers and acquisitions on the financial performance of businesses. This is as a result of these researches taking place in different geographical locations and sectors of the economy. Discoveries made by some researchers have been outlined below:

A research steered by Kilelo (2013) delving further into the impact of mergers and acquisition in the banking industry in Kenya, discovered that the rationale behind most banks venturing into mergers and acquisitions was basically to improve upon their capital base, target market and returns on their investments; while using mergers and acquisitions as an avenue to enter the banking industry.

Badreldin and Kalhoefer (2009) carried out a research on Egyptian banks faced with mergers or acquisitions during the era of 2002 to 2007. In its finality, there was an improvement in the financial performance of banks during the post-merger periods compared to the pre-merger periods.

Whereas, Sufian (2004) carrying out his investigation into mergers and acquisitions of banks in Malaysia in relation to its efficiency effects concluded that there was an upsurge of the banks' efficiency during the post-merger periods. Kooli and L'Her (2004) revealed that firms in Canada that acquired other entities considerably fail during a review of their 3-year post merger and acquisition financial performance.

Misigah (2013) further revealed there was a substantial growth in shareholder's value after the merger. His study was on the effect of mergers and acquisitions on fifteen banks between the periods of 2000 to 2010.

The conclusion that many of the local mergers showed a substantial advancement in their cost efficiency while showing slight improvement in their profitability and with cross border mergers on the other hand showing little and no improvement in their profitability and cost efficiency respectively drawn by Rhoades (1993) was based on a research conducted on the impact of mergers in the banking industry on efficiency and profitability by considering both the domestic and cross border mergers.

An investigation into the effects of mergers and acquisitions on the financial performance of insurance companies in Kenya was a research work done by Ndora (2010). From the analysis of his data, there was an advancement in the financial performance of the firms during the post-merger periods in relation to the pre-merger periods.

Tuni (2011) on examining the impacts of mergers and acquisitions on the financial performance of financial institutions in Kenya suggested after his analysis of the data gathered that there existed an improvement in the financial performance of these institutions in relation to return on asset, return on equity and earnings per share.

After the analysis of his data to determine the impact of mergers and acquisitions on the operational aspects of publicly traded firms in China, Jin (2004) concluded that total revenue, return on assets and profit margins displayed an improvement in their performance during the post-merger periods.

The impact of mergers and acquisitions on six commercial banks in Indonesia was a research conducted by Viverita (2008). He discovered through mergers and acquisitions, the six banks under study experienced an increase in their profits.

After examining mergers and acquisitions in the Nigerian Banking industry from his analysis of the data gathered, Alao (2010) concluded that there existed a substantial gain in mergers and acquisitions through economic efficiency and as such did not lead to a waste of resources.

Selvam (2009) on sampling thirteen companies from the total number of companies engaged in mergers or acquisitions listed on the Bombay Stock Exchange and aggregating the data for the period of 2002-2005, discovered that the liquidity performance of the firms engaged in the merger and acquisition process saw an improvement during the post-merger and acquisition periods..

Emumilade (2010) examined the effects of mergers and acquisitions on the efficiency of financial intermediation in the Nigerian Banking industry. From the analysis of his data, it was discovered that there was an improvement in the competitiveness and operational efficiency of borrowing and lending within the Nigerian Banking industry post mergers and acquisitions.

It is more financially efficient during post-merger and post-acquisition periods relative to pre-merger and pre-acquisition periods. This was a discovery made by Okpanachi (2011) in his study of the comparative analysis of the impact of mergers and acquisitions on the financial efficiency of banks in Nigeria.

Seidu (2008) in his study of the effect of mergers and acquisitions on the corporate financial performance of Guinness Ghana Breweries Limited discovered that the only advantage accrued from the merger was an improvement in the earnings per share and profit of the firm during the three-year post-merger period.



CHAPTER THREE

METHODOLOGY

This chapter will consider the research design, population of the study, the sample size, the sampling technique, justification of the sample, data source and data analysis.

3.1 Research Approach/Design

In this study, the researcher used a quantitative design and adopted a descriptive statistics approach in the analysis of the gathered data. The descriptive statistics method was adopted because the researcher aimed to gather information in relation to events and phenomenon.

In the history of the Ghanaian banking industry, several mergers and acquisition have taken place. Some recent mergers that took place were Fidelity Bank and ProCredit Savings and Loans, Ecobank Ghana Limited and The Trust Bank, Access Bank and Intercontinental Bank, Merchant Bank and Universal Merchant Bank (Fortis), First National Bank (FNB) and GHIL Bank, OmniBank and BSIC Bank, First Atlantic Bank and Energy Commercial Bank and First Bank of Nigeria (FBN Bank Ghana Limited) and International Commercial Bank.

3.2 Sample Size

The researcher used the criteria which focused on mergers and acquisitions that had a pre and post-merger period of 3 years or more. Four (4) mergers and acquisitions out of the total population of eight (8) met the criteria for selection by this study. The following mergers and acquisitions out of the total population of eight (8) met the set criteria. These are as follows: Fidelity Bank and ProCredit Savings and Loans, Ecobank Ghana Limited and The Trust Bank, Access Bank and Intercontinental Bank and First Bank of Nigeria (FBN Bank Ghana Limited) and International Commercial Bank. Out of the four (4) that qualified, the researcher selected Fidelity Bank and

ProCredit Savings and Loans and Ecobank Ghana Limited and The Trust Bank acquisitions as samples for the study.

3.3 Sampling Technique

The researcher employed a purposive sampling technique in order to enable the researcher discover the impact of mergers and acquisition on the performance of two merged banks as well as a merger between a commercial bank and a savings and loans company.

The selected banks used as samples were chosen on the basis of their tier within the Ghanaian banking industry. This was to derive a conclusion different from the usual; where the merged banks were from the same tier. Fidelity Bank, Ecobank Ghana Limited and The Trust Bank belong to the commercial bank tier; whereas, ProCredit Savings and Loans company belonged to the savings and loans tier.

3.4 Data

The researcher employed secondary data in data collection for the study. Relevant information needed for the study were in the published financial statement of the selected banks for the periods under review.

3.5 Data Source

The source of data for this research was the financial statements of Fidelity Bank and Ecobank Ghana Limited. The financial statements for Ecobank Ghana Limited covered the periods 2009 to 2015 and that of Fidelity Bank covered the periods 2011 to 2017.

3.6 Data Analysis

The researcher will analyze the data gathered from the financial statement of Fidelity Bank and Ecobank Ghana Limited using financial ratios spanning a seven-year period. This represents a three (3) year pre-acquisition period and a three (3) year post-acquisition period; with the acquisition period included as well.

Six (6) financial ratios will be adopted by the researcher to analyze the trend in the financial performance of the sampled bank for the pre and post-acquisition periods. The financial ratios are as follows:

- i. Profitability Ratios
- ii. Expense Ratios
- iii. Liquidity Ratios
- iv. Investment Ratios
- v. Solvency Ratios
- vi. Growth Indicators



3.7.1 PROFITABILITY RATIOS

Profitability ratio measures the ability of a firm to generate profit in relation to their revenues, assets, operating costs and shareholders' equity during a given period.

The ratios used for the measure of the bank's profitability includes:

- Net Profit Margin
- Return on Capital Employed (ROCE)
- Return on Assets (ROA)

- Net Profit Margin

The Net Profit Margin is a measure of the net profit of a firm in relation to its generated revenues over a given period.

$$\text{Net Profit margin} = (\text{Profit After Tax (PAT)}/\text{Gross Revenue}) * 100$$

- Return on Capital Employed (ROCE)

The Return on Capital Employed ratio measures the profitability of a firm in relation to the efficiency with which the firm's capital was used over a given period.

$$\text{ROCE} = \text{Earnings Before Interest and Tax (EBIT)}/\text{Capital Employed}$$

- Return on Assets (ROA)

The Return on Assets ratio measures the proportion of the firm's profitability that was generated from its assets over a given period.

$$\text{ROA} = \text{Profit Before Tax (PBT)}/\text{Average Total Asset}$$

3.7.2 EXPENSE RATIO

The Expense Ratio is a financial ratio that is used in the measurement of how much of a firm's assets are used for administrative and other operating expenses during a given period. The ratio used for the measure of the bank's expense ratio is the Operating Expense Ratio (OER).

- Operating Expense Ratio (OER)

The Operating Expense Ratio is a measurement of the cost associated with operating a firm in relation to revenue generated over a given period.

$$\text{OER} = (\text{Total Operating Expense} - \text{Depreciation}) / \text{Gross Revenue}$$

3.7.3 LIQUIDITY RATIOS

The Liquidity Ratios are used by financial analysts to measure the capacity of a firm to pay off its current debt obligations without raising external capital during a given period.

The ratios used for the measure of the bank's liquidity includes:

- Loan to Deposit Ratio
- Capital Adequacy Ratio (CAR)
- Non-Performing Loan Ratio
- Loan to Deposit Ratio

The Loan to Deposit Ratio according to financial analysts, measures a bank's liquidity through the comparison of the bank's total loans in relation to its total deposits over a given period.

$$\text{Loan to Deposit Ratio} = \text{Total Loans} / \text{Total Deposit}$$

- Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio of a bank is said to measure a bank's available capital expressed as a percentage of its risk-weighted credit exposures over a given period.

$$\text{CAR} = (\text{Tier 1 Capital} + \text{Tier 2 Capital}) / \text{Risk Weighted Assets}$$

- Non-Performing Loan Ratio

Non-Performing Loan Ratio of a bank measures the proportion of the bank's gross loans that are classified as non-performing after defaulting for a number of days within a given period.

$$\text{Non-Performing Loans} = \text{Non Performing Loans} / \text{Gross Loans}$$

3.7.4 INVESTMENT RATIO

An Investment Ratio is a financial ratio that is used in accessing how a firm's shares are performing during a given period. The ratio used for the measure of the bank's investment ratio is the Earnings per Share (EPS).

- Earnings per Share (EPS)

The Earnings per Share ratio is used to measure the proportion of an entity's profit allocated to ordinary shares over a given period.

$$\text{EPS} = (\text{Net Income} - \text{Preferred Dividends}) / \text{Common Shares Outstanding}$$

3.7.5 SOLVENCY RATIOS (LEVERAGE RATIOS)

Solvency Ratios are said to be financial ratios used to measure the ability of a firm to meet its total financial obligations during a time frame.

The ratios used for the measure of the bank's solvency includes:

- Interest Coverage Ratio (ICR)

- Debt Ratio
- Interest Coverage Ratio (ICR)

The Interest Coverage Ratio measures how firms pay interest on its outstanding debt over a given period.

$$\text{ICR} = \text{Earnings Before Interest and Taxes (EBIT)} / \text{Interest Expense}$$

- Debt Ratio

Debt Ratio is known as a measure of the extent of a company's leverage over a given period.

$$\text{Debt Ratio} = \text{Total Debt} / \text{Total Assets}$$

3.7.6 GROWTH RATIOS

Growth Ratios are financial ratios used to measure how a firm is growing in respect to various parameters during a given period.

The ratios used for the measure of the bank's growth includes:

- Operating Income Growth
- Total Asset Growth
- Deposit Growth
- Growth in Shareholders' Funds
- Operating Income Growth (OIG)

Operating Income Growth Ratio measures a bank's income growth over a given period.

$$\text{OIG} = (\text{Current Year Income} - \text{Previous Year Income}) / \text{Previous Year Income}$$

- Total Assets Growth (TAG)

Total Asset Growth Ratio measures a bank's assets growth over a given period.

$$\text{TAG} = (\text{Current Year Asset} - \text{Previous Year Asset}) / \text{Previous Year Asset}$$

- Deposit Growth

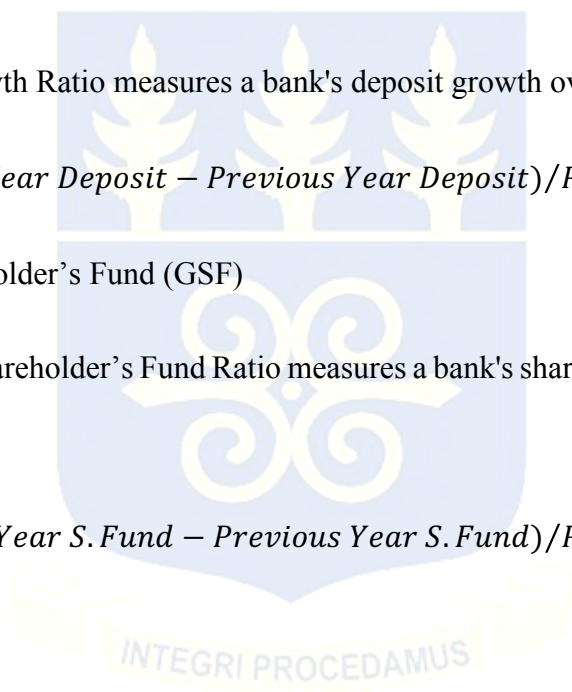
The Deposit Growth Ratio measures a bank's deposit growth over a given period.

$$\text{DG} = (\text{Current Year Deposit} - \text{Previous Year Deposit}) / \text{Previous Year Deposit}$$

- Growth in Shareholder's Fund (GSF)

The Growth in Shareholder's Fund Ratio measures a bank's shareholder's fund growth over a given period.

$$\text{GSF} = (\text{Current Year S. Fund} - \text{Previous Year S. Fund}) / \text{Previous Year S. Fund}$$



CHAPTER FOUR

ANALYSIS OF DATA AND PRESENTATION OF RESULTS

4.1 Introduction

This chapter details the analysis and explanation of the data collected. The financial statements of Fidelity and Ecobank was used to collect the information used in this chapter. The analysis and interpretation are presented in the form of tables, graphs and narrative interpretations.

4.2 Financial Performance of the Bank Before and After Acquisition

The annual financial reports of EcoBank and Fidelity Bank were used in the analysis of the bank's Pre-Acquisition and Post- Acquisition Performance. This was made up of EcoBank financial statement for the period 2009 to 2015 and Fidelity Bank financial statement for the period 2011 to 2017. Data from the financial statement for the period 2012 and 2014 represents the year of acquisition for Ecobank and Fidelity Bank respectively. The comparison of the Pre-Acquisition and Post- Acquisition Performance of the bank is to determine whether or not there has been a growth or a decline in the financial performance of the bank after acquisition.

INTEGRI PROCEDAMUS

Table 4.2: Selected ratios calculated based on the financial statement of EcoBank (2009 to 2015) for each of the periods before and after acquisition.

Ratios extract from Income Statement and Balance Sheet from 2009 - 2015							
	2009	2010	2011	2012	2013	2014	2015
Ratios	%	%	%	%	%	%	%
Net Profit Margin	35.75	42.51	38.66	38.47	39.81	45.06	40.04
Return on Capital Employed	35.41	42.26	43.73	55.47	51.66	64.66	55.39
Expense to Income Ratio	53.92	50.07	55.68	54.63	55.14	48.66	55.07
Loan to Deposit Ratio	51.98	45.60	55.07	57.94	65.96	67.20	66.82
Return on Asset	5.23	6.16	5.63	7.13	6.54	8.42	7.52
Interest Income to Capital Employed	60.95	65.49	67.95	97.33	90.33	98.52	95.02
Capital Adequacy Ratio	22.30	22.51	13.57	14.78	13.69	16.45	17.78
Interest Coverage Ratio	159.51	286.22	302.43	253.13	354.03	368.47	367.31
Non-Performing Loan Ratio	8.50	4.00	0.66	8.00	6.10	3.20	16.56
Debt Ratio	85.22	85.59	88.21	86.49	87.95	86.17	86.63
Asset Growth	0.00	11.57	40.32	58.78	36.86	22.60	16.19
Income Growth	0.00	14.96	30.43	86.79	34.98	44.65	21.49
Deposit Growth	0.00	25.98	41.74	56.27	33.77	25.07	15.80
Growth in Shareholder's Fund	0.00	8.74	14.82	81.99	22.03	40.70	12.39
Earnings Per Share	0.53	0.59	0.70	0.63	0.82	1.37	1.45
Growth in Total Expense	0.00	6.75	45.03	83.29	36.23	27.66	37.48

Basis: Researcher's Calculations, 2020.

INTEGRI PROCEDAMUS

Table 4.3: Selected ratios calculated based on the financial statement of Fidelity Bank (2011 to 2017) for each of the periods before and after acquisition.

Ratios extract from Income Statement and Balance Sheet from 2011 - 2017							
	2011	2012	2013	2014	2015	2016	2017
Ratios	%	%	%	%	%	%	%
Net Profit Margin	10.57	15.78	18.89	23.00	25.81	2.56	17.72
Return on Capital Employed	25.69	41.59	45.58	41.94	46.44	3.73	26.35
Expense to Income Ratio	82.06	73.50	67.98	65.15	62.71	95.97	74.12
Loan to Deposit Ratio	45.68	58.91	59.44	92.73	49.61	42.40	26.72
Return on Asset	1.39	3.10	4.14	4.78	5.77	0.45	2.83
Interest Income to Capital Employed	185.84	197.89	184.51	131.46	138.79	124.64	126.34
Capital Adequacy Ratio	10.70	15.50	13.40	24.46	29.46	26.49	26.97
Interest Coverage Ratio	25.76	39.00	46.03	67.63	83.84	7.00	56.15
Non-Performing Loan Ratio	6.17	6.41	5.68	2.52	2.27	12.02	16.02
Debt Ratio	94.60	90.95	90.89	87.34	87.75	88.18	90.07
Asset Growth	0.00	29.43	26.75	78.75	36.21	1.45	28.86
Income Growth	0.00	73.71	41.36	65.16	70.98	-16.42	13.39
Deposit Growth	0.00	20.55	25.45	60.88	37.66	3.25	23.95
Growth in Shareholder's Fund	0.00	117.05	27.68	148.31	31.78	-2.10	8.28
Earnings Per Share	0.25	0.33	0.53	0.31	0.56	0.06	0.34
Growth in Total Expense	0.00	55.58	30.74	58.29	64.57	27.91	-12.43

Basis: Researcher's Calculations, 2020.

INTEGRI PROCEDAMUS

Table 4.4: Averages of selected ratios calculated based on the financial statement of EcoBank (2009 to 2015) for each of the periods before and after acquisition:

Averages of Ratios extract from Income Statement and Balance Sheet from 2009 - 2015		
	Pre-Acquisition	Post-Acquisition
Ratios	%	%
Net Profit Margin	38.97	41.64
Return on Capital Employed	40.47	57.24
Expense to Income Ratio	53.22	52.96
Loan to Deposit Ratio	50.88	66.66
Return on Asset	5.68	7.50
Interest Income to Capital Employed	64.80	94.62
Capital Adequacy Ratio	19.46	15.97
Interest Coverage Ratio	249.38	363.27
Non-Performing Loan Ratio	4.39	8.62
Debt Ratio	86.34	86.92
Asset Growth	17.30	25.22
Income Growth	15.13	33.71
Deposit Growth	22.57	24.88
Growth in Shareholder's Fund	7.85	25.04
Earnings Per Share	0.61	1.21
Growth in Total Expense	17.26	33.79

Basis: Researcher's Calculations, 2020

INTEGRI PROCEDAMUS

Table 4.5: Averages of selected ratios calculated based on the financial statement of Fidelity Bank (2011 to 2017) for each of the periods before and after acquisition:

Averages of Ratios extract from Income Statement and Balance Sheet from 2011 - 2017		
	Pre-Acquisition	Post-Acquisition
Ratios	%	%
Net Profit Margin	15.08	15.36
Return on Capital Employed	37.62	25.50
Expense to Income Ratio	74.51	77.60
Loan to Deposit Ratio	54.68	39.58
Return on Asset	2.88	3.02
Interest Income to Capital Employed	189.41	129.92
Capital Adequacy Ratio	13.20	27.64
Interest Coverage Ratio	36.93	49.00
Non-Performing Loan Ratio	6.09	10.10
Debt Ratio	92.15	88.67
Asset Growth	18.73	22.17
Income Growth	38.36	22.65
Deposit Growth	15.33	21.62
Growth in Shareholder's Fund	48.25	12.65
Earnings Per Share	0.37	0.32
Growth in Total Expense	28.77	26.68

Basis: Researcher's Calculations, 2020

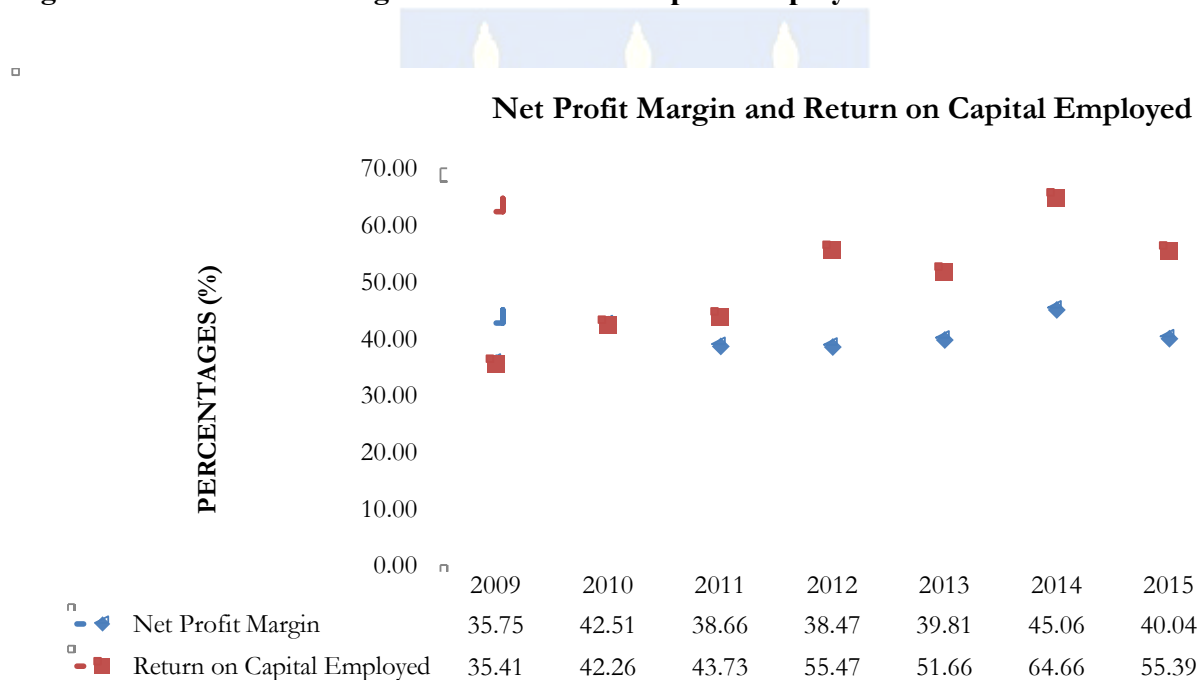
4.3 Discussion of Results

4.3.1 Profitability Ratio

The profitability performance during the pre and post-acquisition period was measured using the:

- Net Profit margin
- Return on Capital Employed
- Return on Asset

Figure 4.1: Net Profit Margin and Return on Capital Employed for EcoBank



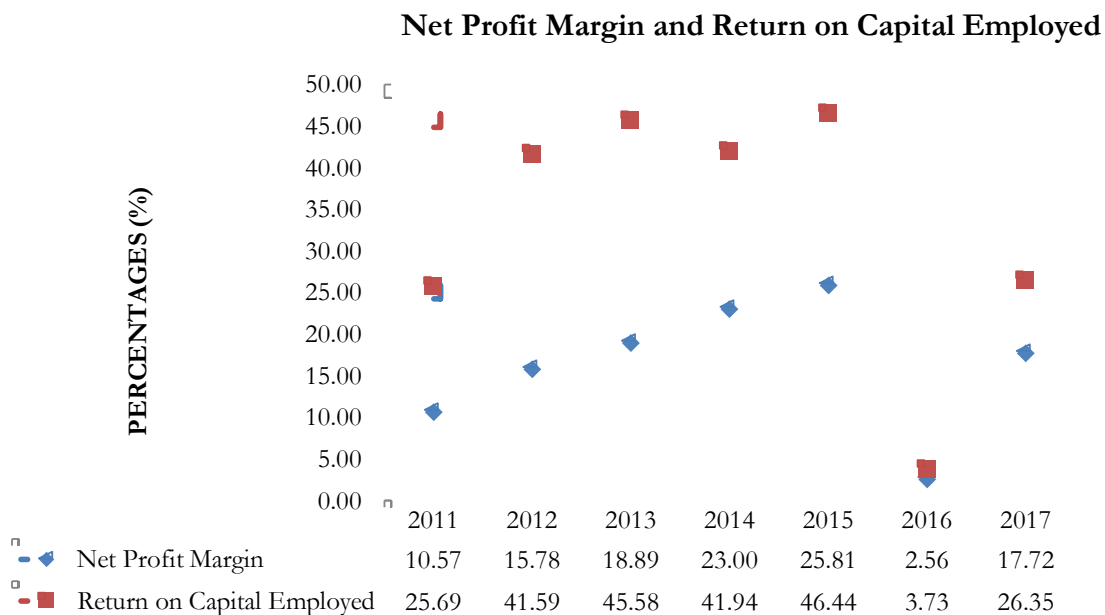
Basis: Researcher’s Calculations, 2020

From Figure 4.1 above, it can be seen that between the year 2009 and 2012 (representing the pre-acquisition period), Net Profit Margin increased significantly from 35.75% in 2009 to 42.51% in 2010. After which, it fell significantly in 2011 recording a Net Profit Margin of 38.66%.

The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Net Profit Margin from 39.81% in 2013 to 45.06% in 2014 as well as a sharp decline in the year 2015 representing a Net Profit Margin of 40.04%

Return on Capital Employed however, witnessed a significant upsurge from 35.41% in 2009 to 42.26% in 2010. After which, it remained slightly stable in 2011 recording a Return on Capital Employed of 43.73%. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Return on Capital Employed from 51.66% in 2013 to 64.66% in 2014 as well as a sharp decline in the year 2015 representing a Return on Capital Employed of 55.39%.

Figure 4.2: Net Profit Margin and Return on Capital Employed for Fidelity Bank



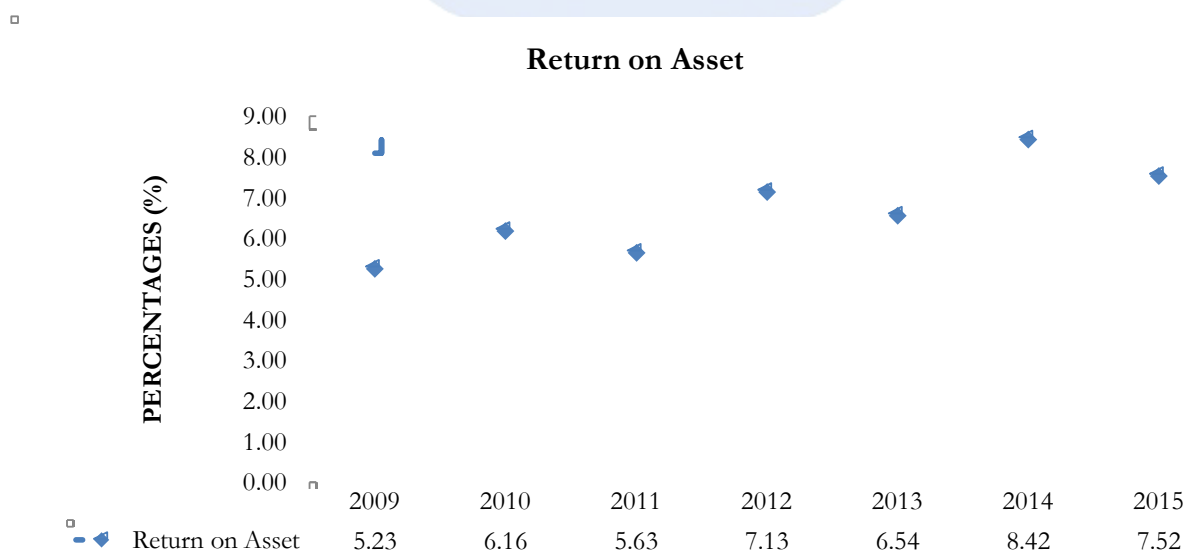
Basis: Researcher’s Calculations, 2020

From Figure 4.2 above, it can be seen that between the year 2011 and 2013 (representing the pre-acquisition period), Net Profit Margin increased significantly from 10.57% in 2011 to 15.78% in 2012. After which, it rose significantly in 2013 recording a Net Profit Margin of 18.89%.

The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Net Profit Margin from 25.81% in 2015 to 2.56% in 2016 as well as a sharp rise in the year 2017 representing a Net Profit Margin of 17.72%

Return on Capital Employed instead, witnessed a significant rise from 25.69% in 2011 to 41.59% in 2012. After which, it remained slightly stable in 2013 recording a Return on Capital Employed of 45.58%. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Return on Capital Employed from 46.44% in 2015 to 3.37% in 2016 as well as a sharp rise in the year 2017 representing a Return on Capital Employed of 26.35%.

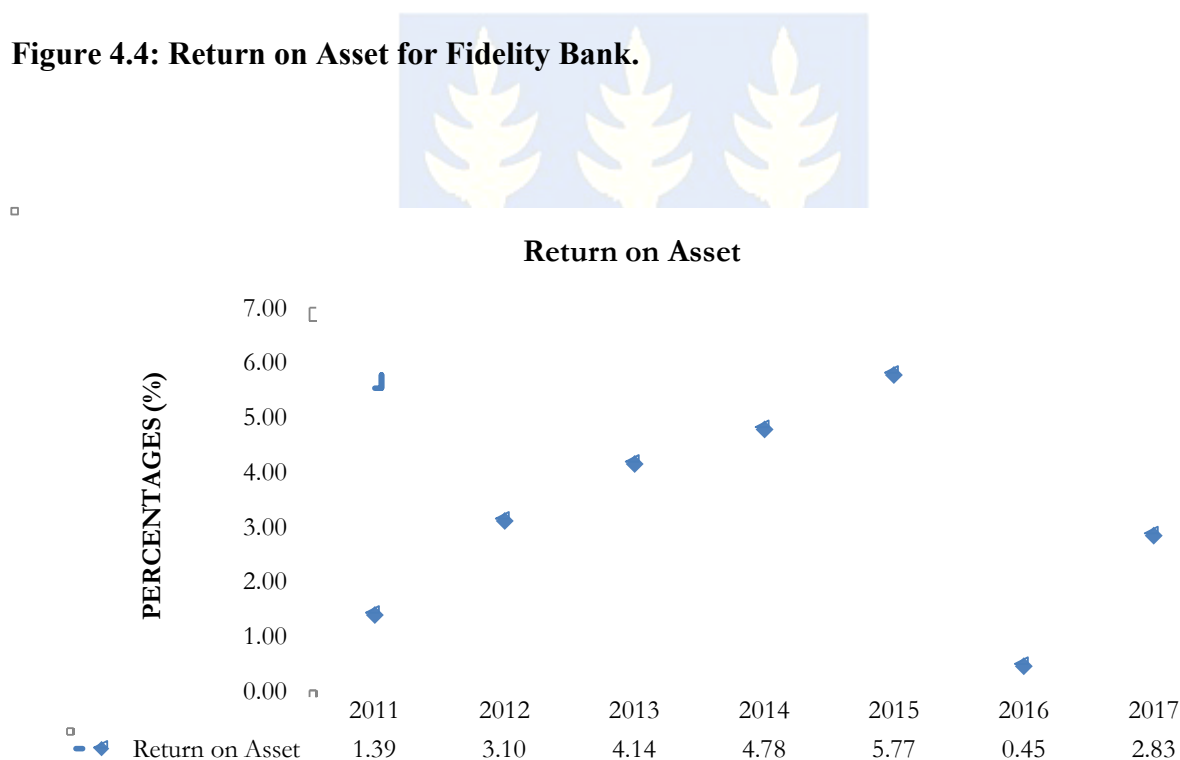
Figure 4.3: Return on Asset for EcoBank.



Basis: Researcher's Calculations, 2020.

From Figure 4.3 above, it can be seen that between the year 2009 and 2011 (representing the pre-acquisition period), Return on Asset increased from 5.23% in 2009 to 6.16% in 2010. After which, it fell slightly in 2011 recording a Return on asset of 5.63%. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Return on Asset from 6.54% in 2013 to 8.42% in 2014 as well as a sharp decline in the year 2015 representing a Return on Asset of 7.52%.

Figure 4.4: Return on Asset for Fidelity Bank.

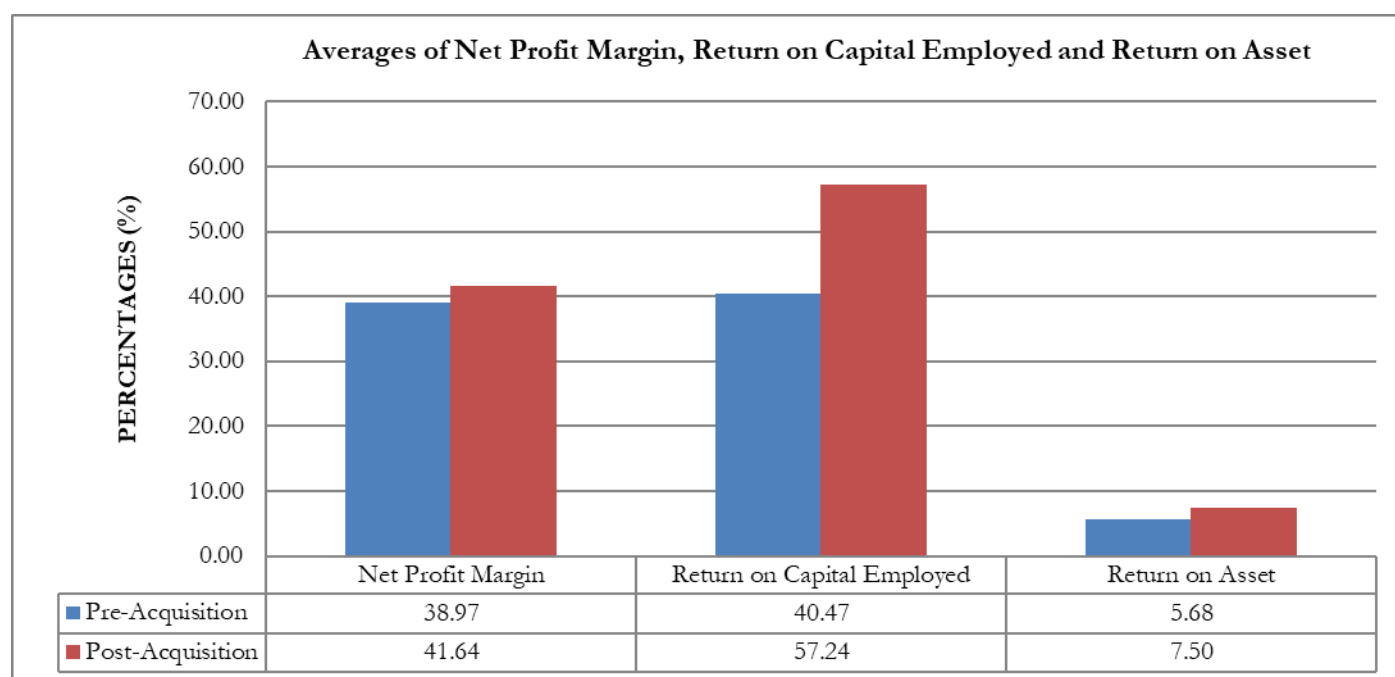


Basis: Researcher’s Calculations, 2020.

Following from Figure 4.4 above, it can be seen that between the year 2011 and 2013 (representing the pre-acquisition period), Return on Asset increased from 1.39% in 2011 to 3.10% in 2012. After

which, it rose slightly in 2013 recording a Return on asset of 4.14%. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Return on Asset from 5.77% in 2015 to 0.45% in 2016 as well as a sharp rise in the year 2017 representing a Return on Asset of 2.83.

Figure 4.5: Averages of Net Profit Margin, Return on Capital Employed and Return on Asset for EcoBank.

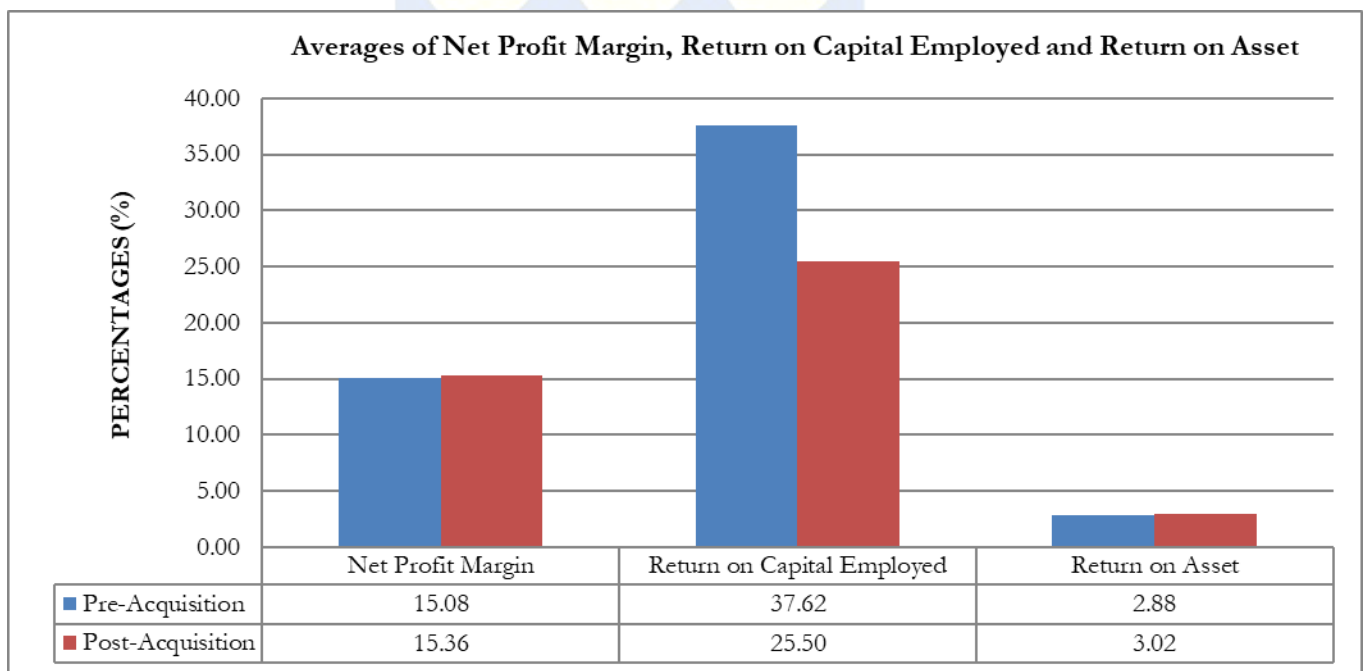


Basis: Researcher’s Calculations, 2020.

From Figure 4.5 above, it can be realised that for each of the profitability ratios, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Net Profit Margin of 38.97% relative to the post-acquisition Net Profit Margin of 41.64%. Return on Capital

Employed however, witnessed a pre-acquisition Return on Capital Employed of 40.47% relative to the post-acquisition Return on Capital Employed of 57.24%; whereas, Return on Asset showed a pre-acquisition Return on Asset of 5.68% relative to the post-acquisition Return on Asset of 7.50%.

Figure 4.6: Averages of Net Profit Margin, Return on Capital Employed and Return on Asset for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.6 above, it can be detected that for each of the profitability ratios, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period except for Return on Capital Employed where the Pre-Acquisition period outperformed the Post-Acquisition period. It can be observed that the bank recorded a pre-acquisition Net Profit Margin of 15.08 relative to the post-acquisition Net Profit Margin of 15.36%. Return on Capital Employed nonetheless, witnessed a pre-acquisition Return on Capital Employed of 37.62% relative to the post-acquisition Return on Capital Employed of 25.50%; whereas, Return on Asset showed a pre-acquisition Return on Asset of 2.88% relative to the post-acquisition Return on Asset of 3.02%.

4.3.2 Expense Ratio

The expense performance during the pre and post-acquisition period was measured using the Operating Expense Ratio (OER). A lower ratio is preferred relative to higher one.

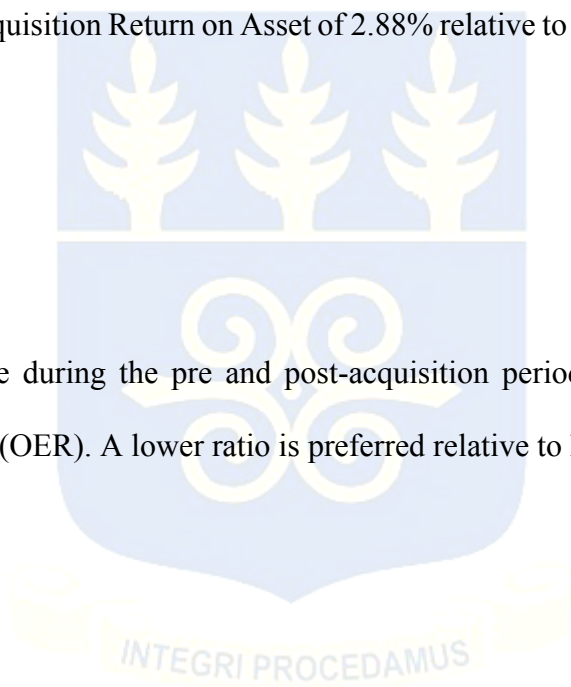
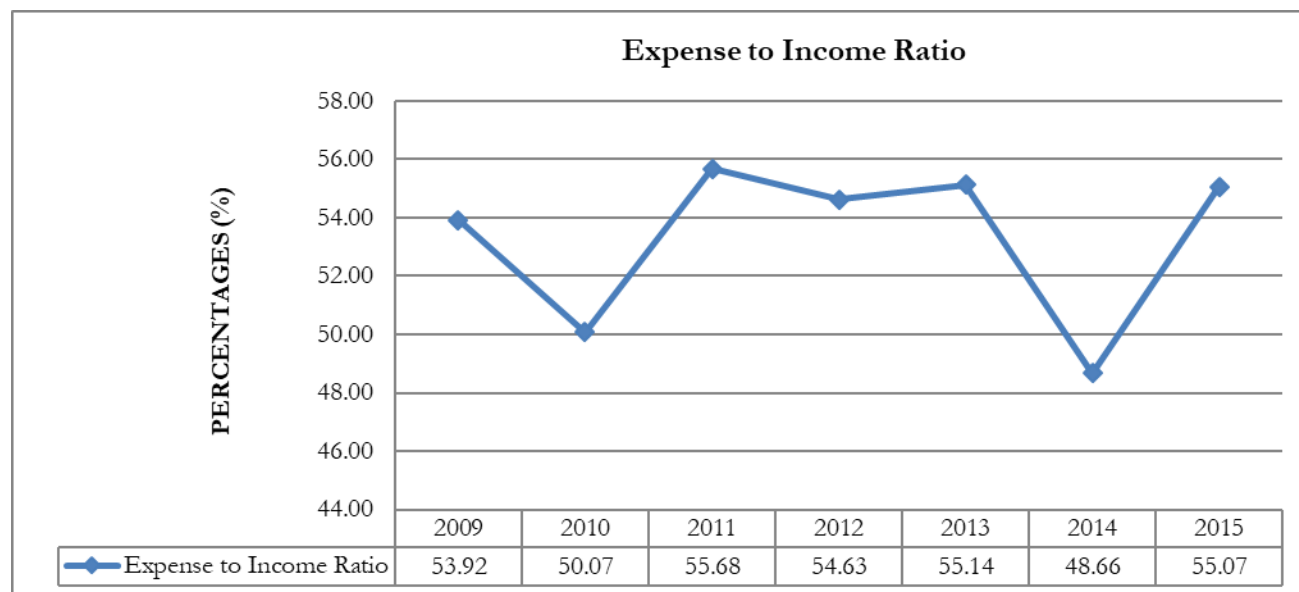


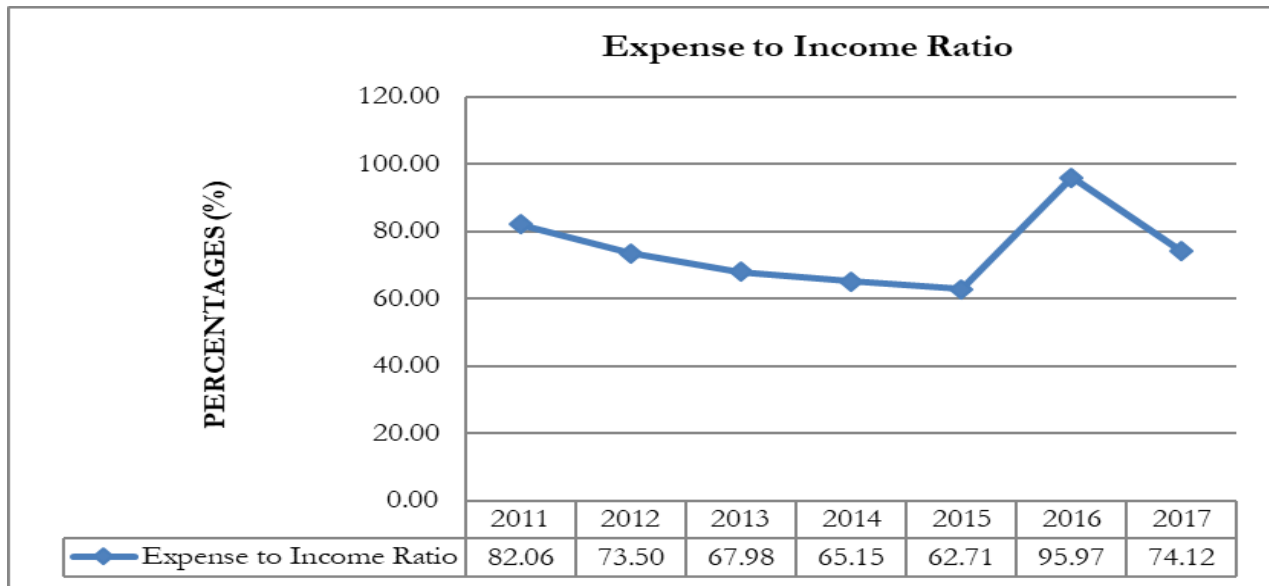
Figure 4.7: Expense to Income Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020

From Figure 4.7 above, it can be seen that between the year 2009 and 2011 (representing the pre-acquisition period), Expense to Income Ratio decreased from 53.92% in 2009 to 50.07% in 2010. After which, it slightly increased in 2011 recording an Expense to Income Ratio of 55.68%. The years 2013 to 2015 (representing the post-acquisition period), saw a significant decrease in Expense to Income Ratio from 55.14% in 2013 to 48.66% in 2014 as well as a sharp rise in the year 2015 representing an Expense to Income Ratio of 55.07%.

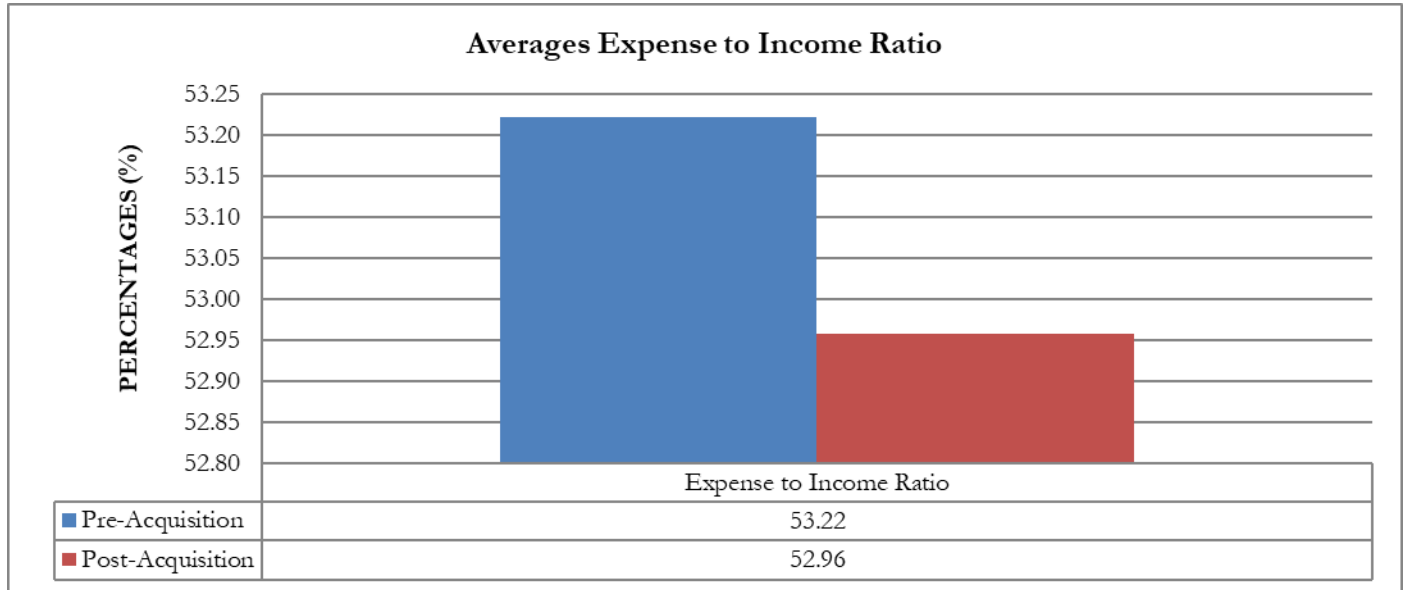
Figure 4.8: Expense to Income Ratio for Fidelity Bank.



Basis: Researcher’s Calculations, 2020

From Figure 4.8 above, it can be realized that between the year 2011 and 2013 (representing the pre-acquisition period), Expense to Income Ratio decreased from 82.06% in 2011 to 73.50% in 2012. After which, it slightly decreased in 2013 recording an Expense to Income Ratio of 67.98. The years 2015 to 2017 (representing the post-acquisition period), saw a significant increase in Expense to Income Ratio from 62.71% in 2015 to 95.97% in 2016 as well as a sharp fall in the year 2017 representing an Expense to Income Ratio of 74.12%

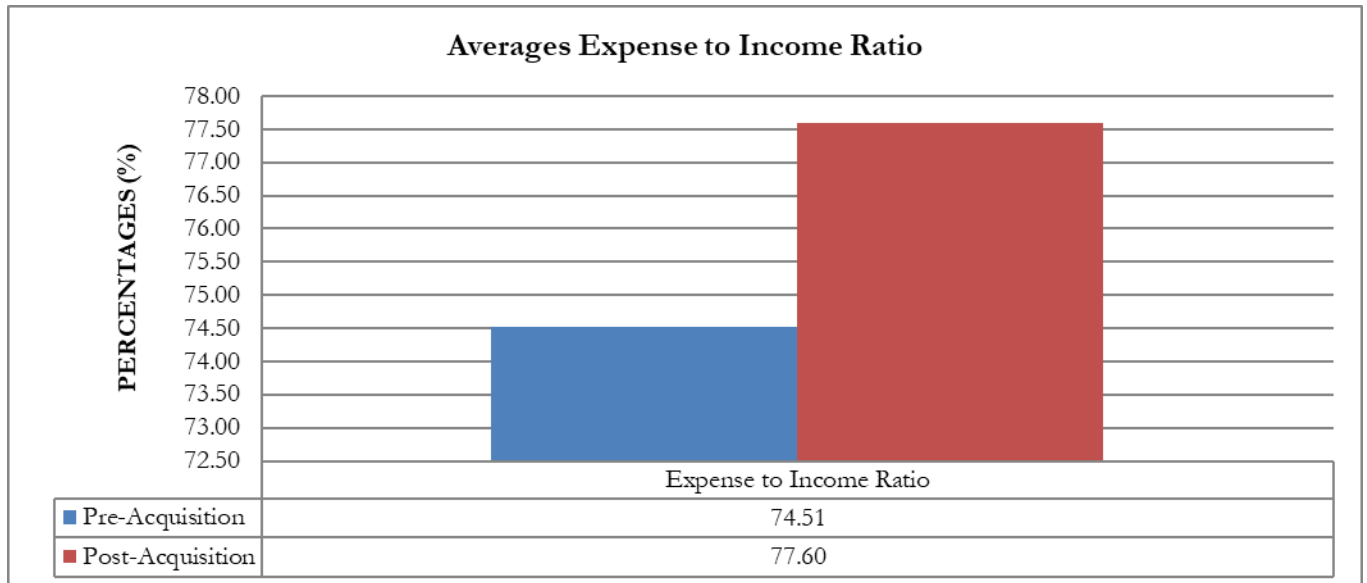
Figure 4.9: Averages of Expense to Income Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020

From Figure 4.9 above, it can be observed that for the Expense ratio, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Expense to Income Ratio of 53.22% relative to the post-acquisition Expense to Income Ratio of 52.96%

Figure 4.10: Averages of Expense to Income Ratio for Fidelity Bank.



Basis: Researcher’s Calculations, 2020

Following from Figure 4.10 above, it can be realized that for the Expense ratio, the pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. It can be observed that the bank recorded a pre-acquisition Expense to Income Ratio of 74.51% relative to the post-acquisition Expense to Income Ratio of 77.60%

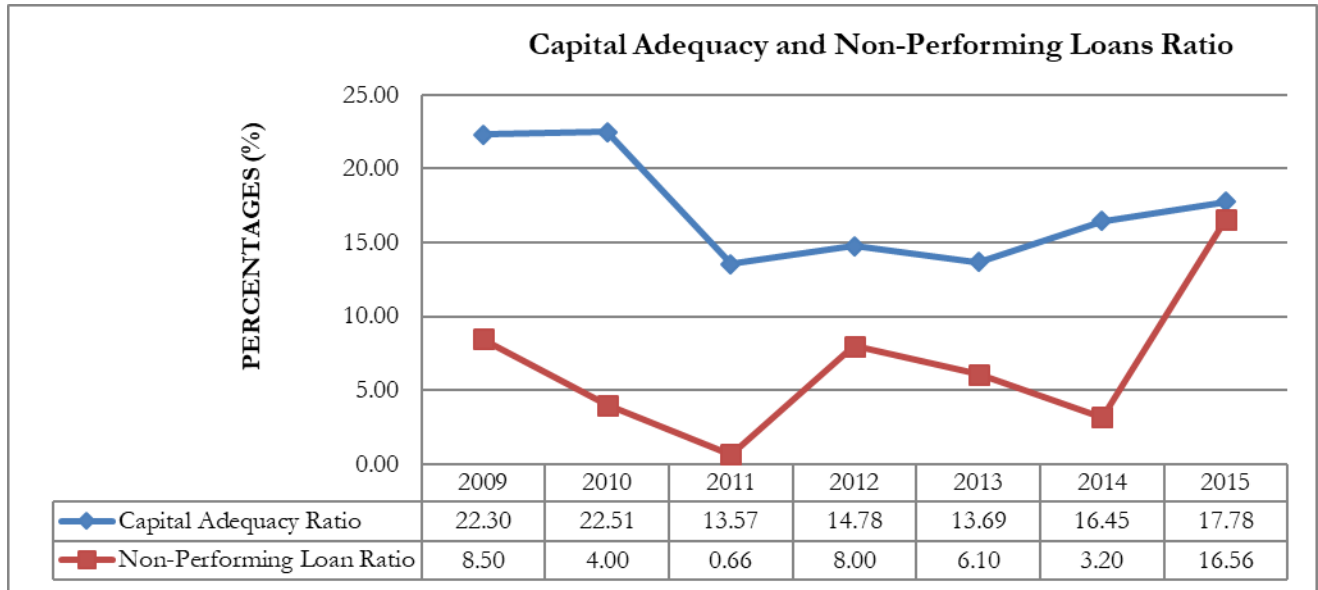
4.3.3 Liquidity Ratio

The liquidity performance during the pre and post-acquisition period was measured using the

- Loan to Deposit Ratio
- Capital Adequacy Ratio (CAR)

- Non-Performing Loan Ratio

Figure 4.11: Capital Adequacy and Non-Performing Loans for EcoBank.

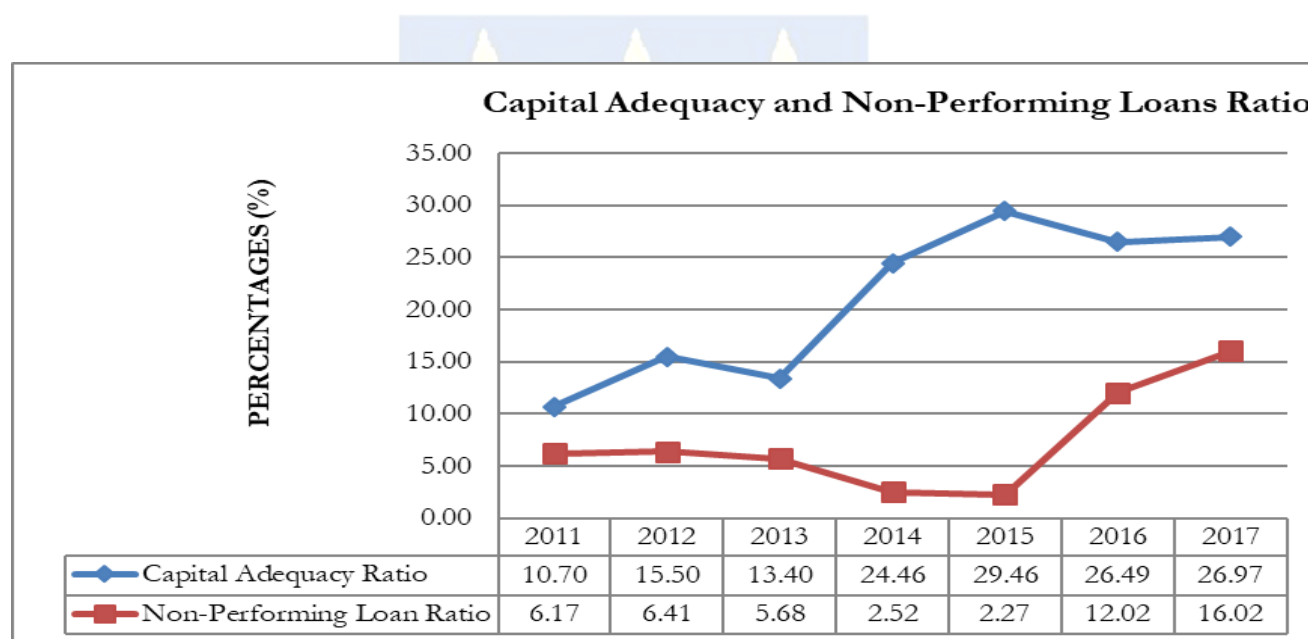


Basis: Researcher's Calculations, 2020.

From Figure 4.11 above, it can be detected that between the year 2009 and 2011 (representing the pre-acquisition period), Capital Adequacy Ratio increased from 22.30% in 2009 to 22.51% in 2010. After which, it decreased further in 2011 recording a Capital Adequacy Ratio of 13.57%. The years 2013 to 2015 (representing the post-acquisition period), saw an increase in Capital Adequacy Ratio from 13.69% in 2013 to 16.45% in 2014 as well as a slight increase in the year 2015 representing a Capital Adequacy Ratio of 17.78%.

Non-Performing Loan Ratio however saw a decrease from 8.50 in 2009 to 4.00 in 2010. After which, it fell significantly in 2011 recording a Non-Performing Loan Ratio of 0.66%. The years 2013 to 2015 (representing the post-acquisition period), saw a significant decrease in Non-Performing Loan Ratio from 6.10% in 2013 to 3.20% in 2014 as well as a sharp rise in the year 2015 representing a Non-Performing Loan Ratio of 16.56%.

Figure 4.12: Capital Adequacy and Non-Performing Loans for Fidelity Bank.



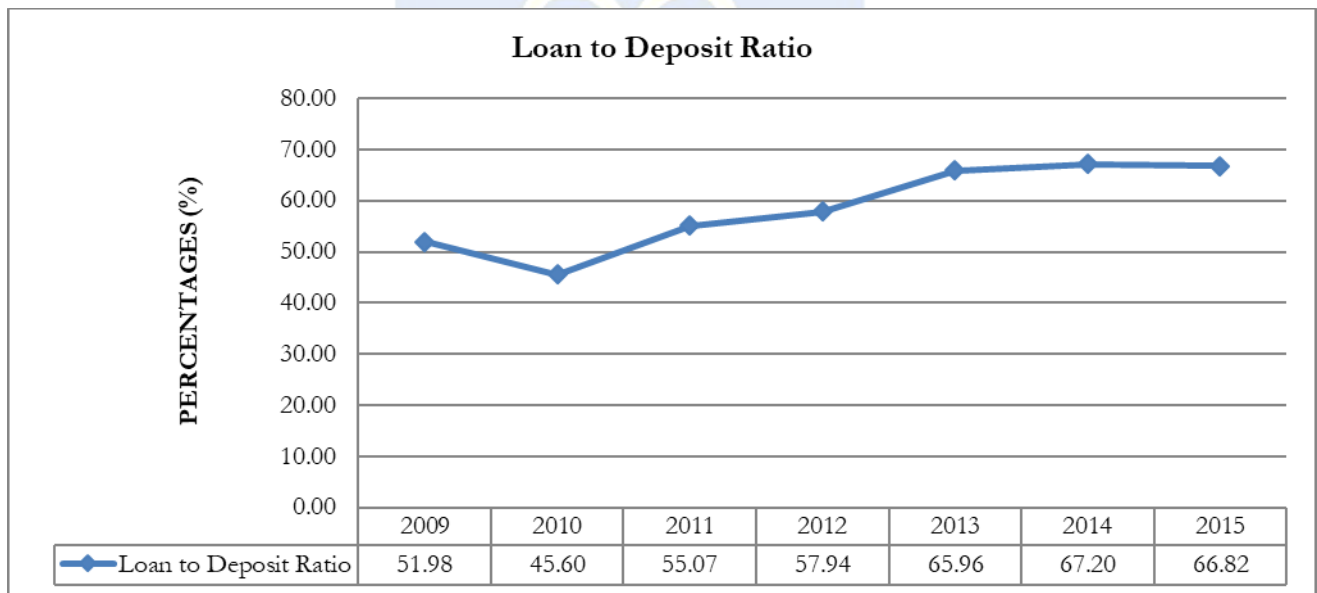
Basis: Researcher’s Calculations, 2020.

From Figure 4.12 above, it can be detected that between the year 2011 and 2013 (representing the pre-acquisition period), Capital Adequacy Ratio increased from 10.70% in 2011 to 15.50% in 2012. After which, it decreased further in 2013 recording a Capital Adequacy Ratio of 13.40%.

The years 2015 to 2017 (representing the post-acquisition period), saw a decrease in Capital Adequacy Ratio from 29.46% in 2015 to 26.49% in 2016 as well as a slight increase in the year 2017 representing a Capital Adequacy Ratio of 26.97%

Non-Performing Loan Ratio however, saw an upsurge from 6.17% in 2011 to 6.41% in 2012. After which, it fell in 2013 recording a Non-Performing Loan Ratio of 5.68%. The years 2015 to 2017 (representing the post-acquisition period), saw a significant increase in Non-Performing Loan Ratio from 2.27% in 2015 to 12.02% in 2016 as well as a sharp rise in the year 2017 representing a Non-Performing Loan Ratio of 16.02%.

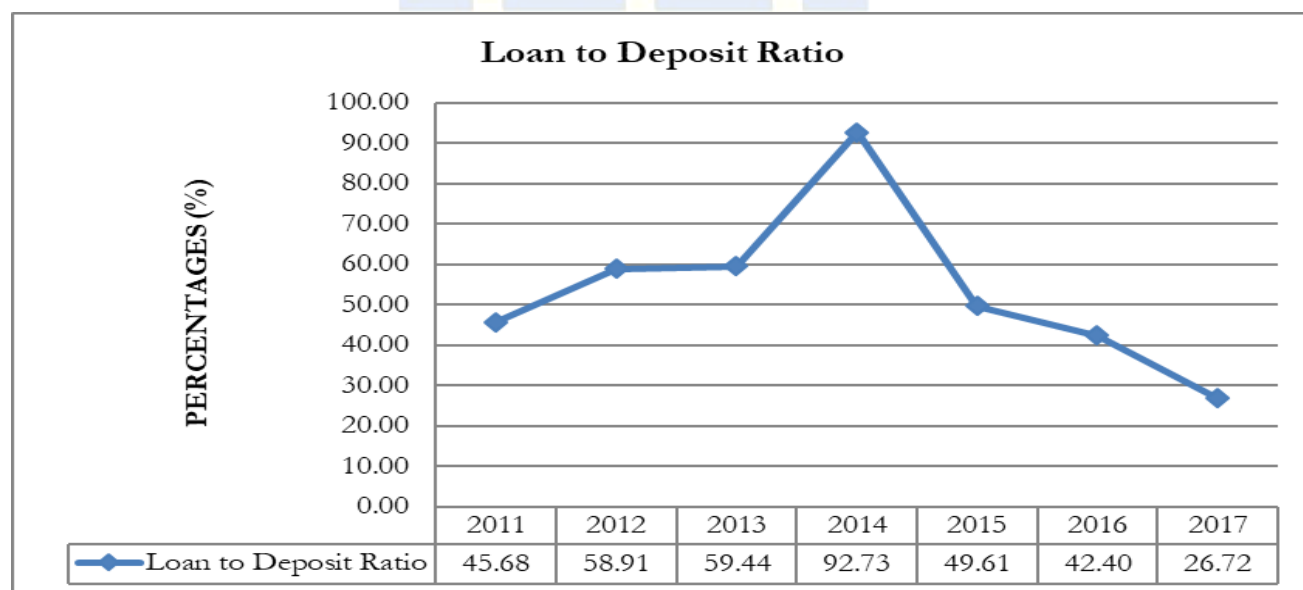
Figure 4.13: Loan to Deposit Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.13 above, it can be detected that between the year 2009 and 2011 (representing the pre-acquisition period), Loan to Deposit Ratio fell from 51.98% in 2009 to 45.60% in 2010. After which, it significantly increased in 2011 recording a Loan to Deposit Ratio of 55.07%. The years 2013 to 2015 (representing the post-acquisition period), saw an increase in Loan to Deposit Ratio from 65.96% in 2013 to 67.20 in 2014 as well as a further decrease in the year 2015 representing a Loan to Deposit Ratio of 66.82%.

Figure 4.14: Loan to Deposit Ratio for Fidelity Bank.

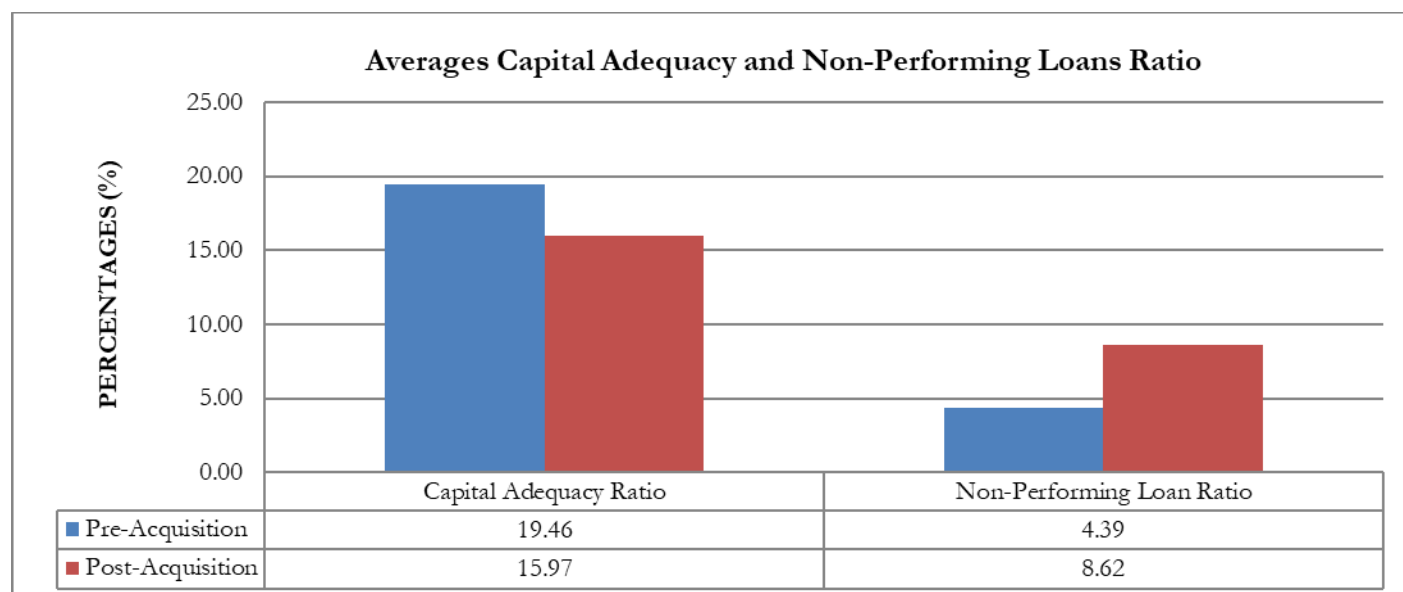


Basis: Researcher’s Calculations, 2020.

From Figure 4.14 above, it can be realized that between the year 2011 and 2013 (representing the pre-acquisition period), Loan to Deposit Ratio increased from 45.68 in 2011 to 58.91% in 2012. After which, it increased further in 2013 recording a Loan to Deposit Ratio of 59.44%. The years 2015 to 2017 (representing the post-acquisition period), saw a decrease in Loan to Deposit Ratio

from 49.61% in 2015 to 42.40% in 2016 as well as a further decrease in the year 2017 representing a Loan to Deposit Ratio of 26.72%.

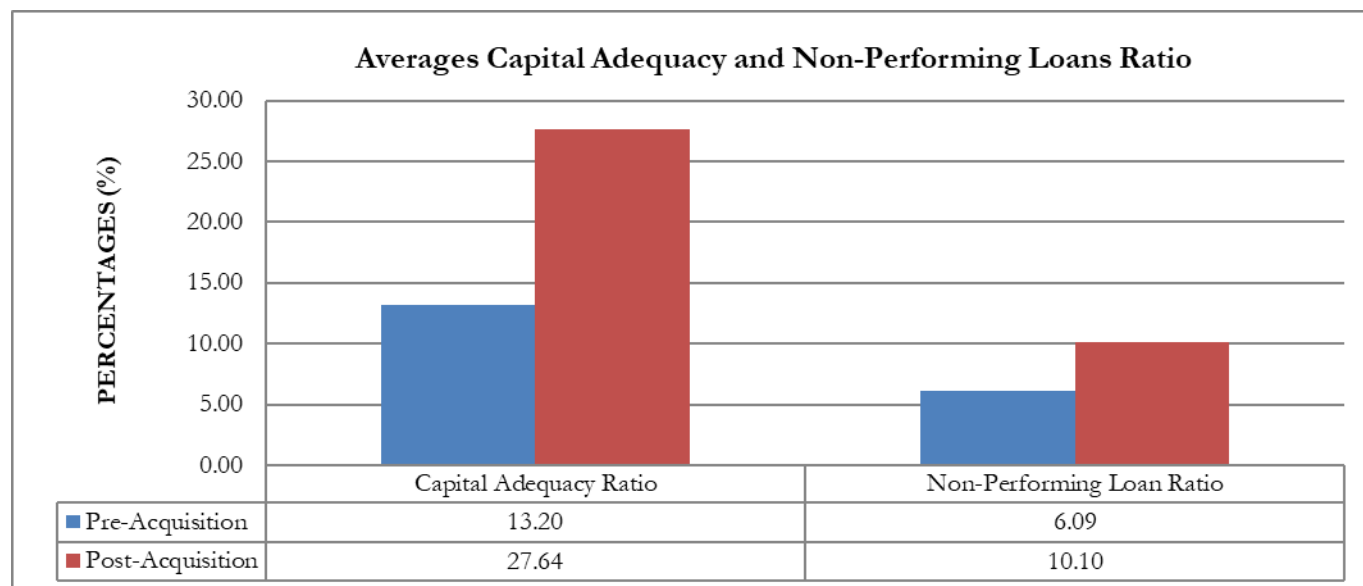
Figure 4.15: Averages of Capital Adequacy and Non-Performing Loan Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020.

Following from Figure 4.15 above, it can be noticed that for each of the liquidity ratios, the pre-acquisition period shows an upsurge in the performance of the bank relative to the post-acquisition period. It can be observed that the bank recorded a pre-acquisition Capital Adequacy Ratio of 19.46% relative to the post-acquisition Capital Adequacy Ratio of 15.97%. Non-Performing Loan Ratio on the other hand, witnessed a pre-acquisition Non-Performing Loan Ratio of 4.39% relative to the post-acquisition Non-Performing Loan Ratio of 8.62%.

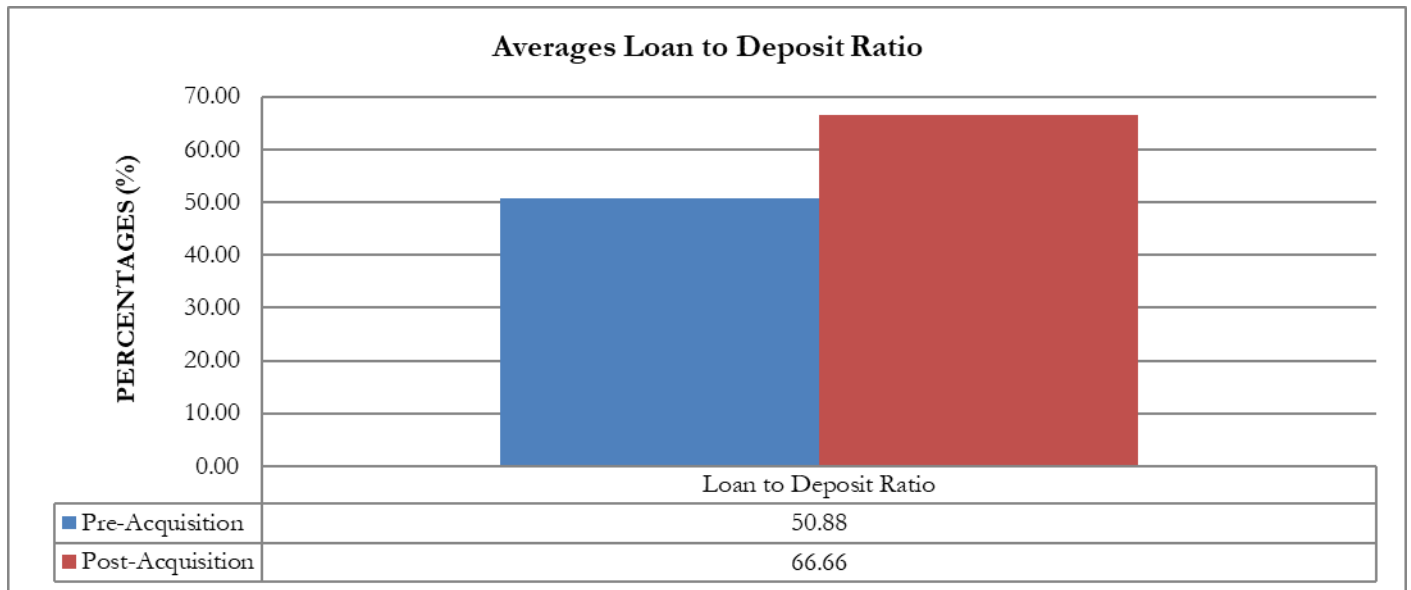
Figure 4.16: Averages of Capital Adequacy and Non-Performing Loan Ratio for Fidelity Bank.



Basis: Researcher's Calculations, 2020.

From on Figure 4.16 above, it can be seen that for each of the liquidity ratios, the pre-acquisition period shows an increase in the performance of the bank relative to the post-acquisition period except for Capital Adequacy Ratio where the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Capital Adequacy Ratio of 13.20% relative to the post-acquisition Capital Adequacy Ratio of 27.64%. Non-Performing Loan Ratio on the other hand, witnessed a pre-acquisition Non-Performing Loan Ratio of 6.09% relative to the post-acquisition Non-Performing Loan Ratio of 10.10%.

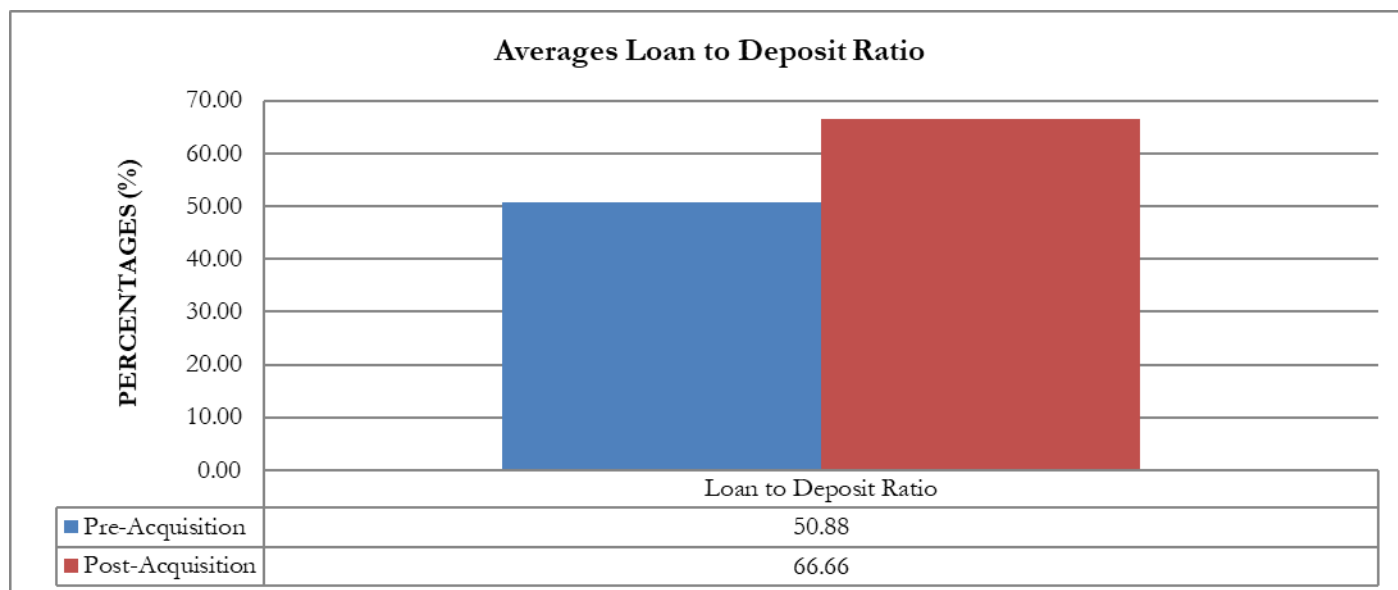
Figure 4.17: Averages of Loan to Deposit Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.17 above, it can be noticed that for the liquidity ratio, the post-acquisition period shows a slight growth in the performance of the bank relative to the pre-acquisition period. It can be realized that the bank recorded a pre-acquisition Loan to Deposit Ratio of 50.88% relative to the post-acquisition Loan to Deposit Ratio of 66.66%

Figure 4.18: Averages of Loan to Deposit Ratio for Fidelity Bank.



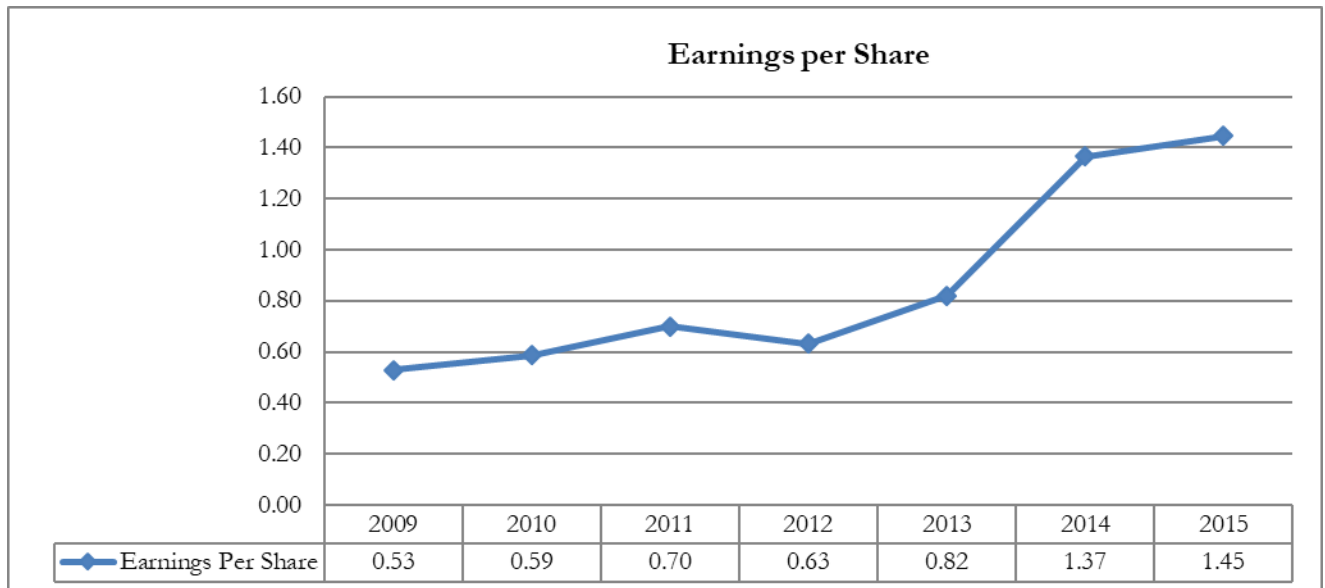
Source: Researcher’s Calculations, 2020.

Based on Figure 4.18 above, it can be observed that for the liquidity ratio, the post-acquisition period shows a slight growth in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Loan to Deposit Ratio of 50.88% relative to the post-acquisition Loan to Deposit Ratio of 66.66%.

4.3.4 Investment Ratio

The investment performance during the pre and post-acquisition period was measured using the Earnings per Share (EPS).

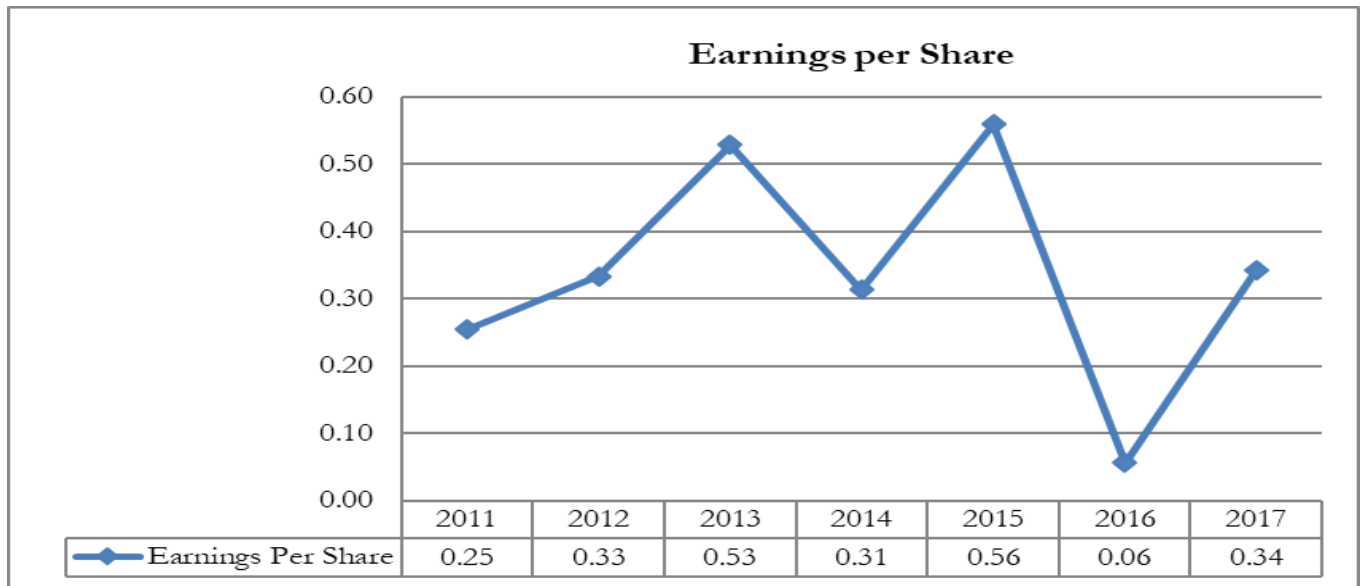
Figure 4.19: Earnings per Share for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.19 above, it can be noticed that between the year 2009 and 2011 (representing the pre-acquisition period), Earnings per Share increased slightly from 0.53 in 2009 to 0.59 in 2010. After which, it further increased in 2011 recording an Earnings per Share of 0.70. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Earnings per Share from 0.82 in 2013 to 1.37 in 2014 as well as a further rise in the year 2015 representing an Earnings per Share of 1.45.

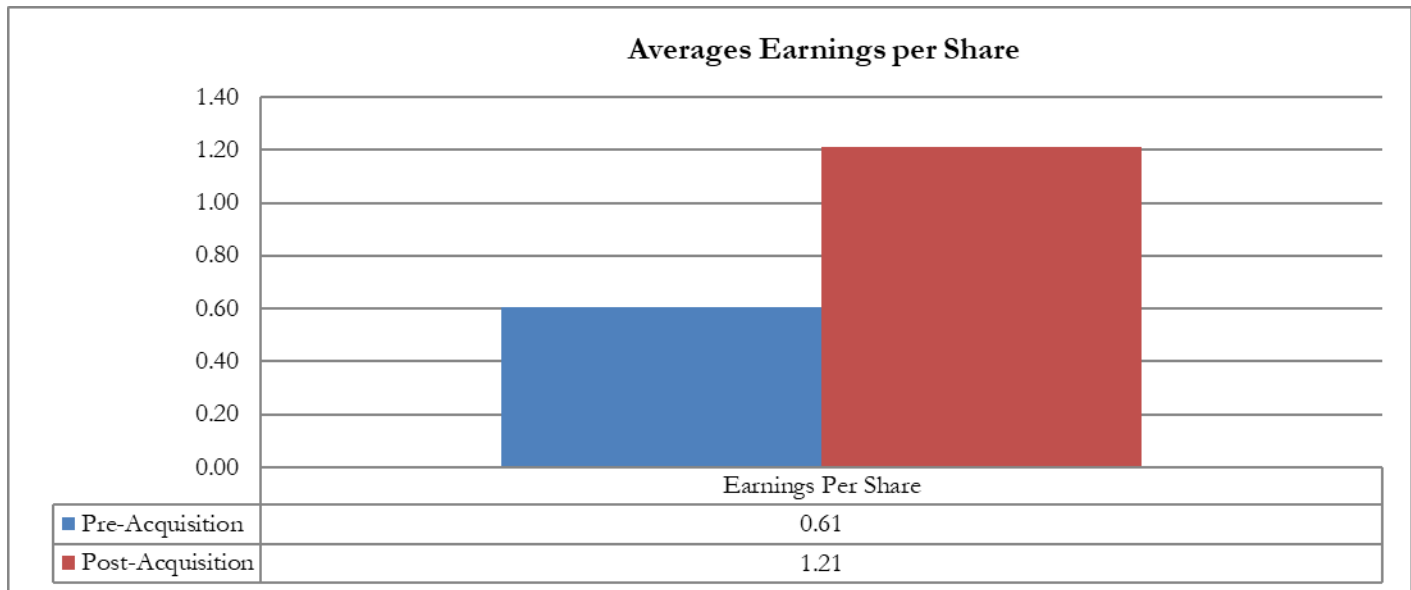
Figure 4.20: Earnings per Share for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.20 above, it can be discovered that between the year 2011 and 2013 (representing the pre-acquisition period), Earnings per Share increased slightly from 0.25 in 2011 to 0.33 in 2012. After which, it further increased in 2013 recording an Earnings per Share of 0.53. The years 2014 to 2017 (representing the post-acquisition period), saw a significant decrease in Earnings per Share from 0.31 in 2014 to 0.06 in 2016 as well as a rise in the year 2017 representing an Earnings per Share of 0.34

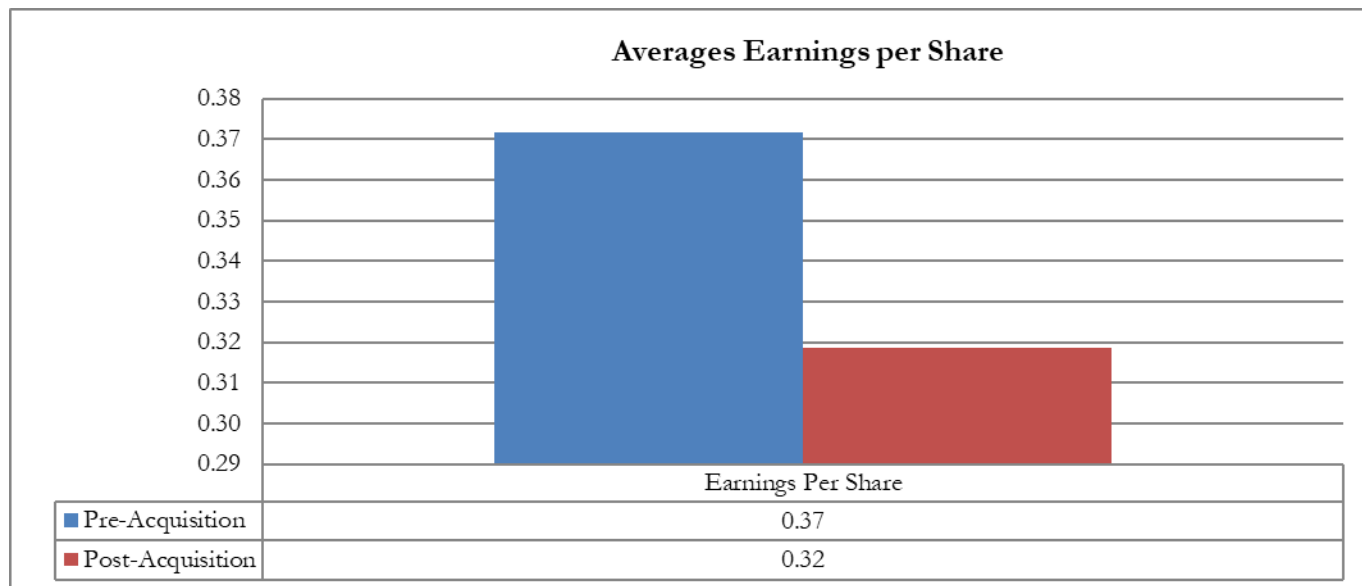
Figure 4.21: Averages of Earnings per Share for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.21 above, it can be noticed that for the Investment ratio, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can further be observed that the bank had pre-acquisition Earnings per Share of 0.61 relative to the post-acquisition Earnings per Share of 1.21

Figure 4.22: Averages of Earnings per Share for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

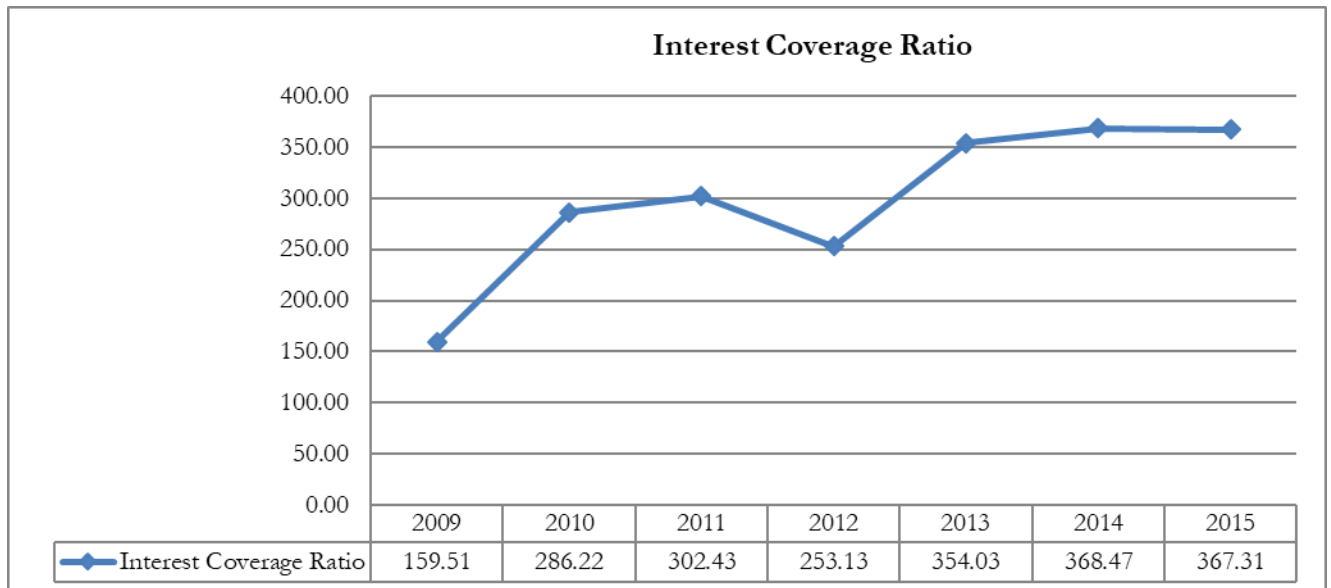
From Figure 4.22 above, it can be identified that for the Investment ratio, the pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. It can further be observed that the bank had pre-acquisition Earnings per Share of 0.37 relative to the post-acquisition Earnings per Share of 0.32.

4.3.5 Solvency Ratio

The solvency performance during the post and pre -acquisition period was measured using the

- Interest Coverage Ratio (ICR)
- Debt Ratio

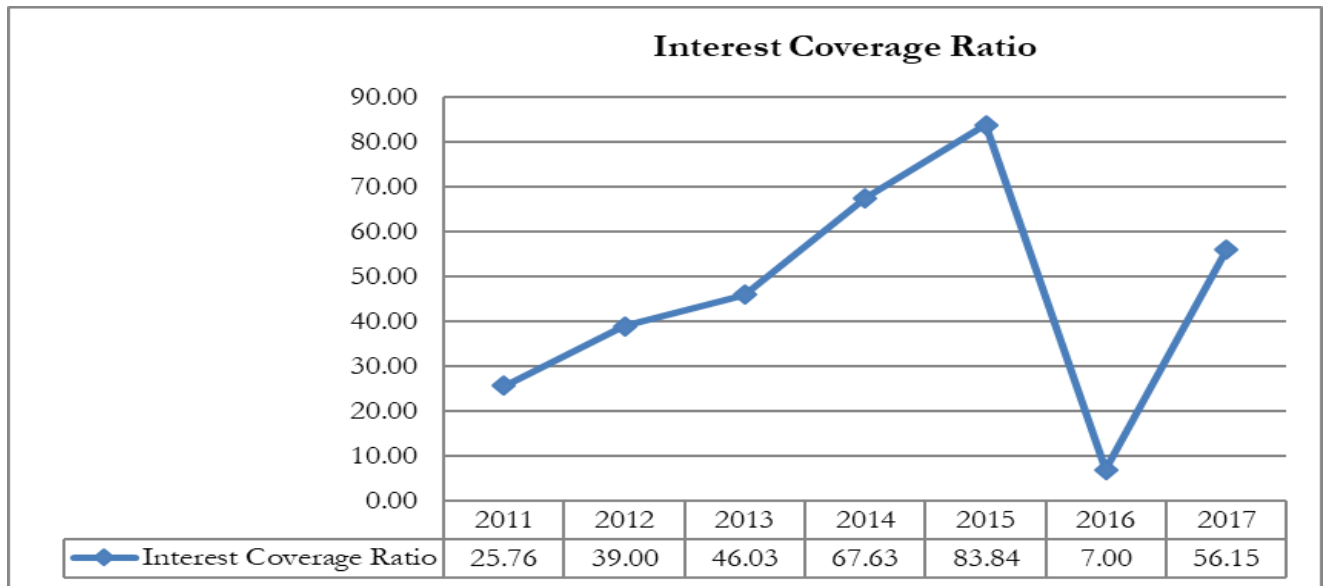
Figure 4.23: Interest Coverage Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.23 above, it can be identified that between the year 2009 and 2011 (representing the pre-acquisition period), Interest Coverage Ratio increased significantly from 159.51 in 2009 to 286.22 in 2010. After which, it further increased in 2011 recording an Interest Coverage Ratio of 302.43. The years 2013 to 2015 (representing the post-acquisition period), saw an increase in Interest Coverage Ratio from 354.03 in 2013 to 368.47 in 2014 as well as a decrease in the year 2015 representing an Interest Coverage Ratio of 367.31.

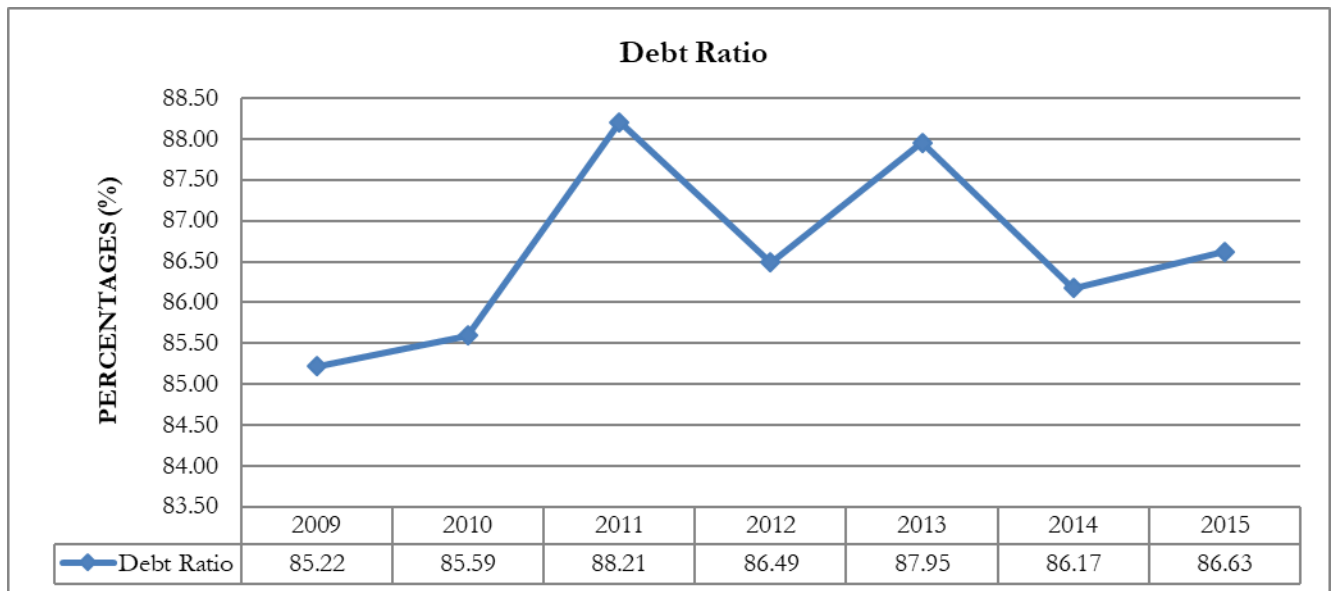
Figure 4.24: Interest Coverage Ratio for Fidelity Bank.



Basis: Researcher's Calculations, 2020.

From Figure 4.24 above, it can be noticed that between the year 2011 and 2013 (representing the pre-acquisition period), Interest Coverage Ratio increased significantly from 25.76% in 2011 to 39.00% in 2012. After which, it further increased in 2013 recording an Interest Coverage Ratio of 46.03%. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Interest Coverage Ratio from 83.84% in 2015 to 7.00% in 2016 as well as an increase in the year 2017 representing an Interest Coverage Ratio of 56.15%.

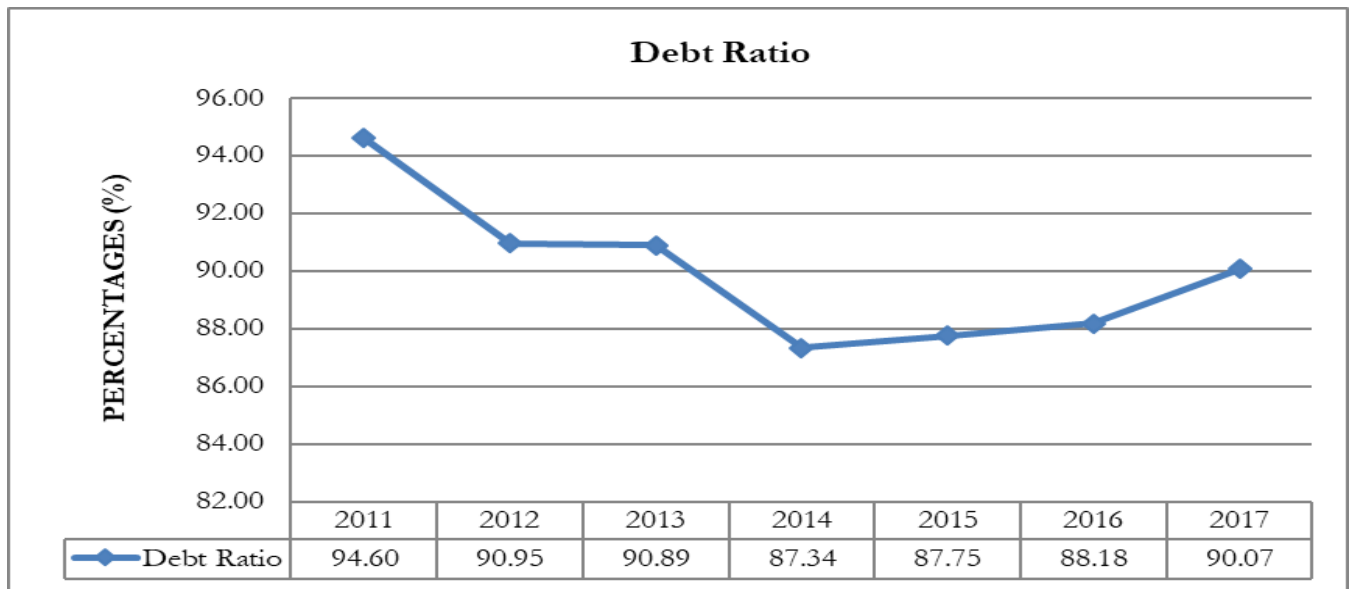
Figure 4.25: Debt Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020.

From on Figure 4.25 above, it can be noticed that between the year 2009 and 2012 (representing the pre-acquisition period), Debt Ratio increased slightly from 85.22% in 2009 to 85.59% in 2010. After which, it further increased in 2011 recording a Debt Ratio of 88.21%. The years 2013 to 2015 (representing the post-acquisition period), saw a slight decrease in Debt Ratio from 87.95% in 2013 to 86.17 in 2014 as well as a further increase in the year 2015 representing a Debt Ratio of 86.63%.

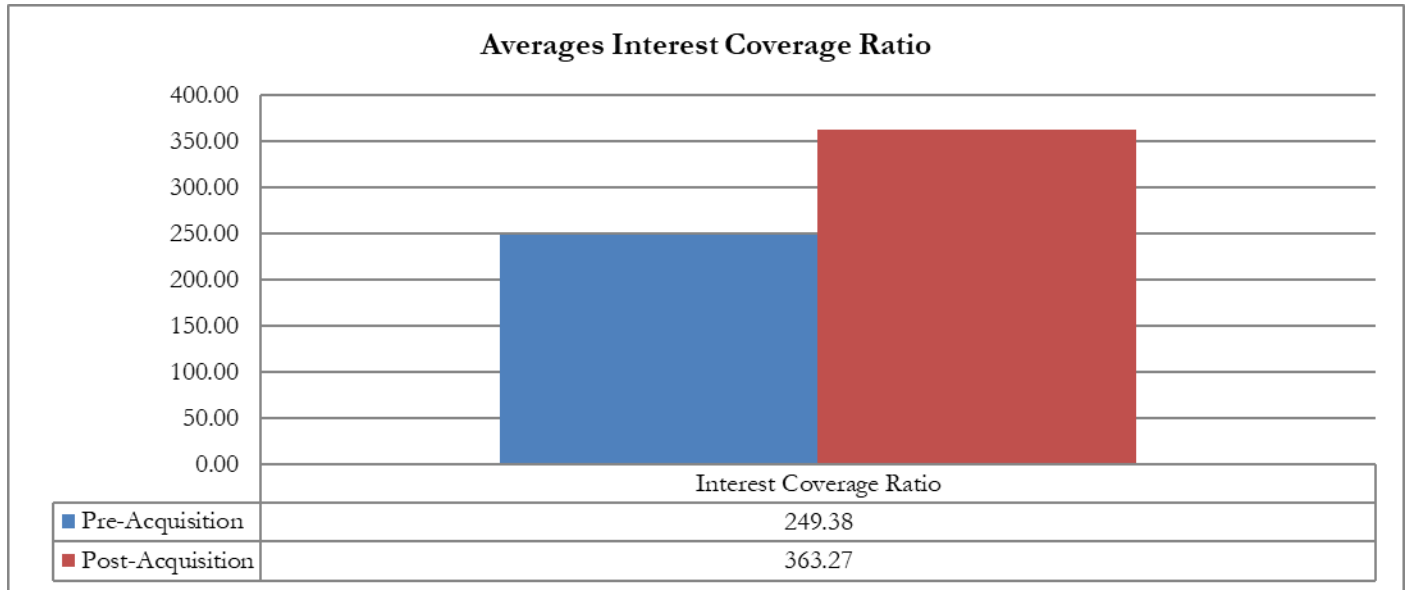
Figure 4.26: Debt Ratio for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.26 above, it can be seen that between the year 2011 and 2013 (representing the pre-acquisition period), Debt Ratio decreased from 94.60% in 2011 to 90.95% in 2012. After which, it further decreased in 2013 recording a Debt Ratio of 90.89%. The years 2015 to 2017 (representing the post-acquisition period), saw a slight increase in Debt Ratio from 87.75% in 2015 to 88.18% in 2016 as well as a further increase in the year 2017 representing a Debt Ratio of 90.07%.

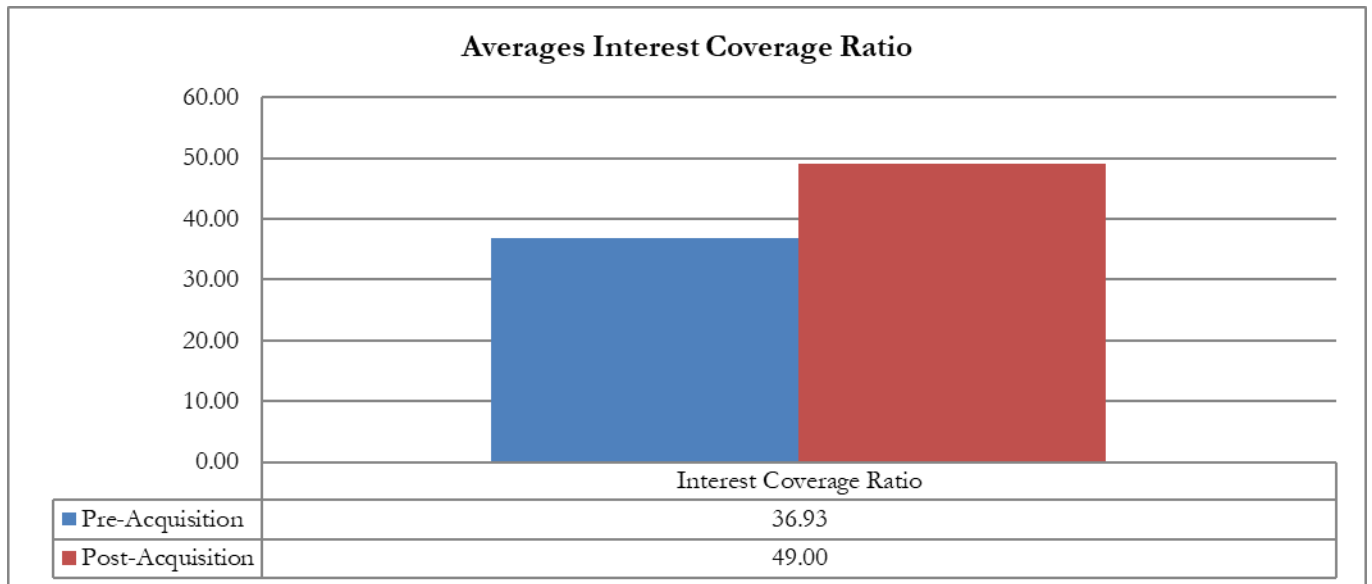
Figure 4.27: Averages of Interest Coverage Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.27 above, it can be seen that for the Solvency ratio, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can also be seen that the bank documented pre-acquisition Interest Coverage Ratio of 249.38% relative to the post-acquisition Interest Coverage Ratio of 363.27%.

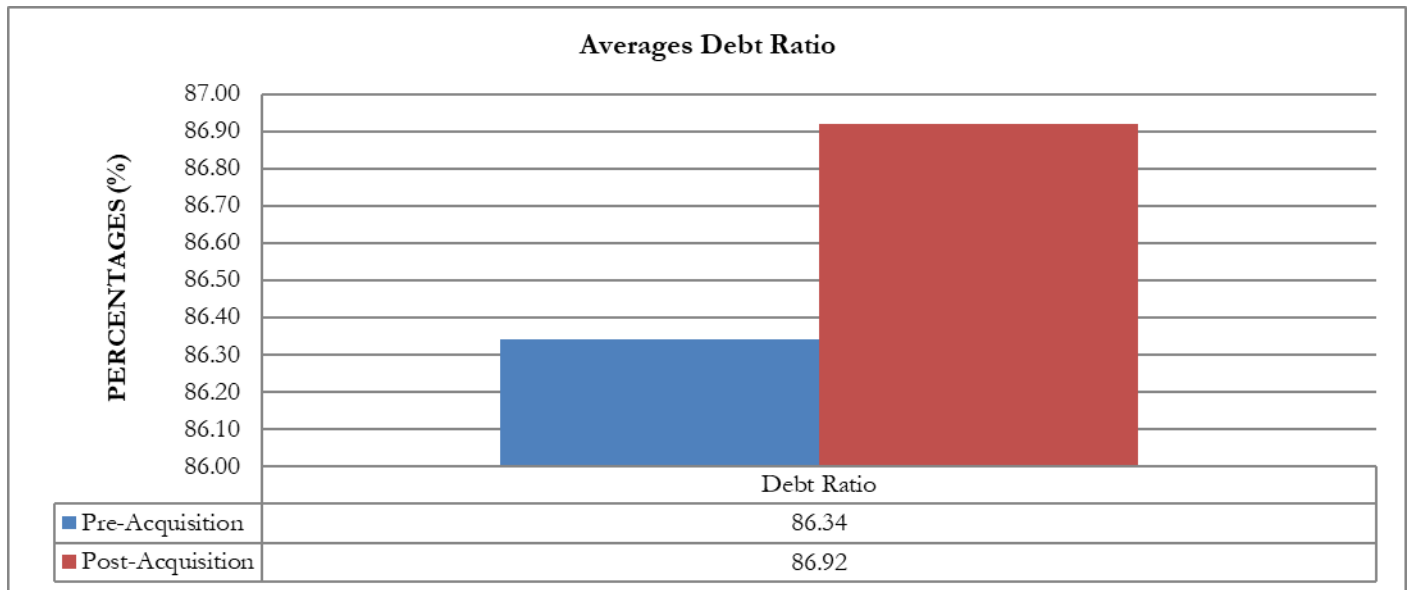
Figure 4.28: Averages of Interest Coverage Ratio for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.28 above, it can be realized that for the Solvency ratio, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can also be seen that the bank documented pre-acquisition Interest Coverage Ratio of 36.93% relative to the post-acquisition Interest Coverage Ratio of 49.00%

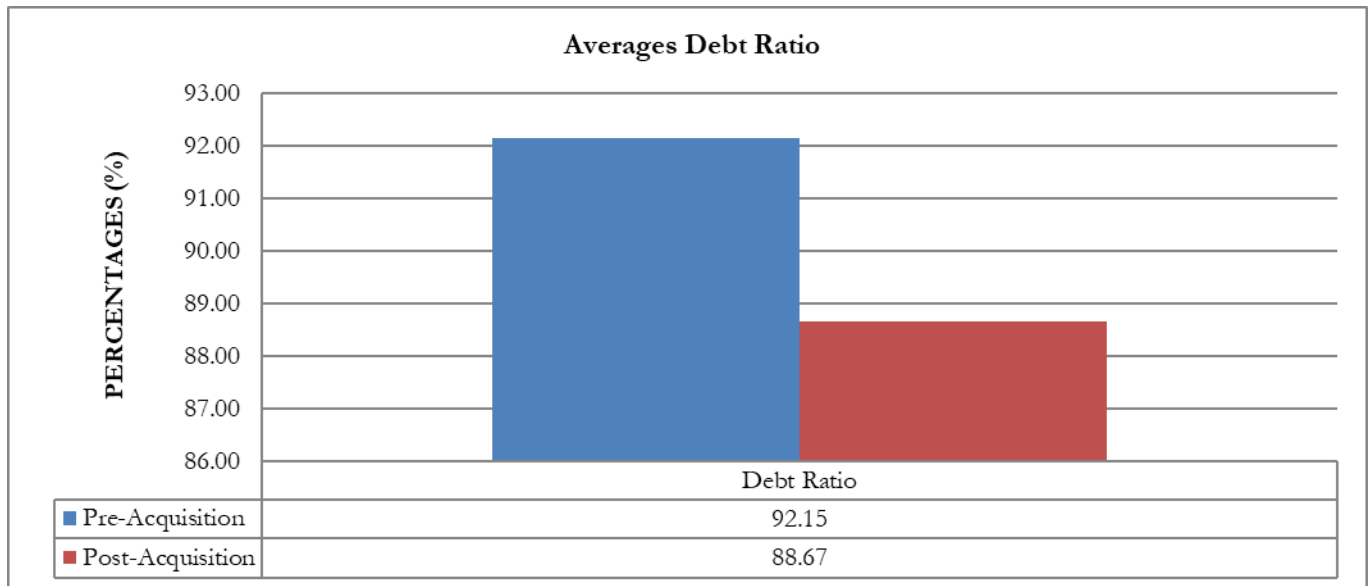
Figure 4.29: Averages of Debt Ratio for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.29 above, it can be noticed that for the Solvency ratio, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. One main observation that can be made is that the bank recorded pre-acquisition Debt Ratio of 86.34% relative to the post-acquisition Debt Ratio of 86.92%.

Figure 4.30: Averages of Debt Ratio for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

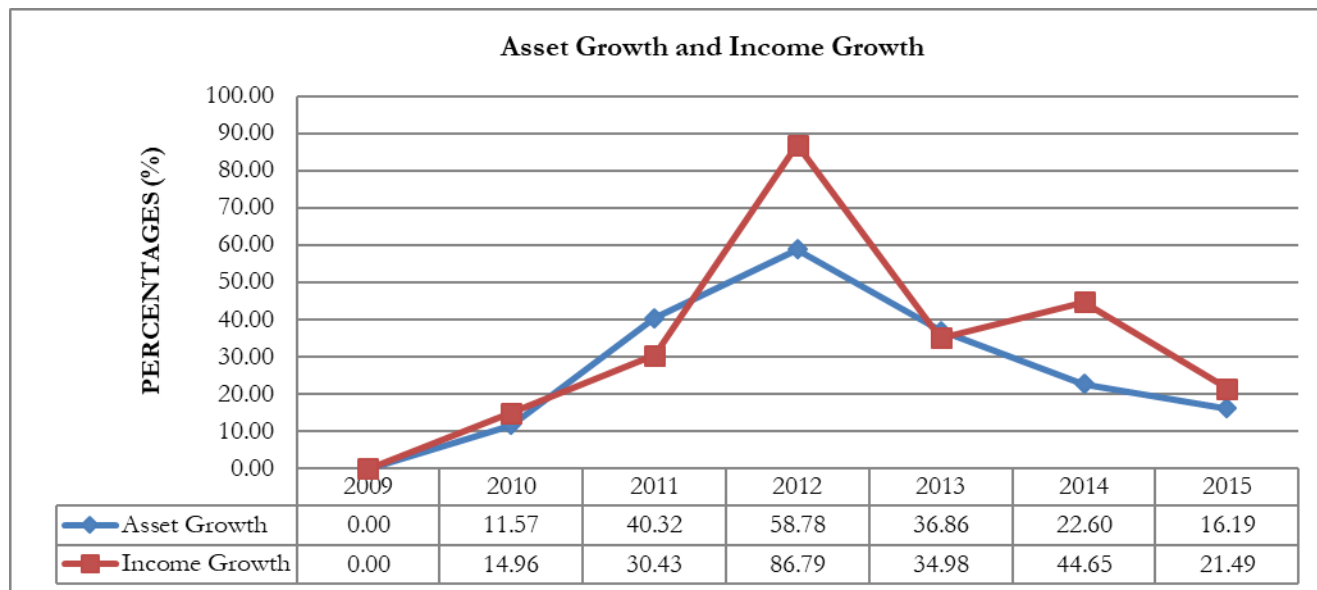
From on Figure 4.30 above, it can be noticed that for the Solvency ratio, the pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. One main observation that can be made is that the bank recorded pre-acquisition Debt Ratio of 92.15% relative to the post-acquisition Debt Ratio of 88.67%.

4.2.6 Growth Ratio

The growth performance during the pre and post-acquisition period was measured using the

- Operating Income Growth
- Total Asset Growth
- Deposit Growth
- Growth in Shareholders’ Funds

Figure 4.31: Operating Income Growth and Total Asset Growth for EcoBank.

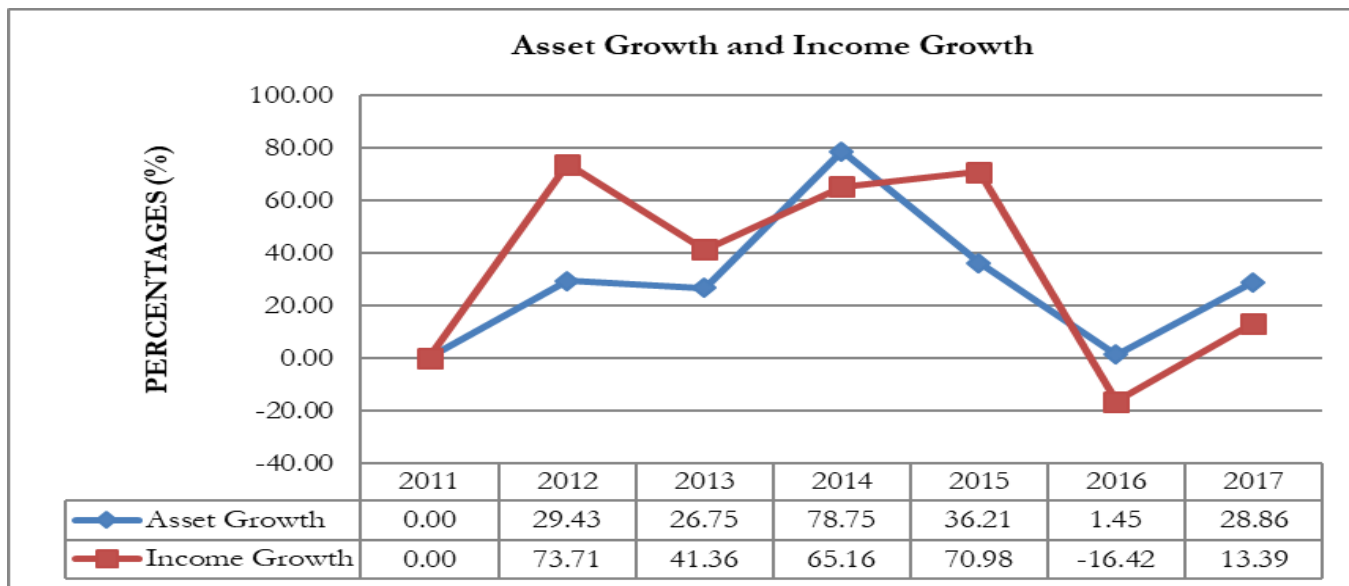


Basis: Researcher’s Calculations, 2020.

Based on Figure 4.31 above, it can be seen that between the year 2009 and 2011 (representing the pre-acquisition period), Total Asset Growth recorded 11.57% in 2010. After which, it increased significantly in 2011 recording a Total Asset Growth of 40.32%. The years 2013 to 2015 (representing the post-acquisition period), saw a decrease in Total Asset Growth from 36.86% in 2013 to 22.60% in 2014 as well as a further decrease in the year 2015 representing a Total Asset Growth of 16.19%.

Operating Income Growth on the other hand recorded 14.96% in 2010. After which, it increased significantly in 2011 recording an Operating Income Growth of 30.43%. The years 2013 to 2015 (representing the post-acquisition period), saw an increase in Operating Income Growth from 34.98% in 2013 to 44.65% in 2014 as well as a sharp decline in the year 2015 representing an Operating Income Growth of 21.49%.

Figure 4.32: Operating Income Growth and Total Asset Growth for Fidelity Bank.

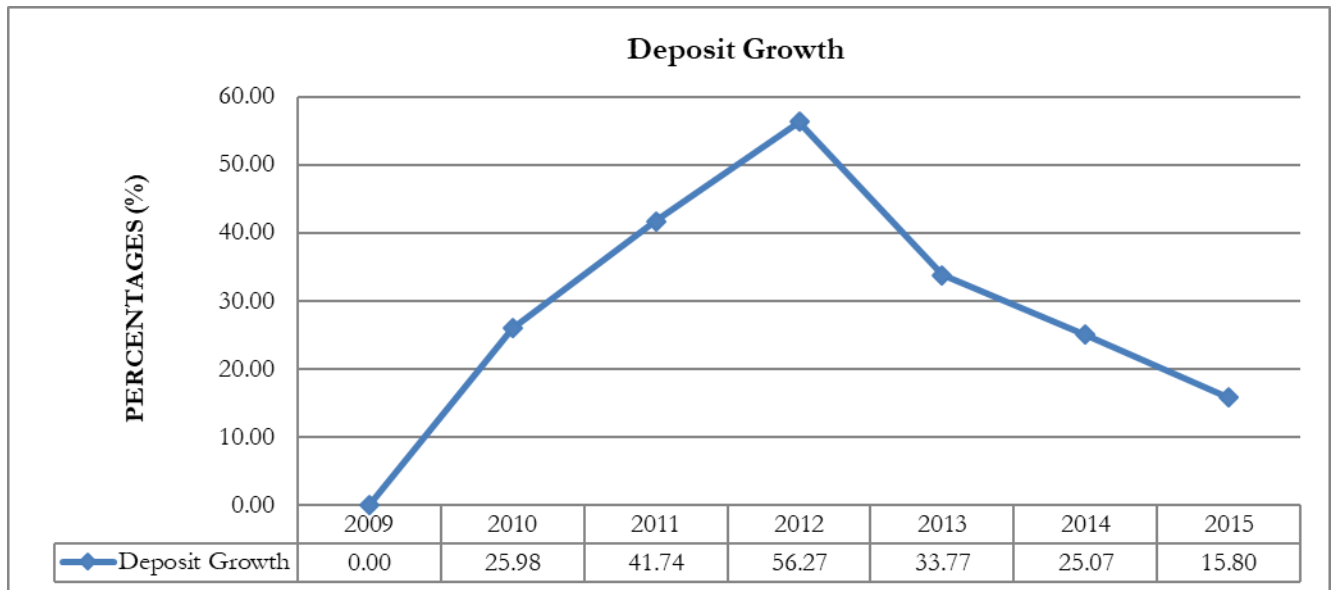


Basis: Researcher’s Calculations, 2020.

From on Figure 4.32 above, it can be noticed that between the year 2011 and 2013 (representing the pre-acquisition period), Total Asset Growth recorded 29.43% in 2012. After which, it decreased in 2013 recording a Total Asset Growth of 26.75%. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Total Asset Growth from 36.21% in 2015 to 1.45% in 2016 as well as a significant increase in the year 2017 representing a Total Asset Growth of 28.86%.

Operating Income Growth on the other hand recorded 73.71% in 2012. After which, it decreased significantly in 2011 recording an Operating Income Growth of 41.36%. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Operating Income Growth from 70.98% in 2015 to -16.42% in 2016 as well as a sharp rise in the year 2017 representing an Operating Income Growth of 13.39%.

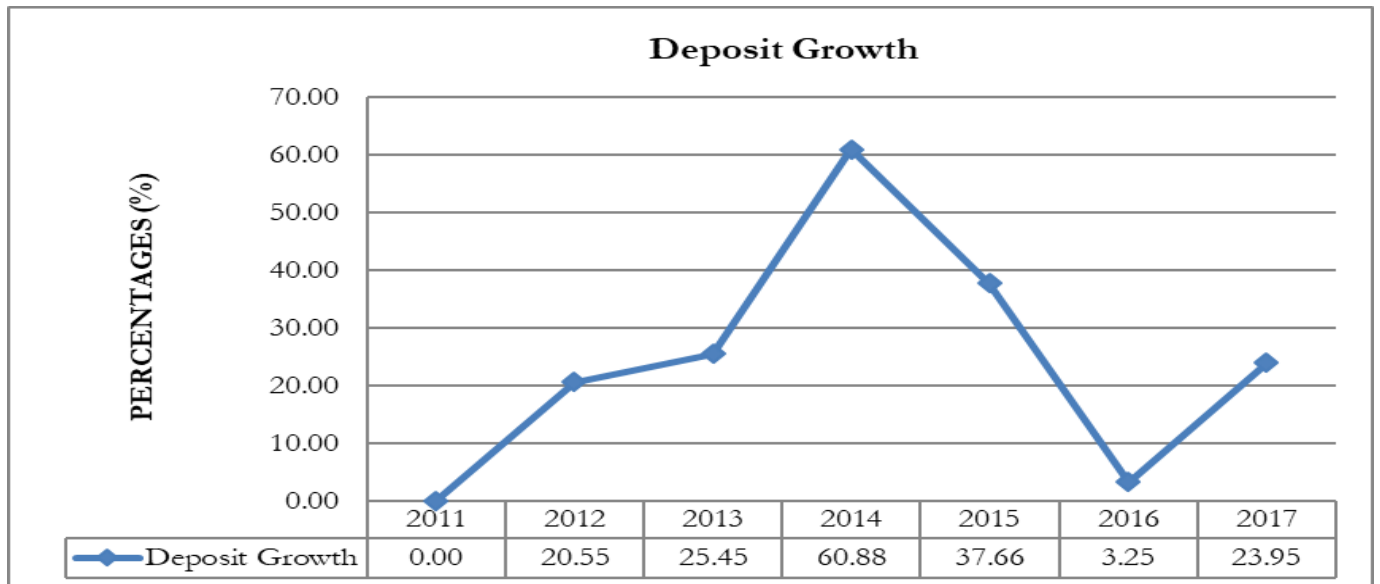
Figure 4.33: Deposit Growth for EcoBank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.33 above, it can be noticed that between the year 2009 and 2011 (representing the pre-acquisition period), Deposit Growth recorded 25.98% in 2010. After which, it increased significantly in 2011 recording a Deposit Growth of 41.74%. The years 2013 to 2015 (representing the post-acquisition period), saw a decrease in Deposit Growth from 33.77% in 2013 to 25.07% in 2014 as well as a further decrease in the year 2015 representing a Deposit Growth of 15.80%.

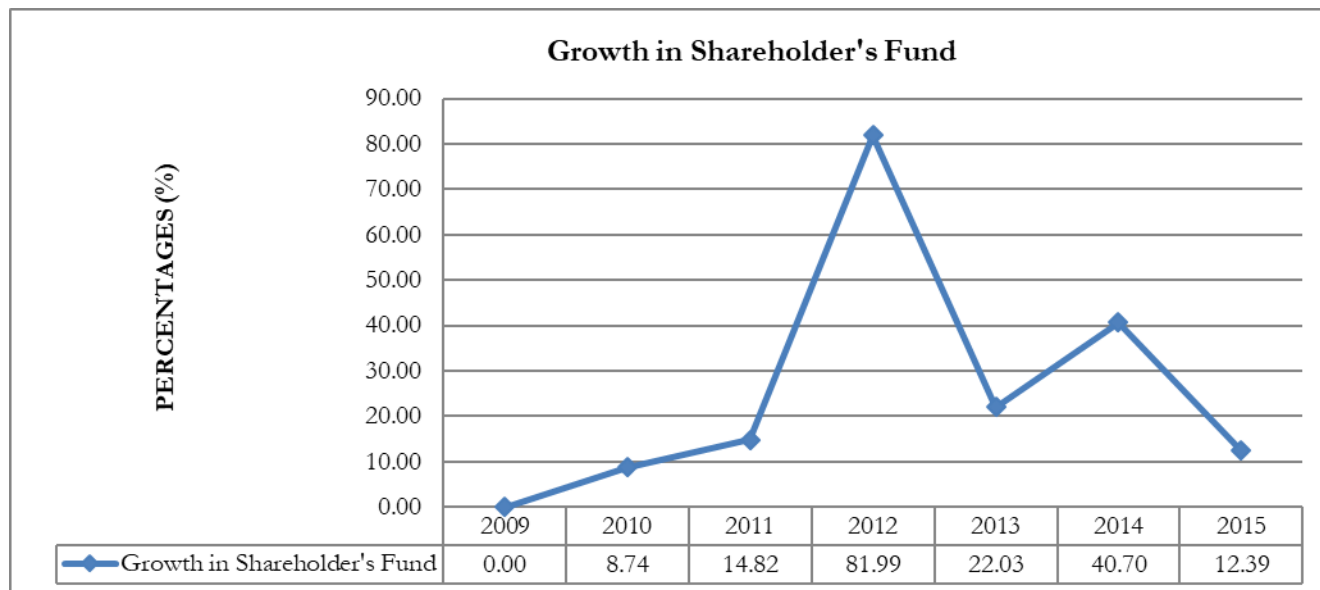
Figure 4.34: Deposit Growth for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.34 above, it can be realized that between the year 2011 and 2013 (representing the pre-acquisition period), Deposit Growth recorded 20.55 in 2010. After which, it increased in 2011 recording a Deposit Growth of 25.45%. The years 2015 to 2017 (representing the post-acquisition period), saw a decrease in Deposit Growth from 37.66 in 2015 to 3.25% in 2016 as well as an increase in the year 2017 representing a Deposit Growth of 23.95%.

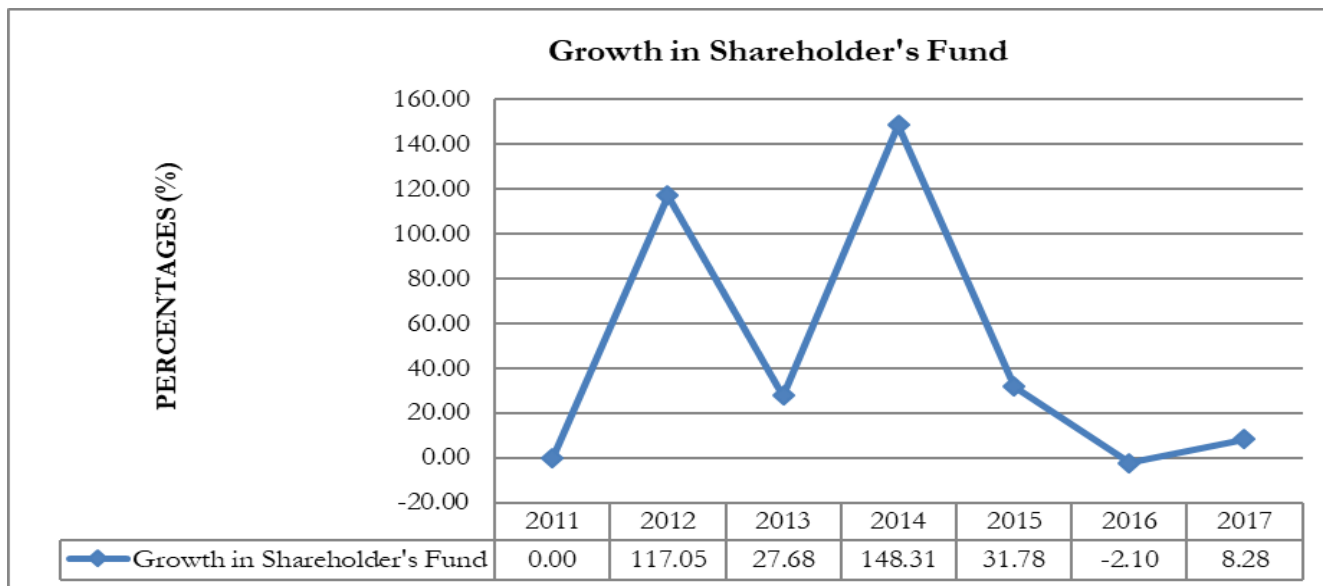
Figure 4.35: Growth in Shareholder’s Fund for EcoBank.



Basis: Researcher’s Calculations, 2020.

Flowing from Figure 4.35 above, it can be noticed that between the year 2009 and 2011 (representing the pre-acquisition period), Growth in Shareholder’s Fund recorded 8.74% in 2010. After which, it increased significantly in 2011 recording a Growth in Shareholder’s Fund of 14.82%. The years 2013 to 2015 (representing the post-acquisition period), saw an increase in Growth in Shareholder’s Fund from 22.03% in 2013 to 40.70% in 2014 as well as a decrease in the year 2015 representing a Growth in Shareholder’s Fund of 12.39%.

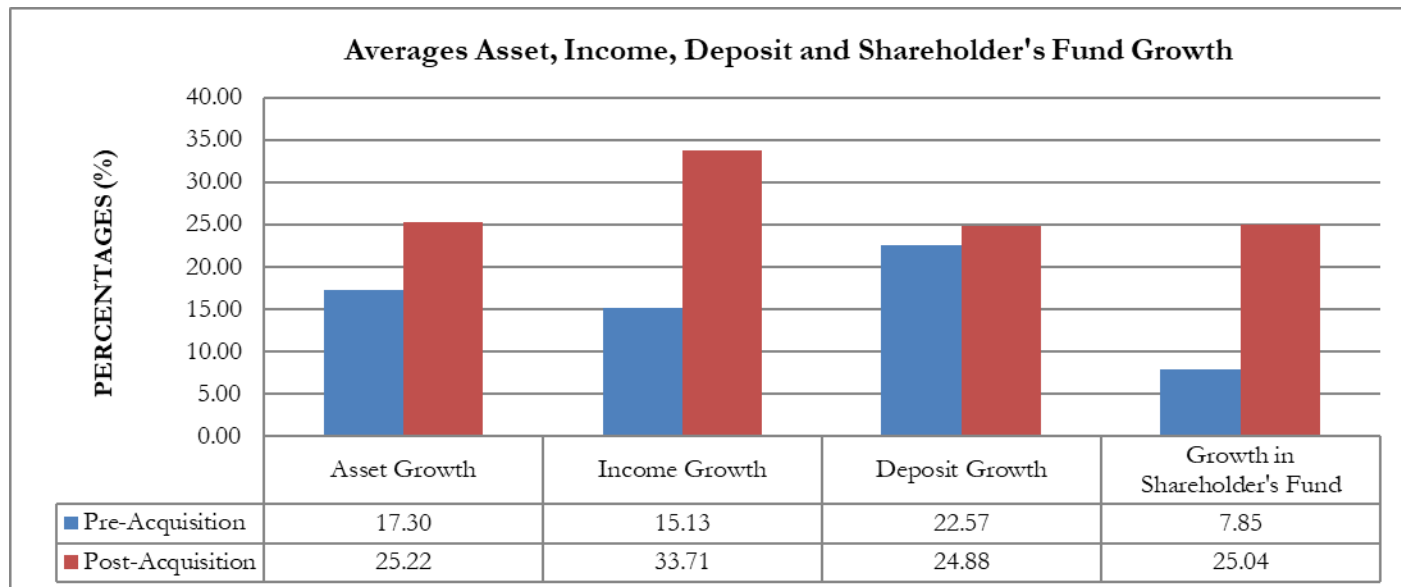
Figure 4.36: Growth in Shareholder’s Fund for Fidelity Bank.



Basis: Researcher’s Calculations, 2020.

From Figure 4.36 above, it can be that seen the year 2011 and 2013 (representing the pre-acquisition period), Growth in Shareholder’s Fund recorded 117.05% in 2011. After which, it decreased significantly in 2012 recording a Growth in Shareholder’s Fund of 27.68%. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Growth in Shareholder’s Fund from 31.78% in 2015 to -2.10% in 2016 as well as an increase in the year 2017 representing a Growth in Shareholder’s Fund of 8.28%.

Figure 4.37: Averages of Operating Income Growth, Total Asset Growth, Deposit Growth and Growth in Shareholder’s Fund for EcoBank.

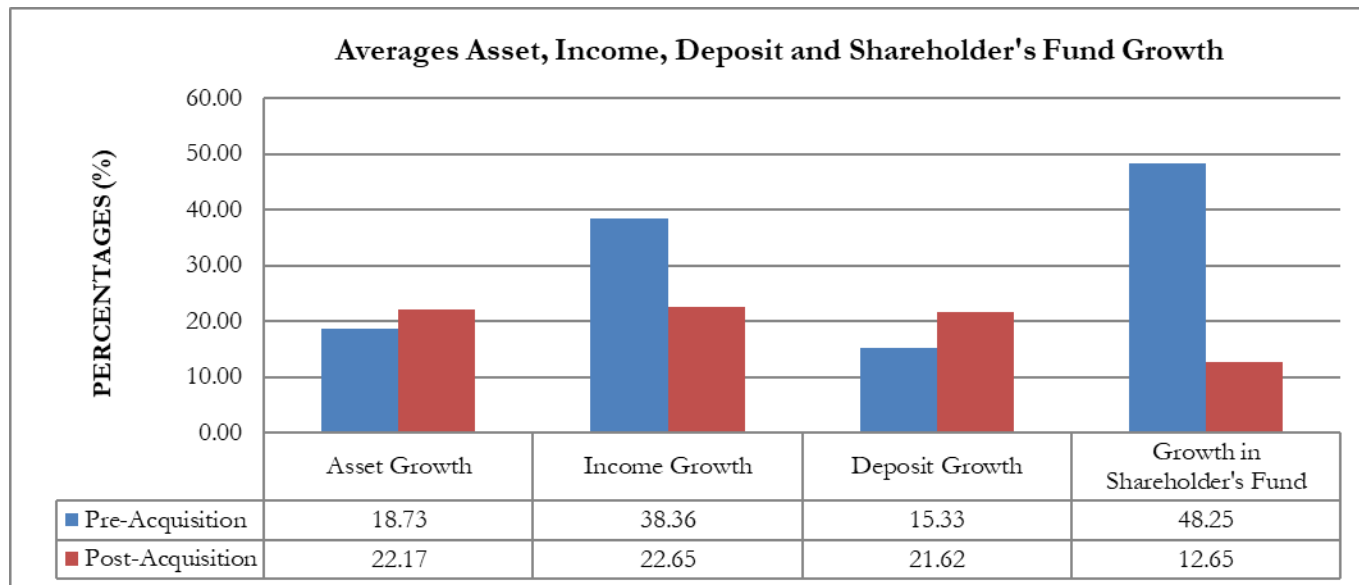


Basis: Researcher’s Calculations, 2020.

From Figure 4.37 above, it can be noticed that for each of the Growth ratios, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can also be seen that the bank recorded a pre-acquisition Total Asset Growth of 17.30% relative to the post-acquisition Total Asset Growth of 25.22%. Operating Income Growth on the other hand, witnessed a pre-acquisition Operating Income Growth of 15.13% relative to the post-acquisition Operating Income Growth of 33.71%.

Furthermore, Deposit Growth showed a pre-acquisition Deposit Growth of 22.57% relative to the post-acquisition Deposit Growth of 24.88%; whereas Growth in Shareholder’s Fund revealed a pre-acquisition Growth in Shareholder’s Fund of 7.85% relative to the post-acquisition Growth in Shareholder’s Fund of 25.04%.

Figure 4.38: Averages of Operating Income Growth, Total Asset Growth, Deposit Growth and Growth in Shareholder’s Fund for Fidelity Bank.



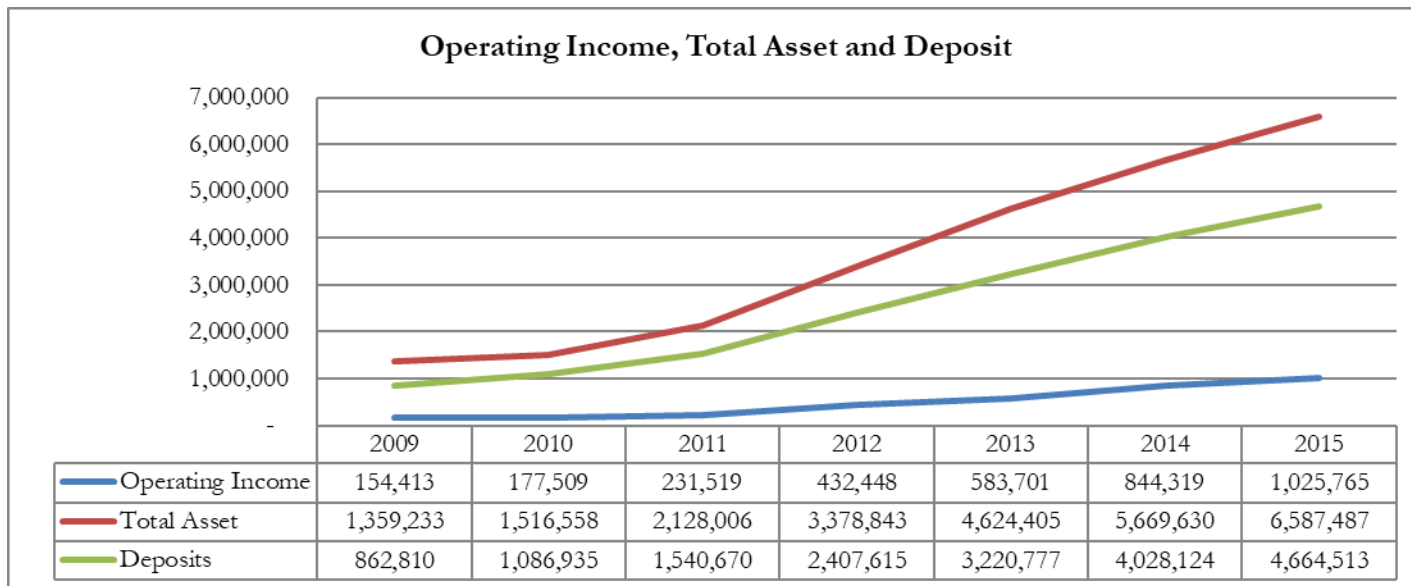
Basis: Researcher’s Calculations, 2020.

From Figure 4.38 above, it can be seen that for two of the Growth ratios, the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period; whiles, for the other two of the Growth ratios, the pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. It can also be seen that the bank recorded a pre-acquisition Total Asset Growth of 18.73% relative to the post-acquisition Total Asset Growth of 22.17%. Operating Income Growth on the other hand, witnessed a pre-acquisition Operating Income Growth of 38.36 relative to the post-acquisition Operating Income Growth of 22.65%.

Furthermore, Deposit Growth showed a pre-acquisition Deposit Growth of 15.33% relative to the post-acquisition Deposit Growth of 21.62%; whereas Growth in Shareholder’s Fund revealed a

pre-acquisition Growth in Shareholder’s Fund of 48.25% relative to the post-acquisition Growth in Shareholder’s Fund of 12.65%.

Figure 4.39: Operating Income, Total Asset and Deposit for EcoBank.



Basis: Financial Statements of EcoBank (in thousands of Ghana Cedi)

From Figure 4.39 above, it can be seen that between the year 2009 and 2012 (representing the pre-acquisition period), Operating Income increased from 154,413 in 2009 to 177,509 in 2010. After which, it increased significantly in 2011 recording an Operating Income of 231,519. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Operating Income from 583,701 in 2013 to 844,319 in 2014 as well as a further increase in the year 2015 representing an Operating Income of 1,025,765.

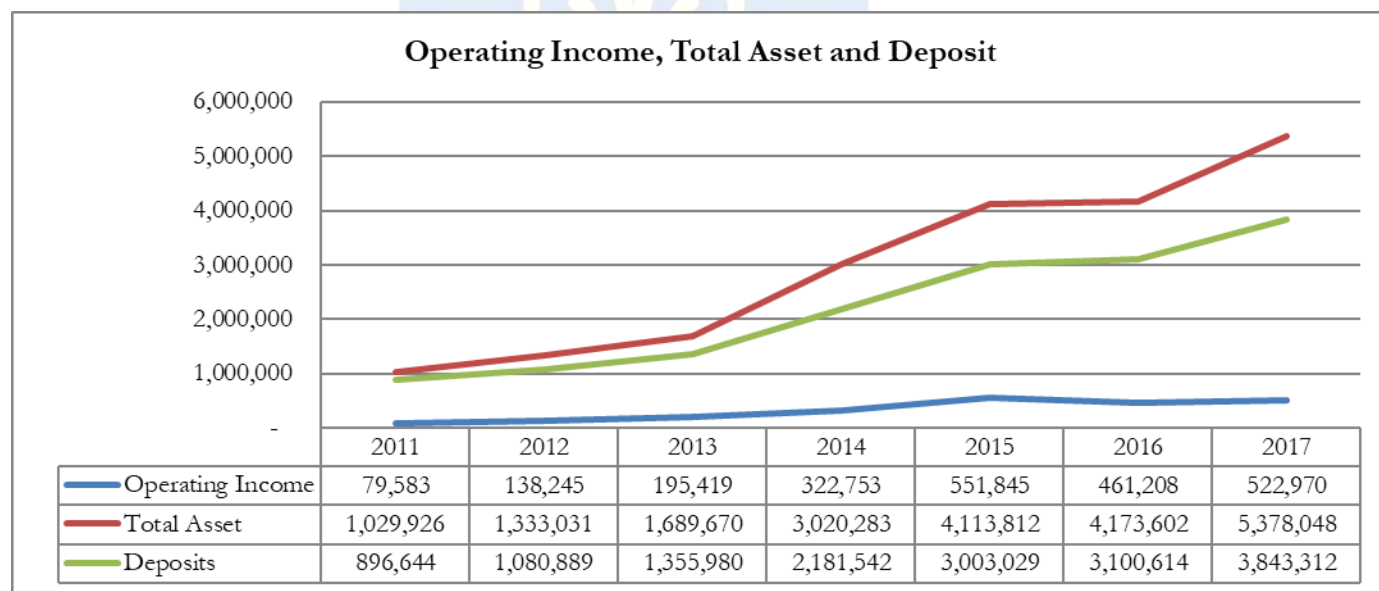
Total Asset on the other hand witnessed a significant increased from 1,359,233 in 2009 to 1,516,558 in 2010. After which, it increased significantly in 2011 recording a Total Asset of

2,128,006. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Total Asset from 4,624,405 in 2013 to 5,669,630 in 2014 as well as a further increase in the year 2015 representing a Total Asset of 6,587,487

Lastly, Deposit revealed a significant increase from 862,810 in 2009 to 1,086,935 in 2010. After which, it increased significantly in 2011 recording a Deposit of 1,540,670. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Deposit from 3,220,777 in 2013 to 4,028,124 in 2014 as well as a further increase in the year 2015 representing a Deposit of 4,664,513



Figure 4.40: Operating Income, Total Asset and Deposit for Fidelity Bank.



Basis: Financial Statements of Fidelity Bank (in thousands of Ghana Cedi)

From Figure 4.40 above, it can be seen that between the year 2011 and 2013 (representing the pre-acquisition period), Operating Income increased from 79,583 in 2011 to 138,245 in 2012. After

which, it increased significantly in 2011 recording an Operating Income of 195,419. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Operating Income from 551,845 in 2015 to 461,208 in 2016 as well as an increase in the year 2017 representing an Operating Income of 522,970.

Total Asset on the other hand witnessed a significant increase from 1,029,926 in 2011 to 1,333,031 in 2012. After which, it increased significantly in 2013 recording a Total Asset of 1,689,670. The years 2015 to 2017 (representing the post-acquisition period), saw an increase in Total Asset from 4,113,812 in 2015 to 4,173,602 in 2016 as well as a further increase in the year 2017 representing a Total Asset of 5,378,048

Lastly, Deposit revealed a significant increase from 896,644 in 2011 to 1,080,889 in 2012. After which, it increased significantly in 2013 recording a Deposit of 1,355,980. The years 2015 to 2017 (representing the post-acquisition period), saw a significant increase in Deposit from 3,003,029 in 2015 to 3,100,614 in 2016 as well as a further increase in the year 2017 representing a Deposit of 3,843,312

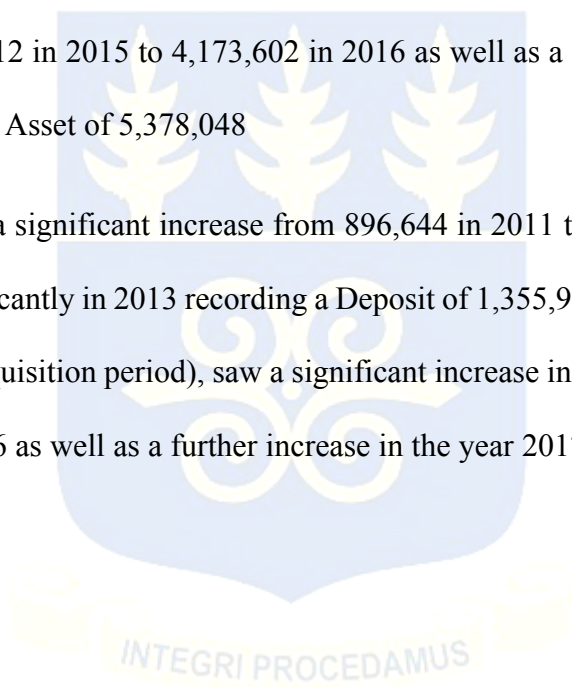
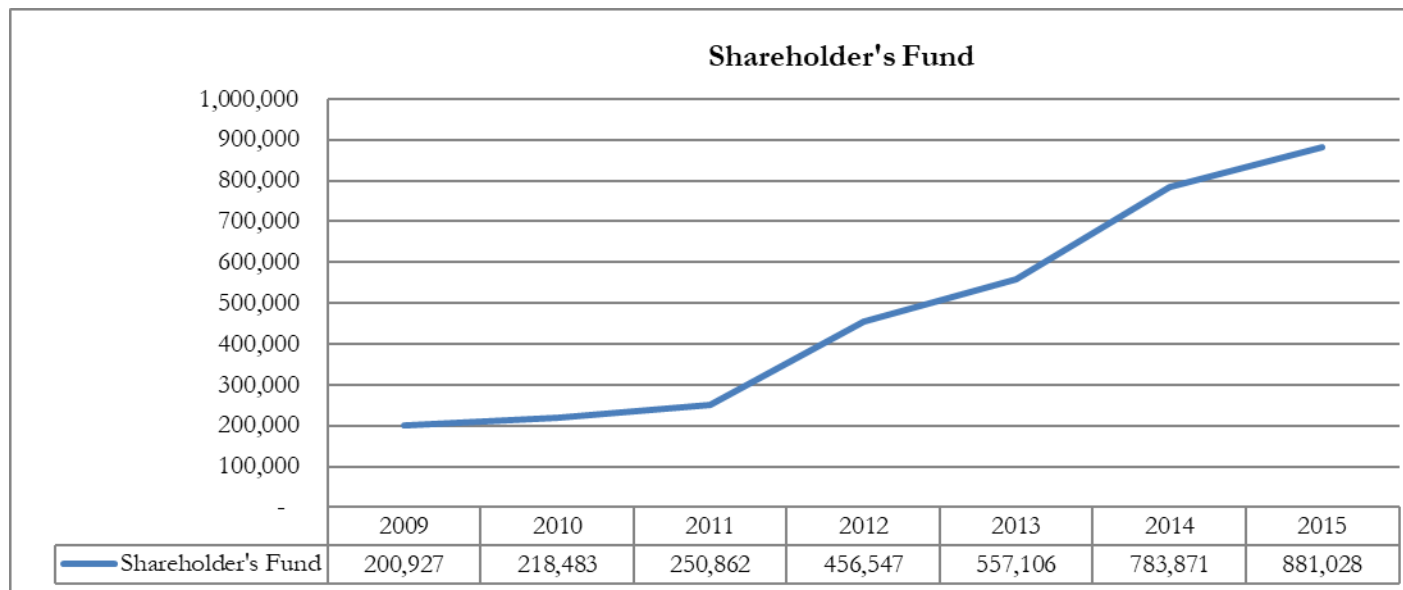


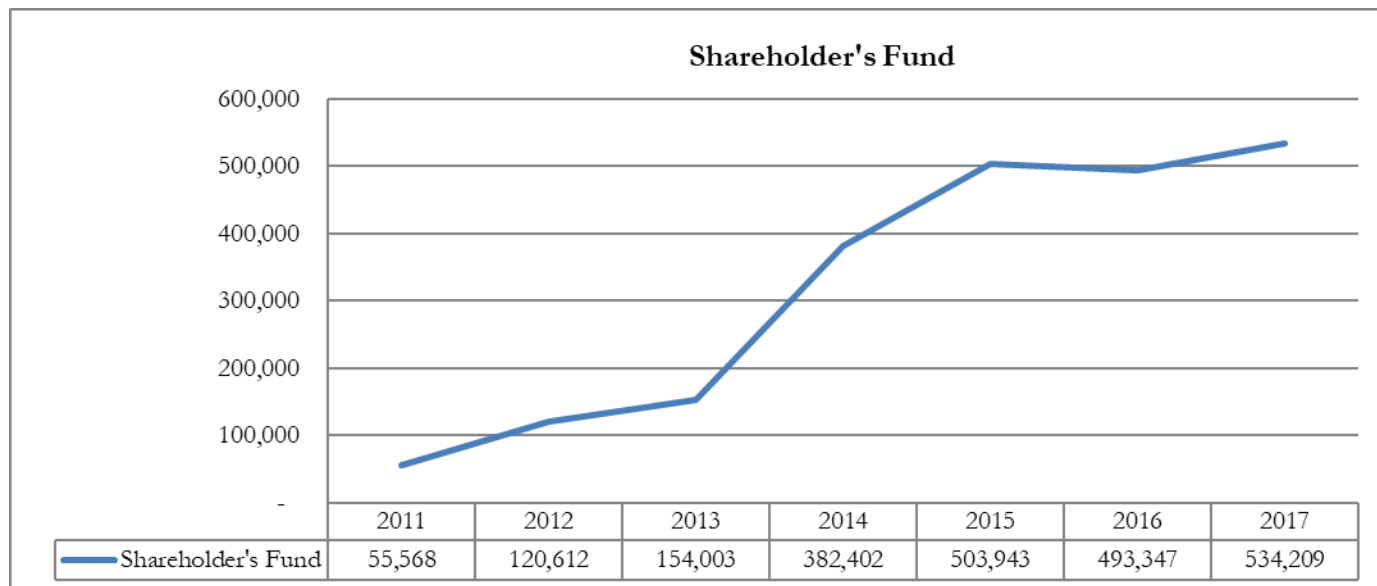
Figure 4.41: Shareholder’s Fund for EcoBank.



Basis: Financial Statements of EcoBank (in thousands of Ghana Cedi)

From Figure 4.41 above, it can be noticed that between the year 2009 and 2012 (representing the pre-acquisition period), Shareholder’s Fund increased from 200,927 in 2009 to 218,483 in 2010. After which, it increased significantly in 2011 recording a Shareholder’s Fund of 250,862. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Shareholder’s Fund from 557,106 in 2013 to 783,871 in 2014 as well as a further increase in the year 2015 representing Shareholder’s Fund of 881,028

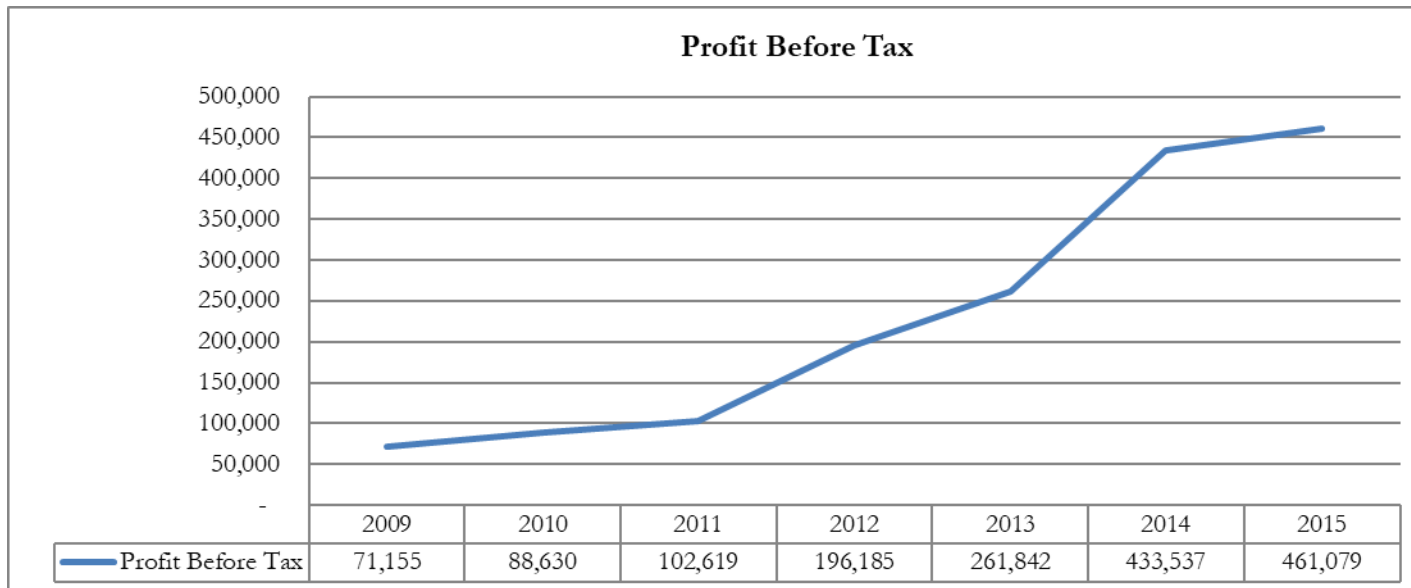
Figure 4.42: Shareholder’s Fund for Fidelity Bank.



Basis: Financial Statements of Fidelity Bank (in thousands of Ghana Cedi)

From Figure 4.42 above, it can be seen that between the year 2011 and 2013 (representing the pre-acquisition period), Shareholder’s Fund increased from 55,568 in 2011 to 120,612 in 2012. After which, it increased significantly in 2013 recording a Shareholder’s Fund of 154,003. The years 2015 to 2017 (representing the post-acquisition period), saw a decrease in Shareholder’s Fund from 503,943 in 2015 to 493,347 in 2016 as well as an increase in the year 2017 representing Shareholder’s Fund of 534,209

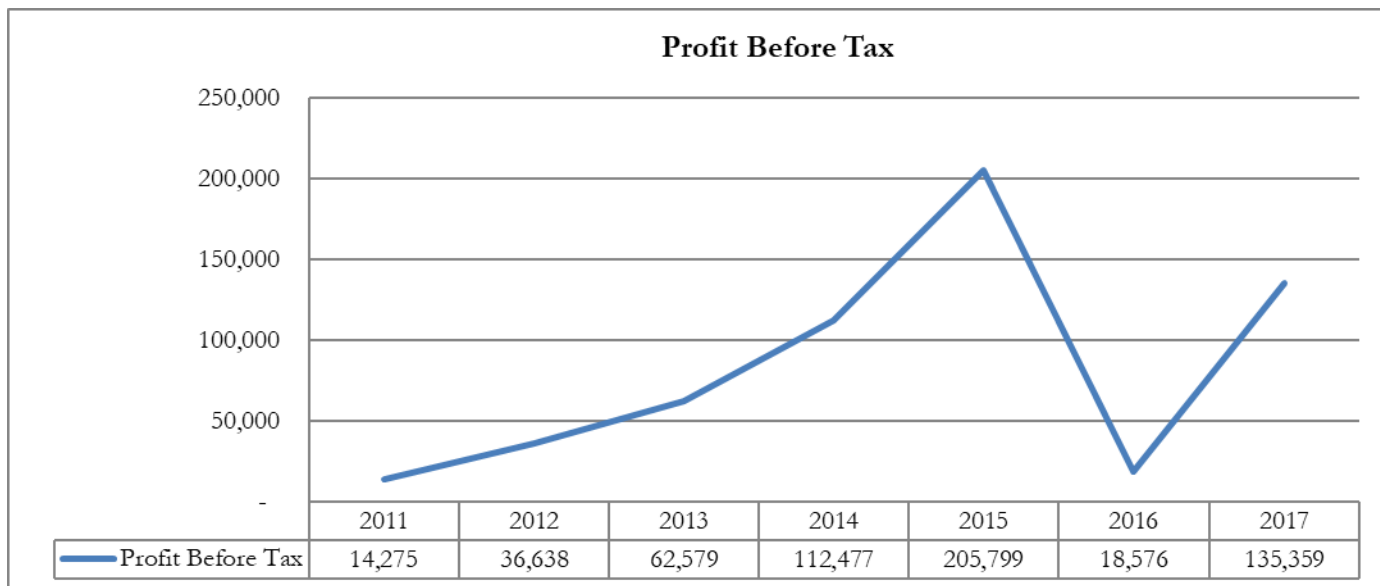
Figure 4.43: Profit Before Tax for EcoBank



Basis: Financial Statements of EcoBank (in thousands of Ghana Cedi)

From Figure 4.43 above, it can be noticed that between the year 2009 and 2012 (representing the pre-acquisition period), Profit Before Tax increased from 71,155 in 2009 to 88,630 in 2010. After which, it increased significantly in 2011 recording a Profit Before Tax of 102,619. The years 2013 to 2015 (representing the post-acquisition period), saw a significant increase in Profit Before Tax from 261,842 in 2013 to 433,537 in 2014 as well as a further increase in the year 2015 representing Profit Before Tax of 461,079

Figure 4.44: Profit Before Tax for Fidelity Bank



Basis: Financial Statements of Fidelity Bank (in thousands of Ghana Cedi)

From Figure 4.44 above, it can be seen that between the year 2011 and 2013 (representing the pre-acquisition period), Profit Before Tax increased from 14,275 in 2011 to 36,638 in 2012. After which, it increased significantly in 2013 recording a Profit Before Tax of 62,579. The years 2015 to 2017 (representing the post-acquisition period), saw a significant decrease in Profit Before Tax from 205,799 in 2015 to 18,576 in 2016 as well as an increase in the year 2017 representing Profit Before Tax of 135,359

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Here, the research covers the summary of the whole study, conclusions which emanated from the findings centered on the data collected and recommendations.

5.2 Summary

The study was undertaken to access the impact of mergers and acquisition in the banking industry in Ghana.

Basically, the objective of the study was to analyze the financial performance of the Acquiring Bank before and after acquisition of the Target Bank.

The data obtained was based on purposive sampling from the financial statements of these banks. The data was examined on the basis of the information gathered; and depicted in the form of graphs and tables and narrative interpretation.

It was discovered that

- For each of the profitability ratios for EcoBank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Net Profit Margin of 38.97% relative to the post-acquisition Net Profit Margin of 41.64%. Return on Capital Employed however, witnessed a pre-acquisition Return on Capital Employed of 40.47% relative to the post-acquisition Return on Capital Employed of 57.24%; whereas, Return on Asset

showed a pre-acquisition Return on Asset of 5.68% relative to the post-acquisition Return on Asset of 7.50%.

- For each of the profitability ratios for Fidelity Bank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period except for Return on Capital Employed where the Pre-Acquisition period outperformed the Post-Acquisition period. It can be observed that the bank recorded a pre-acquisition Net Profit Margin of 15.08% relative to the post-acquisition Net Profit Margin of 15.36%. Return on Capital Employed on the other hand, witnessed a pre-acquisition Return on Capital Employed of 37.62% relative to the post-acquisition Return on Capital Employed of 25.50%; whereas, Return on Asset showed a pre-acquisition Return on Asset of 2.88% relative to the post-acquisition Return on Asset of 3.02%.
- For the Expense ratio for EcoBank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Expense to Income Ratio of 53.22% relative to the post-acquisition Expense to Income Ratio of 52.96%.
- For the Expense ratio for Fidelity Bank, the average pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. It can be observed that the bank recorded a pre-acquisition Expense to Income Ratio of 74.51% relative to the post-acquisition Expense to Income Ratio of 77.60%.
- For each of the liquidity ratios for EcoBank, the average pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. It can be observed that the bank recorded a pre-acquisition Capital Adequacy Ratio of 19.46% relative to the post-acquisition Capital Adequacy Ratio of 15.97%. Non-Performing Loan

Ratio however. It witnessed a pre-acquisition Non-Performing Loan Ratio of 4.39% relative to the post-acquisition Non-Performing Loan Ratio of 8.62%. The Loan to Deposit Ratio average post-acquisition period shows a slight growth in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Loan to Deposit Ratio of 50.88% relative to the post-acquisition Loan to Deposit Ratio of 66.66%.

- For each of the liquidity ratios for Fidelity Bank, the average pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period except for Capital Adequacy Ratio where the post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Capital Adequacy Ratio of 13.20% relative to the post-acquisition Capital Adequacy Ratio of 27.64%. Non-Performing Loan Ratio on the other hand, witnessed a pre-acquisition Non-Performing Loan Ratio of 6.09% relative to the post-acquisition Non-Performing Loan Ratio of 10.10%. The Loan to Deposit Ratio average post-acquisition period shows a slight growth in the performance of the bank relative to the pre-acquisition period. It can be observed that the bank recorded a pre-acquisition Loan to Deposit Ratio of 50.88% relative to the post-acquisition Loan to Deposit Ratio of 66.66%
- For the investment ratio for EcoBank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can further be observed that the bank had pre-acquisition Earnings per Share of 0.61% relative to the post-acquisition Earnings per Share of 1.21%.

- For the investment ratio for Fidelity Bank, the average pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. It can further be observed that the bank had pre-acquisition Earnings per Share of 0.37% relative to the post-acquisition Earnings per Share of 0.32%.
- For the Solvency ratio for EcoBank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can also be seen that the bank documented pre-acquisition Interest Coverage Ratio of 249.38% relative to the post-acquisition Interest Coverage Ratio of 363.27%. The Debt Ratio average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. One main observation that can be made is that the bank recorded pre-acquisition Debt Ratio of 86.34% relative to the post-acquisition Debt Ratio of 86.92%.
- For the Solvency ratio for Fidelity Bank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can also be seen that the bank documented pre-acquisition Interest Coverage Ratio of 36.93% relative to the post-acquisition Interest Coverage Ratio of 49.00. The Debt Ratio average pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. One main observation that can be made is that the bank recorded pre-acquisition Debt Ratio of 92.15% relative to the post-acquisition Debt Ratio of 88.67%.
- For each of the Growth ratios for EcoBank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period. It can also be seen that the bank recorded a pre-acquisition Total Asset Growth of 17.30% relative

to the post-acquisition Total Asset Growth of 25.22%. Operating Income Growth on the other hand, witnessed a pre-acquisition Operating Income Growth of 15.13% relative to the post-acquisition Operating Income Growth of 33.71%. Furthermore, Deposit Growth showed a pre-acquisition Deposit Growth of 22.57% relative to the post-acquisition Deposit Growth of 24.88%; whereas Growth in Shareholder's Fund revealed a pre-acquisition Growth in Shareholder's Fund of 7.85% relative to the post-acquisition Growth in Shareholder's Fund of 25.04%.

- For two of the Growth ratios for Fidelity Bank, the average post-acquisition period shows an improvement in the performance of the bank relative to the pre-acquisition period; while, for the other two of the Growth ratios, the pre-acquisition period shows an improvement in the performance of the bank relative to the post-acquisition period. It can also be seen that the bank recorded a pre-acquisition Total Asset Growth of 18.73% relative to the post-acquisition Total Asset Growth of 22.17%. Operating Income Growth on the other hand, witnessed a pre-acquisition Operating Income Growth of 38.36% relative to the post-acquisition Operating Income Growth of 22.65%. Furthermore, Deposit Growth showed a pre-acquisition Deposit Growth of 15.33% relative to the post-acquisition Deposit Growth of 21.62%; whereas Growth in Shareholder's Fund revealed a pre-acquisition Growth in Shareholder's Fund of 48.25% relative to the post-acquisition Growth in Shareholder's Fund of 12.65%.

5.3 Conclusion

This paper evaluates the impact of mergers and acquisitions in the banking industry in Ghana with EcoBank and Fidelity banks acquiring The Trust Bank (TTB) and Procredit Savings and Loans respectively. Their performance was measured using financial ratios. The researcher collected seven years data for pre and post-acquisition period including the acquisition period for both acquiring banks and was analyzed by means of accounting ratios for banks. The result shows that, the Net Profit Margin, ROCE and ROA as well as expense to income ratio, loan to deposit ration and interest income to capital employed for EcoBank have all improved following the acquisition deal whereas the capital adequacy ratio (CAR) dropped from 19.46% to 15.97% for EcoBank. The remaining computed ratios for Non-performing loans, debt ratio, and asset growth as well as income growth, deposit growth, growth in shareholder's fund, EPS and growth in total expenses improved accordingly.

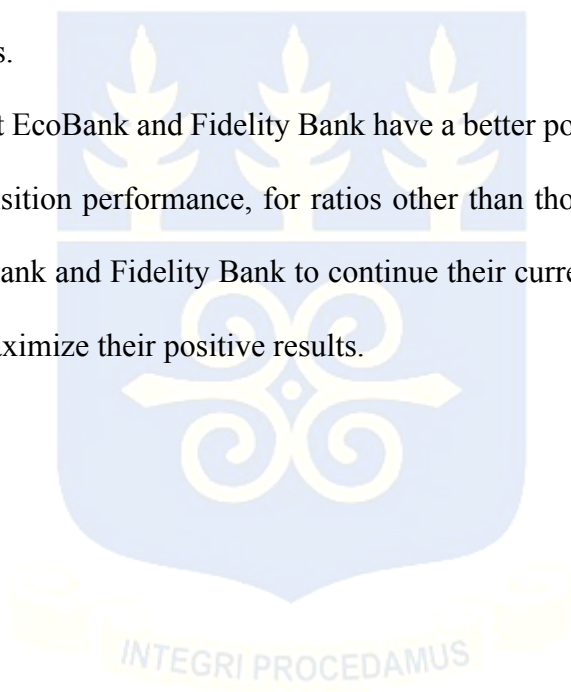
However for Fidelity bank, there was an improvement in the post-acquisition deal of Pro Credit Savings and Loans with the computed ratios of Net profit margin, expense to income ratio, ROA, capital adequacy ratio, interest coverage ratio, non-performing loan ratio, as well asset and deposit growth ratios improving significantly. There was however a contraction in the computed ratios for ROCE, loan to deposit ratio, interest income to capital employed, debt ratio, income growth ratios as well as an additional tightening in growth in shareholder's fund ratio, EPS, and growth in total expense ratios.

5.4 Recommendations

On the basis of the findings of this research, the following suggestions are recommended:

Due to the fact that with reference to income growth, shareholder's fund growth, return on capital employed, expense to income, non-performing loan, capital adequacy and earnings per share ratios, where the pre-acquisition performance of the bank was better than the post-acquisition performance of the bank, there will be the need for EcoBank and Fidelity Bank to interrogate the cause of the bank's underperformance in these areas and come up with innovative ideas to improve upon these financial ratios.

Finally, given the fact that EcoBank and Fidelity Bank have a better post-acquisition performance relative to their pre-acquisition performance, for ratios other than those mentioned above, there will be the need for EcoBank and Fidelity Bank to continue their current strategy with regards to these ratios in order to maximize their positive results.



REFERENCES

- Alao, R. O. (2010). Mergers and acquisitions (M&As) in the Nigerian banking industry: An advocate of three mega banks. *European Journal of Social Sciences*, Vol.15, No.4, 2010.
- Anthony, E. J. (2008). An evaluation of growth and merger and acquisition as strategic growth options in the Nigerian banking sector. *A dissertation presented in part of consideration for the degree of MA in corporate strategy and governance, University of Nottingham, United Kingdom.*
- Coase, R.H. (1937) The Nature of the Firm. *Economica*, 4, 386-405.
- DePamphilis (2011). Mergers and acquisitions basics 2nd ed UK: academic pres. *History of Mergers and Acquisitions Economy Watch*, <http://www.economywatch.com/mergers-acquisitions/history.html>, Retrieved August 14, 2015.
- Emumilade, D.O. (2010). Mergers & acquisitions and efficiency of financial intermediation in Nigeria banks: An empirical analysis. *International Journal of Business and Management*, Vol.5 No. 5, May, 2010.
- Ferris, K & Petit, B. (2013). Valuation for Merger and Acquisition. *An Overview, Financial Times*
- Gaughan, P.A. (2010). Mergers, Acquisitions, and Corporate Restructurings, *Fifth Edition, New York, John Wiley.*
- Healy, P. M, Palepu, K.G & Ruback R.S (1992). Does Corporate Performance Improve after Mergers? *Journal of Financial Economics* 31 (2): 135–75.

- Ikeda, K., & N. Do. (1983) The Performances of Merging Firms in Japanese Manufacturing Industry 1964–75. *The Journal of Industrial Economics*, 31(3):257–66.
- Jin, Z., Dehuan, J., & Zhigang, F. (2004). The Impact of Business Restructuring on Firm Performance – Evidence from Publicly Traded Firms in China. *Academy of Accounting and Financial Studies Journal*, pg1-6.
- Kilelo, I. E. (2013). Mergers and Acquisition Strategy in the Banking Industry, *Unpublished MBA project, University of Nairobi*.
- Misigah, G. (2013). Effects of mergers and acquisition on growth: *A study of Commercial Banks in Kenya. Master's Thesis. Unpublished Thesis.*
- Mitchell, M.L. and Mulherin, J.H. (1996) The Impact of Industry Shocks on Takeover and Restructuring Activity. *Journal of Financial Economics*, 41, 193-229
- Ndora N. (2010). The effects of mergers and acquisitions on financial performance of insurance companies in Kenya. *Unpublished MBA project, University of Nairobi*.
- Okpanachi, J. (2011). Comparative analysis of the impact of mergers and acquisitions on financial efficiency of banks in Nigeria, *Journal of Accounting and Taxation*, vol. 3(1),
- Porter, M.E. (1985) Competitive Advantage. *Creating and Sustaining Superior Performance. Free Press, New York*, 557 p.
- Retrieved March 8, 2020 from Ecobank Ghana Limited: <https://Ecobank.com/gh/personal-banking/countries>.
- Retrieved March 8, 2020 from Fidelity Bank Limited: <https://www.fidelitybank.com.gh/investors/about-us/>.

- Rhoades, S. A. (1993). Efficiency effects of horizontal (in-market) bank mergers. *Journal of Banking & Finance*, 17(2), 411-422.
- Seidu, S. (2008). The impact of mergers and acquisitions on the corporate financial performance of Guinness Ghana breweries Limited. *Doctoral Dissertation, University of Cape Coast*.
- Šević, Ž. (1999). Restructuring banks in central and eastern European countries as a part of macroeconomic changes towards market-oriented economy. *Belgrade: BCPPRS and Čigoja Štampa*.
- Sudarsanam, S. P. (1995). The essence of mergers and acquisitions. *London: Prentice-Hall*.
- Sufian, F. (2004). The efficiency effects of bank mergers and acquisitions in a developing economy: Evidence from Malaysia. *International Journal of Applied Econometrics and Quantitative Studies*, 1(4), 53-74.
- Tuni, Majala & Mwalukumbi (2011). The impact of mergers and acquisitions on financial performance of commercial banks in Kenya, *Unpublished MBA Thesis, University of Nairobi*.
- Umar, G. (2009). The impact of the banking industry recapitalization on employment in Nigerian banks. *European Journal of Social Sciences*, Vol.11, No. 3.
- Viverita (2008), The effect of mergers on bank performance: Evidence from bank consolidation policy in Indonesia, *International Review of Business Research Papers*, 4(4): 368-380