

**THE EFFECT OF MERGERS AND ACQUISITIONS ON THE FINANCIAL
PERFORMANCE OF FINANCIAL INSTITUTIONS IN KENYA**

BY

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DECLARATION

I, the undersigned, declare that this research project is my original work and has not been presented in any other university or institution for an award of degree.

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This research project is dedicated to my loving Mother Wangari Waweru for laying a strong foundation for my life. I am forever grateful.

ACKNOWLEDGEMENT

Special thanks to my Heavenly Father for His goodness throughout this journey and for granting me all the resources, good health and the zeal to accomplish this study.

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For all those who contributed directly or indirectly to the accomplishment of this project,
You have my sincere appreciations.

ABSTRACT

The purpose of this study was to establish the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya. The study took the form of a causal research design since this was a cause effect form of relationship. The study population included 104 financial institutions, out of which purposive sampling was applied to select 25 financial institutions that had undergone mergers and acquisitions. Secondary data was collected from a total of 18 firms. Multivariate regression analysis and correlation were used to analyze the data. The findings were presented in tables and graphs. The findings reveal that before mergers and acquisitions took place, financial institutions in Kenya did not have strong liquidity and solvency. Their operating expenses also increased with increase in profitability. The portion of the financial performance that was explained by liquidity, solvency and operating expenses of the firms was very small before mergers and acquisitions. However, after mergers and acquisitions took place, the liquidity and solvency of the firms improved significantly thus enhancing their financial performance. The operating expenses of the firms after mergers and acquisitions also seem to decrease as the financial performance increases. A strong positive relationship was witnessed between the liquidity of the firms and their financial performance as well as between the solvency and financial performance. However, a moderate inverse relationship was evident between operating expenses and the financial performance.

ABBREVIATIONS

CBK	-	Central Bank of Kenya
ECOWAS	-	Economic Community of West Africa States
M&A	-	Mergers and Acquisitions
ROA	-	Return on Assets
ROE	-	Return on Equity
IRA	-	Insurance Regulatory Authority

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Globalization has become the force behind the need for companies to seek strategies of expanding their operations and also to become more efficient. On the other hand, the fierce competition that characterizes the global market requires that companies have to develop some competitive advantage that can propel them ahead of the other competitors. One of the strategies that most companies adopt to gain competitive advantage is through mergers and acquisitions (M&A). The fundamental objective of M&A is to provide strong company capability of meeting customer satisfaction, and also to reduce fierce competition and evolve into technological development that will enhance better performance and realization of substantial profits (Moktar and Xiaofang, 2014).

Mergers have been experienced in a number of sectors all over the world. However, most of the M&A are evident in the financial sector. For instance, (Bunch and Delong, 2001) assert that most of the M&A that have been witnessed in most countries around the globe are mostly in the banking industry. The regional economic blocks such as the European Union that led to the European monetary union led to M&A that saw the number of commercial banks in most countries in Europe deteriorate. This same trend has also been observed in other regions such as West Africa where regional blocks such as Economic Community for West Africa States (ECOWAS) provide a conducive environment for mergers and acquisitions.

(Motis, 2007) asserts that companies engage in M&A because they want to increase shareholders' gains. He further asserts that M&A enable firms to increase their profits through economies of scale, economies of scope and economies of vertical integration. (Roller, Stennek and Verbove, 2006) also argue that if the merging firms have different technological capabilities, human capital, organizational cultures, patents, or simply know-how and it turns out that they are complementary to each other; then, by putting them together, they will most probably achieve a technological progress. Such a technological progress can take form of product or process innovation.

Firms that go through M&A enjoy a number of benefits. (Motis, 2007) indicates that M&A enable firms to enjoy cost savings. The firms are able to incur fewer costs in their activities due to the economies of scale enjoyed. He also argues that by increasing its size through mergers and acquisitions, a firm has the potential of increasing its buyer power that will enable it enjoy huge discounts. M&A enable firms to grow and expand their territory which enables them to enjoy greater control of the market within which they operate (Motis, 2007).

In Kenya, mergers have been witnessed in the banking and insurance sectors. For Instance Credit Finance Corporation and STANBIC banks merged to form CFC STANBIC bank. The resultant company is a subsidiary of Standard Bank Group. Mergers have also been experienced in the insurance industry where companies such as ICEA and Lion Assurance Company that merged to form ICEA LION group. Some of these mergers are used as market entry strategies by the companies involved or they happen as companies struggle to meet specific government legislation. More mergers are likely to take place in Kenya if the government through the Central Bank of Kenya implements its proposal to increase the deposit required of commercial banks to Ksh5 billion (Delloite, 2015).

1.1.1 Mergers and Acquisitions

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 one larger organization. Such actions are commonly voluntary and often result in a new organizational name (often combining the names of the original organizations). An acquisition, on the other hand, is the purchase of one organization by another. Such actions can be hostile or friendly and the acquirer maintains control over the acquired firm. Mergers and acquisitions differ from a consolidation, which is a business combination where two or more companies join to form an entirely new company. All of the combining companies are dissolved and only the new entity continues to operate (Okonkwo, 2004). In the same vein, (Gaughan, 2007) defines merger as ‘a combination of two or more corporations in which only one corporation survives’. He further stated that the acquiring company assumes the assets and liabilities of the merged firm. (Okonkwo, 2004) writes that a merger may be achieved through an acquisition, in this case, the shareholders of the acquired company are paid off and the acquirer becomes the owner of all or a substantial part of the assets of the acquired company.

(Sudarsanam ,2003) stated that terms such as ‘merger’, ‘acquisition’, ‘buyout’ and ‘takeover’ are used interchangeably and are all part of the M&A parlance, but was quick to point out the differences when he described merger as the process whereby corporations come together to combine and share their resources to achieve common objectives with the shareholders of the merged firms still retaining part of their ownership and this may sometimes lead into a new entity being formed while acquisition resembles more of an arm’s-length deal, with one firm purchasing the assets or shares of the other and the shareholders of the acquired firm ceasing to be owners of the new firm. The views of (Sudarsanam, 2003) conform to those of (Okonkwo,

2004), who maintained that the major difference between a merger and acquisition is essentially what the fate of shareholders becomes: 'shareholders of acquired firms are paid off in the case of acquisition; there is no disinvestment of the shareholders of the amalgamating companies in the case of merger'. From the above distinction, it is apparent that a merger occurs when two or more companies transfer their businesses and assets to a new company and in consideration, their members receive shares in the transferee company.

1.1.2 Financial Performance

An organization's financial performance can be defined in terms of how well a firm uses its assets from its core operations and generates revenues over a given period of time. This is usually a measure that is compared to some given industrial average standard of similar firms in the same industry. (Brealey et al., 2009) argue that financial performance of an organization can be measured in terms of profitability, liquidity, solvency, financial efficiency and repayment capacity. Profitability measures the income generated by a firm through the use of its productive assets; liquidity measures the ability of a firm to meet its short and long term obligations when they fall due; solvency measures an organization's ability to pay all its financial obligations if all of its assets are sold. Therefore, a firm financial performance can be measured using net income or net operating income, its assets performance or even its cash flows.

Financial performance is a very important aspect of management and can therefore not be ignored because it is central to the survival of any business enterprise. Without sound financial performance, a business organization may easily close down its operations. Successful performance of an organization will depend on a number of factors such as capacity to manage financial issues effectively. There is also evidence of a positive association between financially

related activities such as planning, maintenance of financial records, obtaining external finance and professional finance advice, and successful financial performance (Ismaila, 2011).

Measuring the performance of an organization is very important since it determines whether the organization has been able to achieve its financial objectives or not. There are a variety of measures that organizations can use or adopt in measuring their performance. One such category of measures is the liquidity measures that determine the ability of the business to meet its financial obligations without disrupting any of its activities. These measures usually rely on the relationship between assets and liabilities of the organization. The other type of measures are solvency measures which determine the amount of borrowed capital used by the business relative the amount of owner's equity capital invested in the business (Ismaila, 2011). This implies that solvency measures provide an indication of the business' ability to repay all indebtedness if all of the assets were sold. Financial performance can also be measured using profitability measures such as Return on Assets (ROA) and Return on Equity (ROE). The profitability measures are important in measuring the extent to which a business can be able to generate profits from the factors of production (Crane, 2010).

1.1.3 Financial Institutions in Kenya

Financial institutions are companies that are involved in the purchase and sale of money. They are usually engaged in obtaining money from those who have more than they require through bank deposits, insurance premiums, shares as well as treasury bills and bonds. The money that is realized from these savings is given out in form of loans, corporate bills and treasury bills and bonds. It is therefore clear that the financial sector in Kenya has two main functions to perform. The first function is identification and allocation of surplus funds into the economy and the other is distribution of the economic risk through distribution of securities. The main players in the

financial sector in Kenya include commercial banks, non-banking financial institutions, mortgage companies, foreign exchange bureaus, development finance institutions, pension schemes, Savings and Credit Cooperative Societies as well insurance companies (CBK, 2013).

Financial institutions in Kenya are normally regulated by the Central Bank of Kenya as the main agent of the government. The central bank of Kenya is charged with the responsibility of ensuring that financial institutions operate within the stipulated guidelines as set out by the government. Financial institutions play a very significant role in the country since they assist the Central Bank of Kenya in effecting its monetary policy. They also contribute a significant portion towards the Gross Domestic Product of the country. The Central Bank of Kenya also oversees other activities such as mergers and acquisitions that take place in the financial sector in Kenya. In the recent past the Central Bank of Kenya has come up with policies that have led to mergers and acquisitions among a number of financial institutions. More of these mergers and acquisitions are also likely to take place as new measures get implemented by the ministry of finance (Mwega, 2014).

1.1.4 Relationship between Mergers and Acquisitions and Financial performance

Research reveals that there is a great degree of variance on the relationship between mergers and acquisitions and the financial performance of financial institutions. For instance, (Rhoades, 1998) asserts that mergers and acquisitions can lead to significant cost reductions that can enhance financial performance of financial institutions whereas for other institutions it may not lead to cost reductions. (Sufian and Abdul Majid, 2007) also argue that mergers and acquisitions lead to enhanced profitability but have a negative side such as creation of monopolies and synergies.

Mergers and acquisitions have no impact on the productive efficiency of financial institutions hence have no ability to enhance the financial performance of these institutions. It is not certain whether mergers and acquisitions can improve the financial performance of financial institutions; this is according to (Said, Nor, Wah Low & Rhman, 2008). Some aspects of mergers and acquisitions can lead to a significant change in the shareholder value but may also fail to bring any significant change in the liquidity of the organization involved according to (Sinha, kaushik, and Chaudhry, 2010).

1.2 Research Problem

The reasoning behind mergers and acquisitions (M&A) is that two companies together are more valuable than two separate companies. Mergers and acquisitions have a number of benefits to the organizations involved. Among the benefits include enhancing the shareholder gains; enhanced profitability for the organization; efficiency in utilization of resources due to economies of scale and increased return on equity (Motis, 2007). Strong companies will act to buy other companies to create a more competitive, cost efficient company. The companies will come together hoping to gain a greater market share or achieve greater efficiency. Because of these potential benefits, target companies will often agree to be purchased when they know they cannot survive alone (Brealey and Myers, 2003).

M&A have equally been experienced in Kenya. Studies reveal that M&A have some significant effect in the financial performance of the resultant company. In the international perspective a number of studies have been carried out on mergers and acquisitions. For instance, (Meditinos, Theriou and Demetriades, 2009) carried out a study on the effect of mergers and acquisitions on the performance of companies. The study focused on a case study of two banks that merged. The

findings reveal that the resultant bank was more profitable and competitive than the individual banks that merged. (Moctar and Xiaofang, 2014) also carried out a study on the effect of mergers and acquisitions on the performance of selected commercial banks. The findings reveal that in terms of liquidity, M&A improves the situation of the banks in short and long term. It also reveals that performance and investment variables decrease in the period of M&A and increase two or three years later.

Locally in Kenya studies have also been conducted on mergers and acquisitions. (Mboroto, 2013) conducted a study on the effect of M&A on the financial performance of petroleum firms in Kenya. The study reveals that petroleum firms performed better in the post-merger/acquisition era as compared to the pre-merger/acquisition era. (Marembo, 2011) also carried out a study on the impact of mergers and acquisitions on the financial performance of commercial banks in Kenya. The study findings reveal that following the merger or the acquisition, the ROA and ROE both improved as the assets of the company improved.

The international and local literature reveals that research on mergers and acquisitions is taking place. However, the available research seems to be more industry specific. For instance in Kenya there is research on mergers and acquisitions on commercial banks by (Marembo, 2011) which excludes other financial institutions. (Mboroto, 2013) also researched on mergers and acquisitions on the petroleum companies which also excludes financial institutions. This leaves a research gap that needs to be filled. This study therefore attempted to fill this research gap by answering the question: what is the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya?

1.3 Research Objective

The objective of the study was to investigate the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya.

1.4 Significance of the Study

There seems to be diversity in the theoretical relationship between mergers and acquisitions and financial performance of companies. Some empirical findings indicate a positive relationship whereas others indicate otherwise. The findings from this study will assist in adding more knowledge that will assist in bringing more clear understanding on this relationship.

Kenya is a country that has many financial institutions. The management of these financial institutions will be able to learn more on the effects of mergers and acquisitions on the financial performance of their companies. They will also be able to compare the findings with those of other companies and this will assist them in making sound judgment on matters related to mergers and acquisitions.

The policy makers in Kenya will also be guided by the findings of this study since they play a central role in ensuring that the economic environment within which companies operate is favorable for various business activities and transactions. The findings will therefore enable them formulate policies that will address challenges that exist as far as mergers and acquisitions are concerned.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on past studies that have been carried out on mergers and financial performance. Here, the researcher reviews relevant theories that explain mergers and the need for the mergers. The chapter also presents a review of a variety of research work that has been conducted on the effect of mergers on financial performance of financial institutions both globally and locally in Kenya.

2.2 Theoretical Review

There are a number of theories that can explain the need for mergers in the contemporary business environment. In this study, three theories are discussed with their relevance to mergers and the financial performance of organizations. These theories include; the Resource dependency theory, the Resource based view and the Agency Theory.

2.2.1 Resource Dependency Theory

The resource dependency was first developed by Pfeffer and Salancik (1978). Their theory is based on the assumption that environments are the source of scarce resources and organizations are dependent on these finite resources for survival. The theory posits that lack of control over resources acts to create uncertainty for firms operating in that environment. Organizations must develop ways to exploit these resources, which are also being sought by other firms, in order to ensure their own survival.

Pfeffer and Salancik (1978) established factors that have significant influence on the level of dependence an organization has on particular resources. The first factor relates to overall importance of the resource to the firm; second is the scarcity of the resource. The scarcer a resource is the more dependent the firm becomes. Finally, another factor influencing resource dependence is the competition between organizations for control of that resource. Together, all three of these factors act to influence the level of dependence that an organization has for a particular resource. Resource dependence theory also infers that a firm's strategic options are determined to a great extent by the environment. Since firms are dependent on the environment for resources, they need to enact strategies that would allow them to acquire these resources. Therefore, the external environment has already been determined for these firms, and they experience little strategic choice (Pfeffer and Salancik, 1978).

Arguments in support of the resource dependency theory indicate that the environment is the source of scarce resources that are critical to a firm's survival. It is the lack of control over these critical resources, rather than a lack of information, that gives rise to environmental uncertainty. Environments that contain high levels of resources are perceived as less hostile to the stability of organizations, whereas those with low levels of resources act to increase the intensity of competition among firms. Consequently, the proponents of this theory further argue that in order to reduce the impact of this environmental uncertainty on organizational performance, it is necessary for organizations to develop and sustain effective relationships with their external environment (El-Nadi, 2013). This theory is very important in explaining mergers in organizations. Organizations depend on resources that are provided by the environment (in this case another organization) and they can only merge with the organization that has the resources to gain competitive advantage.

2.2.2 Stewardship Theory

The stewardship theory was first developed by Davis, Schoorman and Donaldson (1997) as who argue that a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized. In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. The theory suggests that stewards are satisfied and motivated when organizational success is attained. Stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust (Donaldson and Davis, 1991). It stresses on the position of employees or executives to act more autonomously so that the shareholders' returns are maximized. Indeed, this can minimize the costs aimed at monitoring and controlling behaviours (Davis, Schoorman & Donaldson, 1997).

On the other end, (Daly et al. ,2003) argue that in order to protect their reputations as decision makers in organizations, executives and directors are inclined to operate the firm to maximize financial performance as well as shareholders' profits. In this sense, it is believed that the firm's performance can directly impact perceptions of their individual performance. (Fama, 1980) contends that executives and directors are also managing their careers in order to be seen as effective stewards of their organization, whilst, (Shleifer and Vishny, 1997) insist that managers return finance to investors to establish a good reputation so that they can re-enter the market for future finance. The theory is important in explaining why managers are likely to enter into mergers and acquisitions so as to portray the picture of good stewards.

2.2.3 The Agency Theory

Agency theory was first expounded by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976). It is defined as the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hire the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder's agents (Clarke, 2004). The theory is conceptually a simple theory that reduces the corporation to two participants of managers and shareholders. The theory posits that employees or managers in organizations can perpetuate self-interest at the expense of the shareholders. However, the shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000).

This theory is based on the assumption that there are conflicts of interest between various parties such as shareholders, corporate managers and debtors of an organization. However since then, the finance theory has developed both theoretically and empirically to allow a fuller investigation of the problems caused by divergences of interest between shareholders and corporate managers. The Agency theory indicates that agency problems arise because of the impossibility of perfectly contracting for every possible action of an agent whose decisions affect both his own welfare and the welfare of the principal (Brennan, 1995b). The main challenge that arises from the agency conflict is how to induce the agent to act in the best interests of the principal.

Jensen and Meckling (1976) argue that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns. The theory specifies mechanisms which reduce agency loss. These include incentive schemes for

managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders (Jensen and Meckling, 1976). According to (McColgan, 2001) the scope of each type of agency conflict will differ from one firm to another, as will the effectiveness of governance mechanisms in reducing them.

Each type of governance mechanism can be important in reducing the agency costs of the separation of ownership and control. What is required is a more detailed understanding of what makes these mechanisms important for some firms and ineffective for others. Managerial awareness of the threat of takeover perhaps leads to entrenchment at lower levels, as does the potentially ineffective market for corporate control in disciplining management. (McColgan, 2001) further argues that despite its faults, with respect to agency conflicts, the modern corporation appears to be the most popular form of corporate organization. Perhaps this can largely be attributable to the evolution of governance mechanisms designed to limit the scope of these problems. The relevance of this theory relies on the fact that the owners may make a decision to merge with another organization if they feel the managers are not adequately addressing their interests. This then can be one way of dismissing managers with selfish interests.

2.3. Determinants of Financial Performance

Performance of firms is of paramount importance for investors, stakeholders and even the economy. For investors the return on their investments is highly valuable, and a well performing business can bring high and long-term returns for their investors. Furthermore, financial profitability of a firm will boost the income of its employees, bring better quality products for its

customers, and have better environment friendly production units. On the other hand, more profits will mean more future investments, which will generate employment opportunities and enhance the income of people (Mirza and Javed, 2013).

2.3.1. Economic Condition of the Country

The financial performance of a firm can therefore be affected by a number of factors. One of these factors is the economic condition of the country where the firms operates in. Economic condition of the country can affect a firm's performance on multiple fronts. Cost of borrowings can negatively influence the firm's capability to generate finances and invest in projects (Ntim, 2009). Prices of utilities, high costs associated with plant and machinery due to either deterioration of currency or import costs, high inflation rate and low income level of people can decrease the demand for industrial goods and hence negatively impact the firm's performance (Forbes, 2002).

2.3.2 Ownership Structure of a Firm

Ugurlu (2000) asserts that ownership structure of a firm is a very significant determinant of the financial performance of that firm. A firm may have internal or external ownership and this is very important in determining the type of management that is found in an organization. Through greater monitoring the negative and positive impacts of ownership concentration can be equated, and some time benefits can over weigh the negativities (Kaserer and Moldenhauer, 2008). According to (Reddy, 2010) internal ownership of the firm results to long term financial performance of a firm. On the other hand also concentrated ownerships and institutional ownerships lead to better control and monitoring of the board of directors and somehow force them to undertake profitable projects to ensure future earnings (Bhagat and Bolton, 2008).

2.3.3 Capital Structure

Capital structure is also another important determinant of financial performance of a firm. Every industry requires a substantial amount of resources, whether it is land, labor or capital employment of all required finances. These finances can either be generated internally or hired from outside sources. The decision of selection of the source of finance is based on the cost associated with them and the capital structure of firm. These costs can be monetary or non-monetary. Capital structure is also an important factor that determines the performance of a firm. Capital structure refers to the ratio of debt and equity financing. In case if more debt financing the company has to face certain bankruptcy risk, but there are also some tax and monitoring benefits associated with debt financing (Su and Vo, 2010). It also mitigates the agency conflict by reducing the free cash flow of the firm. There should be an appropriate capital structure that generates the maximum profit for the organization, as too less equity financing increases the control of the owners to a large extent (Abu-Rub, 2012).

2.3.4. Risk Management of a Firm

Risk management of a firm may also impact its financial performance. Risky firms tend to attract only risk taking investors. The relationship of risk and returns has to be managed so that the investors do get the return associated and expected with the risk they are bearing. On the other hand certain firm characteristics are associated with high performance of firm. Some of these characteristics include the size of the firm (Love and Rachinsky, 2007), growth rate, dividends, liquidity (Gurbuzet al., 2010) and sales (Forbes, 2002). The firms that have better growth rate can afford better machinery, and then gradually the assets and size of the firm will increase. Large firms attract better managers and workers who in turn contribute to the performance of the firm.

2.4 Empirical Review

This section highlights the previous studies which have been done by various scholars globally and locally on Mergers & Acquisitions and financial performance of organizations.

2.4.1 International Evidence

A lot of research has been carried out on mergers and financial performance of organizations. For instance (Moctar and Xiaofang, 2014) carried out a study on the effect of mergers and acquisitions on the financial performance of West African Banks. The study involved a survey of commercial banks that operate in the ECOWAS region in West Africa. The study involved banks that had gone through mergers or acquisitions. Data was collected from banks annual reviews. Three groups of variables were used in this study: liquidity ratio, performance ratios (ROA and ROE) and investment valuation variables. The findings from the study established that in terms of liquidity, mergers and acquisitions improve the situation of the banks in short and long term. It was further established that performance and investment variables decrease in the period of M&A and increase two or three years later.

(Madininos, Theriou and Demetriades, 2013) also carried out a study on the effect of mergers and acquisitions on the performance of companies. The study focused on two banks in Greece that had merged to form one bank. The main purpose of the study was to investigate the effects of the merger that took place in 1999 on the performance of the resultant bank. The study was carried in two parts. The first part analyzed the short term effects of the merger and the second part the long term effects of the merger. The findings from the study indicate that the resultant bank after the merger was not only profitable in the banking industry but was also more competitive than the other banks. However, the study revealed that the stock performance of the resulted bank is

not the decisive factor to appreciate the performance of the bank, since the stock value is many times the result of speculative actions, wrong expectations or simply a game of the fortune.

In Europe, (Altunbas and Ibanez, 2004) carried out a study on mergers and acquisitions on bank performance in Europe. The study was commissioned by the European Central Bank. The main objective of the study was to investigate the effect of financial consolidation that was taking place in Europe on the performance of banks. The study findings reveal that on average, bank mergers in the European Union resulted in improved return on capital. By making the assumption that balance-sheet resource allocation is indicative of the strategic focus of banks, there were significantly different results for domestic and cross-border mergers. For domestic deals, it could be quite costly to integrate dissimilar institutions in terms of their loan, earnings, cost, deposits and size strategies. For cross-border mergers and acquisitions (M&As), differences of merging partners in their loan and credit risk strategies are conducive to a higher performance whereas diversity in their capital, cost structure as well as technology and innovation investments strategies are counterproductive from a performance standpoint.

A study was also carried out in Egypt by Badreldin and Kalhoufer (2009). The objective of the study was to investigate the effect of mergers and acquisitions among banks in Egypt that were caused by prevailing economic reforms. The study measured the performance of Egyptian banks that had undergone mergers or acquisitions during the period 2002-2007. This was done by calculating their return on equity using the Basic ROE Scheme in order to determine the degree of success of banking reforms in strengthening and consolidating the Egyptian banking sector. The research findings indicate that not all banks that had undergone deals of mergers or acquisitions had shown significant improvements in performance and return on equity when compared to their performance before the deals.

2.4.2 Local Evidence

A number of studies have also been done locally on mergers and acquisitions. For instance, (Mboroto, 2013) carried out a study on the mergers and acquisitions on the financial performance of petroleum firms in Kenya. The study focused on petroleum companies that are listed in the Nairobi Securities exchange. Secondary data for the duration between 2002 and 2012 was collected from audited financial statements of the firms. The findings reveal that that mergers and acquisitions have insignificant effect on the overall financial performance of petroleum firms in Kenya. Also, there is improvement in the firms' performance after the mergers and acquisitions takes place.

(Ileri, 2011) conducted a study on the effects of mergers and acquisitions on financial performance of oil companies in Kenya. The study took the form of causal research design to determine the effect of mergers and acquisition on financial performance of oil industry in Kenya which can be measured through long-run profitability, leverage and liquidity. Both secondary and primary data were used. The findings from the study reveal that majority of these companies were established through mergers rather than acquisition. Also according to the model, mergers and acquisition, respondent Opinion about M & A, and financial performance were positively correlated with financial performance after merger.

(Misigah, 2013) carried out a study on the effect of mergers and acquisitions on growth of commercial banks in Kenya. The objective of this study was to examine the effects Mergers and Acquisitions (M&A) on growth of commercial banks in Kenya between the periods 2000 to 2010. The study was a survey involving commercial banks which have successfully completed merger and acquisition transactions since the year 2000-2010. The research instrument for collection of data was a questionnaire consisting of structured and unstructured questions.

Secondary data was also used to obtain the required information. Documentary secondary data included reports to shareholders, administrative and public records. The study established that the variable which was significant on growth of commercial banks through mergers and acquisition was shareholders value and the growth in profitability.

A similar study was carried out by Kivindu (2013). The objective of the study was to establish the effect of mergers and acquisitions on profitability of commercial banks in Kenya. The study adopted a descriptive research design and the population of interest will comprised of all the 24 banks that merged or were acquired in Kenya during the study period of 2000 to 2010. The study revealed that institutions having weak capital base consolidate to create synergies so as to enjoy economies of scale as this will improve their profitability instead of going public by listing on the Nairobi Stock Exchange as this may be an expensive venture.

2.5 Summary of Literature Review

The literature review has focused on a number of areas. The first section of the literature review examined the theories that are related to mergers and acquisitions. Three main theories were discussed. They include the resource dependency theory, the resource based vies and the agency theory. The section also focused on a review of the determinants of mergers and acquisitions both at the international and country level. An empirical review was also done covering international and local perspectives. It is evident from the literature review that there is substantial research on mergers and acquisitions but it falls short in addressing effects of this phenomenon on the financial performance of financial institutions in Kenya. In addition the findings appear to be varying from one industry and country to another. The literature reviewed shows the existence of a research gap on the effect of M&A on the financial performance of financial institutions in Kenya and this is what the study seeks to bridge.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the researcher discusses the methodology that was applied to investigate the effect of mergers and acquisitions. Among the main items discussed include the research design that was adopted to guide the study, the population that was targeted and the sampling criteria that was applied, the type of data collected and instruments used as well as the data analysis techniques employed.

3.2 Research Design

This study was a causal research. The study sought to establish the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya. Since this is a causal relationship between variables, causal research design was more applicable. (Airasian and Gay, 2006) reveal that causal research design is important in explaining issues that have already happened where there is no need to control the variables. Since the effects of mergers and acquisitions being examined had already taken place, then this research design became the most convenient one to use for this study.

3.3 Population and Sample

The target population of this study included the registered commercial banks, microfinance banks and insurance companies. According to the Central Bank of Kenya there were 43 registered commercial banks in Kenya and 12 microfinance banks. The Insurance regulatory authority also indicates that there were 49 registered insurance companies. This provided a total

of 104 financial institutions that were the target population for this study. The financial institutions that had gone through mergers and acquisitions totaled to 32 companies as illustrated in Appendix I. This study focused on 25 firms which had undergone mergers and acquisition between period 2000 and 2014.

3.4 Data Collection Techniques

Secondary data was collected for this particular study from the audited financial statements of the said financial institutions. The secondary data was for the duration of ten years including 5 years prior to merger or acquisition and 5 years after merger or acquisition. The data was collected from the Central Bank of Kenya (CBK) and Insurance Regulatory Authority (IRA) which are the regulators of the covered financial institutions.

3.5 Data Analysis

The data collected was analyzed using both descriptive and regression analysis. The quantitative data was analyzed using multiple regression analysis to bring out the relationship between the dependent variable which was the Financial performance of the Financial institutions and a great deal of independent variables.

The following analytical model was used.

$$F_P = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where

F_P represents the financial performance of financial institutions that was measured using Return on Assets. *ROA* is a standard measure of profitability in numerous studies. It shows the efficiency of company's management in utilizing assets at its disposal to earn profit

α is the F_P intercept when $X=0$;

$\beta_1, \beta_2, \beta_3$ are the Coefficient of the independent variables

X_1 represents the *Liquidity of the firm* which is the ability of an enterprise to meet its short-term financial obligations and was measured using the *current ratio* (Current Assets / Current Liabilities) before and after the merger or acquisition; X_2 is the *solvency of the firm* which is the ability of an enterprise to meet its long term financial obligations and was measured using the *debt to asset ratio* (Total debt / Total Assets) before and after the merger or acquisition; X_3 represents *operational expenses of the Firm* which are costs associated with running a business's core operations on a daily basis. This was measured using the *operating expense ratio* before the merger as well as the resultant firm after the merger or acquisition. The *operating expense ratio* is calculated by dividing a firm's operating expense by its gross operating income and ϵ is the error term.

3.6 Test of Significance

The researcher used the p-value as a test of significance on the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya. If the p-value obtained is less than 0.05 then the relationship was considered significant and if found to be less than 0.01 then it was considered highly significant. On the other hand a p-value of more than 0.05 was considered as insignificant

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

The purpose of this study was to establish the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya. Financial performance was the dependent variable which was measured by calculating the ROA of the financial institutions. The independent variables of the study were the liquidity ratio, current ratio, solvency ratio and operating expense ratio. This chapter presents the findings of the study in the following format: 4.2 presents the response rate; 4.3 relationships between the dependent variable and independent variables before mergers and acquisitions; 4.3 relationships between dependent variable and independent variables after mergers and acquisitions; 4.4 correlation analyses and 4.5 discussions of findings.

4.2 Response rate

The study had a sample of 25 companies from which secondary data was collected. The researcher managed to collect complete data from 18 financial institutions as illustrated in table 4.1 below. However, the required data from 7 financial institutions could not be included since it was not available.

Table 4.1: Response rate

	<i>Number of firms</i>	<i>Percent</i>
Complete data	18	72.0
Incomplete data	7	28.0
Total	25	100.0

As illustrated from the response rate in table 4.1 above, it is evident that complete data was collected from 18 financial institutions. This constitutes 72% response rate. It implies that the data collected was sufficient to enable the researcher generalize the findings of the study on financial institutions in Kenya.

4.3 Financial performance before Mergers and Acquisitions

The study sought to establish the relationship between the financial performance of the financial institutions before they underwent a merger or acquisition. Financial performance of the institutions was the dependent variable measured by calculating the Return on Assets of each individual firm separately before the merger or acquisition. The independent variables were the Liquidity of the firm which was represented by the current ratio before merger or acquisition; the solvency of the firm which was represented by the debt to asset ratio before merger or acquisition; operational expenses of the firm that was represented by operating expense ratio. A multivariate regression analysis was conducted and the results are presented next.

4.3.1 Descriptive Statistics

Table 4.2: Descriptive statistics

	Mean	Std. Deviation	N
Return on assets	.0470	.102	90
Current ratio	.5600	.693	90
Debt to asset ratio	.8807	.622	90
Operating expense ratio	.8076	.09406	90

The results from the descriptive statistics reveal that the return on assets before mergers and acquisitions had a mean of 0.047. This is an indication that the return on assets for the firms before mergers stood at 4.7%. This is a very small percentage and it implies that the firms were not performing well before mergers and acquisitions. The current ratio also reveals that the mean was 0.56 an indication that the firms were going through liquidity problems since the mean is below the 1.5 that is recommended. The debt to asset ratio had a mean of 0.8807 and this reveals that 88.07% of the assets of the firms before mergers and acquisitions were financed through debt. This is a very high percentage since the firms will spend huge amounts of their income in servicing debts. The operating expense ratio had a mean of 0.8076. This indicates that the operating expenses of the firms were very high compared to the income realized by the firms.

4.3.2 Model Summary

Table 4.3: Model Summary before mergers and acquisitions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.623(a)	.388	.362	1.0124	.388	4.151	3	11	.054

From the multivariate regression analysis conducted, it was established that the coefficient of determinant (R^2) has a value of 0.388. This implies that before mergers and acquisitions the variance or proportion of financial performance that was explained by the three independent variables: liquidity of the firm, solvency of the firm and operational expenses was 38.8%. This is an indication that before mergers and acquisitions, the financial institutions had weak ratios that could not significantly affect the financial performance of the institutions. The P value also reveals a significance of 0.054 which reveals that the relationship between the dependent value and the independent variables can only be considered to be lowly statistically significant.

4.3.3 Model coefficients

The relationship between the individual independent variables liquidity of the firm, solvency of the firm and operational expenses and the financial performance is illustrated in table 4.3.

Table 4.4: Model coefficients before mergers and acquisitions

Model		Un standardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(constant)	2.469	0.432		2.587	0.023
	Liquidity of the firm	0.324	0.012	0.587	2.612	0.022
	Solvency of the firm	0.423	0.114	0.621	2.431	0.018
	Operational expenses	0.024	0.541	0.743	2.278	0.058

It can be observed from the table of coefficients above that there was a weak relationship between the liquidity of the firm, solvency of the firm and operational expenses of the firms and the operational expenses before the mergers and acquisitions took place. This is clear from the value of each variable represented by 0.324 for liquidity, 0.423 for solvency and 0.024 for operational expenses. Although all the three independent variables seem to have positive values and indication of positive correlation, the relationship that exist seems to be weak before mergers and acquisitions took place.

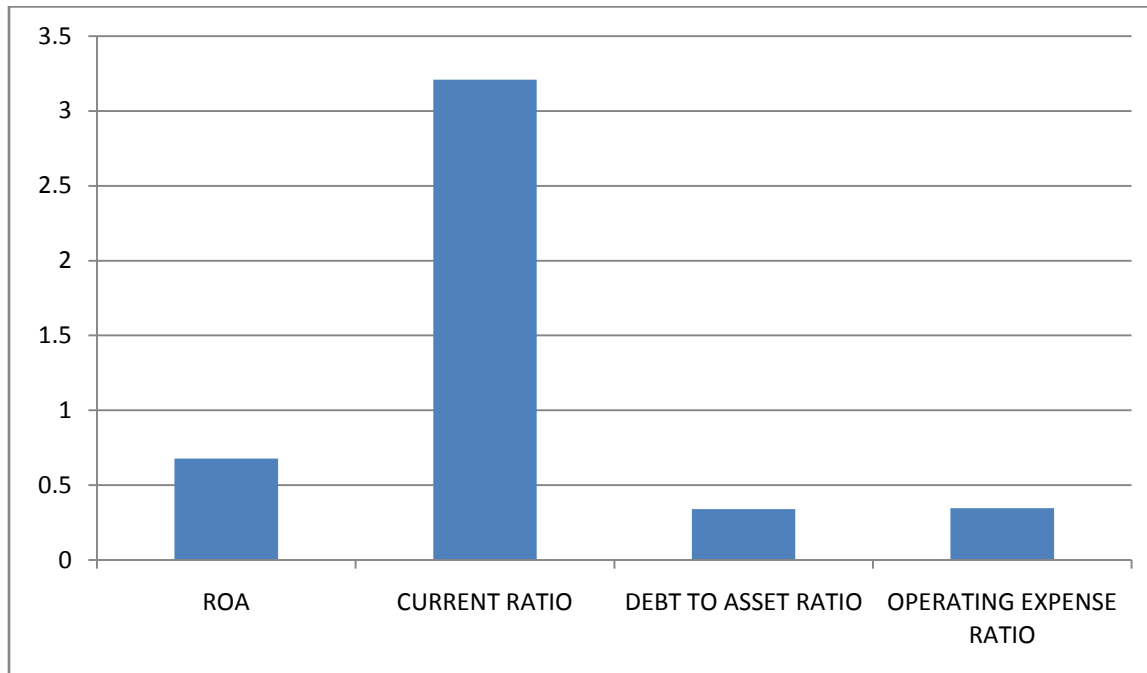
4.4 Financial Performance after Mergers and Acquisitions

The study sought to establish the effect of mergers and acquisitions on the financial performance of the same firms that have been analyzed above. Data for the resultant firm after mergers and acquisitions took place was collected for a period of five years. The financial performance, being the dependent variable was measured using the ROA after the merger or acquisition; the

independent variables were the liquidity, the solvency and the operating expenses of the resultant firm. A multivariate regression analysis was conducted and the results are presented next.

4.4.1 Descriptive statistics

Figure 4.1: Descriptive statistics



The results from the descriptive statistics it reveals that after mergers and acquisitions the return on assets had a mean of 0.6 which reflects a 60% return on assets. This is a great improvement compared to the 4.7% return on assets before mergers. Current ratio had a mean of 3.4 indicating that after the mergers and acquisitions, the firms had a higher liquidity. The debt to asset ratio had a mean of 0.3 revealing that after mergers and acquisitions the firms had less of their assets financed by debt. The operating expense ratio had a mean of 0.4 indicating that the operating expenses of the firms compared to the income received declined after mergers and acquisitions.

4.4.2 Model Summary

Table 4.5: Model Summary after mergers

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.862(a)	.743	.610	1.56	.743	5.151	4	12	.000

The findings from the multivariate regression analysis illustrated in the table above reveal that the coefficient of determination had a value of 0.743 after mergers and acquisitions. This implies that after mergers and acquisitions took place, the liquidity, solvency and operational expenses of the resultant firm explain 74.3% of the profitability of the firm. This means that after mergers and acquisitions took places the resultant firm developed better liquidity, solvency and reduced operational expenses to achieve improved financial performance. However, it is clear that 25.7% of the variance in the financial performance is not explained by the three independent variables. This is an indication that there are other variables outside liquidity, solvency and operational expenses that determine the remaining portion of the financial performance after mergers and acquisitions take place.

4.4.3 Model Coefficients

The relationship between liquidity, solvency and operational expenses as independent variables and financial performance of the financial institutions after mergers and acquisitions took place were also considered as illustrated in table 4.5 below.

Table 4.6: Model coefficients after mergers and acquisitions

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(constant)	3.469	1.289		3.102	0.01
	Liquidity of the firm	1.416	.817	0.431	3.114	0.00
	Solvency of the firm	1.126	.519	0.394	3.358	0.01
	Operational expenses	-0.854	3.478	-.462	-2.497	0.00

The study established that after mergers and acquisitions liquidity, solvency and operational expenses play a very significant role in determining the financial performance of the resultant financial institution. The results in table 4.5 above reveal that the liquidity of the resultant firm has a coefficient of 1.416; a solvency coefficient of 1.126 and operational expenses coefficient of -.854. This implies that after mergers and acquisitions, the resultant firms have improved liquidity and solvency that enable them to achieve higher financial performance. It was also established that the operational expenses of the firm has a negative coefficient of -.854. This reveals that after a merger or acquisition takes place, the operational expenses of a firm are negatively correlated to the financial performance of the firm. This implies that after mergers and

acquisitions take place, the resultant firm is able to reduce its operational expenses and enhance its profitability.

The above results therefore reveal that mergers and acquisitions have a positive effect on the financial performance of financial institutions in Kenya. Based on the results, the following model can be developed to explain the relationship between the financial performance of financial institutions in Kenya after mergers and acquisitions:

$$F_P = 3.469 + 1.416X_1 + 1.126X_2 - 0.854X_3 + 1.289.$$

4.5 Correlation Analysis

A correlation analysis of liquidity, solvency and operational expenses and financial performance was also carried out to establish the form of relationship that exists between the variables after mergers and acquisitions took place. The findings are presented next.

4.5.1 Liquidity and Financial performance

The study sought to establish the correlation between the liquidity of a firm and its financial performance after a merger or acquisition has taken place. The results are presented in Table 4.6.

Table 4.7: Correlation of Liquidity and Financial performance

Variables	Correlation Coefficient
Liquidity	0.814
Financial performance	

It is evident from the results in table 4.6 above that the correlation coefficient is 0.814. This is an indication that there is a strong positive or direct relationship between the liquidity of the resultant firm after mergers and acquisitions and its financial performance. It also implies that as the liquidity of the firm increases, its profitability also increases though not at exactly the same proportion.

4.5.2 Solvency and Financial Performance

The researcher wanted to find out the correlation that exists between the solvency and financial performance of the resultant firm after mergers and acquisitions have taken place. The findings are tabulated in Table 4.7.

Table 4.8: Correlation of Solvency and Financial Performance

Variables	Correlation Coefficient
Solvency	0.786
Financial performance	

It was established as reflected from the results in table 4.7 above that there is a strong positive correlation (0.786) between the solvency of a firm and its financial performance after a merger or acquisition has taken place. This implies that after mergers and acquisitions, firms have improved solvency and this enables them to improve their financial performance. It also indicates that the higher the solvency of the firm, the higher its financial performance after mergers and acquisitions have taken place.

4.5.3 Operational Expenses and Financial Performance

Correlation was also carried out between the operational expenses of the resultant firm after a merger or acquisition with its financial performance. The operating expense ratio was correlated against the Return on assets. The results are presented in Table 4.9.

Table 4.9: Operational Expenses and Financial Performance

Variables	Correlation Coefficient
Operating expenses	-.651
Financial performance	

It was established that there exists an inverse relationship between the operating expenses and the financial performance of financial institutions after mergers and acquisitions. This reveals that as the operating expenses reduce, the financial performance of the firm improves. This indicates that after mergers and acquisitions the resultant firm has in place enough resources that can be used to reduce operational expenses and enhance its financial performance.

4.6 Discussion of Findings

The study reveals that mergers and acquisitions lead to enhanced financial performance of financial institutions in Kenya. The findings are in line with the position held by (Maditinos, Theriou and Demetriades, 2013) who on carrying out a study on the effect of mergers and acquisitions on the performance of companies in Greece established that the resultant bank after the merger was not only profitable in the banking industry but was also more competitive than the other banks. However, the findings of the study seem to disagree with those of Altunbas and

(Ibanez, 2004) who did not see any sense in local mergers and acquisitions. They instead established that for cross-border mergers and acquisitions (M&As), differences of merging partners in their loan and credit risk strategies are conducive to a higher performance whereas diversity in their capital, cost structure as well as technology and innovation investments strategies are counterproductive from a performance standpoint.

The study also established that the return on assets after a merger or acquisition has taken place improves significantly among the financial institutions in Kenya. The findings partially agree with (Badreldin and Kalhoufer, 2009) who also indicate that ROA when two financial institutions merge. They however reveal that ROE may not improve for all the institutions that go through mergers and acquisitions. The findings do not seem to agree with (Mboroto, 2013) who established that mergers and acquisitions have insignificant effect on the overall financial performance of petroleum firms in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to establish the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya. This chapter presents the summary of findings, conclusions and recommendations made from the study.

5.2 Summary of Findings

It was revealed from the study that before mergers and acquisitions take place, the individual firms have poor liquidity, solvency and high operational costs. It was further revealed that these three independent variables explain a very small portion of the variance on the financial performance of the firms before mergers and acquisitions take place. The three independent variables also have a positive correlation with the financial performance before mergers and acquisitions. The study therefore established that the financial performance of the financial institutions was weak before mergers and acquisitions took place.

The study findings also revealed that after mergers and acquisitions, the financial performance of the resultant firm improves significantly. It was clear from the findings that the liquidity of the resultant firm and the solvency also improve significantly. It was further established that the operating expenses of a firm after a merger or acquisition also tend to reduce. Overall after mergers and acquisitions, it was established that the financial performance of the resultant improves significantly. This was supported by a value of the coefficient of determination that also increased almost twice the value that was there before the merger and acquisition took place.

After the merger took place, a greater portion of the variance in the financial performance of financial institutions was explained by the three independent variables.

The study revealed that there was a strong positive correlation between the liquidity of the firm after mergers and acquisitions unlike the weak positive correlation experienced before mergers and acquisitions. It was also evident that there was a strong positive correlation between the solvency of the resultant firm and the financial performance of the firm. However, the study established that there was an inverse relationship between the operating costs of the resultant firm and its financial performance.

5.3 Conclusion

Before mergers and acquisitions took place, financial institutions in Kenya did not have strong liquidity and solvency. Their operating expenses also increased with increase in profitability. The portion of the financial performance that was explained by liquidity, solvency and operating expenses of the firms was very small before mergers and acquisitions. However, after mergers and acquisitions took place, the liquidity and solvency of the firms improved significantly thus enhancing their financial performance. The operating expenses of the firms after mergers and acquisitions also seem to decrease as the financial performance increases. A strong positive relationship was witnessed between the liquidity of the firms and their financial performance as well as between the solvency and financial performance. However, a moderate inverse relationship was evident between operating expenses and the financial performance.

5.4 Recommendations

The study established that mergers and acquisitions enhance the liquidity of financial institutions. It will be important for firms that have weak liquidity to consider mergers and acquisitions so as to improve their liquidity since it plays a significant role in improving the financial performance of a company.

The solvency of a firm was found to improve after mergers and acquisitions. Firms need to be encouraged if by doing so their solvency will improve. Improvement in liquidity is likely to have a positive effect on the financial performance of the firm.

5.5 Suggestions For Further Research

The findings reveal that the liquidity of the firm improves significantly after mergers and acquisitions. It will be important to explore more deeply into this in order to establish the specific aspects of mergers and acquisitions that lead to this improvement.

The study should be conducted using different research design in order to offer different approach towards the same problem thus enhancing the clarity of the findings by eliminating the influence of other forces affecting financial performance.

There is need to carry out a comparative study with financial institutions in other countries in order to establish the similarities and differences that may exist as far as the findings on the effect of mergers and acquisitions on the financial performance are concerned.

The study should incorporate analyses of various variables independently to avoid complexity that limits the clarity of results when all are lumped together.

There are various challenges facing the formation of mergers and acquisition. A research should be carried out to figure out these challenges and the reasons why many firms are hesitant to embrace M&A s despite the many advantages that come with it.

5.6 Limitations of the Study

This study focused mainly on the effect of mergers and acquisitions on the financial performance of financial institutions in Kenya. The study does not however delve much into the specific aspects of mergers and acquisitions that lead to the said effect.

The study took on a causal research design which was to determine the relationship between merger/acquisition and financial performance. It is difficult to isolate the effects of merger and acquisition from other external forces that could have contributed to the changes in financial performance. These forces such as exchange rates gain/loss, government policy and other factors could have lend to the changes rather than the variable being tested.

The study only used one measure of performance i.e. ROE. There are other ratios that are used to measure the performance of a company. For example, Return on Investment, Return on Equity and Gross Profit Margin.

Since this study focuses on the financial institutions, it may be difficult to generalize the findings on firms from other industries. It is therefore important to limit the application of the findings to the financial institutions in Kenya.

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APPENDIX

APPENDIX I: LIST OF MERGERS AND ACQUISITIONS IN FINANCIAL SECTOR IN KENYA

NO.	Institution	Acquired /merged with	Current Name	Date Approved
1	Financial Institutions	All 9 Financial Institutions Merged together	Consolidated Bank of Kenya Ltd	1989
2	Indosuez Merchant Finance	Banque Indosuez	Credit Agricole Indosuez	10.11.1994
3	Transnational Finance Ltd.	Transnational Bank Ltd.	Transnational Bank Ltd.	28.11.1994
4	Ken Baroda Finance Ltd.	Bank of Baroda (K) Ltd.	Bank of Baroda (K) Ltd.	02.12.1994
5	First American Finance Ltd.	First American Bank Ltd.	First American Bank (K) Ltd.	05.09.1995
6	Mercantile Finance Ltd.	Ambank Ltd.	Ambank Ltd.	15.01.1996
7	Delphis Finance	Delphis Bank Ltd.	Delphis Bank Ltd.	17.01.1996

	Ltd.			
8	Universal Bank Ltd.	Paramount Bank Ltd.	Paramount Universal Bank	11.01.2000
9	Mashreq Bank Ltd.	Dubai Kenya Ltd.	Dubai Bank Ltd.	01.04.2000
10	Kenya Commercial Bank	Kenya Commercial Finance Co.	Kenya Commercial Bank Ltd.	21.03.2001
11	Citibank NA	ABN Amro Bank Ltd.	Citibank NA	16.10.2001
12	Bullion Bank Ltd.	Southern Credit Banking Corp. Ltd.	Southern Credit Banking Corp. Ltd.	07.12.2001
13	Co-operative Merchant Bank ltd	Co-operative Bank ltd	Co-operative Bank of Kenya ltd	28.05.2002
14	Biashara Bank Ltd.	Investment & Mortgage Bank Ltd.	Investment & Mortgage Bank Ltd.	01.12.2002
15	APA Insurance	Apollo Insurance Company Ltd	Pan Africa Insurance Company	2003
16	Credit Agricole Indosuez (K) Ltd.	Bank of Africa Kenya Ltd.	Bank of Africa Bank Ltd.	30.04.2004

17	First American Bank Ltd	Commercial Bank of Africa Ltd	Commercial Bank of Africa Ltd	01.07.2005
18	East African Building Society	Akiba Bank Ltd	EABS Bank Ltd	31.10.2005
19	Prime Capital & Credit Ltd.	Prime Bank Ltd.	Prime Bank Ltd.	01.01.2008
20	CFC Bank Ltd.	Stanbic Bank Ltd.	CFC Stanbic Bank Ltd.	01.06.2008
21	EABS Bank Ltd.	Ecobank Kenya Ltd.	Ecobank Bank Ltd.	16.06.2008
22	Savings and Loan (K) Limited	Kenya Commercial Bank Limited	Kenya Commercial Bank Limited	01.02.2010
23	City Finance Bank Ltd.	Jamii Bora Kenya Ltd.	Jamii Bora Bank Ltd.	11.02.2010
24	Equatorial Commercial Bank Ltd	Southern Credit Banking Corporation Ltd	Equatorial Commercial Bank Ltd	01.06.2010
25	ICEA	Lion Assurance	ICEA LION	2011
26	Fina Bank Ltd	Guaranty Trust Bank Plc	Guaranty Trust Bank (Kenya) Ltd	08.11.2013
27	Mercantile	Saham Group	Saham Group	04.2014

	assurance of Kenya			
28	Phoenix Assurance of East Africa, Kenya	Union Insurance of Mauritius	Union Insurance	05.2014
29	K-Rep Bank Ltd	Centum Ltd	K-Rep Bank Ltd	29.10.2014
30	Cannon Assurance Limited, Kenya	Metropolitan Insurance	Metropolitan Insurance	11.2014
31	Britam Investment Group	Real Insurance Group, E.A	Britam Investment Group	12.2014
32	Equatorial Commercial Bank Ltd	Mwalimu Sacco Society Ltd	Equatorial Commercial Bank Ltd	31.12.2014