EFFECTS OF MERGERS AND ACQUISITIONS ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCE, UNIVERSITY OF NAIROBI

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DECLARATION

I declare that this research project is my original work and has not been submitted for an award at any university or institution of higher education.

Signature…………………………… Date: …04/11/2021…….

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This research project has been submitted for presentation with my approval as the University supervisor.

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DEDICATION

I dedicate this research work to my family. A singular appreciation to my late aunt Florence whose words of encouragement pushed me to undertake this study.

I also dedicate this work to my wife Faith and son Javan who supported me throughout the process. You were my strength through many trials and tribulations. Your strength gave me a sense of protection and the courage to endure.

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LIST OF ABBREVIATIONS AND ACRONYMS

CBA-Commercial Bank of Africa

CBK-Central Bank of Kenya

DTB- Diamond Trust Bank

KBA-Kenya Bankers Association

KCB-Kenya Commercial Bank Limited

M&A- Mergers and Acquisitions

NSE-Nairobi Security Exchange

ROA- Return on Assets

ROE-Return on Equity

SPSS-Statistical Package for Social Science

ABSTRACT

The objective of this review was to perceive what mergers and acquisitions meant for the financial performance of Kenyan commercial banks. Various commercial banks in Kenya have undergone mergers and acquisitions as strategic tools with the aim of enhancing their financial performance and as a competitive strategy in the banking industry. A portion of the banks have blended locally while others have gone through cross line consolidation and procurement as a method for corporate extension and development. Exploration has revealed that mergers and acquisitions influence the financial performance of the merged organizations due to the synergies created, monopoly power, enhanced management efficiency and improved profitability.

The purpose for this review was to survey the influence of mergers and acquisitions on the financial performance of Kenyan commercial banks that went through mergers and acquisitions somewhere in the range of 2009 and 2020. The review was fundamentally founded on optional information. Comparative analysis of the post and pre-merger data was undertaken to establish if financial performance of the merged and acquired banks changed after. Secondary data was collected from 25 commercial banks in Kenya which had undergone mergers and acquisitions between 2009 and 2020. The data was obtained from NSE and CBK published information on the respective bank's reports. Data analysis was conducted using SPSS. The data has been presented using tables and figures. Inferential measurements were embraced in this review.

The relative investigation of the pre and post-consolidation and procurement information exhibited that commercial banks experienced higher financial performance after the mergers and acquisitions contrasted with previously. The review discovered that there was an expansion in the t-an incentive for ROE from 20.672 pre-merger to 22.975 post-merger,

ROA from 7.382 before merger and acquisition to 12.266 after merger and acquisition and capital adequacy ratio from 18.085 pre-merger to 24.385 post-merger. On this basis, the study recommends the need for commercial banks especially tier 2 and 3 to consider mergers and acquisitions as a strategy in enhancing their financial outcome. Nonetheless, the banks ought to evaluate the total business and working similarity of the blending banks and accentuation on holding onto long haul financial advantages that give supportable worth to the stakeholders.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Following the increasing global competition and rapid technological developments, companies are faced with new challenges hence the need to explore available opportunities in order to optimize their potentials. One of the main approaches to ensure prospective success of the companies is through mergers and acquisitions (M&A). Merger and acquisition has become a strategic corporate tool that is increasingly being embraced by companies globally to enhance core competencies, growth and competitive edge amidst the changing, political, economic, social and political environments (Gyanwali, 2013). According to Shama and Ho (2002), mergers and acquisitions are means of external corporate growth and expansion. A merger is when two or more firms combine or amalgamate to form a new entity under a consolidated ownership and management. Mergers can be horizontal, vertical or conglomerate. Procurement, on the other hand, occurs when one firm purchases another company or a portion of another company. It entails obtaining a majority stake in another company, a formal subsidiary of another, or a specific asset of another company.

There are three types of mergers and acquisitions: strategic, financial, and conglomerate (Sheridan et al., 2012). Strategic mergers arise when two or more companies in the same industry, such as competitors, join forces (Myers et al., 2011). Financial acquisitions occur when the buyer feels the target company's assets are underestimated, and that the purchase would result in a capital gain (Brealey et al., 2011). Economic growth and social that allow a corporation to cut its cost of borrowing though business growth are frequently the driving force for behemoth transactions. There are no clear operating synergies in this case as the companies involved deal with unrelated businesses (Grinbelt et al., 2012).

This study was guided by the synergy theory, agency theory and market power theory. Key among the theories is the synergy theory. According to this theory, mergers and acquisitions are planned and implemented to obtain synergistic benefits out of the amalgamated resultant firm. The value of the resultant combined entity is likely to be greater than target and the targeted entity separately.

These synergies can be in the form of financial, operational and managerial gains realised as a result of the combination. According to Trautwein (1990), mergers and acquisitions results in revenue growth and increase in cash flows while reducing production costs and cost of capital. However, this is not always the case hence the question of relevance of each merger and acquisition. Do reductions realized via merger or acquisition have an influence on institutional investors' business performance? This research uses this method to test basic complementarity theories of M&A transactions on Kenyan commercial banks.

Many banks in Kenya are adopting mergers and acquisition to increase their brand value, market share and financial performance in general. This is because past mergers in the country, especially among the banks have resulted in reduced cost of operations, increase in sales and efficiency in management. As a result, many firms are considering mergers and acquisition as a strategic tool to improve their financial performance (Ogada, Njuguna &Achoki, 2016).

A number of research on mergers and acquisitions in Kenya's various industries have found that business performance varies widely, making the conclusions unconvincing. In a study on the impacts of mergers on family-owned businesses in Kenya, Warui (2014) found that mergers had both good and negative effects on the profitability of family-owned businesses.

Firm performance varies from firm to firm, according to Kenyan mergers and acquisitions studies, hence the results are equivocal. Korir (2006) explored the impacts of mergers on firms recorded on the Nairobi Stock Exchange (NSE) and observed that consolidations help the exhibition of NSE organizations. At the point when CBA bank bought First American Bank of Kenya (FABK), Ochieng (2006) reports that CBA's 2005 results showed dramatically lower profitability and lower regulatory ratios than the pre-acquisition CBA. Chesang (2002) expressed that, while a few banks' exhibition weakened after the consolidation, consolidation rebuilding may in any case be respected a reasonable methodology for working on the in general monetary presentation of feeble and bombing medium-sized banks.

Because of recharged accentuation to new organization development plans, improved administration, bookkeeping and revealing frameworks, legitimate administrative frameworks, and diminished representative numbers, she accepts consolidation rebuilding will as well affect monetary execution. According to Marangu (2007), who conducted research on the effects of mergers on non-listed banks' financial performance in Kenya, the banks' performance improved significantly.

1.1.1 Mergers and Acquisitions

Mergers and acquisitions are means of external corporate growth and expansion strategy. Merger refers to the process whereby two or more companies or firms amalgamate or combine resulting in a new company. Mergers result when two or more businesses are being consolidated so as to form a new entity (Weston et al., 2010). An acquisition, however, can be described as the mechanism for one business to take over another’s share capital in return for money, credit stock, as well as normal shares or combinations of all variables. An acquisition is a takeover that results from transfer of control of one firm or company to another.

Through mergers and acquisitions, the resulting company gets an expanded client base as well as additional capital invested by the acquiring firm. The target identity is incorporated into the acquirer's identity (Pike & Neale, 2003). This can also lead the acquirer to gain control of the purchased business, particularly without the collaboration of its current leadership (Kithitu et al., 2012).

The Competition Act (Chapter 504 of the Kenyan laws), which regulates restrictive trade practices, consumer protection, abuse of dominance, and unwarranted concentrations of economic power, the Companies Act (Chapter 486 of the Kenyan laws), which regulates the formation, conduct, and winding up of registered companies in Kenya, and the COMESA Competition Rules, which apply to both the acquirer and the target firm (Takeover regulations) and the Capital Markets Act lays out the stages and permissions necessary to complete a buyout or takeover of a holding company in a Kenyan listed bank.

In the current complex global business environment, many companies are considering mergers and acquisitions as a strategic tool to grow and survive. The ability to edge competitors and yield above normal profits depends on the pursuit and implementation of suitable business strategies (Choi et al., 2006).

If two companies that profit from opposing stages of the business cycle combine, their performance variability may be decreased and in the long run they may enjoy additional profitability (Block et al., 2009). Other significant advantages of mergers and acquisitions include extended management, enhanced marketing capabilities, and fresh product and service acquisitions (Kithitu et al., 2012). The changing environmental factors affecting firms may create new business opportunities or threats to the firm. This requires the firms to adopt new business strategies such as restructuring through mergers and acquisitions.

Merger involves two firms coming together to form a new firm. Acquisition involves one firm acquiring the assets, equity and other resources of another firm. In this case no new firm is formed. Mergers and acquisitions are weighed in terms of change in assets, equity and employee capabilities. In this study, the mergers and acquisitions will be weighed in terms of financial performance before and after the mergers and acquisitions. The existing literature on the long-term studies carried out on the influence of M&A on financial performance of commercial banks both locally and globally is inconclusive. The studies are mainly anchored on accounting and financial measures and do not provide clear evidence about the impact of M&A. A number of the studies confirm that M&A has a positive outcome on profitability while other studies did not find any significant change in performance post M&A. A few studies also found a decline in the post-merger performance after some time. These non-conclusive outcomes are not sufficient to infer from as to whether M&A are efficient. This raises the question as to whether do mergers and acquisitions improve the financial performance of banks after M&A? This question prompts to re-examine the after M&A financial performance of commercial banks in Kenya.

1.1.2 Financial Performance

Financial performance alludes to how successfully a business meets its financial objectives. It estimates how well an organization does in accomplishing its profits, addressing the necessities of its investors (proprietors), representatives, contributors, different banks and the acquiring clients. These performance measures are evaluated using various methods and the financial indicators (Weston, 2001). A study by (Al-Tamini, 2010) on performance of Islamic and regular banks in United Arab Emirates highlighted that financial performance can be measured using profitability, stability, liquidity, risk and or market valuation.

According to Mooney and Shim (2015), the concept of financial performance is used to measure the standards by which commercial banks use their assets for the purpose of revenue generation. Additionally, the concept is used to gauge the financial health position held by a firm and for comparison between similar banks within the industry within a selected period of time (2008). Despite the fact that various ways may be used to determine financial performance, all the measures need to be taken in aggregation. The ultimate goal of many growing firms is to increase its profits and this makes it imperative to become well-versed with the process of measuring profitability for banks.

One of the main ways of determining financial performance include using the net profit margin to measure profit. This is because it considers all costs including overheads, interests, and taxes (Weston et al., 2010).

However, Mboroto (2013) noted that gross profit margin is an estimation of the amount of money made by a company after deducting the direct expenses. Operating margin is the difference between gross and net profitability metrics after expenses have been deducted but before interest and tax overheads, which is known as EBIT (earnings before interest and taxes). The sales volume also reflects an industry's financial status.

The key measures of financial performance that were considered in this study include: profitability, stability, market valuation and liquidity measures. Return on assets (ROA) is used to measure managerial efficiency that identifies how effective management is at converting assets into earnings as a consequence of a merger or acquisition. The rate of return flowing to shareholders is measured by return on equity (ROE). The ratio approximates the net benefit to stakeholders from participating in the institution's fixed asset turnover, interest expense ratio, loss adjustment ratio, depreciation and amortization ratio, and operating income ratio (Mahesh & Prasad, 2012).

According to Athanasoglou et al., (2005) bank performance is influenced by internal or bank unique factors and market or macroeconomic factors. The bank specific factors include management efficiency, capital adequacy, and liquidity of the bank, size of the bank, risk management through income diversification, asset quality and operational costs.

The same researchers contend that the primary macroeconomic factors that influence financial performance of banks include inflation, interest rates, market structure and general economic growth.

This research looked at the influence of management decisions to restructure commercial banks through mergers and acquisitions on the financial performance of Kenyan banks. The study looked at pre- and post-merger-and-acquisition financial and operational performance in Kenya's banking industry to see whether there were any synergies. Collected from diverse accounting information was analysed, and a range of ratios have been considered for before and thread and acquirement banks' profitability. Profitability, return on assets, long-term solvency, return on equity, capital sufficiency, and asset growth ratios were among the ratios employed.

1.1.3 Mergers and Acquisitions and Financial Performance

Previously, few companies considered mergers and acquisitions as key strategic growth element. Mergers and acquisitions were episodic or an addendum especially in the Kenya context. According to Thomas and Weston (1992), many businesses aim to realize over 50 percent of their growth through mergers and acquisitions. This inorganic business growth strategy has been embraced due to factors like, perceived lack of organic business growth opportunities as a result of saturated markets, cash injections and infusions from initial public offers, growth of private equity, availability of venture capital, relatively lower interest rates and debt availability.

According to Marembo (2012), some of the probable benefits of mergers and acquisitions on a company include introduction of new changes that positively affect the firm financial performance. This is ascribed to the fact that mergers and acquisitions result on the introduction of fresh reforms in the business structure that involve changes in ownership, company mix, asset mix and alliance (Weston et al., 2010). Mergers and acquisitions also result into the restructuring of the assets, introduction of new operation plans and formulation of new business strategies. Mergers and acquisitions are thus economically essential because it allows organizations to combine resources that increase the firm value (Kithitu et al., 2012).

A merger is regarded to be a win for all the organizations engaging in the merging process when all or both of them become a larger entity with greater access to funds and markets rather than individual non-merged companies.

Moreover, Kemal (2011) posits that the intentions of mergers and acquisitions aim at improving the firm value, increasing profitability and promoting growth especially in form of revenues and profits. Likewise, mergers and acquisitions improve firm value by enhancing faster growth in production and product turnover through introduction of new technology and skills from the synergy developed (Weston et al., 2010).

Financial ratios are the most generally applicable methods in measuring financial performance of banks. These ratios help in the analysis of financial data and interpretation of accounting information which gives an understanding of financial performance of commercial banks. Pandey (2008) in his book, financial management contends that a combination of two or more firms may result in cost shrinkage as a result of realised operating economies. A business combination may decrease its operating costs through reduction of overlapping management functions. This can result in improved profits and increase in shareholders' value other factors held constant. An organization might develop or extend its business sectors inside or remotely. If the organization neglects to become inside because of absence of physical or the board assets, it can decide on outside development by consolidating its assets with different organizations through consolidations and acquisitions. Consolidations and acquisitions might help an organization's development, further develop its administration effectiveness and upgrade its monetary presentation financially.

1.1.4 Commercial Banks in Kenya

Commercial banks play an important role in a country's economic resource allocation by channelling cash from consumers to shareholders. This is achieved when the banks are able to generate enough income to cover their operating costs and grow. This financial intermediation role must be profitable for the commercial banks to continue operating. It is self-evident that a prosperous banking industry can survive unfavourable shocks and contribute to a country's economic and financial system's stability (Claessens and Hore, 2012).

Furthermore, bank financial performance has a significant influence on a country's economy. Since the Great Depression of the 1940s, academic scholars have paid close attention to commercial bank financial performance studies. For example, research have indicated that demand for bank services in Kenya has outpaced supply over the last two decades. As a result, the majority of banks in Kenya is small in comparison to the demand for services, resulting in low fulfilment and a rate of interest (Ongore, 2011).

Kenya's world economy is the most sophisticated and biggest in East and Central Africa, and its sustainability has recently increased (Kéfi, 2015). Commercial banks dominating Kenya's financial industry. As a result, any failure in the industry will result in the country's economy collapsing.

It is also worth noting that over the recent past, the banking sector in Kenya has seen some commercial banks being liquidated by the regulator while others are under receivership. Other commercial banks have undergone mergers and acquisitions as bail out from financial distress (Dang, 2011).

According to the Central Bank of Kenya (2020) Supervision Report, as of December 2020, there are thirty-nine commercial banks with the exclusion of Chase Bank (K) Ltd and Charterhouse Bank Ltd which are under liquidation and Imperial Bank Ltd which is in Receivership. Out of this, two banks are domestic publicly owned, twenty are domestic privately owned while seventeen are foreign owned Commercial Banks. All these banks have branches, agencies and ATMs outlets across the country. CBK oversees and regulates activities of commercial banks in Kenya. Banks are further classified according to assets that is, Tier 1, Tier 2 and Tier 3 banks. According to CBK, Tier 1 are the top banks in Kenya that are not likely to collapse financially because of their hundreds of billions of assets that they own. Tier 2 are medium sized commercial banks while tier 3 are the small banks.

Likewise, there are 11 deposit-taking licensed microfinance foundations, 49 protection organizations, 110 unfamiliar trade establishments, 3 authorized credit reference departments, 14 cash settlement suppliers, and 200 store assuming authorized reserve funds and praise agreeable associations (SACCOs). A portion of the nation's significant banks were made by means of consolidations and acquisitions techniques.

Besides, the weaknesses and liberations of business banks in Kenya because of M and An exchanges, just as extraordinary contest in the monetary administrations and uncertain writing inspected on the ramifications of consolidations and acquisitions, incited this review to rethink the post-consolidation and securing monetary execution of business banks in Kenya.

This exploration took a gander at bank consolidations and acquisitions in Kenya during the past 10 years. Most of exploration on bank execution stressed on piece of the economy things that impacts total financial area execution, while some checked out the ramifications of consolidations and acquisitions on business bank benefit. This exploration additionally checked out whether consolidations and acquisitions affected the connection between bank execution and its drivers.

1.2 Research Problem

Mergers and acquisitions are a fundamental corporate strategy for companies seeking to develop and enhance their financial performance throughout the world. A number of researches have been conducted to see how mergers and acquisitions affect the operational and financial performance of companies in various industries. According to Airasian and Gay (2009) mergers and acquisitions are common within most of the worldwide firms. The banking sector is motivated by different variables and motives and is not exempt from this mergers and acquisitions trend (Kithitu et al., 2012).

Kenya's commercial banks provide a substantial contribution to the country's economy (Chesang, 2020). Financial institutions in Kenya are using mergers and acquisitions as a tactic. Several licensed financial institutions in Kenya have merged due to fluctuations in the operating set up; they have consolidated their activities in mutually agreed circumstances where one institution takes over the operations of another (Mwega, 2020). The banks in Kenya have been experiencing performance issues. For example, the banking sector showed a decline in profits by 30% in 2020 (KBA, 2020). Further, individual banks experienced a decline in profits with KCB and ABSA experiencing a 40% and 89% decline in their profits in 2020 (Ibid). The banking sector has also experienced various M&As recently.

In 2019, NIC and CBA merged to form NCBA. In 2019, National Bank was acquired by KCB. Acquisitions in 2020 included cooperative bank acquiring Jamii Bora Bank, Transnational bank acquired by Access Bank, Uwezo Bank was acquired by Salaam African Bank.

Analysis of global studies has linked mergers and acquisitions with effective financial performance across the world. For example, a study by Kwoka and Pollitt (2012) in U.S on mergers and acquisitions within the manufacturing industry noted that mergers and acquisitions are improving the firms' efficiency around the globe. The study concluded that merged firms improve their performance as compared to other firms that are owned by individuals before they are merged. Zhao (2006) also conducted a study in China focusing on some 39 companies which had formed big and long-term mergers in the years between 1990 and 2000. Based on his results, there was no sufficient evidence to suggest that more profits were made under mergers compared with the industry. However, after examining United Kingdom active acquirers, Lichtenberg et al (1990) concluded that there was considerable evidence to indicate that merger organizations realized a higher return rate compared to their counterparts that were depending on internal growth. Unfortunately, a positive connection between profitability and M&A activities could not be established.

Moctar and Xiaofang (2014) led an exploration in Nigeria to examine the impact of mergers and acquisitions on the monetary presentation of West African banks. They observed that consolidations and acquisitions work on the fiscal performance of banks in the Western African region.

The bank, then again, was just inspired by stable banks in the locale. Michael (2013) additionally performed research on what bank mergers and acquisitions mean for investor abundance augmentation in Nigeria, presuming that mergers and acquisitions expanded investor abundance amplification in Nigeria's financial framework.

Furthermore, a concentrate by Wanke, Maredza and Gupta (2017) South Africa to decide what consolidations and acquisitions means for the South African financial area featured the significance of mergers and acquisitions to the future security of the financial area. However, these studies were done outside Kenya and their implications may not apply in the Kenyan context.

Moreover, a local study by Kithitu et al. (2012) found out that the process of merging and acquisition is improving the Kenyan Commercial Banks' financial performance. The study's primary objective was to identify whether business mergers and acquisitions impact the financial goals. However, this study provided conflicting and unclear information due to unavailability data on the focused banks. The study also failed to consider the importance of shareholder value in mergers and acquisitions. A study by Mugo (2017) indicated that there is positive outcome on banks' performance as a result of mergers and acquisitions. Research studies on the banking industry have highlighted the improvement in performance after the formation of a merger. However, research findings on Kenyan mergers and acquisitions are considered to be unconvincing because they are still in their developing stages.

However, this study by Mugo (2017) mainly focused on the impact of mergers and acquisition on the general performance of the banks not financial performance alone. The research also focused on a period of five years, a period not enough to provide more representative results.

According to the studies above, no research-based study has been undertaken to identify the influence of mergers and acquisitions on the financial performance of Kenyan commercial banks. Evidently, the results of the previous studies revealed that the majority of the studies were carried out on non-banking sectors and their findings were not factual based.

Therefore, this study aimed at providing research based and informative data covering a duration of ten years in order to obtain more representative results and towards the determination of the effect by addressing the question: What influence do M&A have on business banks performance in Kenya?

1.3 Research Objective

To determine the effects of mergers and acquisitions on the financial performance of Commercial Banks in Kenya.

1.4 Value of the Study

The impact of M&As on the bank profitability of Commercial banks in Nairobi county is investigated in this study. It will assist commercial bank top management in comprehending how mergers and acquisitions might increase financial performance, as well as how to structure future mergers and acquisitions and promote long-term financial performance. Furthermore, this research will assist government policymakers in developing policies and initiatives that would promote the adoption of an effective structure for M&A transactions certainly, the authors of the study conclusions will aid the Kenyan Central Bank. In developing methods and standards for determining mergers and acquisitions in the banking industry. This will be critical in promoting financial management and bank financial performance, particularly through the employment of the mergers and acquisitions model as a business strategy.

Moreover, future researchers, specialists, and academicians will profit from this review since it will be used as a kind of perspective for their future examinations on the effect of mergers and acquisitions on the financial performance of banks in Kenya and abroad. The review's discoveries will show the connection between business banks' M&A activities and their financial performance in Kenya. This is basic as far as offering new points of view for future exploration in the country and outside.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The primary purpose of this section is to provide an effective and in-depth review of the empirical and theoretical literatures associated to the topic of study. The section includes the analysis of the historical and current literature obtained from secondary sources such as published works by other scholars and researchers related to the acquisitions have an influence on investment banks' capital structure.

2.2. Theoretical Framework

This section examines the various theories behind mergers and acquisitions. Different companies undertake mergers and acquisitions for different motivations as explained by the following theories. These theories have been advanced and tested by different researchers and scholars. The various theories considered for this study are: agency theory, synergy theory and market power theory.

2.2.1 Synergy Theory

This theory was pioneered by Walt Disney in 1930s on synergistic marketing techniques using the synergy map. According to the idea, corporations merge because the combined firm's value is larger than the sum of the separate firms' worth (Kitching, 1967). There are three types of synergies that may drive two or more firms to combine. These are operating, managerial, and financial synergies. According to Fama and Jensen (2005), operating synergies result when a merger between two or more firms increases revenue while it reduces the average production costs whereas financial synergies are realised from a merger that leads to increase in cash flows, improved debt capacity, increase in investment capital, reduction in the cost of capital and tax gains from internal financing.

Operating synergies, according to Trautwein (1990), may be realized in two ways: through economies of scope and scale. In terms of economies of scale, increasing manufacturing scale often raises costs more than it raises revenues.

Operating synergies result from an increase in efficiency in form of economies of scale. In comparison to the targeted firm, the bidding company may be managed more efficiently. Following the takeover, the bidding company's management boosts the combined company's efficiency.

Theoretically, financial synergy is attributed with the lower cost in internal financing as opposed to external financing (Fama and Jensen, 2005). A synergy effect may be generated by combining firms with varying cash flow positions and opportunities for investment in order to lower the cost of capital and save on tax. In the event of a merger, the mutual debt capacity of the two firms may be higher than the total of their capacities prior to the merger. According to Hillman, Withers and Collins (2014), financial synergy is a situation where two firms combine to become more valuable than in a setup where they were to operate independently.

The theory makes the following assumptions, that by combining two firms, their cash flows will be optimized assuming the cash flows for the respective firms are not perfectly correlated. There is no such case as perfect negative correlation in any industry. The theory also assumes that the bidding and the target companies' synergies and the combined company synergies are structured in a linear manner. The relationships between each of these are evidently non-linear.

The changing environmental factors affecting firms may create new business opportunities or challenges to the firm. This requires the firms to adopt new business strategies such as restructuring through mergers and acquisitions.

The existing literature on the studies carried out on the influence of M&A on financial performance of commercial banks both locally and globally is inconclusive. The studies are mainly anchored of accounting and financial measures and do not provide clear evidence about the impact of M&A. These non-conclusive outcomes are not sufficient to infer from as to whether M&A are efficient. This raises the question as to whether do mergers and acquisitions improve the financial performance of banks post M&A? This question prompts to test the synergy theory and re-examine the after M&A financial performance of commercial banks in Kenya.

2.2.2 Market Power Theory

This theory states that mergers and acquisitions are aimed at increasing the market shares of the company. The concept of market power was first hypothesized by Joan Robinson in her book The Economics of Imperfect Competition in 1933. The significance of potential monopoly gains to the motivation to invent was later explored by Joseph A. Schumpeter in his book Capitalism, Socialism and Democracy in 1950. According to Borenstein (1990), firms merge in order to increase market share and to gain monopoly control hence ability to charge higher merged firms' prices relative to the average industry prices. In most economies, however, there are rules and regulations in place to monitor and mitigate the growth of monopolistic power. A merger is usually allowed only if it does not result in a considerable gain in monopolistic power.

In highly concentrated markets, companies tend to recognize the influence of their activities and policies on each other. This may influence companies' responses to changes in competitive actions, such as price reductions and probably result in implicit collusion

(Weston et al., 2001). Related mergers and acquisitions in concentrated industry may aid firms to realize monopoly returns.

This implies that there is a positive relationship between industry concentration and external growth, mainly when Mergers and acquisitions are horizontal in nature. Relevant with this market power analogy. Eckbo (1983) in his study on collusion, horizontal mergers and stockholder wealth, found positive unusual returns for competing companies around the announcement of Merger and acquisition of two rival firms.

With improved market shares, the resultant firm after M&A would yield more industry power. This theory contends that when the size of the firm grows, its market power increases hence the theory was used to determine whether M&A led to growth in assets of the acquirer or merged bank hence enhanced market power in the banking sector in Kenya.

2.2.3 Agency theory

An agency problem results from conflict of interest between the principals that is the shareholders and the agents (managers). The theory states that, there is a principal-agency relationship whenever one person or organization depends on actions of another (Weston et al 2010).

This theory was coined by Stephen Ross and Barry Mitnickin 1973. Ross is behind the origin of economic theory of agency that is the problem of reward contracting while Mitnick is for the institutional theory of agency that is institutional structures as well as agency relationships.

The objectives of the subjects involved interact and are likely to conflict. The principal hires the agent as the acting subject to perform certain tasks on her behalf. Often times conflict arise when the interest of one subject is to maximise their own benefit at the expense of the other (Williamson 1976).

This theory assumes that both parties act for their own benefit and are motivated by self-interest and that agents are in a decision making capacity with access to more information compared to the principals. According to Hillier (1997), the principal-agency conflict in mergers and acquisitions results from information asymmetry between principal and agent. In the M&A process, the principal wants to merge or acquire another company at low price with high value whereas the agent's focus is high purchase price with minimum work effort.

In order for a firm to meet shareholder interests and expectations, there is need to separate control and ownership from managers, and for them to make strategic decisions such as M&A they need approval from shareholders. Moreover, if such strategies fail, then buyouts can be considered as a solution to such agency snags (Fama and Jensen (1983). This study aimed at finding the impact of M&A decision as a strategy on shareholder value by evaluating its effect on return on equity.

2.3. Bank Performance Indicators

Bank performance indicators can be classified into external and internal performance indicators. The external indicators are those measures that cannot be influenced or determined by the bank itself. They include: public confidence, compliance to regulations and market share. Market share refers to the shareholder value of the bank in terms of equity, earnings and technology. Regulatory compliance refers to the capital reserve created by the bank and its lending policies while public confidence refers to the image towards the bank based on the current situation of the bank and the country's insurance policies on deposits.

Internal performance ratios are used as a substitute for a market value metric. Because it represents the market's assessment, stock price is seen to be the greatest predictor of company performance.

However, in the banking business, this indication is unreliable since most bank stock, particularly that issued by smaller banks, is not regularly traded on stock exchanges. The important financial performance ratios in the banking industry are listed below.

2.3.1 Return on Equity (ROE)

Is the way to compute the rate of return to the bank's shareholders. It assesses how well a firm performs in relation to its shareholders' equity. It estimates the net value gained by shareholders from putting their money in a bank that is putting their money at risk in the hopes of making a profit. According to Khrawish (2011), the ratio of Net Income divided by Total Equity is known as the Return on Equity (ROE).

2.3.2 Return on Asset (ROA)

It's a metric that determines how lucrative a firm is relative to its assets. It is a measure of management effectiveness. It shows how effectively and efficiently the bank's management has converted the institution's assets into profits. It demonstrates how the bank's management strategies and actions contribute to the effective use of assets to produce revenue. It's the proportion of Net Income after Tax to Total Assets (Khrawish, 2011).

2.3.3 Long term solvency

This metric assesses a company's capacity to satisfy long-term obligations, also known as financial leverage. It is categorised into debt and coverage ratios. Debt ratios tell you the extent to which the firm is financed by debt while the coverage ratios tells you about the firm’s ability to generate cash to service the debt.

2.3.4. Capital adequacy ratio

The ratio shows the ability of the bank to survive losses during financial crisis. Capital adequacy ratio measures a bank's ability to minimize risk, absorb losses, support its financing and operations. It also provides protection to depositors and other creditors while enhancing public confidence to reduce bank runs (Athanasoglou et al. 2005).

2.4 Determinants of Financial Performance

Firm specific aspects that have impacted the monetary productivity of commercial institutions have been studied by various researchers in different settings. This is attributed to the fact that inner aspects like management efficacy are some of the major determinants of the accomplishments of an organization. Firms that perform well are normally characterized by good managerial decisions both corporate and operational.

2.4.1 Asset Quality

Is a financial institutions variable that has an impact on a corporate governance and financial performance? Credit portfolios (loans), current and fixed assets, and other investments are all examples of bank assets. The bank's current and future profitability is determined by return on assets. Athanasoglou and colleagues (2005), Banks' major asset from which they generate money is loans. The financial performance of commercial banks is determined by the quality of their loan portfolio. Loans have the greatest default rates, therefore if the number of non-performing loans rises, a bank's asset quality will suffer.

According to Saunders and Cornett (2015), asset quality comes from the concept of proper management of a financial institution asset. They continue to argue that credit uncertainty is innate in loaning that is the main financing sector. When the assets become impaired, the durability of banks is normally at threat.

Therefore, it is important for financial institutions to consistently observe reflections of the worth of their capital (Bhattacharyya, 2011). This is in regards of over-exposure to precise risk patterns, particularly for the poorly performing loans to ensure profitability.

2.4.2 Bank Size

The bank size is one of the factors that determine financial performance. The reasons for this is that bank size determines the asset value and indicate the productivity level of the bank. Several studies have been done and support the view that there is a connection between bank size and its monetary productivity. Financial productivity of a bank is directly related to bank size. This is according to a research by done by Goddard, et al, (2004). The research also concluded that bank size assist to reduce bank cost.

2.4.3 Capital Adequacy

Bank profitability refers to a bank's capacity to manage risk, absorb losses, maintain its financing and operations, protect depositors and other creditors, and boost public trust in order to prevent bank runs. Capital is the measure of cash accessible to support the bank's ventures and go about as a pad on account of troublesome conditions, as per (Athanasoglou et al. 2005), while capital sufficiency alludes to the bank's danger of bankruptcy because of extreme misfortunes. It evaluates a bank's capacity to withstand monetary shocks and disturbance. The funding to-chance weighted-resources proportion is the proportion of a bank's money to its danger weighted resources.

According to Dang (2011), Bank capital helps prevent bank runs by promoting confidence on the financial system of the depositors by showing that it is well capitalized and liquid. It also provides a financial cushion to absorb nonperforming loans and as a source of funds for expansion.

Capital adequacy is estimated utilizing the capital sufficiency proportion (CAR). Vehicle is the proportion of funding to add up to resources. The proportion shows the capacity of the bank to endure misfortunes during monetary emergency.

Commercial banks in Kenya should keep a base centre capital of Ksh.1 billion, a base legal required proportion for complete funding to add up to hazard weighted resources of 14.5 percent, a base required proportion for centre cash-flow to add up to chance weighted resources of 10.5 percent, and a base required proportion for centre cash-flow to store proportion of 8%, as per the Banking Act and the CBK Prudential Guidelines, Bank Supervision Annual Report 2020.

2.4.4 Liquidity Management

The ease with which an asset may be turned into cash is referred to as liquidity. As a result, bank liquidity refers to the bank's capacity to meet deposit withdrawals, client loan demand, and other cash demands. If a bank is in financial trouble for whatever reason, asset liquidity can be used as a reserve in the event that its ability to purchase money is restricted. The financial productivity of the financial institution is affected by the liquidity of the bank. One amongst the major explanations why commercial organizations are unsuccessful is because of insufficient liquidity. According to Memmel and Raupach (2010), the performance of a commercial bank is positively dependent on liquidity.

Additionally, in the period of unsteadiness in the corporate setting, corporate firms will seem to intensify their liquid holdings as a method of justifying themselves from the risk. As such, it is vibrant that there entails an adverse relationship amid the level of cash holdings and the monetary productivity of corporate institutions. According to the Banking Act, banks are obligated to retain a minimum statutory liquidity ratio of 20%.

2.5 Empirical Review

This section reviews the empirical studies on mergers & acquisitions and the impact that they have on financial performance. This is based on international, regional and local studies.

2.5.1 Global Studies

Zhang, Wang, Li, Chen, and Wang (2018) ran a partial linear regression on the link between M&A transactions and business performance using data from documented Chinese pharma companies from 2008 to 2016. When all other factors remain constant, the results suggest that esteem chain growth M&A, as well as innovation seeking M&A, are both beneficial decidedly related to business performance, however blended mergers and acquisitions have no impact. Moreover, this examination uncovers that firm development capacity, firm novel resources, firm size, and firm age all affect firm performance following mergers and acquisitions, however corporate administration, firm property privileges, and firm dissolvability have no effect.

Shah and Khan (2017) took a gander at the influence of mergers and acquisitions (M&A) on acquirer banks' performance in Pakistan. An example of 18 exchanges including acquirer banks that are recorded on the Karachi Stock Exchange is utilized for this reason. The Financial Ratio Analysis (FRA) is utilized to survey the results of mergers and acquisitions. A combined example t-test is utilized to decide the meaning of changes in working performance. The information show that the acquirer banks' performance has weakened in the post-consolidation period.

The influence of mergers and acquisitions on the financial performance of listed firms in China was investigated by Yadong, Lee, Kee, and Quah (2019). The study looked at 434 completed M&A transactions between 2012 and 2016 that were launched by Chinese businesses listed on the Shanghai and Shenzhen Securities Exchanges. According to the facts, the business fared better on average following the M&A activity. The study further splits the sample businesses into three categories of mergers and acquisitions.

When all other factors are held constant, the results show that horizontal and conglomerate M&A are favourably connected to company success. The findings imply that horizontal M&A can help the business through operational economies of scale, whereas financial synergies following conglomerate M&A improve the firm's performance.

Singh and Das (2018) examined the performance of M&As in the Indian banking industry before and after a six-year period of merger and acquisition activity. Financial rules, were utilized to investigate the post-consolidation financial performance of joined banks. The factors further developed after the mergers and acquisitions, as indicated by the report.

2.5.2 Regional Studies

Sujud and Hachem (2018) investigated the impact of ownership structure on Lebanese capital structure. To make comparisons pre - tests and post financial health, two different research methods are used: first, an explanation of ratio analysis was being used to draw comparisons Audi-Saradar Group's performance even during also before the period (2000-2003) and the article period (2004-2007); second, a based on the t is used to highlight the difference in financial performance and during the merger.

The ratios were calculated using MS Excel 2010 and the data were analysed using SPSS software. Return on return on assets both improved slightly, but only marginally. The merger had no apparent effect on the rate of performance on shareholders' equity or the rate of return on assets. Due to the merger, EPS increased significantly. The merger resulted in a large increase in earnings per share.

Bohoupremo and Ogege (2019) investigated mergers and acquisitions, as well as financial performance in a sample of financial organizations. The research looked at a few financial firms in the banking industry. Some accounting ratios, such as asset characteristic, capital adequacy, working capital, profitability, size, and budget preparation were harvested from the audited financial statement of the randomly chosen banks for financial years 2000-2010 in order to validate the performance of the randomly chosen credit intermediaries in the ex-ante time span with the playing ability of their merger or acquisition in the former best friend period. The performance of the selected banks was studied using longitudinal and time series techniques. Credit risks performed better post-consolidation, yet were genuinely inconsequential and conversely related to the pre-consolidation performance of the chose financial establishment, as per the discoveries.

The resource profile was demonstrated to be generous and well related to the post-consolidation performance of the chose financial establishments, however insignificant and unfavourably identified with the pre-consolidation financial performance of the chosen businesses.

The capital structures of the chosen businesses were shown to be substantial and favourably connected to their pre-merger performance, but negligible and adversely associated to their post-merger performance. The firms' liquidity had a strong and favourable association with the bank's pre-merger performance.

The post-consolidation results, then showed that there wasn't any considerable and positive connection between the organizations' liquidity and their financial accomplishment after the consolidation. In both the pre-consolidation and post-consolidation periods, the extent of the chosen banks had a solid association with their performance. The expense control variable exhibited a measurably critical and negative relationship with bank performance post-consolidation, however no such connection with pre-consolidation bank performance. At last, the discoveries show that mergers and acquisitions may impact the financial establishments examined in Nigeria.

Claver (2021) looked on the influence of M&As transactions on Rwandan commercial banks' bank profitability. Several Rwandan banks were investigated. The target demographic was made up of 1724 workers from these banks across the country. Because of the vast number of employees to be targeted, the researcher chose 750 people from three different banks. Slovin's algorithm was employed to generate a sample size of 88 respondents, of whom 96 percent answered. The review's discoveries show that five essential inspirations drive M&A in financial foundations: conveying an assorted scope of items and administrations to customers, cost productivity, meeting capital necessities, resource procurement, and economies of scale. Business banks' performance might be improved by mergers and acquisitions as far as CAR, ROA, ROE, and ROI.

The factors that prompted mergers and acquisitions were displayed to contribute 42% to the enhancement of CAR, 48% to the improvement of ROA, 47% to the ROE, and 53 percent to the ROI, as per the relapse. Business banks should keep on accepting M&A to improve their financial performance, as per the report.

In Ghana, Musah, Abdulai, and Baffour (2020) looked on the effects of bank mergers and acquisitions. During a ten-year period, data from eight (8) business banks' annual reports was acquired and investigated using clarifying measures, relationship evaluation, and relapse inquiry (2009-2018). M&A were discovered to have a significant negative impact on net total revenue. There was a slight positive link between M&A transactions and bank returns on funds in Ghana but the impact was statistically immaterial. There was also a negative, but actually inconsequential, link between M&A transactions and conserving.

2.5.3 Local Studies

With the assistance of Stata, the information was broke down utilizing relationships, enlightening insights, and numerous relapse. The meaning of the relapse not set in stone utilizing the t-measurement at a 5% edge of importance, and ends were framed. The investigation discovered that the capital base, pay variety, resource quality, and liquidity of financial foundations in Kenya considerably affected their performance after mergers.

Miriko (2020) examined the effect of mergers and acquisitions on Britam Holdings Limited's performance in Kenya. An illustrative exploration configuration was utilized in this review. The study's target demographic was 887 Britam Holdings Ltd Nairobi employees. The study's findings revealed that mergers and acquisitions had a considerable favourable link with Britam Holdings Limited's success. According to the study, multinational corporations should adopt competitive methods to enhance their performance, and more research should be conducted in other public institutions to see whether the same outcomes can be attained.

Kamutu (2018) took a gander at the impact of mergers and acquisitions on the financial performance of Kenyan little and medium organizations. The review utilized an enlightening overview research approach, utilizing 9 little and medium organizations in Kenya as the objective populace. For the period 2008 to 2017, auxiliary information on profit from resources and profit from speculation was gathered. The t-Test was utilized to examine and research the connection among mergers and acquisitions and the performance of small and medium enterprises in Kenya. Mergers and acquisitions impacted the financial performance of SMEs, as indicated by the review. The profit from resources and return on value expanded because of mergers and acquisitions.

Kimetto (2019) researched the effect of collaboration from mergers and acquisitions on Sidian Bank's financial performance. A case study approach was employed in this investigation. The case study technique allows for in-depth analysis of data in a specific context. The study's target population was 590 workers. The research included a sample size of 118 bank workers who were chosen at random to participate. Primary data was collected through questionnaires. In terms of frequency, mean, percentages, and standard deviation, descriptive statistics were employed.

The research was conducted using the Statistical Package for the Social Sciences version 25 and inferential statistics to make conclusions regarding the influence of synergy on financial performance. According to the results of the study, managerial and operational synergy have a strong, favourable, and substantial association with the bank's financial success. According to the regression study, operating synergy accounts for 62.6 percent of improvements in financial performance. The study's findings revealed that financial synergy has a sturdy, favourable, and substantial relationship with the bank's financial success.

While the regression study revealed that financial synergy is responsible for 69.9% of improvements in financial performance. Finally, the study's findings revealed that management synergy had a strong, favourable, and substantial relationship with the bank's financial success.

2.6 Conceptual Framework

This conceptual framework depicts interlink and interdependence of independent and dependent variables. Therefore, mergers & acquisition form the independent variable while financial performance is the dependent variable. The synergy, shareholder value, asset growth, risk reduction and market share are part of the independent variables that help to promote firm financial performance and help to reduce cost among commercial banks in the country due to mergers and acquisitions as shown in figure 1 below.

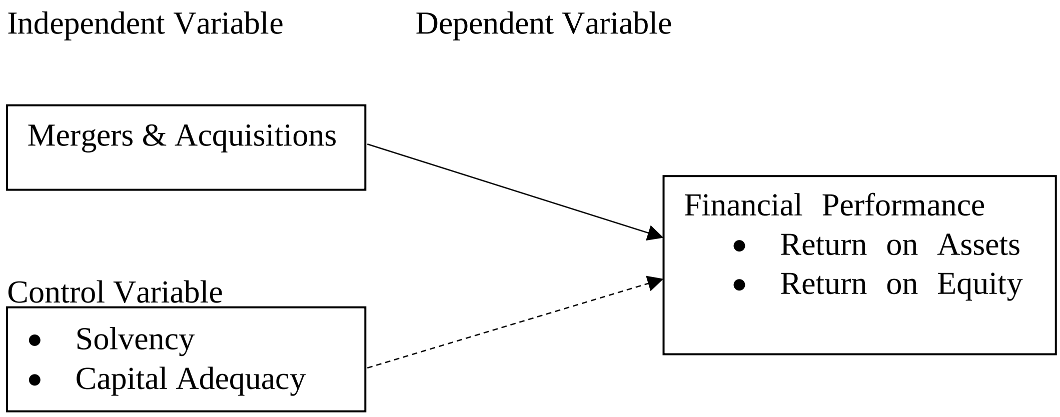

Figure 1: Conceptual Framework

Source: Author, (2021)

2.7 Summary of Literature Reviewed

The literature review aimed at reviewing how merging and acquisition processes affect the company financial performance. This section arguably addressed the theory of financial synergy as well as the theory of tax incentive hypothesis and how they assist companies foster their competitive advantage. Also included in the section is a discussion on mergers and acquisitions and their significance in promoting the financial performance of companies based on past studies. It is evident that the process of merging involves two companies coming together and only the merged company ends its existence while the acquisition process comes as a result of a company fully or partially acquiring the assets of the targeted firm. It should be noted that a firm purchases some share of the target firm's stocks to influence the transaction in a share acquisition process.

Moreover, the chapter covers how mergers and acquisitions affects the firm financial performance locally and around the world. From the chapter findings, it is clear that specific motive of merger are strategic and help improve the firm value of banks in a number of ways such as promoting tax advantages, increased liquidity for owners as well as the ability to access funds easily in the case where the acquired firm had a great financial leverage and could not access or had minimal additional sources for external financing.

M&As are also linked with high firm value in terms of increased company growth, being highly diverse as a result of an increase in competition and other synergistic benefits that result from economies of scale. The knowledge gaps are also provided within the Chapter.

Table 2.1: Summary of Research Gaps

Author of the Study	Focus of the Study	Methodology	Findings	Knowledge Gaps	Current Focus
Zheng, NWei, Zhang, & Yang. (2016).	Strategic assets through cross-border merger and acquisitions in China	Cross-sectional Design and the use of regression analysis	Mergers and acquisitions promote companies' performance	focused on Chinese based companies	Kenyan firms
Girma et al., (2011)	The effects of Mergers and acquisitions on employee remuneration and profitability in manufacturing industries of UK	Cross- Section Regression Analysis	Mergers and acquisitions promote profitability in manufacturing g companies	Only on manufacturing industries in U.K	Focus on Banking Industry
Akinbli and Kelilume (2013)	Impact of mergers and acquisitions on the Nigeria's corporate growth and profitability	Case study Design	M & A improve the corporate growth and lucrativeness	Corporate governance and mergers and acquisitions	Focus on financial performance

Kwoka and Pollitt (2012	Impact of mergers and acquisitions in the U.S	Descriptive and quantitative technique	Mergers and acquisitions are improving the firms' efficiency	Different context and focus on firm efficiency in U.S	Firm financial performance in Kenya
Wanke, Maredza and Gupta (2017)	How merger and acquisitions affects the South African banking sector	Descriptive survey Design	Mergers and acquisitions are important for the future stability of the banking sector.	Focused on banks in South Africa.	Focus on Commercial Banks in Kenya
Kithitu et al. (2012)	An investigation of on how merging and acquisition affects the general performance of banks in Kenya	Descriptive research design	Mergers and acquisitions promote performance	The study focused on few mergers	Focus on a number of mergers and acquisitions
Marembo (2011)	Investigated how mergers and acquisitions influenced the Kenyan Commercial Banks' financial performance	Adopted Cross-Sectional Survey Design	Mergers and acquisitions improve the financial performance	Done nine years ago	current mergers and context

Ndonga (2010)	Determining the connection between financial performance of insurance businesses and M&As in Kenya	Survey correlation analysis	financial performance of insurance businesses is directly related to M &A	Only focused on the Insurance Companies	Increase in population size
Ngare (2013)	How mergers affected commercial bank's financial performance in Kenya	Descriptive analysis	Mergers improved the financial performance of firms in Kenya	Only focused on mergers between 2000 and 2012	Include mergers after 2012

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The study design, target population, sample design, data collecting and data analysis methodologies employed in the research are all outlined and discussed in this chapter. The section also includes a description of the data gathering and analysis methodologies used in the study.

3.2 Research Design

Descriptive research design was adopted in this study where the banks' pre and post-merger and acquisition data was collected and analysed to establish whether there was any effects on the financial performance. This research design helped the study to check the designed hypothesis. The use of such a research design was best suitable as the survey had great dependability, comparatively economical and fit for a large population that was covered in the study. Descriptive research is a way of acquiring, analysing, categorizing, and tabulating data on the variables under study, processes, trends, and cause-and-effect relationships, and then using statistical tools to make appropriate and correct interpretations. According to Dimson and Marsh (1986), descriptive research design is a useful strategy for investigating specific issues and as a prelude to larger quantitative investigations. It is therefore appropriate for conducting a statistical analysis of the effect of M&As on the firm's value and profitability. This involved a review of the bank's premerger and acquisition performance compared with the after merger and acquisition performance. Banks' financial performance data was collected and compared for a three-year period pre- and post-merger and acquisition.

3.3 Target Population

All Kenyan commercial banks were included in the study. However, from January 1st, 2009 to December 31st, 2020, the major focus was on all mergers and acquisitions in Kenya's banking industry. The time period was chosen to provide for sufficient before-merger and after-acquisition financial performance data. This study was restricted to the banking industry only so as to reduce the possibility of confounding extraneous variables.

Currently, there are 39 Commercial Banks in Kenya. The final sample size used in this study for analysis was 16 commercial banks. This sample is comparable to prior studies conducted in this industry.

3.4 Data Collection

This study relied on secondary data. Commercial banks' audited published financial reports data was taken from their respective websites, CBK CMA and NSE. The information was gathered from the financial accounts of banks that had merged or acquired in Kenya between 2009 and 2021. The financial data for the before and after-merger and acquisition periods came from the individual banks' statements of financial condition, comprehensive income statements, and cash flow statements. Before being analysed, the data was collected using a data collection sheet, cleaned, updated, and coded. To see how mergers and acquisitions affected bank financial performance, researchers looked at pre- and post-merger and acquisition performance indicators such as profitability ratios, return on equity ratios, return on assets ratios, long-term solvency ratios, and capital adequacy ratios.

3.5 Diagnostic Tests

To see if free factors are related, multicollinearity was evaluated. In this case, the variance inflation factor was used to determine whether or not multicollinearity exists. The purpose of normality testing was to look for anomalies in the data obtained. The Shapiro Wilk test was employed to check for normalcy in the research. The heteroscedasticity test was employed to see if the error term was consistent throughout the data. The white test was used to perform the experiment. Corrected standard errors were used to remedy the problem.

3.6 Data Analysis

The researcher used descriptive research design in gathering, analysing, classifying and tabulating data of various performance indicators for banks both pre- and post-merger and acquisition. The data collected was cleaned, tabulated and coded as well as systematically analysed. The quantitative secondary data was obtained from the respective commercial bank's financial statements, CBK publications and public financial reports.

Comparative and correlational analysis conducted to establish the effect of mergers and acquisitions on the financial performance of the banks in Kenya.

The quantitative data was analysed using the Statistical Package for Social Sciences (SPSS). Tables were used to present the information. The relative relevance of each variable in determining bank financial performance was determined using simple regression models and the t-statistic.

3.7 Operationalization of the Study Variables

Table 3.1: Operationalization Framework

Variable	**Performance Indicator**	**Measurement**
Financial Performance	Return on Assets (ROA)	Profit after tax/total assets
	Return on Equity (ROE)	Total equity/total assets
Solvency	Long term solvency ratio	total asset/total liabilities
Capital Adequacy	Capital adequacy ratio	Capital/assets

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section presents the information discoveries, its investigation and translations. The part covers a synopsis of the measurements, the impacts of mergers and acquisitions, analysis of the profitability ratios, shareholder value, synergy and total assets growth as well as the financial performance trailed by a discussion of the results. The target of the review was to decide the impacts that mergers and acquisitions had on the financial performance of business banks in Kenya. Key among the performance aspects considered were growth in profitability, market growth, synergy achieved as well as operational and financial efficiency realised. To accomplish the above mentioned, both pre-and post-consolidation optional information was acquired from the financial assertions of the 16 banks that were considered in this review.

In order to control industry and external economic factors, the study combined pre-merger financial performance data of the bidding and the target banks to obtain annual aggregate performance indicators of the combined bank for before merger and acquisition period. A comparison of the after merger and acquisition indicators was done with the above calculated before merger benchmark. This worked with the estimation of the impact of mergers and acquisitions on the financial performance of the consolidated bank.

4.2 Descriptive Statistics

SPSS and Excel were used to analyze the data. Tables and percentages were used to summarize the data. Between 2009 and 2020, the research looked at all commercial banks that have undertaken mergers and acquisitions. The following assumptions were tested using financial and accounting data from five years before and after the M&A.

The bank's return on assets, return on equity, total assets, and total liabilities are all affected by mergers and acquisitions. The review attempted to determine the effects of mergers and acquisitions on business bank financial performance.

Table 4.1: Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
Pre Return on assets	16	13.80	89.70	40.0125	25.20129
Post return on assets	16	44.80	120.70	71.0125	25.20129
Pre Return on Equity	16	11.00	20.00	14.3750	2.47319
Post Return on Equity	16	10.00	22.00	17.0625	3.31600
Pre solvency before	16	76.00	108.00	84.4375	9.33452
Post solvency	16	66.00	101.00	92.2500	9.91947
Pre capital adequacy	16	5.00	10.00	7.0625	1.48183
Post capital adequacy	16	6.00	11.00	8.0625	1.48183
Valid N (list wise)	16				

The findings show that the return on assets averaged at 40.0125 in the pre-merger period. However, the return on assets averaged at 71.01 in the post-merger period. Return on equity for the banks showed a mean of 14.38 in the period before merger and acquisition. However, the banks showed a post-merger return on equity of 17.06. Synergy or solvency showed a mean of 84.43 in the pre-merger period with a mean of 92.25 in the post-merger period. Capital adequacy showed a capital adequacy of 7.06 and 8.06 in the pre-merger and post-merger period respectively.

4.3 T-Tests

The data on both return on assets and return on equity before and after the mergers were tested for significance for the banks. ROE and ROA are necessary to help in determining the profitability of the companies. In carrying out the tests, a t-test was run on ROE due to the critical importance of ROE to shareholders. The cumulative findings on return on equity data is shown in table 4.3 below.

Table 4.2: T-test for return on equity

	Before Merger	After Merger
t	20.672	22.975
df	15	15
Sig. (2-tailed)	.000	.000
Mean difference	14.22800	17.08650
Std. Error Mean	.66830	.81800

Financial performance of a firm is important in that it helps cushion the shareholders against adverse conditions emanating from huge claims and sudden changes in investment portfolio that may result to lose. The data from the t-analysis shows that there was an increase in the t-value from 20.672 pre-merger to 22.975 after the merger. This suggests that following the merger, the return on investment (ROI) increased. Similarly, the mean difference increased from 14.22800 before the merger to 17.08650 after the merger, indicating that return on equity improved as a result of the merger. At a p-value of less than 0.05, the two findings were judged to be statistically significant at precisely 0.000.

Table 4.3: T-test for Return on Assets

	Before Merger	After Merger
t	7.382	12.266
df	15	15
Sig. (2-tailed)	.000	.000
Mean difference	.52810	.88210
Std. Error Mean	.06600	.06500

The study also aimed to underscore the effect of mergers on the value of return on assets for the banks.

A t-test was conducted for the data before the mergers and after the merger and the results are illustrated in table 4.4. The t-test findings indicate that there was an increase in t-value from 7.382 to 12.266. This shows that there was increase in ROA. Likewise, the increase in the mean difference from 0.52810 to 0.88210 indicate that there was an increase in ROA after the mergers. The increase in both t-values and the mean differences were statistically significant and *p*-value 0.000, which is less than 0.05.

Table 4.4: T-test for Long-term Solvency

	Before Merger	After Merger
t	36.051	41.267
df	15	15
Sig. (2-tailed)	.000	.000
Mean difference	85.25000	94.25000
Std. Error Mean	2.84466	2.66522

This study measured the general bank solvency prior to the mergers and after the mergers and the results. The findings show that there was an increase in the t-value from 36.051 to 41.267 and the mean difference from 85.25 to 94.25 after the mergers. The values were significant at $p < 0.05$, indicating that there was an increase in the solvency of the banks after mergers.

Table 4.5: T-test for Capital Adequacy Ratio

	Before Merger	After Merger
t	18.085	24.385
df	15	15
Sig. (2-tailed)	.000	.000
Mean difference	8.05350	9.05350
Std. Error Mean	.34502	.33352

Capital adequacy measures the bank's potential to absorb financial shocks and distress.. Therefore, a bank with higher financial leverage experiences higher earnings because the inherent operational risks are well covered. The results obtained by the t-analysis as shown in the table above show that the t-value for capital adequacy increased from 18.085 prior to the merger to 24.385 after the merger. In addition, the mean difference also increased from 8.05350 before the merger to 9.05350 after the merger. The increments were statistically significant at $p < 0.05$, indicating that there was notable increase in the banks' financial leverage which positively impacted the shareholder value.

4.4 Correlation Analysis

Pearson correlation analysis was employed to determine the connection between the four variables before merger and after merger. The results are given in table 4.7 below.

Table 4.6: Correlation Analysis

	ROA		Profitability		Solvency		Capital Adequacy	
	Pre-	Post-	Pre-merger	Post-merger	Pre-merger	Post-merger	Pre-merger	Post-merger
Pearson Correlation	1.0000	1.0000	.525	.628	.479	.524	.537	.549
Sig. (2-tailed)			.006	.022	.042	.037	.036	.034

Financial performance measures using ROA, which was placed at 1.0000, the results indicate a positive correlation existed between profitability and the banks' financial performance ($r = .525$, $p = .006$) prior to the merger. After the mergers, the relationship between financial performance and profitability of the banks increased at $r = .628$ and $p = .022$.

There also existed a positive correlation between company synergy prior to the mergers ($r = .479$, $p = .042$). This increased to $r = .524$, at $p = .037$ after the mergers. The company profitability was also related to capital adequacy prior to the mergers and the relationship increased after the merger. All the results were significant at $p < 0.05$.

4.5 Diagnostic Tests

Table 4.7: Multicollinearity Test

	Collinearity Statistics	
	Tolerance	VIF
Financial Performance	.985	1.015
Solvency	.983	1.018
Capital Adequacy	.992	1.009

Multicollinearity was tested for the data used in the research. This was done using the variance inflation factor which quantifies how much the variance is inflated. The findings indicate that the VIF values were less than 2. This is supported by the tolerance values which are less than 1. This is an indication that the variance of the variables was inflated at very low levels. Hence there are no multicollinearity issues in the model data.

Table 4.8: Normality Test

	Shapiro-Wilk		
	Statistic	df	Sig.
Financial Performance	.885	30	.120
Solvency	.970	30	.060
Capital Adequacy	.728	30	.001

Normality was tested by the Shapiro Wilk test. The null hypothesis of this test was that data were normally dispersed. From the findings, financial performance and solvency showed Shapiro-Wilk statistics with p-values greater than 0.05.

Hence, we fail to reject the null hypothesis and presume that the data values for the financial performance and solvency were normally distributed. However, capital adequacy showed Shapiro-Wilk statistics with p-value less than 0.05. Hence, we reject the null hypothesis and presume that the data values for the variable adopted in this study was not normally distributed.

Table 4.9: Heteroscedasticity

	LM	Sig.
BP	4.211	.261
Koenker	5.583	.493

Heteroscedasticity was tested through the Breuch-Pagan test. From the findings, the variables showed p-values of Breuch-Pagan statistics of more than 0.05. This shows that the error terms are constant over time.

4.5 Regression Analysis

The financial performance of the banks was regressed against profitability, synergy and asset growth at 5% significance level. Table 4.8 below shows the model obtained from the analysis.

Table 4.20: Regression Model

Model	R	R^2	Adjusted R^2	Std. Error of the estimate
Pre-merger	.723	.665	.504	.010231
Post-merger	.886	.749	.703	.030537

The findings show that the $\mathbf{R^2}$ value before merger was .665, implying that 66.5% of the changes in the financial performance of the banks are explainable by the changes in profitability, synergy and asset growth of the banks. However, the $\mathbf{R^2}$ value after the mergers was 74.9% thus indicating a higher explanatory power of the changes in financial performance by the three predictor variables.

4.6 Discussion of Findings

An analysis of both ROE and ROA before and after mergers and acquisitions was critical to the knowledge of the effect of mergers and acquisition on the performance of the banks. The mean ROA and ROE for the 16 banks studied were calculated pre-merger and post-merger. All the 16 banks reported an increase in ROE and ROA. Therefore, the findings analysed for both return on equity (ROE) and return on assets (ROA) shows that there was a critical expansion in benefit of the banks because of the mergers and acquisitions. The findings concur with the findings of Singh and Das (2018).

Likewise, an analysis of the capital adequacy indicated an existence of a major increase in the banks' capital adequacy. The t-analysis results showed capital adequacy increased from 18.085 prior to the merger to 24.385 after the merger. The findings concur with the findings of Singh and Das (2018). However, they differ with Shah and Khan (2017) who found negative effect of mergers and acquisition on capital adequacy.

Results from the dissolvability (absolute liabilities to add up to resources proportion) shows that there was an overall expansion in the dissolvability of banks as a result of the mergers. The analysis showed a rise in the t-value from 36.051 to 41.267 and the mean difference from 85.25 to 94.25 after the mergers with the values significant at $p < 0.05$, indicating that there was an increase in the solvency of the banks after mergers. They concur with the findings of Aggarwal and Garg (2019) who found that solvency of firms' increases with mergers and acquisitions. They however differ with the findings of Lange (2018) who found that mergers and acquisitions in the insurance sector surges default risk while decreasing diversification benefits.

The Pearson correlation analysis revealed an increase in the association between financial performance of banks' profitability, solvency and asset value after the mergers. The coefficients increased for all parameters, indicating that there existed stronger positive correlation between the three metrics that resulted from the mergers.

The findings concur with the findings of Wang, Li, Zhang, and Chen (2018) who established that firms' performance positively change after mergers and acquisitions. In any case, they vary with the discoveries of Shah and Khan (2017) who observed that a disintegration in the performances of the acquirer banks in the post-consolidation time frame.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section discusses and outlines the summary of the study. This is based on the review of results and it also highlights the recommendations and conclusion of the research project. The limits of the study are also highlighted, as well as some suggestions for further research. The assessment and identifies measures in this part are based on the study's goal. The study's goal was to figure out what M&A signified for Kenyan commercial banks' financial performance.

5.2 Summary of the Study Findings

The goal of the survey was to see how consolidations and acquisitions affected the monetary presentation of Kenyan business banks. Data was collected on the monetary exhibition of a couple of business banks that had experienced consolidations and acquisitions. The review depended vigorously on auxiliary information. The study discovered that bank mergers and acquisitions are statistically linked to strong financial performance in Kenya. This is because the implementation of numerous mergers and acquisition factors resulted in high asset growth, profitability and rise in shareholder value, and synergy, all of which contributed to the banks' strong financial performance.

Also, considering pre-consolidations and acquisitions and post-consolidations and acquisitions levels of Banks in Kenya, the audit observed that the immediate backslide uncovered strong monetary execution of the banks. This shows that mergers and acquisitions help Kenyan commercial banks work on their financial performance.

This was evidenced in the enhanced ROA and ROE of banks following the implementation of mergers and acquisitions. Accordingly, the study found out that before the merger, most of the banks showed a lower ROA than after the mergers. The ROE for almost all the merged banks also showed positive improvement after the merger.

The return on assets and on equity before and after the mergers were tested for significance of the banks and it was evident that banks profitability levels increased after the mergers and acquisitions. The research also deduced that the shareholder value prior to the mergers was lower and it was higher among the banks after the mergers. The adoption of mergers and acquisitions also led to positive synergy for the banks, especially after the merger.

The study also found out that the t-value increased from 36.051 to 41.267 and the mean difference from 85.25 to 94.25 after the mergers. The values were significant at $p < 0.05$, indicating an increase in the profitability of the banks post M&A.

In the study, the financial performance measures were done using ROE and ROA and the results indicate that there existed a positive correlation between profitability and the banks' financial performance ($r = .525$, $p = .006$) prior to the merger. After the mergers, the relationship between profitability and financial performance of the banks increased at $r = .628$ and $p = .022$. There also existed a positive correlation between company synergy prior to the mergers ($r = .479$, $p = .042$). With a $p < 0.05$, it was evident that the adoption of mergers and acquisitions led to high financial position of the Banks at a significant value of 75%. 74.9% thus indicating a higher explanatory power of the changes in financial performance by the three predictor variables.

5.3 Conclusion

According to the statement, commercial banks' financial performance in Kenya improved following mergers and acquisitions. This is due to the fact that consolidations resulted in increased revenue, availability, investment spending, convergence, shareholder profits, and the banks' ROE and ROA. The study found that mergers and acquisitions helped Kenyan commercial banks enhance their financial performance. Data was gathered from a variety of commercial banks that had experienced mergers and acquisitions, and their financial performance was analysed both before and after the combination.

The researcher also resolved that mergers and acquisitions contributed to improved financial performance among Kenyan commercial banks, as seen by an improvement in the banks' ROA and ROE following mergers and acquisitions.

The implementation of mergers and acquisitions has been found to expand the bank's size in terms of client numbers, assets, and synergy levels. The banks experienced relatively more stability, improved operational efficiency, high levels of profitability as well as reduced costs and high ability to lend hence the conclusion that adoption of mergers and acquisitions is associated with high performance of commercial and investment banks in Kenya.

The study also concludes that mergers and acquisitions among commercial banks has led to improved capital adequacy. The study also concludes that commercial banks experience improved solvency after merging or getting into acquisitions. The commercial banks in their attempt to improve their financial performance get into mergers and acquisitions within the sector.

5.4 Recommendations of the Study

From the study findings and results, this study recommends the need for commercial banks to adopt mergers and acquisitions to enhance their financial performance. Specifically, weak and non-stable Commercial Banks should embrace mergers and acquisition to improve their asset growth, grow their shareholders value, promote profitability and upturn their market size.

This is because the study found out that mergers and acquisitions resulted in improved financial performance, operational efficiency, reduced costs well as increase the market share of merged commercial banks.

Moreover, the study also suggests the need for commercial banks to adopt mergers and acquisition after careful analysis of the operations of the merging firms to avoid financial failures. This is because there are few mergers and acquisitions that have led to poor financial performance of commercial banks, especially after the merger.

Prior effective evaluation and analysis of the financial standing, asset quality and competitive nature of the acquirer and target banks before merger and acquisition is important to reduce liabilities and mismatch investment failures among the commercial banks. The top level executives of commercial banks should also evaluate the asset quality of the merging firms before adopting mergers and acquisitions.

5.5 Limitations of the Study

In this study, the main limitation was the use of secondary data methods. Getting secondary data associated with financial performance of the commercial banks in Kenya was challenging especially in cases of multiple mergers.

The data available in some of the banks websites was not up-to-date. In addition, this research was limited to the banking segment and only considered long term performance measures, short term measures such as event study as result of announcement of M&A were not considered. The researcher also experienced limitations in terms of time and this led to focusing on few measures of financial performance.

Although the study utilized Rates of Return to gauge profitability, other methods such as Profitability, Return on Equity, and other variables might have shown contradictory conclusions on post-merger/acquisition business performance. The research was also confined to the influence of M&As on the commercial banks' profitability in Kenya.

5.6 Suggestions for Further Research

Because this study focuses on the impacts of M&A transactions on Kenyan major banks' profitability, additional research into the effects of cross-line acquisitions on bank financial performance is needed. Although this study employed secondary data, further research is needed on the effects between acquisitions and mergers on bank profitability utilizing primary data.

Important for the participant returns, such as event studies to analyse the influence of corporate governance on stock prices following announcements of mergers and acquisitions, are also important to evaluate. Future study could look at how economic factors affect commercial bank financial performance in Kenya following mergers and acquisitions. Because of economic considerations and other challenges linked with terrible financial study and synthesis before to the acquisitions and mergers, sometimes mergers and acquisitions have financial difficulties.

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APPENDICES

Appendix I: Secondary Data Sheet

- Profitability Ratio
- Shareholder Value
- Synergy and total assets
- Asset Growth

Bank Value Item	**Average Pre-Merger**	**Average Post-Merger**
Profitability Ratio		
Shareholder Value		
Synergy and total assets		
Asset Growth		

Section D: Determinants of the Financial Performance

In this section, data was collected based on secondary data sources.

Firm Financial Performance	**SOURCE**
The bank's net profits and Revenues have improved after the merger and acquisition	Secondary Source-(CBK and NSE publications in various Books, websites, journal articles, company annual reports etc.)
The bank's synergy and total assets return improved after the merger and acquisition	Secondary Source-(CBK and NSE publications in various Books, websites, journal articles, company annual reports etc.)

The Banks' return on assets (ROA) have improved after the merger and acquisition	Secondary Source-(CBK and NSE publications in various Books, websites, journal articles, company annual reports etc.)
The Bank improved its asset growth rate after the merger and acquisition	Secondary Source-(CBK and NSE publications in various Books, websites, journal articles, company annual reports etc.)
The Banks improved its shareholder value after the merger and acquisition	Secondary Source-(CBK and NSE publications in various Books, websites, journal articles, company annual reports etc.)
The Banks employee motivation levels have improved after the merger and acquisition	Secondary Source-(CBK and NSE publications in various Books, websites, journal articles, company annual reports etc.),

Appendix II: Commercial Bank Mergers and Acquisitions

No	Institution	Merged with	Acquired by	Name after M&A
1.	CBA Group	NIC Bank		NCBA
2.	KCB Group		National Bank of Kenya	
3.	Co-operative bank		Jamii Bora Bank	Kingdom Bank Ltd
4.	SBM Bank		Chase Bank	SBM Bank (K) Ltd
5.	KCB Group	Imperial Bank		
6.	Equatorial Commercial Bank Ltd	Southern Credit Banking Corporation Ltd		Equatorial Commercial Bank Ltd
7.	City Finance Bank ltd	Jamii Bora Kenya Ltd		Jamii Bora Kenya Ltd
8.	Savings and loan (K) ltd	Kenya Commercial Bank Ltd		Kenya Commercial Bank Ltd
9.	Ecobank		EABS Bank Ltd	Ecobank
10.	CFC Bank Ltd	Stanbic Bank ltd		CFCStanbic bank Ltd
11.	Prime Bank		Africinvest Azure	Prime Bank
12.	SBM Holdings		Fidelity Commercial Bank	SBM Bank Kenya
13.	DTBK		Habib Bank Kenya	DTB Kenya Ltd
14.	I&M Holdings	Giro Commercial Bank	Giro Commercial Bank	IM Holdings Ltd
15.	Mwalimu Sacco		Spire Bank	Spire Bank
16.	I&M Bank		Oriental Commercial Bank	I& M Holdings Ltd

Appendix III: Commercial Bank Book Value after Mergers and Acquisitions

Acquirer	Bank Acquired	Book Value at Acquisition (Kshs bns)	Transaction Stake	Transaction Value (Kshs bns)	P/Bv Multiple	Date
CBA Group	NIC Group	33.5	53:47	23.0	0.7x	Sept-2019
Oiko Credit	Credit Bank	3	22.8%	1	1.5x	Aug-2019
KCB Group	National Bank of Kenya	7	100.0%	6.6	0.9x	Apr-2019
CBA Group	Jamii Bora Bank	3.4	100.0%	1.4	0.4x	Jan-2019
AfricInvest Azure	Prime Bank	21.2	24.2%	5.1	1.0x	Jan-2019
KCB Group	Imperial Bank	Unknown	Undisclosed	Undisclosed	N/A	Dec-2018
SBM Bank Kenya	Chase Bank ltd	Unknown	75.0%	Undisclosed	N/A	Aug-2018
DTBK	Habib Bank Kenya	2.4	100.0%	1.8	0.8x	Mar-2017
SBM Holdings	Fidelity Commercial Bank	1.8	100.0%	2.8	1.6x	Nov-2017
M Bank	Oriental Commercial Bank	1.8	51.0%	1.3	1.4x	Jun-2016
I&M Holdings	Giro Commercial Bank	3	100.0%	5	1.7x	Jun-2016
Mwalimu SACCO	Equatorial Commercial Bank	1.2	75.0%	2.6	2.3x	Mar-2015
Centum	K-Rep Bank	2.1	66.0%	2.5	1.8x	Jul-2014
GT Bank	Fina Bank Group	3.9	70.0%	8.6	3.2x	Nov-2013
Average			73.7%		1.4x	

Bank	No. of Shares (bn)	Market Cap (Kshs bn)	P/E	Price per Share* (Kshs)	P/TBV
HF Group	0.4	2.3	4.0x	6.0	0.2x
NCBA Group	1.5	52.3	5.2x	35.0	0.8x
DTBK	0.3	32.2	4.3x	115.0	0.6x
Coop Bank	5.9	94.2	7.1x	16.1	1.3x
I&M Holdings	0.8	40.5	4.6x	49.0	0.8x
KCB Group	3.2	160.7	6.4x	50.0	1.4x
Stanbic Bank	0.4	44.3	6.8x	112.0	1.2x
Barclays Bank	5.4	67.6	9.0x	12.5	1.6x
SCBK	0.3	66.4	8.3x	193.3	1.5x
Equity Bank	3.8	192.5	9.0x	51.0	1.9x
Weighted Average Q3'2019			7.3x		1.4x

Ranking	Bank	LDR	CIR	ROACE	NIM	PEG ratio	P/TBV	Deposits/ Branch	Gross NPL Ratio	NPL Coverage	Tangible Common Ratio	Non Interest Income/ Revenue	Camel Rating	Total Score
1	KCB	3	3	1	3	2	7	6	2	6	5	7	1	46
2	Co-op	2	5	4	4	5	6	8	5	7	2	4	3	55
3	I&M	5	1	6	7	3	4	3	8	3	4	6	7	57
4	Stanbic	1	9	3	6	8	5	1	6	5	9	1	5	59
5	Equity	6	4	2	2	4	10	9	3	9	7	3	2	61
6	Barclays	4	8	5	1	7	9	5	1	1	10	9	4	64
7	NCBA	8	7	8	9	1	3	4	7	4	8	2	9	70
8	DTBK	7	2	9	8	6	2	7	4	8	6	10	6	75
9	SCBK	10	6	7	5	10	8	2	9	2	3	8	8	78
10	HF	9	10	10	10	9	1	10	10	10	1	5	10	95

Bank	Current Price	Target Price	Upside/(Downside)	Dividend Yield	Total Potential Return
DTBK	115.0	189.0	64.3%	2.3%	66.6%
I&M Holdings	49.0	75.2	53.5%	7.2%	60.7%
KCB Group	50.0	64.2	28.4%	7.0%	35.4%
SCBK	193.3	211.6	9.5%	9.8%	19.3%
Coop Bank	16.1	18.1	12.6%	6.2%	18.8%
Equity Bank	51.0	56.7	11.2%	3.9%	15.1%
Barclays Bank	12.5	13.0	4.1%	8.8%	12.9%
NCBA Group Plc	35.0	37.0	5.8%	3.6%	9.4%
Stanbic Holdings	112.0	103.1	(7.9%)	4.7%	(3.2%)
HF Group	6.0	4.2	(30.4%)	0.0%	(30.4%)

Source: Cytonn, (2021)

https://cytonn.com/uploads/downloads/q32019-kenya-listed-banking-sector-report.pdf

Bank	Franchise Value Score	Intrinsic Value Score	Weighted Score	Q3'2019 Rank
KCB Group Plc	46	3	20.2	1
I&M Holdings	57	2	24.0	2
Co-operative Bank of Kenya Ltd	55	5	25.0	3
Equity Group Holdings Ltd	61	6	28.0	4
Stanbic Bank/Holdings	59	9	29.0	5
Barclays Bank	64	7	29.8	6
DTBK	75	1	30.6	7
NCBA Group Plc	70	8	32.8	8
SCBK	78	4	33.6	9
HF Group Plc	95	10	44.0	10

Appendix IV: Data Collection Schedule

Bank Name:

<table>
<tr><th rowspan="12">Performance Indicators</th><th colspan="8">Financial Year</th></tr>
<tr><th rowspan="2"></th><th colspan="3">Pre M&A</th><th rowspan="11">FYE$_0$ M&A</th><th colspan="3">Post M&A</th></tr>
<tr><th>FYE 3</th><th>FYE 2</th><th>FYE 1</th><th>FYE 1</th><th>FYE 2</th><th>FYE 3</th></tr>
<tr><td>Total Revenues</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total Assets</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total Liabilities</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Current Assets</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Current Liabilities</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total Debt</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total Equity</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>EBITDA</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Net Income</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
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