Merger and Acquisition as Survival and Sustainable Business Growth Strategy in the Nigerian Banking Industry

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ABSTRACT

This study uses the ex-post facto research design to examine the relationship between merger and acquisition (measured by CAMEL) as a survival and business growth strategy (measured by Earning per share) of Nigerian Deposit Money Banks (NDMB). The aim of the study is to investigate whether merger and acquisition produces the desired synergistic effect in the sampled banks. The population of the study comprises twenty-four deposit money banks classified into two groups of ten trouble and fourteen sound banks. Out of which six banks that had gone through the second round of consolidation were selected using purposive sampling technique. The study makes use of secondary data collected from annual reports and accounts of the sampled banks for a period of seven years (2008 – 2014. The study employs multiple regression analysis and analysis of variance (ANOVA) to analyze the data collected. The regression results of the study show a mixed relationship between merger and acquisition and business growth of the sampled banks. The study argues that merger and acquisition as survival and sustainable business growth strategy has failed to produce the desired synergistic effects among the sample banks. This negates the theoretical and financial beliefs that merger and acquisition would automatically lead to synergistic gains and value creation for shareholders. The study thus recommends that CAMEL indicators should be managed better to have a positive relationship with business growth.

Keywords: *Merger and acquisition, business growth, synergy, CAMEL, EPS.*

INTRODUCTION

Merger and acquisition is one of the best survival strategies that companies can use to develop and have the best managerial expertise, have good market share in a competitive environment, increase their profitability, become market leaders and increase their capital base as well as enhance business growth. It is an external growth strategy which has become a phenomenon in several countries all over the world due to increase in privatization, globalization, deregulation, intensive competition, economic meltdown, restructuring and liberalization. The common motive behind merger and acquisition are organization growth and sustainable profitability. Frear (1991) states that the need to survive in a competitive business environment and at some time, create growth and development in this time of hard economic realities might also be informed by the need to maximize the opportunities

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available to a company by replacing its inefficient and incompetent management; the need to achieve economies of scale, resulting in the combined output of both enterprises; the need to select the production or market range of the company; the need to reduce competition, by acquiring a competitor as opportunity opens up new market, heavy fixed cost and operating expenses and sheer ambition on the part of management to achieve growth and market power of companies. In area of hard economy situation, as we have seen today, a company which faces a threat of business failure has a possibility of been liquidated. Merger as an investment decision can serve as an effective means of reducing this possibility.

The global economic meltdown that was triggered by the US subprime lending crises of 2007-2009 which affected businesses all over the world in which Nigeria is not an exemption, resulted into the close down of some businesses and organization and many at the verge of liquidation (Akinbuli and Kelilume, 2013). Those companies that failed operated below expected capacities and remained stagnant, operated at losses and failed to declare returns to owners whereby the wealth of the ordinary shareholders could not be maximized. These have affected all business sectors in which banking industry is not an exception. The subprime financial crises created problems specifically connected with regulations and attitudes of many actors especially in the financial sectors. The inadequacy and weakness of the mechanism of corporate governance in the financial sector resulted in the distress of some banks in Nigeria. This global economic meltdown led to bank recapitalization and repositioning of the financial system in Nigeria in 2009 after the first round of bank consolidation in 2005 in order to build a strong, versatile and world class deposit money banks that can compete favorably with their counterpart all over the world. These made merger and acquisition a survival strategy for some of these banks in order to achieve these objectives.

According to Achua and Ola (2013), as at the end of October 2012, the consolidated deposit money banks have shrunk further to 21, out of which three (Mainstreet Bank Limited, Keystone Bank Limited and Enterprise Bank Limited) have a bridge banks status while some are at the verge of struggling to survive. In other words, four of the mega deposit money banks collapsed and three were on the brink of collapse, in less than seven years after merger and acquisition. Consequently, the outcome of post-merger and acquisition in the banking industry has led the research community into a quandary as to whether the industry has followed a path of massive restructuring on a misguided belief of value gains.

This study was motivated by the failure and distress of some of these deposit money banks after first round of banks consolidation. The continual failure and distress of some of these banks after the consolidation negates the theory of growth and synergy being expected from their merger and acquisition. Majority of past researchers on mergers and acquisitions focused on performance and profitability arising from consolidation, but less focus had been on merger and acquisition as a survival strategy for corporate growth in an organization in terms of assets, earnings and equity. Most of the studies conducted on deposit money banks consolidation in Nigeria through merger and acquisition used pre-

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merger data that did not pass through due diligence test due to regulatory and forced consolidation type of merger and acquisition in order to beat deadline and avoid compulsory liquidation. This research was to examine the relationship between Merger and acquisition as a survival and sustainable business growth strategy in the Nigerian deposit money banks. In order to achieve this objective, specifically we evaluated the extent to which capital adequacy ratio, asset quality, management quality, earning quality, and liquidity (CAMEL) of merged Nigerian deposit money banks influence their post-merger earnings per share (EPS). This was to confirm the concept of synergy in consolidation using various parameters in respect of six of the deposit money banks that had gone through second round of consolidation in Nigeria. This taking into consideration that the second phase of merger and acquisition was done under due proper arrangement, without the rush to meet deadline, due diligence on the capital adequacy, asset quality, management quality, earnings ability and liquidity brought forward by the merged banks.

This study is premised on the hypothesis that there is no significant relationship between merger and acquisition (CAMEL) of merged Nigerian deposit money banks and their post-merger earnings per share.

Concept of Merger and Acquisition

Mergers and acquisitions are the most popular means of corporate restructuring or business combination and these have played an important role in the external growth of a number of companies all over the world in which Nigeria is not an exception. The essence of a survival strategy for a trouble firm is to ensure the continual existence of the firm, maximization of shareholder wealth, increase investor confidence and ensure economic growth. The merger and acquisition strategy is to ensure synergetic effect on the post-merged firm. In some cases, merger and acquisition fails to achieve the synergetic effects based on some factors such as neglecting of due diligence on the process of merger and acquisition. The study highlights the essence of due diligence in merger and acquisition in order to achieve growth and also provide a practical advice to ensure that merger and acquisition succeed in practice.

The terms merger and acquisition are often used interchangeably. However, there are some differences. A merger refers to the combination of two or more organizations into a larger organization. Such actions are commonly voluntary and results in a new organizational name often combining the names of the original organizations. Example of merger in Nigeria, is the merger between Stanbic Bank and IBTC Bank to form Stanbic-IBTC Bank. Acquisition, on the other hand, is the outright purchase of one organization by another. Such actions can be friendly or hostile and the acquirer maintains control over the acquired firm (Jimmy, 2008). In Nigeria, example of this is the acquisition of Intercontinental Bank by Access Bank. Olowe (2011) defines acquisition (also known as takeover) as the purchase of a controlling interest in one company by another company; while a merger is an amalgamation between two separate companies to form a single company.

According to Boateng and Bjortuft (2003), a merger is a combination of business which occurs when two companies, more or less on equal footing, decide to join forces.

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On the other hand, acquisitions are business combination which occurs when one company takes over another company. A merger or an amalgamation is viewed as the situation where two or more companies combine together to form a larger business organization, while a takeover or an acquisition involves the purchase of controlling shares in another company. A merger or an acquisition is a method that is carefully planned to achieve a synergetic effect (Akinsulire, 2010). Brockington (1987) defines a merger as the result of a process whereby two or more previously autonomous concerns come under common control.

Samuelson (1980) introduces what he refers to as conglomerate mergers to include situations where a company in one industry takes on a company in another unrelated industry. Ajogwu (2011) states that merger and acquisition is a powerful growth tool used by companies to achieve long term growth and increased revenue or profitability. Akgobek (2012) affirms that a business combination is one of the most preferred growth strategies on the basis of all the assets and liabilities in a common pool to create a synergy of two or more activities of the entity. Olowoniyi and Ojenike (2012) assert that merger and acquisition are global terms used in achieving business growth and survival and that merger and acquisition are performed in the hope of realizing an economic gain. For such a transaction to be justified, the two firms must be worth more together than they were apart. The synergetic effect is that the value of the combined firm should be greater than the value of the two prior to acquisition. These can be obtained in three ways which are exploiting economies of scale, exploiting economies of scope and efficient allocation of capital.

Pandey (2005) affirms that synergy implies a situation where the combined firm is more valuable than the sum of the individual combining firms. In the same vein, Van Horne (2000) opines further that the fused firm should be of greater value than the sum of the firms that made it up, that is, the effect of the fusion should be able to translate mathematically into a 2 + 2 = 5 result. Synergy could be in form of sales, operation, investment and management. A merger will make economic sense to the acquiring firm if its shareholders benefit. Merger will create economic advantage when the combined present value of the merged firms is greater than the sum of their individual present values as separate entities (Pandey, 2005). Angwin (2001) in Gatheru and Were (2013) opine that in the fast-paced world of mergers and acquisitions, at the beginning of every transaction is a vision for the future of a newer, bigger, better operation where everything is rosy and profits are there for the taking.

Concept of Business Growth

Businesses are forced to grow with various reasons and the purpose of business growth is to provide development opportunities of business before their competitors and to help the resistance and give easy struggles in the moment when face to face with difficulties. Growth of the firm can be achieved by introducing new products and services to the market, improving on the already existing products and services in the market or by expanding its present operations on its existing products (Gatheru and Were, 2013). Business growth is one of the key indicators of assessing the success of a business which enhances good return to the ordinary shareholder, good competitive advantages, attracting top, talented

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and skill executives and also contributing to economic growth. Growth is necessary to determine the performance and continual existence of any business. Without growth, it is difficult for a business to attract good management. According to Pandey (2005), growth is essential for sustaining the viability, dynamism and value-enhancing capability of a company. A growth-oriented company is not only able to attract the most talented executives but it would also be able to retain them and this will lead to higher profit and increase in shareholders' value. According to Akgobek (2012), growth is a natural development for all living things, it is natural to be established into growth process and this is extremely important for the existence of a business. Hence, business is similar to living organism which must grow to survive.

This study was anchored on value creation/synergy theory and operating efficiency theory. These two theories hold that firm managers achieve efficiency gains by combining an efficient target with their business and then improving the performance of the firm in terms of business growth. The theory agreed with the belief that merger and acquisition should result in a greater value in the merged companies than when operating individually.

Ikpefan (2012) reviews post-consolidation effect of mergers and acquisition on Nigeria deposit money banks and establishes that merger and acquisition affect the banks and their overall performance. The study also noted that merger and acquisition require time and cannot be done in a hurry. He further states that the bank consolidation exercise of 2005 as supervised by the CBN had yielded lots of benefits in terms of improved banking environment, played a significant role in strengthening bank's capital base as well as restoring confidence among the public and had consequently enhanced the development of the economy. However, it takes more than banks merging to ensure the soundness and stability of banks. This conclusion was also supported by Elumilade (2013) in his study on mergers and acquisitions and efficiency of financial intermediation in Nigeria banks, finds that mergers and acquisitions in the banking industry had improved competitiveness and efficiency of the borrowing and lending operations of the Nigerian banking industry.

Also, Onaolapo (2013) examines post- merger performance of Nigerian banking sector with the aim of determining the effect and the extent to which merger influenced bank performance. Data were analyzed using percentage and ratios with multiple regressions used in testing the hypotheses. The study reveals that there was a strong relationship between bank performance and merger and that on average, bank consolidation resulted into improved performance and that bank consolidation can use merger and acquisition as a strategic tool which must be continuously applied and implemented. Nedunchezhian and Premalatha (2013) analyse the impact of financial performance of commercial banks after mergers in India with the objective of finding whether banks achieved efficiency during post-merger period in the areas of capital adequacy ratio, management efficiency ratio, earnings and profitability ratio and leverage ratio using four banks between 2006-2010. The findings of the study reveals growth rate of Debt/Equity, Total Advances to Total Assets, Equity capital to Total Assets, Dividend payout ratio but Growth rate of Returns on Assets ratio and other income to Total Income shows less improvement in three banks after merger except only one. Similarly, Kemal (2011) study post- merger profitability for

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Royal Bank of Scotland using accounting ratios to analyze the financial performance of Royal Bank of Scotland after merger. The study analyzed the bank financial statements for a period of four years from 2006-2009 using twenty vital ratios. The study concludes that the financial performance of RBS in the area of profitability, liquidity, assets management, leverage and cash flows have been quite satisfactory before merger deal. It means that merger fails to improve the financial performance of the bank.

Also, Long (2015) in the study of merger and acquisition in Czech Banking sector- assessed the impact of bank mergers on the efficiency of banks. The study compares performance of the banks involved in before and after mergers by assessing the financial performance of Czech banks, over a period from 2000-2010. The analysis reveals mix profitability after the merger for banks with the t-test showing no significant difference in profitability before and after merger. The results indicate that firm size and growth have significantly positive relationship with firm profitability while debt capital decreases firm profitability.

Similarly, Sanni (2009) studied the short term effect of the 2006 consolidation on profitability of Nigerian banks. The study used Return on Equity (ROE) as a measure of profitability and examines the ROE of fifteen banks out of the remaining twenty-four post consolidation mega banks for a period of three years pre- consolidation and three years of post- consolidation. Using descriptive method and the sample t-test statistic, the study finds out that there was a significant increase in the profitability of only four of the banks and a significant decrease in the profitability of the rest.

Umoren and Olokoyo (2007) studied merger and acquisition in Nigeria: Analysis of performance pre and post consolidation of thirteen mega banks in order to consider if there had been improvements in their profitability, liquidity and solvency after consolidation. Correlation analysis was used to test the impact of the consolidation on the performance measurement parameters. They finds out that on average, bank consolidation resulted into improved performance. Somoye (2008) conducted a study on the performance of commercial banks in post- consolidation period in Nigeria: an empirical review and finds out from the analyses of the published audited account of 20 banks out of the 25 banks after consolidation that the consolidation programs had not improved the overall performance of banks.

Okpanachi (2011) in his study "comparative analysis of the impact of merger and acquisitions on financial efficiency of banks in Nigeria" using gross earnings, profits after tax and net assets of the selected banks as indices to determine financial efficiency by comparing the pre-merger and post-merger acquisition indices. The finding reveals that the post-merger period was more efficient than the pre-merger period. Similarly, Mohammad and Zahid (2014) in their study, mergers and acquisitions: effect on financial performance of manufacturing companies of Pakistan concludes that overall financial performance of acquiring manufacturing corporations insignificantly improved in after merger period. The liquidity, profitability and capital position insignificantly improved while the efficiency deteriorated in after merger period. It was finally concluded that merger impact on different industries of manufacturing sector differently.

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METHOD

This study adopted the ex-post facto research design to examine the relation between merger and acquisition as survival and sustainable business growth strategy in Nigerian Deposit Money Banks. The population of this study is the twenty-four deposit money banks that were consolidated and operating in Nigeria in 2008. However, these banks population were classified into two groups which were ten troubled deposit money banks and fourteen sound and healthy banks as highlighted by central bank of Nigeria in year 2010 as a result of the special examination on banks carried out in 2009. These banks were:

The troubled Banks

Name of Banks	**Capital after merger and acquisitions**
Union Bank Plc	₦ 95.70billion
Intercontinental Bank Plc	₦ 53.90billion
Wema Bank Plc	₦ 31.90billion
Unity Bank Plc	₦ 30.00billion
Bank PHB Plc	₦ 28.50billion
Oceanic Bank International Plc	₦ 37.70billion
Afribank Nigeria Plc	₦ 24.90billion
Spring Bank Plc	₦ 25.00billion
Finbank Nigeria Plc	₦ 25.40billion
Equitorial Trust Bank Ltd.	₦ 28.40billion

Sources: CBN Reports (2008), Ebimobowei and Sophia (2011).

However, this research looks at the second phase of bank consolidation in Nigeria. This was in respect of six banks that had gone through second round of bank consolidation out of the ten classified troubled banks and fourteen sound banks in 2010. These banks were Intercontinental bank/Access bank to form Access group, Oceanic bank/Eco bank to form Eco group and Fin Inland bank/FCMB bank to form FCMB group.

The Sound/healthy banks

P-M/C Bank	**CB(₦b)**	**P-M/C Banks**
Access Bank	28.5	Access Bank, Marina Bank, and Capital Bank
Diamond Bank	33.25	Diamond Bank and Lion Bank
Eco Bank Nigeria	25.0	Eco Bank Nigeria
First City Monument Bank	30.0	FCMB, Coop. Development and NAMB Limited
First Bank Plc	44.62	First Bank of Nig. Plc, FBN Merchant Bankers, many Banks
Guarantee Trust Bank	34.0	Guarantee Trust Bank
IBTC Chartered Bank	35.0	IBTC, Chartered Bank, and Regent Bank
Nigerian International Bank	25.0	Nigerian International Bank (City Group)
Skye Bank	37.0	Prudent Bank, EIB International, Cooperative Bank, Bond Bank and Reliance Bank
Sterling Bank		NAL
Stanbic Bank	25.0	Stanbic Bank
Standard Chartered Bank	26.0	Magnum Trust Bank, NAL Bank, Indo-Nigeria Bank and Trust
Bank of Africa		
United Bank of Africa	50.0	United Bank for Africa and Standard Trust Bank
Zenith Bank	38.2	Zenith Bank

Post Merger/Consolidated Bank = P-M/C Bank; Capital Base in Billion (₦) = CB (₦b); Pre Merger Consolidated Banks = P-M/C Banks

Source: CBN Press Release (2006), NSE Fact Book (2006) and Ebimobowei and Sophia (2011).

Purposive sampling technique was used in selecting the six listed banks for this research from among the ten troubled deposit money banks and the fourteen sound deposit

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money banks that arose from the special examination carried out by CBN on deposit money banks in 2009. Purposive sampling was adopted because of the need to select banks on second phase of consolidation which provided the requisite data or information for the study. Three banks each were selected from each classification for purpose of merger and acquisition. Access bank, FCMB and Eco bank were selected from sound/ healthy bank's classification while Intercontinental bank, First-inland bank and Oceanic bank were selected from troubled bank's group. This sample selection technique had equally been used by researchers such as Ashfaq (2014); Olowoniyi and Ojenike (2012); Onaolapo and Ajala (2012); Okpanachi (2011).

These banks were those that had gone for second phase of consolidation in 2010 after the one of 2005. The sampled banks were chosen based on the following criteria: The merged or acquirer banks must have been classified as trouble banks by CBN; the acquiring banks must retain their identity prior to and after the mergers/acquisitions activities; they must have gone for second round of consolidation; they must have followed due diligence in the consolidation process; they must have at least two years post-merger financial statements; the Managing Director of the acquiring banks must be retained and never be sacked by CBN.

This study made use of secondary data that were sourced from the financial statements of the six sampled banks for a period of seven years (2008-2014) using Nigerian Stock Exchange (NSE) Fact Books and published financial statements of the sampled banks. The choice of secondary data for this study was based on the fact that primary data was considered subjective for the study. The use of secondary data was considered appropriate for this research because the study was an enquiry in which the researchers had no direct control over the independent variables. This was because the financial data used for this research were historical. Some of the previous researchers who had equally made use of only secondary data in the past were: Aruna and Nirmala (2013); Kumar (2013); Olowoniyi and Ojenike (2012); Onaolapo and Ajala (2012); Ebimobowei and Sophia, (2011); Kouser and Saba (2011); Okpanachi (2011).

The annual reports and accounts of the banks as published according to the regulation of CAMA (1990) and other regulatory bodies such as Nigeria Stock Exchange (NSE), Banks and Other Financial Institution Act (BOFIA), Securities and Exchange Commission (SEC) Act and Companies Income Tax Act (CITA), Central Bank of Nigeria (CBN) and Nigerian Deposit Insurance Company (NDIC) were sourced and relevant data for the purpose of this research were extracted and captured into a data collection sheet created on excel in columnar form for the banks and group of banks. These relevant data to the research variables which were extracted were collated, analyzed and were converted to various appropriate measures before being imputed into computer using excel software for analysis and t-test and f-test were used to test the hypothesis on the difference between merger and acquisition factors on business growth with the aid of a package called Statistic Package for Social Sciences (SPSS) computer software.

This study used Analysis of Variance (ANOVA) and multiple regressions analysis to analyze the data collected to measure the significance of linear bi-variant between the

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dependent and independent variables in the study. Merger and acquisition {measured by Capital adequacy ratio, Asset quality, Management quality, Earning quality and Liquidity (CAMEL)} were the independent variables while Business growth (measured by Earning per share) was the dependent variable. The research hypothesis was tested using F-statistic as well as t-statistic. This techniques had been used by Gatheru and Were (2013); Onaolapo and Ajala (2012).

Estimation of Regression Equation

$$Y = f(x_1, x_2, x_3, x_4, x_5)$$

$$EPS = ñ_0 + ñ_1X_1 + ñ_2X_2 + ñX_3 + ñ_4X_4 + ñ_5X_5 + \mu$$

$$EPS_{it} = ñ_0 + ñ_1CAR_{it} + ñ_2AQ_{it} + ñ_3MQ_{it} + ñ_4EQ_{it} + ñ_5LIQ_{it} + \mu_{it}$$

Where:

- Y = Earnings per share (EPS)
- x_1 = Capital Adequacy Ratio (CAR)
- x_2 = Asset Quality (AQ)
- x_3 = Management Quality (MQ)
- x_4 = Earning Quality (EQ)
- x_5 = Liquidity (LIQ)
- μ = the errors terms (stochastic variable)
- $ñ_0$ = the intercepts (constants) .
- $ñ_{1-5}$ = the coefficients for the CAR, AQ, MQ, EQ and LIQ respectively.

RESULTS AND DISCUSSION

Table 1: Pre-Merger panel data regression coefficients of earnings per share

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.063372	16.12111	0.500175	0.6513
CAR	18.26645	52.75598	0.346244	0.7520
AQ	6.744540	40.69783	0.165722	0.8789
MQ	-133.2761	177.6098	-0.750387	0.5075
EQ	39.91511	114.5137	0.348562	0.7504
LIQ	-6.981912	15.73325	-0.443768	0.6873
R-squared	0.364087	Mean dependent var -2.15324		
Adjusted R-squared	-0.695769	S.D. dependent var 3.58844		
S.E. of regression	4.672924	Durbin-Watson stat 2.00023		
F-statistic	0.343525	Prob. (F-statistic)	0.860022	

Source: *Researchers' extracts from Panel Data analysis, 2016.*

The pre-merger panel data regression coefficients for EPS reveal that CAR, AQ and EQ are positively related to EPS, while MQ and LIQ are negatively related to EPS. This is signified by the signs of the partial regression coefficients of 18.266, 6.745, 39.915, -133.276 and -6.982 for CAR, AQ, EQ, MQ and LIQ, respectively. This means that there is a positive relationship between explanatory variables having positive signs with EPS and negative relationship between the independent variables having negative signs with the explained variable (EPS).

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However, the p-values of the t-statistics of 0.752, 0.879, 0.508, 0.750 and 0.687 for CAR, AQ, MQ, EQ and LIQ, respectively revealed that these mixed relationships is insignificant at 95% confidence level connoting a spurious relationship. Also, the p-value of the F-statistic of 0.860 implies that the combined effect of all the explanatory variables on the explained variable is also insignificant at 5% level of significance. All these are pointers to the fact that there is no significant relationship between the independent variables and performance measure, EPS. The Durbin Watson statistic of 2.00 suggests that there is no evidence of serial correlation in the time series of the data employed by this study. The R^2 of 0.3641 implies that 36.41% of the changes in the value of EPS of the sampled firms can be explained by the changes in the explanatory variables (CAMEL) included in this study, while the remaining 63.59% can be attributed to other factors not included in this model.

Table 2: Post-merger panel data regression coefficients of earnings per share

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.689125	1.750761	-1.535975	0.1755
CAR	-11.23768	8.740891	-1.285645	0.2460
AQ	2.542877	3.581322	0.710039	0.5043
MQ	-19.53047	28.57563	-0.683466	0.5198
EQ	42.74114	21.38564	1.998591	0.0926
LIQ	3.128200	1.195590	2.616449	0.0398
R-squared	0.572168	Mean dependent var		0.746983
Adjusted R-squared	0.215642	S.D. dependent var		0.698363
S.E. of regression	0.618498	Durbin-Watson stat		2.072024
F-statistic	1.604843			
Prob. (F-statistic)	0.289198			

Source: Researchers' extracts from Panel Data analysis, 2016.

The post-merger panel data regression coefficients for EPS revealed that AQ, EQ and LIQ are positively related to EPS, while CAR and MQ are negatively related to EPS. This is signified by the signs of the partial regression coefficients of 2.543, 42.741, 3.128, -11.238 and -19.530 for MQ, EQ, LIQ, CAR and AQ, respectively. This means that there is a positive relationship between explanatory variables having positive signs with EPS and negative relationship between the independent variables having negative sign with the regressed, EPS.

However, the p-values of the t-statistics of 0.246, 0.504, 0.520, 0.093 and 0.040 for CAR, AQ, MQ, EQQ and LIQ, respectively revealed that these mixed relationships is insignificant at 95% confidence level connoting a spurious relationship except for that of LIQ (0.04) which is significant. Also, the p-value of the F-statistic of 0.2892 implies that the combined effect of all the explanatory variables on the explained variable is also insignificant at 5% level of significance. All these are pointers to the fact that there is no significant relationship between the independent variables and performance measure, EPS. The Durbin Watson statistic of 2.07 suggests that there is no evidence of serial correlation in the time series of the data employed by this study. The $R^2$of 0.5722 implies that 57.22% of the changes in the value of EPS of the sampled firms can be explained by the changes in the explanatory variables included in this study, while the remaining 42.78% can be attributed to other factors not included in this model.

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Table 3: ANOVA Pre-Merger and Post-Merger Panel Data Regression Coefficients of Earnings per share

Method	**df**	**Value**	**Probability**
t-test	10	-0.512913	0.6192
Satterthwaite-Welch t-test*	6.197708	-0.512913	0.6258
Anova F-test	(1, 10)	0.263079	0.6192
Welch F-test*	(1, 6.19771)	0.263079	0.6258

*Test allows for unequal cell variances

Analysis of Variance

Source of Variation	**df**	**Sum of Sq.**	**Mean Sq.**
Between	1	563.3896	563.3896
Within	10	21415.19	2141.519
Total	11	21978.58	1998.053

Category Statistics

Variable	**Count**	**Mean**	**Std. Dev.**	**Std. Err. of Mean**
PRE	6	-11.21141	61.79717	25.22859
POST	6	2.492481	21.54409	8.795339
All	12	-4.359463	44.69958	12.90366

Source: Researchers' extracts from Panel Data analysis, 2016.

The test of equality of means between series on table 3 as indicated by *t* and F-statistics of 0.6192 reveals that there is no significant differences between pre-merger and post-merger capital adequacy ratios, assets qualities, management qualities earnings qualities and liquidity ratios of the sampled banks employed by this study and by extension the pre-merger and post-merger earnings per share. This implies that in the short run, merger and acquisition of the sampled banks has not produced the expected synergy. This is contrary to our a priori and theoretical expectations which predict that merger will have synergetic performance influence on the post-merger performance of the merged banks. We therefore accept the null hypothesis which states that there is no significant relationship between CAMEL variables and post-merger EPS of money deposit banks in Nigeria. The merging of the banks had failed to improve the earnings attributable to the ordinary shareholders of the merged banks. This indicates no growth in earnings and lack of synergistic gains as measured by earnings per share.

These findings substantially align with the previous empirical studies such as Kemal (2011), Nedunchezhian and Premalatha (2013) and Somoye (2008) and provide an evidence of negative relationship. This also negates the value creation/synergy theory and operating efficiency theory. This result negates the findings of Mohammed and Zahid (2014), Okpanachi (2011), Sanni (2009), Umoren and Olokoyo (2007), Elumilade (2013) and Onaolapo (2013) which provided an evidence of positive relationship.

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CONCLUSION AND RECOMMENDATIONS

The study has extended the frontier of knowledge by adding to the understanding of the relationship between the independent variables (capital adequacy, asset quality, management quality, earnings ability and liquidity) and dependent variable (EPS). Also, the survival strategy and sustainable business growth model ($EPS_{it} = ñ_0 + ñ_1CAR_{it +} ñ_2AQ_{it} + ñ_3MQ_{it} + ñ_4EQ_{it} + ñ_5LIQ_{it} + \mu_{it}$) as developed for this study has contributed to the existing literature on merger and acquisition based on the finding that growth in the banking industry proxy by EPS can be ascertained using the specific inputs (CAMEL) rather than using CAMEL as traditional performance measurement.

The study has also contributed to the existing literature by focusing on CAMEL as independent variables (banks input into merger) rather than the traditional performance indicator in banking environment and thereby provides a better understanding of the effect of CAMEL on the performance of banks proxy by EPS. To the best of our knowledge, little or no relative study had been carried out on merger and acquisition as a survival strategy for growth in respect of those six Nigerian deposit money banks on second round of consolidation which followed due diligence in their consummation using the variable such as Capital adequacy, Asset quality, Management quality, Earnings ability and Liquidity as independent variables and the dependent variable as a performance measurement of EPS. This study filled this research gap by affirming whether or not merger and acquisition is a survival strategy and sustainable business growth for an organization moving toward liquidation or those struggling to remain in business. This was done to affirm the value creation theories and synergistic gains. The study negates the theoretical and financial beliefs that merger and acquisition will lead to value creation and have synergistic effect on the merged bank. The study revealed that there was no significant difference between the pre-merger and post-merger CAMEL and by extension the pre and post-merger EPS. This implied that in the short run the banks merger had not produced the expected synergistic gains and this fails to improve the financial performance of the merged banks which failed to yield a very positive result compared with the pre-merger result. This is contrary to our a priori expectation and theoretical expectation that merger leads to synergy.

From the findings of this study, it could be concluded that aside merger and acquisition, synergetic gain and value creation can also be achieved when banks improve on their risk management, corporate governance practices and top practices of professionalism in the course of banking operation to put confidence in the mind of customers for better performance. This affirms that merger and acquisition are not the best solution to financial distress in banks as well as corporate organization. On the bases of the findings and conclusions derived from this study, the following recommendations are made:

i. The CAMEL of the merged banks should be managed better in order to have a positive relationship with EPS for future synergistic gains and growth.

ii. The banks should come up with more robust efficiency strategies that would improve their performance in order to have synergistic effect on EPS.

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iii. The banks management should be proactive in product diversifications which help in generating additional income for the banks which will have multiplier effect on performance.
iv. The banks should improve on their risk management, corporate governance practices and top practices of professionalism in the course of banking operation to put confidence in the mind of customers for better performance.
v. The policy makers and regulators should be more focus on best practices rather than promoting merger and acquisition as a solution to banks distress and increased post -merger performance.
vi. In order to achieve a seamless integration, cultural differences in banks should be properly sorted out to avoid egoism and disharmony that may affect bank's operation and efficiency which can lead to poor performance and diminished synergistic benefit.

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