EFFECT OF MERGERS AND ACQUISITION ON THE CORPORATE PERFORMANCE OF THE COMPANIES LISTED IN NSE

BY

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DECLARATION

I affirm that this research is my original work and has not been presented for another award in any other academic institute.

Signature …………………………………………. Date 11th November 2021 ……………………..………..………

Kabasa Angelyne Akoth **D63/78807/2015**

This project has been submitted for examination for my approval university supervisor

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DEDICATION

This work is dedicated to my two daughters SHEENA TAMIKA and LINSEY NAKATO who gave me a humble time as I undertook this assignment.

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I give thanks to the almighty God for the gift of life and good health during the time I undertook this project work.

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TABLE OF CONTENTS

Figure

List of Tables

Abbreviations

CBK	Central Bank of Kenya
DTB	Diamond Trust Bank
EPS	Earnings Per Share
GAPCO	Gulf Africa petroleum Corporation
KCB	Kenya Commercial Bank
M&A	Mergers and Acquisitions
NSE	Nairobi Securities Exchange
NYSE	New York Securities Exchange
ROE	Return on Equity
ROI	Return on Investment
UON	University of Nairobi

ABSTRACT

Mergers occurs when one or various business institutions associate or come together to form a large or a new financial institution. Financial and business institution mergers involve voluntary and friendly restructuring of resources, business, liabilities, shareholders' interests and assets in a combination of either consolidation or absorption way. In regard to this topic, previous studies have been coming-up with conflicting findings and conclusions on the results of the corporate performance or profitability of the involved companies after the M&A deals. This study's objective was to establish the effects of mergers and acquisitions on the corporate performance of the companies that are listed in the NSE. This research work was guided by theories including the agency theory, the mergers theory of Eat or be eaten, and the market power theory with the conceptual framework that was used to display the dependent and independent variables' relationships. A total of sixty-four companies are listed in the NSE market, and they include eleven commercial banks and 53 non-monetary institutions. In this regard, this study used a sample size of six (6) companies listed in the NSE. These companies included KCB, I& M Bank, Diamond Trust bank Kenya Ltd., Britam Kenya, Total Kenya, and UAP Old Mutual Group. A total duration of 7 years (3 years before, the year of merger, and 3 years after the merger or acquisition) was put into consideration. An event study analysis methodology was used in this research; also, the researcher used a descriptive research design in order to make a summary of data and other various features relating to the topic of study. Conversely, the researcher used the quantitative techniques that helped in the process of obtaining data. This research established a negative impact of the M&A deals on the EPS, ROE and ROI on I&M Bank, Diamond trust Bank, Britam Insurance Kenya, and UAP. KCB bank experienced an increase in its EPS after the merger but its ROE and ROI declined after the Merger. Total Kenya Ltd. experienced a positive impact of M&A on its EPS, ROE, and ROI.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Companies' M&A are the vital tools to meet their financial goals, strategies, and growth. Merger can be defined as the way of amalgamating or integrating all assets, liabilities, businesses and loans of two or more business entities such that they or one of them can be able to survive in a competitive industry (Godbole, 2013). Additionally, acquisition is the purchase by one firm of a large part of wealth of another, usually for the aim of reorganization of the activities or services of the acquired entity. Business firms and financial institutions together with other non-monetary firms acquire or merge with others in order to create value and increase their competitive advantage above others (Anderibom, 2015). This usually takes place when firms are facing hard times and challenges and they want to survive in the market. Firms combine so as to reduce their operation costs, to increase their market share, and to compete favourably in the market (Myers & Brealey, 2003).

Some of the theories explaining the merger and acquisition, and competitive relationship include the agency theory. In this theory, companies' shareholders may not have the essential proficiency, acquaintance or skills, and time to manage them. The companies are therefore forced to provide or appoint managers to provide services and run their companies on their behalf. There is also the mergers theory of Eat or be eaten; this theory assumes that managers ensures that their institutions are not acquired by others by acquiring another (smaller) institutions and this results in increasing their market share, size, and competitive advantage (Gorton, 2005). The other theory is the market power theory. This is the level of control of monetary and commercial activities by great business and banking companies (Levine & Demirgue-Kunt, 2000). This theory is often associated with the economies of scale concept. The increase in the levels of market power could result in the significant size enlargement of larger or dominating business and banking institutions or a significant size reduction of smaller or non-dominating business and banking institutions.

In the acquisition or merger process, the acquiring or the merging business institution always needs to carry out a financial analysis so as to evaluate the monetary routine and performance of the target organization (Ritesh, 2017). This is because; the merger or acquisition affects the wealth and financial position of all the involved stakeholders. The business and banking sectors globally have been profiting from their merger and acquisition deals. This has led to the growth and development of various business and financial institutions as they are able to adjust to the operating environments. From 1190s, Kenya has been experiencing major merger and acquisition processes. This has been as a result of globalization, economies opening up, and liberalization. The Kenyan and global legal statutory policies or requirements, capital adequacy requirements, increased competition, poor economic status, and the need to increase companies' profitability and competitive advantage, have necessitated the commercial banks to enter into merger deals.

1.1.1 Mergers and Acquisitions

M&A arises when one or more business institutions combine with the intension of forming a large or a new financial institution. Financial and business institution mergers involve voluntary and friendly restructuring of resources, business, liabilities, shareholders' interests and assets in a combination of either consolidation or absorption way (Anderibom, 2015). According to Gaughan (2007), an acquisition can be defined as the process through which business institutions purchase the assets, trading services or activities and shares of another business entity which as a result changes the controlling structure of their functions. In this case, a larger business institution usually known as the predator takes over the operations of a smaller business institution which is the target firm. The takeover process might be of good or bad intensions. A takeover deal can be regarded to be of good intensions when the management of both firms agree to work together with the aim of achieving their main objectives. On the other hand, a takeover deal can be regarded to be bad if the deal is forcefully made (*Ibid*).

According to Ritesh (2017), there exists five different types of mergers and they include; vertical merger, whereby two non-compiting firms or firms that are engaging in different types of businesses merge together. Horizontal merger; which involves two or more firms that are compiting or operationg the same type of business. Accretive merger; which occurs in a case whereby a firm with a low EPS (earning per share) ratio is purchased by a firm that its EPS ratio is high. Conglomerate merger; this involves a merger between two firms that do not have any economic relationship. Finally, dilutive merger; this occurs when the EPS of the acquiring firm falls after the acquisition or merger process. The falling in EPS of the acquiring firm is caused by the poor monetary routine or profitability record of a company after M&A deal.

Market dynamics which includes geographical markets expansion, increase of the size of business entities, and the exposure to new geographical and market trends usually prompts voluntary mergers. In the voluntary merger, both the target institution and the bidder benefits (Ondieki & Njangiru, 2015). Scholars have suggested that a greatest number of companies in Kenya opt to enter into merger deals with the aim of increasing their financial performance through improving their competitive advantage and enlarging their market power and share, and as a result they increase their levels of profitability. Additionally, they suggested that some business and financial institutions merge with the aim of lowering their operational costs (Ondieki & Njangiru, 2015).

1.1.2 Financial Performance

This is the ability of a business entity to make revenues from its own assets and business activities. Financial performance or routine measures a business institution's general strength and health during a particular season or period. Some of the financial performance measures that are usually used by various business institutions include net asset value, operating revenue, and net income (Jensen & Ruback, 1996).

In measuring the viability of any business institution, it is necessary to ascertain its financial performance. Mostly, business institutions use profitability ratio analysis, capital adequacy, and solvency ratio methods in measuring their levels of financial performance. Some of the profitability ratios that are commonly used include ROA, and ROE (Jensen & Ruback, 1996). A company's financial performance measurement is usually done over specified durations of time. It can be done yearly/annually, semi-annually, or monthly. Financial performance measurement and analysis is essential to any business organization since it is used in making long-term decisions and projections.

1.1.3 Financial Performance and M&A

M&A are usually used by business or companies to gain their organizational competitiveness by improving their competitive advantage over other related business organizations. Due to efficient utilization of resources and the reduction of their operational costs, the average levels of viability of the businesses entering into the M&A deals tend to increase. Mergers and acquisitions are beneficial to the involved business organizations in various ways including efficient utilization of business resources, improving the average levels of profitability, and shareholders gain (Wangari, 2015).

Various studies have been carried out with the aim of inspecting or discovering the effects of M&A on the financial performance of the businesses and monetary organisations both in Kenya and around the globe. The researchers however came up with mixed results pertaining to the post-merger implications. Some of the researchers concluded that business and monetary institutions benefit from the merger and acquisition deals while others concluded that M&A does not result in any perfection and viability in the profitability of the involved firms (Fatima & Shehzad, 2014).

According to Heron and Lie (2002), in their studies, they noted that the firms' financial performance improved after they entered into M&A deals. They revealed that the firms studied experienced a growth in their asset turnover and also, their capital expenditure reduced after the merger deals. On the other hand, Fatima and Shehzad (2014), they revealed in their research findings that there was no change or any significant relationship of the profitability ratios of the companies studied after and before their merger deals. They therefore, concluded that M&A does not necessarily translate into positive financial routines or viability of the involved financial institutions.

In regard to the Kenyan business and financial sector, the operations and performance of companies and commercial banks are guided and overseen by various rules and regulations that are well stipulated in the CBK Act, the Finance and banking Act, and the Corporations/companies Act. (Ondieki & Njangiru, 2015). Eleven commercial banks and 53 non-monetary organizations are registered in NSE.

In 1989, nine insolvent financial institutions merged to form one commercial bank known as the Consolidated Bank of Kenya. Since then various acquisitions and mergers have been experienced both in the banking and non-banking sectors of Kenya. The idea of increasing the minimum core capital threshold by the company's regulatory bodies and the CBK is among the major enhancements of M&A in Kenya (Ondieki & Njangiru, 2015). Companies and financial institutions have also been involved with the merger and acquisitions deals with the aim of improving their profitability, improving their competitive advantage and also increasing their market share.

1.1.4 Nairobi Securities Exchange

The NSE was founded in 1953 and is among the top five leading securities/stock market in the sub-Saharan region. Globally, the NSE is known to be among the most vigorous securities market. According to sources from the Nairobi Securities Exchange (2021), there are sixty-four (64) firms listed in the NSE market. Out of the 64 firms, 63 firms are quoted and classified in the market's Main Segment while only one firm is quoted and classified in the Growth Enterprise segment. Some of the firms listed in the NSE include Equity Group Holding, The Co-operative Bank, KCB, I&M Bank, Diamond trust Bank, Total Kenya Ltd, Dimension Data Holdings, Rea Vipingo Plantations Ltd., Sasini Ltd., Kenya Airways Ltd., KenGen Ltd, Athi River Mining, Britam Holdings Ltd., and East African Breweries Ltd. (NSE, 2021).

In the NSE market, firms have been undertaking mergers and acquisition deals to expand their services, production, and operations so as to reach the emerging market trends and demands. Securities or capital markets are the critical and essential sub-sector of the financial industry. In this regard, NSE plays a substantial role in attracting foreign investments and capital by growing and encouraging firms' domestic investment and savings rate. To achieve this, M&A deals have immensely contributed to the involved firms' corporate performance.

1.2 Research Problem

Business institutions have been experiencing stiff competition from their business rivals in the recent past. This is as a result in the rise of innovation strategies and technological changes. The changes have forced a substantial number of business companies to look for possible alternatives that can make them remain relevant and competitive in their lines of operations. In this regard, companies' managers and shareholders turn to acquisitions and mergers with the aim of improving their firms' financial performance, competitive advantage, and market share. Mixed results have however been produced from the various research studies.

In the Kenyan setup, data from 2000 to 2014 was used to analyse the post-merger financial positions of various banking institutions in the financial sector. It was realized that M&As have a worthwhile effect on the involved businesses and companies. It was also noted that EPS (Earnings Per Share) and ROI (Returns on Investments) on those firms increased significantly (Njangiru & Joash, 2015). Additionally, merger restructuring in Kenya has not been positively influencing the financial performance of most of the merging institutions that are listed in the NSE market, as indicated by their earnings and profitability ratios (Chesang, 2008). Due to inconsistencies in the various research study findings, shareholders are facing difficulties in making decisions on whether to contemplate on mergers or not (Straub, 2007). In the case of this study, there exist few studies regarding to the event analysis on the effects of M&As on the corporate performance of the businesses and companies listed in the NSE. This therefore makes the extraction process of secondary information and data from other related studies difficult.

Moreover, some studies have established that merging business institutions usually performs healthier than they were performing before their acquisition or merger. However, other research surveys have established that there is not any meaningful financial performance improvement due to a merger or acquisitions. According to Saple (2000), the scholar established that mergers did bear any improvement in terms of monetary performance from the financial analysis that was carried out in the banking industry.

With regard to the analysis that was carried out between 1970 and 1989 on the post-acquisition financial performance on the 1100 United States of America's firms, it was established that the mergers and acquisition remained beneficial to the firms that were involved and it resulted in the increase of their market share, cost efficiency, and the improvement of their ratios of profitability as compared to the before merger and acquisition period (Harrison, Hitt, & Ireland, 1991).

This survey focused on the acquisitions and mergers of the financial institutions in Kenya. Its findings provide the various companies' managers, shareholders, and other stakeholders in the business industry with insights that they can use in making their decisions regarding the mergers and acquisitions. This survey was sought to find the effects of M&A on the NSE's listed companies' corporate performance in Kenya. The survey involved companies' acquisitions or the companies that merged between 2013 and 2017 and that they are listed in the Kenyan's NSE. This study employed the event-study analysis approach to determine the effect of an M&A deals on an independent variable. The corporate financial performance was the dependent variable, whereas mergers acquisitions (M&A) was the independent variables.

1.3 The Objective of this Study

The general objective of the study was to find out the effects of mergers and acquisitions on the corporate performance of the companies listed in the NSE.

1.4 Value of the Study

This research survey is expected to be of great importance and use to the various companies' managers and stakeholders in their line of duties and operations. Primarily, this research will serve as an informant to the companies' chief executive offices, managers, and the shareholders on the major implications that are involved in their decisions on embarking on any acquisition or merger deals in the business and financial industry in Kenya. This will also help the National Treasury, the CBK, and NSE to come-up with possible frameworks, programmes and policy initiatives that can help the involved and affected companies and financial units in handling their short comings. This research survey will also give an insight to the business and financial institutions' managers in avoiding the possible mistakes that their previous colleagues have committed. The research survey will inform the public and shareholders on the areas and units of engagement on matters related to mergers and acquisition so as to avoid their wealth losses. Finally, this survey will provide an insight to the existing literature bodies and also form a basis of referencing in this study area for the future studies. Researchers intending to dig deeper into this issue can also use the information from this study to build onto their research and improve on areas not comprehensively covered by the researcher.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This segment of this study incorporates both the theoretical and practical or empirical literature review. It also incorporates the diagrammatically done conceptual framework and the study gap on the effects of M&A on the company's performance of the NSE listed companies in Kenya. The literature review is done to establish if there is a palpable foundation of data regarding the matters covered to determine the presence of any gap of information that will in conclusion be highlighted by this study.

2.2 Theoretical Review

Financial institutions and other non-monetary firms acquire or merge with others in order to create value and increase their competitive advantage above others. This usually takes place when firms are facing hard times and challenges and they want to survive in the market. Firms combine so as to reduce their operation costs, to increase their market share, and to compete favourably in the market (Myers & Brealey, 2003). The combination of firms allows firms to give in pressure during the hard times when they cannot be able to stand alone.

2.2.1 The Theory of Agency

The agency theory started from information economics by Barry Mitnick and Stephen Ross (Kivisto, 2007). According to Jensen (1986), agency paradigm is defined as a convention through which one party also known as the principal, involve or engage an alternative party or an individual who will operate as an agent, to accomplish a particular task or service on his/her behalf. The engagement encompasses giving or delegating specific policymaking authorities to the agent. It is believed that the representative who is in this case is an agent might not constantly act to the greatest objectives and interest of his/her principal if the relationship of the involved parties is for utility maximization.

Companies' shareholders may not own the essential proficiency and expertise, acquaintance or skills, and time to manage them. Therefore, they are forced to provide or appoint managers to provide services and run their companies on their behalf. Acquisitions and mergers can lead into the ruin of the worthiness of the shareholders rather than improving it even though the appointed managers act rationally. In the agency theory, managers aim at elevating their treasure and utility at the cost of the company's investors. This is because managers make decisions that may not serve the interests of the shareholders. However, their decisions may be as a result of opportunism.

In this theory, not all the firms acquisitions and mergers bids are to the benefits of the business owners or shareholders because managers always possess superior and crucial information relating to firm's prospects and therefore, they may take advantage of any opportunity that they come across to satisfy their own interest (Thomsen, 2008).

Critics argue that the agency theory assumes full rationality from both the shareholders and the managers (Thomsen, 2008). The managers or agents tend to work for their personal interests and therefore they take advantage of their expertise or superior information to satisfy their own interests. Further, Thomsen observed in his studies that the agency theory is less concerned about the role of the principals. In some cases, the principals tend to exploit, shirk and deceive the agents (managers). Additionally, the scholar argues that in the agency theory, the agents (managers) are forced to work in perilous conditions of work and at the same time, the principals tend to be opportunistic.

The agency concept is appropriate to this research survey since it shows how the agency relationship works whereby one party (the owner, shareholder, or the principal) delegates his /her institution's work to another party who is regarded as an agent, to execute that work. Companies' acquisition and mergers bids or decisions are made by the agent (managers) on behalf of the shareholders with the aim of yielding positive results.

2.2.2 The Mergers Theory of Eat or be Eaten

Gorton propounded this theory as a response to the frequent acquisitions and mergers that were experienced in USA between 1960s and 1990s (Gorton, 2005). The scholar combined behavioural and neoclassical theories in his new Eaten or Be Eaten theoretical framework. In this theory, Gorton contends that M&A deals take place when managers tend to ensure that their institutions remain independent and avoid being acquired (*Ibid*). Further, the Eat or be Eaten theory assumes that managers ensures that their institutions are not acquired by others by acquiring another (smaller) institutions and this results in increasing their stake in the market, size, and competitive lead.

Gorton further illustrates that the basic elements of this theory is based on the assumptions such as: Firstly, firm managers are likely to prefer on keeping their institutions independent. The acquired firms' managers are likely to lose their jobs or take subordinate duties in the newly formed institution. Secondly, there is an economy or a state whereby most of the merger deals that have been reached previously have been generating value or improved their performance. Thirdly, an institution of a smaller or a given size is not supposed to acquire another institution of a larger size (Gorton, 2005).

In the linkage way, besides the Eat or be eaten theory, critics argues that, it is the firm's concentration theory or the pro-concentration theory that explains better on the acquisition and mergers exercise (Obute, 2015). Obute further argues that, M&A exercise can be driven by banking industry's policy. This policy might be aiming at increasing the concentration of the financial institutions in an economy by reducing their numbers, repositioning them for growth, and deepening the banking sector.

For the benefit of this study, the Eat or be Eaten theory policy explains how the acquisitions or mergers occurs either for the firms to maintain their independence, to avoid being acquired by larger firms, to protect the jobs of their managers, to increase their market share and size, or to improve their competitive advantage. Additionally, the motive of managerial defensive could be the reason for the managers to prefer acquisitions and mergers.

2.2.3 The Market Power Theory

M&A deals are mostly done with the aim of increasing the associated firm's market share. With the large market share that is enhanced by the M&A deals, the acquirer firm is more likely to yield more market power in that particular industry. An increase of market power through the M&A deals may lead to firms' concentration (Leepsa & Chandra, 2016). In this regard, gaining of market power of specific companies is the level of taking lead and control of financial and fiscal operations by large and specific companies in a given industry. This theory is linked to the works of Levine and Demirgue-Kunt. According to them, market power infers the fewer companies that are operating in one line of business in a region (Levine & Demirgue-Kunt, 2000). For instance, in the banking sector, the fewer number of financial institutions in a region may influence their monitoring and supervision by the government and the private sector, thus affecting the banking sector's stability. The market power theory is often associated to the economies of scale concept. The increase in the levels of market power could be resulting into the significant size enlargement of the larger or dominating business institution or a significant size reduction of the smaller or non-dominating business institutions.

Critics argue that the theory of market power has various policy implications. For instance, the higher market power is most likely to be associated with an economy of lower social-economic welfare and therefore undesirable (Obute, 2015). Additionally, critics of this theory disagree with the assumption that a few and large business institutions that are offering same product or services in a region are easier to supervise and monitor by both the government and the private sector than a region with many and small of such business institutions. By considering the financial industry, these critics believe that credit supply availability in an economy is more likely to reduce in a region of more concentrated banking industry (*Ibid*). It is also argued that high market power may result in intense competition or monopoly in an industry or marketplace.

This concept is relevant in this survey since it enables the researcher to comprehend how concentration intensifies market power, obstructs competition and destabilizes various business systems as the involved business institutions or companies becomes too big and uses their influences to avoid being disciplined or influences in shaping industrial policies and regulations.

2.3 Determinants of Corporate Performance

Companies' mergers involve the combination of two or more firms with the intention of enriching their corporate viability. The combination may result in reduction of operational cost due to reduction of overlapping activities and operating economies of scale. Leaving other factors constant, a firm's growth in market share and size leads to the increase of its shareholders' value and high profits (Luypaert, 2008).

Scholars have suggested that most of the business institutions in Kenya opt to enter into merger deals with the aim of increasing their financial performance through improving their competitive advantage and enlarging their market share and as a result they increase their level of profitability. Additionally, they suggested that some firms merge with the aim of lowering the operational costs (Ondieki & Njangiru, 2015).

2.4: Empirical Literature

In the recent times, the literature of before and after merger and acquisition on financial viability or performance has stayed in use. In this study, the evaluation of various studies surveys carried out by scholars globally is offered. According to the research findings from various researchers, they have established both a negative and a positive effect of M&A on the corporate viability or performance of the involved firms.

M&A of business institutions are aimed at attaining cost efficiency, to diversify and exploring new business opportunities and activities for better performances (Soludo, 2004). Also, the purpose of numerous business sector reforms is to promote and strengthen the business industry and put it at a better position in meeting the world demands and standards. Business entities' supervision and monitoring entails the enforcement of policies, judgment on the firms' capital adequacy, earnings, liquidity, assets and management (Oladejo & Oladipupo, 2011).

With regard to the analysis that was carried out between 1970 and 1989 on the post-acquisition financial performance on the 1100 United States of America's firms, it was established that the mergers and acquisition remained beneficial for the firms that were involved and it resulted in the increase of their market share, cost efficiency, and the improvement of their ratios of profitability as likened to the before M&A period (Harrison, Hitt, & Ireland, 1991). According to the analysis that was carried out using a t-test analysis on the statistics available between 1990 and 20002, on the 54 Malaysian firms regarding with the impact M&A on their post-merger fiscal routine and performance, it was established that those firms' financial positions strengthened due to mergers and acquisitions (Shanmugam & Nair, 2004).

In Turkey, Zenginobuz and Mumcu examined firms' before and after merger financial position and performance, which they found out that mergers and acquisitions significantly and positively impacted on their financial position and it resulted in the improvement of their profitability ratios and market share (Zenginobuz & Mumcu, 2005). In India, an analysis was carried out on the Indian pharmaceutical companies to find the effects of M&A on their financial viability and profitability. It was established that their profit margins, and return on investments increased significantly after periods after the merger and acquisition process (Demirbag, Ng, & Tatoglu, 2007). In 2010, Thomson took a survey on the reaction of share prices of various firms after an acquisition's announcements in USA's NYSE market. The aim of his survey was to evaluate and gauge the influence of M&A on the share worthiness reactions of the companies listed in USA's NYSE market (Thomson, 2010). A sample size of 102 listed firms was selected in the study. He used secondary data from the NYSE reports and the findings noted that there was an upward trend of stock prices few days prior to the M&A announcement.

On the other hand, a study was done on the mergers that took place between 1996 and 2003 on the financial industry of India and established that the mergers resulted in the improvement of the involved firms' financial performance and their long-term operations were enhanced (Ramakrishnan, 2008). In the Kenyan business system, data from 2000 to 2014 was used to analyse the post-merger financial positions of various banking institutions. It was realized that M&A have a helpful or positive upshot on the involved companies. It was correspondingly noted that earnings per share and returns on investments on those firms increased significantly (Njangiru & Joash, 2015). Kamutu Njeri (2018), in her resaerch, she investigated the upshot of M&A on fiscal performance of SMEs and average performing enterprises or production units in Kenya. Her study investigations targeted nine SMEs in Kenya that entered into M&A deals between 2008 and 2017. In the study, she established that SMEs financial performance was positively influenced due to M&A deals. M&A led to the rise of their ROE and assets.

Omolo (2020), studied the effects of M&A on brand equity of UAP Old Mutual Limited, Kenya. The study established that proper implementation of merger deals led to a significant influence on the company's reputation by the customers. As a result, brand loyalty from the customers went high and this facilitated in the increase of the company's financial performance. According to Melly Cherono's study (2019), her research objective was to establish the upshot of M&A on the Kenyan monetary institutions. Her intention was to address the problems and challenges faced by the commercial banks from the M&A process regarding to the ways of increasing their financial performance and reinstating their public trust. The study established that financial institutions enter into M&A deals because some of them are not performing well in the banking industry. In 2011, Kauki studied on the effects of M&A on the performance of monetary institutions trading in the Kenyan NSE market. The study analysed the financial reports from the involved firms in the study from 2006 to 2010. In this study, eight commercial banks which had undergone M&A deals were selected. The researcher computed the EPS and dividend per share ratios before and after M&A deals to measure the fiscal capability and performance of the involved firms. In his study findings, he established that the involved firm's financial performance significantly improved after the M&A deals (Kauki , 2011).

Some studies have however established a no significant impact or a negative upshot of M&A in the financial situation and position of the involved firms. A study involving 373 United Kingdom's manufacturing firms was carried out to establish the before and after M&A financial viability and it established that the merger deals positively affected their monetary results and performance, but to a lesser substantial impact (Uddin & Boateng, 2009). In Malaysia, statistics covering from 1996 to 2009 from Malaysian banks was used to investigate the effects of M&A on those banks and it was established that M&A never had any remarkable difference on the banks' performance during that period (Sufian & Muhamad, 2012). On the other hand, an analysis that was carried out on Pakistan banks between 2006 and 2009 on the previously and subsequent merger monetary performance, specified that the M&A deals that were made failed to impact positively on financial performance (Kemal, 2011). This resulted in a decrease in the profitability levels. In Lithuania, 10 corporate firms were analysed in the period between 2000 and 2010 on the after merger and acquisition performance, it was noted that the firms' financial performance and profitability were negatively affected in the short run after the merger deals (Lakstutiene, Stankevicience, & Norvaisiene, 2015). Through the use of the paired t-test method of analysis, a study was carried out on the Indian businesses applying data covering from 1991 until 2003 to establish the post-merger effects on their financial performances. In the study, it was noted that M&A impact remained undesirable for the firms' fiscal performances and consequently, the firms' viability ratios were declining (Mantravadi & Reddy, 2008). The important tools to be used in measuring the post and pre- M&A corporate performance of trading companies are the financial ratios (Bansal & Singh, 2017).

2.5 Summary of the Literature Review

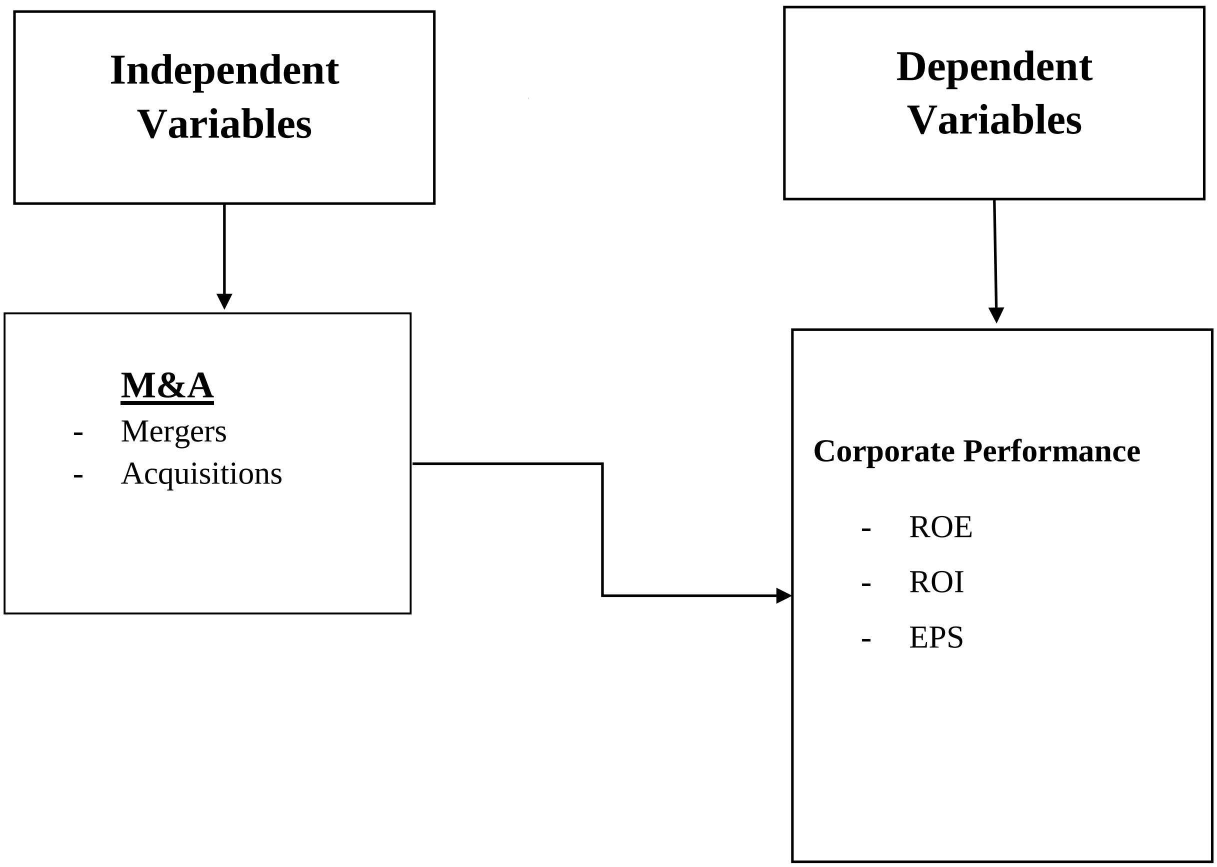
Business and financial institutions acquire or merge with others in order to create value and increase their competitive advantage above others. This usually takes place when firms are facing hard times and challenges and they want to subsist in a modest market. M&A of financial institutions are aimed at attaining cost efficiency, to diversify and exploring new business opportunities and activities for better performances (Soludo, 2004). Additionally, the purpose of numerous business and financial sectors reforms is to promote and strengthen their services and operations and put them on the better positions in meeting the world demands and standards.

According to the study that was carried out by Karen Robinson (2016), it was realized that study gaps deter academics from arriving at conclusions and ultimately limit their ability to make faultless decisions. In the case of this study, there exist few studies regarding to the event analysis on the effects of M&A on the corporate viability or performance of companies listed in the NSE market in Kenya. This makes the extraction process of secondary information and data from other related studies difficult. In addition, the confinement this survey to the Kenyan trading institutions that are listed in NSE only, makes it hard in attaining a wide-range of information from the rest of the globe world and other non-monetary institutions on the various effects of M&A. This survey will therefore offer its information and contributions to the current literature bodies and also form a basis of referencing in this study area for the future studies. Moreover, researchers intending to dig deeper into this issue can also use the information from this study to build their research and improve on areas not well covered by the researcher.

2.6 Conceptual Framework

The purpose of this study work is to establish the effects of M&A on the corporate performance of the companies listed in the NSE, Kenya between 2013 and 2017. The following conceptual framework represents or illustrates the interaction between the variables regarding to the objectives of the research. It contains the independent/self-determining variables , and the dependent/reliant on variables. The self-determining variable include the variable that is able to affect other variables and make them to change. This variable include M&A and it is measured as a dummy variable in line other related studies that have been previously carried out. The dependent variables are as a result of effects manipulating or controlling the independent variables. In this case, the dependent/reliant variable includes ROE, the value of the shareholders on EPS, and ROI. The control variables which are also regarded as other independent variables moderates the consequences that independent variable may have towards the dependent variables. Control variables are not the variables that this study will put into consideration.

Figure 1: Conceptual Framework



Source: Author, 2021.

CHAPTER THREE:

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This part comprises of the following topics of research; the research methodology, the research design, the target population, the sampling size and the procedures of data collection, the methods of data collection and the instruments used, finally, it contains the method of data analysis on the effects of M&A on corporate performance of financial institutions in Kenya.

3.1 Research Design

The major concern of this survey was to employ a research design that is able to reflect and also fulfil the purposes and objectives of the study. The survey's objective is to establish the upshot of M&A on corporate performance of the corporations trading in the NSE market, Kenya. A total duration of 7 years will be put into consideration.

From previous researches, it has been noted that there are several research designs that have been used while carrying out those research surveys. The researcher applied a descriptive mode of research design in order to make a summary of data and other various features relating to the topic of study. Conversely, the researcher used the quantitative techniques to help in the obtaining of data (Mugenda & Mugenda, 2012). Information collection encompassed of the annual financial reports from the involved companies. Additionally, the research design approach assisted the researcher in analyzing and collecting data systematically so as to provide the questions under the study a descriptive account (Kothari, 2009).

3.2 Target Population

Scholars define a population as an assortment or a collection of beings or units sharing nearly mutual or common set of characteristics (Cooper & Schindler, 2003). On the other hand, another scholar describes it as a wide-ranging collection of definite population elements appropriate to a given research venture (Zikmund, 2003). This study targeted six (6) companies listed in the NSE. These companies include the Kenya Commercial Bank Ltd., I& M Bank Ltd, Diamond Trust bank

Kenya Ltd., Britam Kenya Ltd., Total Kenya Ltd., and UAP Old Mutual Group. The study will adopt a census of all the six companies.

3.3 The Research's Sample Size and Procedures of Sampling

According to Singh (2014), the sample size of a research study can be denoted to as the value or figure representation or observations that is used or included in an arithmetical or statistical sample. The preferred sample size of any given study survey is typically obtained in reliant on the costs that are incurred during the process of data gathering. The selected sample size of a particular survey must have satisfactory statistical influence (Singh, 2014). In reference to Mugenda and Mugenda (2012) in their study, they depict that ten percent (10%) of a survey's target population shall be a reflection of the survey's sample size. A total of sixty-four companies are listed in the NSE market, and they include eleven commercial banks and 53 non-monetary institutions. In this regard, a sample size of no less than six (6) of the listed companies was sufficient to be used for the study.

3.4 Analytical Model

The study did an event study investigation on the fiscal viability and profitability of the institutions carefully chosen in both the years before and after merger or acquisition. To achieve this, both analytical and descriptive tools for the analysis were used. Additionally, this research study aimed at using the three (3) years after, the year of merger, and three (3) years before the merger event took place to carry out a hypothesis test. In this regard, this study put into consideration a total duration of seven years. The researcher designated the year of merger as "Y0", whereas the seven years were represented as -Y3, -Y2, -Y1, Y0, Y1, Y2, Y3.

The trends of the corporate performance ratios including ROI, ROE, and EPS for the period after and before M&A deals were tested using the paired t-test. Data was analysed by using and comparing the different results that was obtained from the various tests on the financial ratios previous and afterward M&A. A t-test analysis was in this regard used to find out whether the differences of the means that were obtained, were statistically significant or insignificant. Using the results that were obtained, the researcher chose either to accept or reject the null hypothesis.

The formula for the paired t-test is as outlined below:

$$t = \frac{X_1 - X_2}{\sqrt{s_1{}^2\left(\frac{1}{n1}\right) + s_2{}^2\left(\frac{1}{n2}\right)}}$$

Key: -

X_1 = is the mean indicator for performance of the firm before M&A

X_2 = is the mean indicator for performance of the firm after M&A

$s_1{}^2$ = is the sample variance indicator for the performance of a firm before M&A

$s_2{}^2$ = is the sample variance indicator for the performance of a firm after M&A

t = t- test statistics

n_1 = number of years before M&A

n_2 = number of years after M&A

The variables that were included in the analysis are ROI, ROE, and EPS.

3.5 Data Collection Instruments

As a main tool for data collection for this research survey, the researcher employed the use of annual financial reports from the selected companies/firms. The financial reports were regarded as the best instruments for a researcher who intends to acquire original data for the purpose of population description.

The annual financial reports in this investigation served as the primary tools for information collecting. The researcher made visits to the involved institutions' website to find their published financial statements and as a result, a rich and precise content of information was obtained by the researcher.

The researcher then carried-out an in-depth content analysis on the information that was obtained. In respect to this, the information obtained was organized into sorts and summarized accordingly. Data collection in this study was from the six selected Kenyan NSE listed companies. Moreover, data collection comprised of the institutions' financial reports of 3 years earlier and 3 years subsequent in M&A deal.

The researcher sought to warrant that there was reliability and validity of the used tools and instruments of study. This ensured that accurate and reliable results from the study instruments were obtained. In reference to Mugenda & Mugenda (2003), a research survey is reliable depending on the research methodology put in place and the integrity of the survey tools and instruments used. This survey also guaranteed that only the financial reports obtained from reliable sources or the institutions' websites was used in this research study.

3.6 Data Analysis

An event study analysis methodology was applied in this survey. Data was analyzed using qualitative and quantitative methods. This provided satiable accounts, descriptions, and enlightenments that demonstrated the sequential movement of events and proceedings which lead to appropriate answers and conclusions. Quantifiable and measurable data was subjected to coding to convert data into a numerical form in order to check and avoid loss of information. The study's qualitative figures of data were produced from the yearly financial declarations or statements obtained from the targeted NSE registered and trading companies for the study. This research was carried-out by the use of a t-test mode of analysis with the objective of establishing the pre/post M&A proportional situation of the carefully chosen companies that are listed in the NSE market's long-term profitability trends.

3.7 Diagnostic Tests

For the reliability of the survey tools and instruments to be used in this study, the researcher verified that at least five percent (5%) of the tests are retested for satisfactory and accuracy study analysis. The tests and retests were carried with the aim of obtaining accurate and factual results. In this study, the researcher made sure that only the financial reports obtained from reliable sources or the institutions' websites was used in this research study data analysis. Additionally, the corporate performance assessment of the selected companies was periodic, consistent, and systematic so as to provide a clear picture on the pre- and post M&A effects.

CHAPTER FOUR:

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.0 Introduction

This part has a presentation of data analysis outcomes and the survey's outcomes or results interpretation. It provides an explanation and discussion of the research's verdicts. The intention of this survey was to collect secondary data on the financial performance (ROI, ROE, and EPS) of the six selected listed companies.

4.1 Results and Discussion

Through the use of paired t-test analysis, this research survey is performed using two analysis sets. This includes the measurements of before and after merger M&A. It will also carry-out a comparative and relative analysis.

4.1.1 The Before and After M&A Corporate Performance Dimensions

Separately, the variables in this study are likened on the average value of three (3) financial years before and after M&A respectively. The table below shows the study's selected companies that have been involved in the M&A deals.

Table 1: M&A of the Selected Companies

INSTITUTION	MERGED WITH / ACQUIRED	CURRENT	DATE APPROVED
1. I & M Bank	Giro Commercial Bank	I&M Bank	2017
2. KCB Group	Chase Bank	KCB Group	2016
3. Diamond Trust bank Kenya LTD	Habib Bank Kenya Ltd	Diamond Trust Bank Kenya Ltd	2017
4. British American Insurance Kenya	ACQUIRED Real Insurance Company	Britam Kenya Ltd	2014

5.	**Total Kenya Ltd**	ACQUIRED GAPCO- (Gulf Africa petroleum Corporation)	Total Kenya Ltd	2016
6.	**UAP Holdings Ltd.**	Old Mutual Holdings Ltd.	UAP Old Mutual Group	2015

Source: (NSE, 2021)

The financial results of the selected financial and business companies are as depicted below.

4.2 Pre/Post-M&A Performance of I&M Bank and Giro Commercial Bank

I&M Bank Ltd. Entered into a M&A deal with Giro Commercial Bank in the year 2017. The new name after the deal is I&M Bank. This research survey used the descriptive statistics method to describe the pre-and post-M&A performance situation at the I&M Bank. The results obtained allows one to make a sound comparison of the selected performance indicators on the periods amid pre/post-M&A and also comprehend the differences that exist between the two periods of the M&A event.

The following tables represents the detailed outcome of the company's performance information during the pre-and post- M&A period.

Table 2: I&M Bank Ltd.'s before and after merger financial performance

Particulars	***Duration***	***Mean***	***p-value***	***t-value***
EPS	Before M&A	16.41	0.74	0.35
	After M&A	15.33		
ROE	Before M&A	21.81	0.05	2.67
	After M&A	16.77		
ROI	Before M&A	3.55		

		0.06	2.5
After M&A	2.90		

Source: Author's calculations

t- Test Calculations

YEAR	*EPS*	*ROE (%)*	*ROI (%)*
	13.56	20.4	3.24
2015	17.12	23.1	3.72
2016	18.56	21.9	3.69
2017	16.47	16.8	3.02
2018	20.13	17.2	2.63
2019	13.0	19.5	3.29
2020	12.4	13.6	2.79

EPS

t-Test:

	Before	*After*
Mean	16.41333	15.33667
Variance	6.624533	20.87003
Observations	3	3
Pooled Variance	13.74728	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.355646	
P(T<=t) one-tail	0.370034	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.740068	
t Critical two-tail	2.776445	

ROE

t-Test:

	Before	*After*
Mean	21.80667	16.76667
Variance	1.844033	8.843333
Observations	3	3

Pooled Variance	5.343683
Hypothesized Mean Difference	0
Df	4
t Stat	2.670274
P(T<=t) one-tail	0.027895
t Critical one-tail	2.131847
P(T<=t) two-tail	0.05579
t Critical two-tail	2.776445

ROI

t-Test:

	Before	*After*
Mean	3.55	2.903333
Variance	0.0723	0.118533
Observations	3	3
Pooled Variance	0.095417	
Hypothesized Mean Difference	0	
Df	4	
t Stat	2.563976	
P(T<=t) one-tail	0.031187	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.062375	
t Critical two-tail	2.776445	

The table 2 above shows a representation of the comparative corporate performance of I&M Bank before and after M&A with the Giro Commercial Bank. The bank's EPS showed a declined after the merger. EPS before the merger was (16.41) and after the merger it was (15.33). Its t-statistic value of (0.35) shows that the difference among the two periods was 0.35 times as dissimilar from each other, and this implies that there is a trivial or no much influence of the M&A deal on the company's EPS. The Return on Equity decreased after the merger. ROE before the merger was (21.81%) and (16.77%) after M&A. The ROE's t-value of (2.67) shows that the M&A had a significant impression on the bank's ROE. Return on Investment for the bank showed a decline after the M&A deal. ROI before the merger was (3.55%) and (2.90%) after the merger. ROI's t-value of (2.5) shows that the M&A deal had a significant impact of the bank's ROI. By evaluating the trends of these performance indicators (EPS, ROE, and ROI), it is therefore noted that I&M Bank's profitability or corporate performance experienced negative result. This is because they experience a decline after the merger deals.

With the aim of confirming the existence of the pre/post-M&A periods performance differences, the scholar undertook a t-test sample analysis for the financial ratios of I&M Bank of Kenya. The t-test analysis was used to compare between the various organizational performance measures. The pre/post-M&A differences in relations of performance was assessed and indicated at a 0.05 or 5% significant level. The t-test results for I&M Bank Kenya's performance indicators, indicated that the p-value results of the two out-off the three performance indicators are more than 0.05 {EPS's p-value is (0.74), ROE's p-value is (0.05) and ROI's p-value is (0.06)}. This indicates that the model showed a no statistically substantial or significant difference in the performance ratios of the EPS and ROI, but it showed a statistically significant difference on its ROE performance.

4.3 Pre/Post-M&A Performance of KCB Bank and Chase Bank

KCB (The Kenya Commercial Bank) acquired Chase Bank in the year 2016. KCB Bank retained its name. This research survey used the descriptive statistics method to describe the pre-and post-M&A performance situation at the Kenya Commercial Bank (KCB). The results obtained allows the researcher make a comprehensive assessment of the selected performance indicators on the periods amid pre/post-M&A and also comprehend the differences that exist between the two periods of the M&A event.

The following tables represents the detailed outcome of the company's performance information during the pre-and post- M&A period.

Table 3: KCB Bank's before and after merger financial performance

Particulars	*Duration*	*Mean*	*p-value*	*t-value*
EPS	Before M&A	7.13	0.92	-0.11
	After M&A	7.32		
ROE	Before M&A	22.73	0.78	0.29
	After M&A	22.30		
ROI	Before M&A	3.44	0.02	3.5
	After M&A	2.82		

Source: Author's calculations

t-test Calculations

YEAR	*EPS*	*ROE (%)*	*ROI*
2013	10.20	24.20	3.67
2014	6.74	21.00	3.44
2015	4.45	23.00	3.23
2016	6.65	22.60	3.31
2017	7.90	24.00	3.05
2018	7.80	20.70	2.63
2019	6.25	22.90	2.80

EPS.

t-Test:	*Before*	*After*
Mean	7.13	7.316667
Variance	8.3797	0.855833
Observations	3	3
Pooled Variance	4.617767	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-0.10639	

P(T<=t) one-tail	0.460198
t Critical one-tail	2.131847
P(T<=t) two-tail	0.920396
t Critical two-tail	2.776445

ROE

t-Test:

	Before	*After*
Mean	22.73333	22.3
Variance	2.613333	4.27
Observations	3	3
Pooled Variance	3.441667	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.286077	
P(T<=t) one-tail	0.394512	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.789023	
t Critical two-tail	2.776445	

ROI

t-Test:

	Before	*After*
Mean	3.446667	2.826667
Variance	0.048433	0.044633
Observations	3	3
Pooled Variance	0.046533	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.520102	
P(T<=t) one-tail	0.012224	

t Critical one-tail	2.131847
P(T<=t) two-tail	0.024448
t Critical two-tail	2.776445

Table 3 above represents a comparative corporate performance situation of KCB Bank Kenya. The EPS for the giant bank of Kenya slightly increased after the M&A deal. It increased from (7.13) to (7.32) after the M&A deal. EPS's t-statistic value of (-0.11) implying that the change between the two means is 0.11 times as similar from each other, and this implies that M&A had a statistically insignificant merger's impact on EPS. The bank's ROE showed a decline after the merger deal. Its ROE before M&A was (22.73%) and (22.30%) after M&A. ROE's t-value of (0.29) implies that the difference between the two means is almost similar, and therefore having an insignificant M&A impact on ROE. The bank's ROI showed a decline after the M&A deal. The bank's ROI before M&A was (3.44%) and (2.82%) subsequently from the M&A. ROI's t-statistic value of (3.5) implying that the variance amid the two means is more than (3) times, and this shows that M&A deal had a significant or substantial impression on the bank's ROI. By evaluating the trends of these performance indicators (EPS, ROE, and ROI), it is therefore noted that KCB Bank's profitability or corporate performance experienced a positive on its EPS and a negative result on its ROE and ROI after it entered into the M&A deal.

With the aim of confirming the existence of the pre/post-M&A periods performance differences, the researcher undertook a t-test sample analysis for the financial ratios of KCB Bank Kenya. The t-test analysis was used to compare between the various organizational performance measures. The pre/post-M&A differences in terms of performance was assessed and indicated at a 0.05 or 5% significant level. The t-test results for KCB Bank Kenya's performance indicators, indicated that the p-value results of the two out-off the three performance indicators are more than 0.05 {EPS's p-value is (0.92), ROE's p-value is (0.78) and the p-value for ROI is (0.02)}. This indicates that the results from the above model displayed a no considerable or significant variance in the profitability and performance ratios of the EPS and ROE, but it showed a statistically significant difference on its ROI performance.

4.4 Pre/Post-M&A Performance of Diamond Trust Bank and Habib Bank

Diamond Trust acquired Habib bank in the year 2017. Diamond Trust Bank Kenya Ltd. retained its name. This research survey used the descriptive statistics method to describe the pre-and post-M&A performance situation at the Diamond Trust Bank Kenya Ltd. The results obtained allows the researcher to make a sound comparison of the selected performance indicators on the periods amid pre/post-M&A and also comprehend the differences that exist between the two periods of the M&A event.

The following tables represents the detailed outcome of the company's performance information during the pre-and post- M&A period.

Table 4: Diamond Trust Bank Kenya Ltd.'s before and after merger financial performance

Particulars	***Duration***	***Mean***	***p-value***	***t-value***
EPS	Before M&A	23.96	0.40	0.94
	After M&A	19.93		
ROE	Before M&A	18.07	0.02	3.55
	After M&A	13.13		
ROI	Before M&A	2.25	0.07	2.4
	After M&A	1.42		

Source: Author's calculations

t-test calculations

YEAR	***EPS***	***ROE (%)***	***ROI (%)***
2014	21.9	17.7	2.40
2015	24.4	18.7	2.17
2016	25.6	18.4	2.18
2017	23.7	14.4	1.77
2018	23.9	13.9	1.77
2019	24.3	14.9	1.75
2020	11.6	10.6	0.76

EPS

t-Test:

	Before	*After*
Mean	23.96667	19.93333
Variance	3.563333	52.12333
Observations	3	3
Pooled Variance	27.84333	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.936158	
P(T<=t) one-tail	0.201096	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.402192	
t Critical two-tail	2.776445	

ROE

t-Test: Two-Sample Assuming Equal Variances

	Before	*After*
Mean	18.06667	13.13333
Variance	0.723333	5.063333
Observations	3	3
Pooled Variance	2.893333	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.552114	
P(T<=t) one-tail	0.011877	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.023753	
t Critical two-tail	2.776445	

ROI

t-Test: Two-Sample Assuming Equal Variances

	Before	*After*
Mean	2.25	1.426667
Variance	0.0169	0.333433

Observations	3	3
Pooled Variance	0.175167	
Hypothesized Mean Difference	0	
Df	4	
t Stat	2.409326	
P(T<=t) one-tail	0.036804	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.073608	
t Critical two-tail	2.776445	

Table 4 above presents a comparative profitability or performance situation of Diamond Trust Bank Kenya. The EPS shows a decline when comparing among the pre/post-M&A periods. It declined from (23.96) to (19.93) after the merger. Its t-statistic rate of (0.94) shows that the difference was 0.94 times among the two periods, and this exposes that there is an inconsequential or insignificant impression of the M&A on the EPS. Return on Equity declined from (18.07%) to (13.13%). This implies that ROE before the merger was (18.07%) and (13.13%) after the merger. Its t-value of (3.55) shows that the difference among the two periods was 3.55 times as dissimilar from each other and this reveals a significant impact on the ROE by the merger. Return on Investment decreased from (2.25%) to (1.42%). This implies that the company's investments or assets were underutilized. Its t-value of (2.4) shows that the difference among the two periods was 2.4 times as dissimilar from each other and this demonstrates that there was a noteworthy impression of the M&A deal on the company's ROI. By evaluating the trends of these performance indicators (EPS, ROE, and ROI), it is therefore noted that Diamond Trust Bank Kenya's profitability or corporate performance had a negative result after it entered into the M&A deal. This is because it's EPS, ROE, and ROI declined in the period after its merger than the period before merger.

With the aim of confirming the existence of the pre/post-M&A periods performance differences, the researcher undertook a t-test sample analysis for the financial ratios of DTB Kenya. The t-test analysis was used to compare between the various organizational performance measures. The pre/post-M&A differences in terms of performance was assessed and indicated at a 0.05 or 5% significant level. The t-test results for DTB Kenya's performance indicators, indicated that the p-value results of the two out-off the three performance indicators are more than 0.05 {EPS's p-value is (0.40), ROE's p-value is (0.02) and that of ROI is (0.07)}. This designates that the statistical demonstrations above displayed a no statistically substantial or noteworthy variance in the viability and performance ratios of the EPS and ROI, but it showed a statistically significant difference on its ROE performance.

4.5 Pre- and Post-M&A Performance of Britam Insurance and Real Insurance Company

British American Insurance Kenya acquired Real Insurance Company in 2014. Currently the British American Insurance is known as Britam Kenya Ltd. Below is the summary of the EPS, ROE, and ROI performance summary previously and subsequently from the M&A arrangements. Additionally, this survey used the descriptive statistics method to describe the pre/post-M&A pact viability and performance situation at the Britam Kenya (The British American Insurance Kenya). The results obtained allows one to make a sound comparison of the selected performance indicators on the periods amid pre/post-M&A pact and also comprehend the differences that exist between the two periods of the M&A event.

The following tables represents the detailed outcome of the company's performance information during the pre-and post- M&A period.

Table 5:British American Insurance Kenya's before and after merger financial performance

Particulars	*Duration*	*Mean*	*p-value*	*t-value*
EPS	Before M&A	0.49	0.87	0.17
	After M&A	0.34		
ROE	Before M&A	8.73	0.76	0.32
	After M&A	3.79		
ROI	Before M&A	0.18	0.95	0.35
	After M&A	0.02		

Source: Author's calculations

t-test calculations

YEAR	***EPS***	***ROE (%)***	***ROI %***
2011	-1.09	-20.40	-7.6
2012	1.37	25.90	7.9
2013	1.21	20.70	5.6
2014	1.31	13.80	3.4
2015	-0.5	-5.16	-1.3
2016	1.26	13.95	2.9
2017	0.26	2.60	5.3

EPS

t-Test:

	Before	*After*
Mean	0.496667	0.34
Variance	1.894533	0.7792
Observations	3	3
Pooled Variance	1.336867	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.16595	
P(T<=t) one-tail	0.438123	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.876246	
t Critical two-tail	2.776445	

ROE

t-Test:

	Before	*After*
Mean	8.733333	3.796667
Variance	643.3233	92.37203
Observations	3	3
Pooled Variance	367.8477	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.315243	

P(T<=t) one-tail	0.384169
t Critical one-tail	2.131847
P(T<=t) two-tail	0.768338
t Critical two-tail	2.776445

ROI

t-Test:

	Before	*After*
Mean	1.966667	2.3
Variance	69.96333	11.16
Observations	3	3
Pooled Variance	40.56167	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-0.0641	
P(T<=t) one-tail	0.475983	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.951965	
t Critical two-tail	2.776445	

The table 5 above shows a comparative performance or profitability situation of the British American Insurance Kenya Company (Britam). Its EPS declined from (0.49) to (0.34) after the M&A pact. The t-statistic rate of (0.17) shows that the difference among the two periods was 0.17 times as dissimilar from each other implies an insignificant or trivial impression on the EPS of the M&A pact. The Return on Equity declined from (8.73%) to (3.79%) after the M&A deal. The t-statistic rate of (0.32) shows that the difference among the two periods was 0.32 times as dissimilar from each other and this reveals an insignificant impression on the Return on Equity for the company. The Return on Investment showed a decline when comparing the pre/post-M&A seasons. In the before M&A season ROI was (0.18%) while in the post-merger period it was (0.02%). Its t-statistic rate of (0.35) shows that the difference among the two periods was 0.35 times as dissimilar from each other and this implies a trivial influence of the M&A pact on the ROI. By evaluating the trends of these performance indicators (EPS, ROE, and ROI), it is therefore noted that Britam's profitability or corporate performance had a negative result after it entered into the M&A deal. This is because it's EPS, ROE, and ROI declined in the period after its merger than the period before merger.

With the aim of confirming the existence of the pre/post-M&A seasons performance differences, the researcher undertook a t-test sample analysis for the financial ratios of Britam Kenya Ltd. company. The t-test analysis was used to compare between the various organizational performance measures. The pre/post-M&A variances in relations of performance was assessed and indicated at a 0.05 or 5% significant level. The t-test results for Britam Kenya Ltd. Company's performance indicators, indicated that the p-value results of the three performance indicators are more than 0.05 {EPS's p-value is (0.87), ROE's p-value is (0.76) and ROI's p-value is (0.95)}. This is a clear indication that the model showed a no statistically substantial discrepancy in the viability and performance ratios of that of the pre/post-M&A seasons.

4.6 Pre/Post-M&A Viability of Total Kenya Ltd. and Gulf Africa Petroleum Corporation

Total Kenya Ltd. Acquired GAPCO- (Gulf Africa petroleum Corporation) in the year 2016. In founding the variance in the company's fiscal viability earlier and subsequently it entered into this M&A deal, this research survey used the descriptive statistics method to describe the pre/post-M&A viability situation at the company. The results obtained allows one to make a sound comparison of the selected performance indicators on the periods amid pre/post-M&A and also comprehend the differences that exist between the two periods of the M&A event.

The following tables represents the detailed outcome of the company's performance information during the pre-and post- M&A period.

Table 6: Total Kenya Ltd.'s before and after merger financial performance

Particulars	***Duration***	***Mean***	***p-value***	***t-value***
EPS	Before M&A	2.31	0.002	-7.03
	After M&A	4.01		
ROE	Before M&A	8.9	0.19	-1.54
	After M&A	10.00		
ROI	Before M&A	4.01	0.012	-4.3
	After M&A	6.60		

Source: Author’s calculations

t-Test calculations

YEAR	*EPS*	*ROE (%)*	*ROI (%)*
2013	2.08	8.5	3.2
2014	2.28	8.9	4.3
2015	2.57	9.5	4.7
2016	3.55	12	6.2
2017	4.35	8.8	7.2
2018	3.67	10.5	5.9
2019	4.03	10.7	6.7

EPS

t-Test:

	Before	*After*
Mean	2.31	4.016667
Variance	0.0607	0.115733
Observations	3	3
Pooled Variance	0.088217	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-7.03751	
P(T<=t) one-tail	0.001074	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.002149	
t Critical two-tail	2.776445	

ROE

t-Test:

	Before	*After*
Mean	8.966667	10
Variance	0.253333	1.09
Observations	3	3
Pooled Variance	0.671667	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-1.54422	

P(T<=t) one-tail	0.098708
t Critical one-tail	2.131847
P(T<=t) two-tail	0.197417
t Critical two-tail	2.776445

ROI

t-Test:

	Before	*After*
Mean	4.066667	6.6
Variance	0.603333	0.43
Observations	3	3
Pooled Variance	0.516667	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-4.31651	
P(T<=t) one-tail	0.006241	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.012482	
t Critical two-tail	2.776445	

As from the above results in the financial ratios assessment above, this study established that Total Kenya Ltd.'s EPS, ROE, and ROI were all found to be higher in the period after its merger deal as compared to the proportions that were observed in the period before the merger deal. The performance indicators including the EPS, ROE, and ROI showing an increasing trend from the year 2016 to 2019. The Total Kenya Ltd.'s EPS pre-merger mean was (2.31) and its post-merger was (4.01), ROE's pre-merger mean was (8.90 %) while its post-merger was (10.00 %), similarly, the ROI's pre-merger mean was (4.01 %) while its post-merger mean was (6.60 %). By evaluating the trends of these performance indicators, it is therefore noted that the Total Kenya Ltd.'s profitability or corporate performance had a positive result after it entered into the M&A deal. This is because it's EPS, ROE, and ROI increased in the period after merger than the period before merger.

With the aim of confirming the existence of the pre/post-M&A seasons performance differences, the researcher undertook a t-test sample analysis for the financial ratios of the Total Kenya Ltd. company. The t-test analysis was used to compare between the various organizational performance measures. The pre/post-M&A variances in relations of viability and performance was assessed and indicated at a 0.05 or 5% significant level. The results are as illustrated in the t-test calculation outcomes above. The t-test results for the Total Kenya Ltd. Company's performance indicators, indicated that the p-value results of the two out-off the three performance indicators are less than 0.05 {the p-values of EPS, ROE, and ROI are (0.002), (0.19) and (0.012) respectively}. This is a clear indication that the model showed a statistically substantial difference in the performance ratios of that of the pre/post-M&A seasons. This means that the M&A had a statistically significant effect on Total Kenya Ltd. When the p-values are below 0.05 it is an implication that M&A incorporation pact had a statistically noteworthy influence on the company's corporate viability.

Finally, Total Kenya Ltd.'s EPS t-value of (-7.03) shows that the difference among the two periods was 7.03 times as dissimilar from each other shows a statistically significant impression. The ROE's t-value of (-1.54) shows that the difference among the two periods was 1.54 times as dissimilar from each other and therefore it shows a trivial statistically impression, and the company's ROI t-value of (- 4.3) shows that the difference among the two periods was 4.3 times as dissimilar from each other and this implies a statistically significant impression.

4.7 Pre/Post-M&A Viability UAP Holdings Ltd. and Old Mutual Insurance

UAP and Old Mutual Insurance companies merged in the year 2015. They changed their name to UAP Old Mutual Group Ltd. This research survey used the descriptive statistics method to describe the pre-and post-M&A performance situation at the UAP Old mutual group. The results obtained allows one to make a sound comparison of the selected performance indicators on the periods amid pre/post-M&A and also comprehend the differences that exist amid the two periods of the M&A event.

Below are the table that shows a summary of the EPS, ROE, and ROI performance before and after the M&A deals.

Table 7: UAP Mutual Group's before and after merger financial performance

Particulars	***Duration***	***Mean***	***p-value***	***t-value***
EPS	Before M&A	0.76	0.02	3.62
	After M&A	0.47		
ROE	Before M&A	11.27	0.003	6.16
	After M&A	5.47		
ROI	Before M&A	5.01	0.008	4.76
	After M&A	1.18		

Source: Author's calculations

t-test calculations

YEAR	***EPS (%)***	***ROE (%)***	***ROI (%0***
2012	0.65	11.88	5.60
2013	0.86	12.26	5.47
2014	0.79	9.69	3.96
2015	0.42	5.04	1.84
2016	0.39	4.67	1.45
2017	0.57	6.38	2.08
2018	0.46	5.36	0.03

EPS

t-Test:

	Before	*After*
Mean	0.766667	0.473333
Variance	0.011433	0.008233
Observations	3	3
Pooled Variance	0.009833	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.622903	
P(T<=t) one-tail	0.01115	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.0223	
t Critical two-tail	2.776445	

ROE

t-Test:

	Before	*After*
Mean	11.27667	5.47
Variance	1.924233	0.7401
Observations	3	3
Pooled Variance	1.332167	
Hypothesized Mean Difference	0	
Df	4	
t Stat	6.161596	
P(T<=t) one-tail	0.001761	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.003521	
t Critical two-tail	2.776445	

ROI

t-Test:

	Before	After
18Mean	5.01	1.186667
Variance	0.8311	1.102633
Observations	3	3
Pooled Variance	0.966867	
Hypothesized Mean Difference	0	
Df	4	
t Stat	4.762166	
P(T<=t) one-tail	0.004446	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.008891	
t Critical two-tail	2.776445	

From this assessment, this study established that UAP Old Mutual Holdings' EPS, ROE, and ROI were all found to be higher in the period before its merger deal as compared to the proportions that were observed in the period after the merger deal. The performance indicators including the EPS, ROE, and ROI showing a declining trend from the year 2015 to 2018. The EPS's pre-merger mean was (0.76) and its post-merger was (0.47), ROE's pre-merger mean was (11.27 %) while its post-merger was (5.47 %), similarly, the ROI's pre-merger mean was (5.01 %) while its post-merger mean was (1.18 %). By evaluating the trends of these performance indicators, it is therefore confirmed that UAP Old Mutual holdings was performing healthier in the season earlier from M&A than the season subsequently from the M&A pact.

With the aim of confirming the existence of the pre/post-M&A seasons performance differences, the investigator undertook a t-test sample analysis. The t-test analysis was used to compare between the various organizational performance measures. The pre/post-M&A variances in relations of viability and performance was assessed and indicated at a 0.05 or 5% significant level. The results are as illustrated in the t-test calculation outcomes above. The t-test results for the UAP's performance indicators, indicated the p-value results that are less than 0.05. This is a clear indication that the model showed a statistically considerable variance in the viability and performance ratios of the pre/post-M&A seasons. This means that the M&A had a statistically significant effect on UAP Holdings' EPS, ROE, and ROI. Their p-values are as follows: - EPS P-value is (0.02), ROE P-value is (0.003), and ROI's P-value is (0.008). all these values are below 0.05 implicating that M&A incorporation pact had a statistically weighty influence on the company's corporate viability and profitability.

Further, UAP's EPS t-value of (3.62) shows that the difference among the two periods was 3.62 times as dissimilar from each other and this shows a statistically significant impression. The ROE's t-value of (4.16) shows that the difference among the two periods was 4.16 times as dissimilar from each other and this implies a statistically positive impression, and the company's ROI t-value of (4.76) shows that the difference among the two periods was 4.76 times as dissimilar from each other and this indicates a statistically significant impression. These significant impressions or impact of the company's t-values and the significance values implies that a clear-cut variance existed amid the pre/post-M&A performance outcomes.

4.8 Comparative Analysis

This comparative analysis of the study's six selected companies (I&M Bank, KCB Bank, Diamond Trust Bank, Britam Insurance Kenya, Total Ltd., and UAP Old Mutual Holdings) that entered into M&A integration deals is provided with respect to the periods before and after mergers. This analysis is done with the aim of analyzing the changes in financial or corporate performance in the periods before and after mergers.

Table 8: Comparative Scrutiny of the Fiscal Performance of the Selected Companies

Particulars	***Period***	***I&M Bank***	***KCB Bank***	***Diamond Trust Bank***	***Britam Kenya***	***Total Kenya***	***UAP Holdings***
EPS	Pre-merger	16.41	7.13	23.93	0.49	2.31	0.76
	Post-merger	15.33	7.32	19.93	0.34	4.01	0.47
ROE	Pre-merger	21.81	22.73	18.07	8.73	8.90	11.27
	Post-merger	16.77	22.30	13.13	3.79	10.00	5.47
ROI	Pre-merger	3.55	3.44	2.25	0.18	4.01	5.01
	Post-merger	2.90	2.82	1.42	0.02	6.60	1.18

Source: Author's calculations

The table 8 above represents a comparative analysis including the six selected companies in this study. By evaluating the EPS, ROE, and ROI financial ratios, four of the six companies that were studied including the I&M Bank, Diamond Trust Bank, Britam Insurance Kenya, and UAP Holdings, had a higher EPS earlier from the M&A season as compared to the subsequent spell from M&A. KCB Bank and Total Kenya Ltd. had lower EPS in the spell previous from the merger than that subsequent from the merger. The ROE, and ROI for I&M Bank, KCB Bank, Diamond Trust Bank, Britam Insurance Kenya, and UAP Holdings were higher in the spell before M&A than that of the subsequent season. On the other hand, among all the studied companies, the Total Kenya Ltd, has reported lower EPS, ROE, and ROI in the pre-M&A season than those in the post-M&A season.

CHAPTER FIVE:

CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This part includes the conclusion and recommendations of the study. The core purpose of this survey was to establish the effects of M&A on the corporate performance of the selected companies that are listed in the NSE market. The researcher used an event study methodology to carry-out the study. Also, only secondary information from the companies and businesses' yearly monetary reports was used in the study.

5.1 Conclusion

M&A are popular in the current business and financial industry and they are perceived to offer the industry synergy, customer base enhancement, size enlargement, profitability, and operational efficiency. Through the use of t-test analysis tool, this study compares the pre/post-M&A monetary performance of the selected six companies that are listed in the NSE market and they have been involved in a M&A deal. These companies included I&M Bank Ltd, KCB Bank, Diamond Trust Bank, Britam Insurance Kenya, Total Kenya Ltd, and UAP Holdings.

However, from this study's observations and findings following the event study analysis of the various performance indicators from the six selected companies, this study established that, in the short-run, M&A has an undesirable organizational performance influence. It was generally noted that M&A leads to a fall in organizational EPS, ROE, and ROI. The companies that were selected performed extremely well the periods before they entered into M&A deals as likened to the periods after their M&A deals. In this regard, it can be confirmed that the involvement of an institution in a merger deal can lead into decline of its performance in terms of operational efficiency, profitability, and hence losing its competitive advantage.

I&M Bank, Diamond Trust Bank, Britam Insurance Kenya, and UAP Holdings experienced a negative impact from the M&A deals since all the financial variables that were measured were lower in the after-merger times as compared to the before-merger times. However, KCB Bank experienced a positive impression on its EPS and an undesirable impression on its ROE and ROI after the M&A deal. This is a clear indication that, in the period after they entered into the M&A deals, their corporate performance or profitability decreased. However, when considering the Total Kenya Ltd., the EPS, ROE, ROI showed a positive trend after the merger.

5.2 Recommendations

Grounded on the outcomes and verdicts of this survey, this research study recommends that companies are supposed to be extremely careful before adopting any M&A strategy decision. From the results of this study, it has been detected that companies involved in the M&A deals are more likely to experience a decline in their corporate performance in the short run. In this regard, M&A should not be viewed as the best option of promoting a company's short-term financial strengths.

Moreover, this study recommends that companies intending to enter into M&A deals, should avoid any kind of disruptions that are linked into the decline of its corporate performance. In order to achieve this, companies entering into M&A deals are supposed to sequentially assimilate with each other at a well calculated pace that will enable them to continue operating normally and also maintain their key decision-making organs throughout the integration period. M&A may lead to abrupt organizational changes both structural and operational. These changes are likely to negatively affect the involved companies' corporate performance and also complicate their process of integration.

By evaluating the various previous studies that have been undertaken by different scholars on M&A, it has been established that no research that has been carried-out by means of establishing the upshots of M&A on corporate viability and performance of the involved companies in the long-run. From this study, the verdicts show that in the short run negative effects are more likely to occur centrally to the organizations' expectations.

Based on the vulgar nature and disruptive atmosphere experienced in the short-run after M&A process, it is beyond doubt that the same will be experienced in the long-run (a period more than ten years). If the performance decline trends persist in the long-run, then business and financial organizations will be expected to do away with the M&A integration strategy and look for other strategies of improving the corporate performance and competitive advantage. In this regard, this study suggests that future research studies that will be aiming at establishing the effects of M&A

on corporate performance of the involved companies should be in the long-run. Additionally, similar methodology methods of study of comparing the periodic financial information of the selected companies should be adopted for easier comparison of the results and findings.

This study only focused on the six selected companies that had entered into merger deals in the periods between 2013 and 2015. This can be regarded as a small sample size and that its findings might not be substantial in providing conclusion remarks. Further studies are supposed to be done at a wide range of companies that have been engaged on the merger deals without specifying o the listed companies only.

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APPENDICES

Appendix I: Companies listed in the NSE and entered into M&A between 2013 and 2017

INSTITUTION	MERGED WITH / ACQUIRED	CURRENT	DATE APPROVED
1. I&M Bank	Giro Commercial Bank	I&M Bank	2017
2. KCB Bank	Chase Bank	KCB Bank	2016
3. DTB	Habib Bank	DTB Bank	2017
4. Britam Kenya	Real Insurance Company	Britam Kenya	2014
5. Total Kenya Ltd	ACQUIRED GAPCO- (Gulf Africa petroleum Corporation)	Total Kenya Ltd	2016
6. UAP Holdings Ltd.	Old Mutual Holdings Ltd.	UAP Old Mutual Group	2015

Appendix II: Work Plan

	Week 1-4	Week5-8	Week 9-10	Week 11-12	Week 13-16	Week 17
A						
B						
C						
D						
E						
F						

Duration in weeks (April- December)

Activity **Description**

A	Clarifying Research a Topic
B	Proposing the Research
C	Designing the Research Project
D	Data Assortment and Preparation
E	Data Scrutiny and Construal
F	Reporting the Outcomes