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IMPACT OF MERGERS AND ACQUISITIONS ON THE CAPITAL ADEQUACY IN THE BANKING SECTOR (A Case Study of Enterprise Bank)

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Abstract
Mergers and acquisitions (M/A) in the corporate world are achieving increasing importance and attention especially with the advent of intense globalization. This is evident from magnitude and growth of deals values and resultant 'mega-mergers' transacted in recent times. This research work attempts to assess the implications of mergers and acquisitions of banks in Nigeria on profitability and other associated measures of performance. The research analysis used primary source of data which involves administration of questionnaires and interviews on the consolidation exercise and data from secondary source were also involved. The relevant data collected were analyzed and tested through the instrumentality of chi-square method in processing the data. Subsequently, the two hypotheses formulated in this study were tested using simple percentage technique and chi-square method. The result of the analysis revealed that mergers and acquisitions in the banking industry increase bank liquidity, profitability and capital adequacy in the post-merger period. Based on these findings, it can be concluded that the mergers and acquisitions programme have improved the overall performances of banks significantly and also has contributed immensely to the growth of the real sector for sustainable development. Conclusions were arrived at and a number of recommendations were given. These recommendations if duly applied will no doubt generate a sound, safe and reliable bank in Nigeria in order to meet the development of financial challenges in the 21st century. This impact will make Nigerians and Banks to enjoy maximum patronage of foreign investors and fully open Nigerian economy to the world according to the Nigerian Financial System Strategy (NFSS).

Introduction

Banks play a crucial role in propelling the entire economy of any nation of which there is need to reposition it for efficient financial performance through a reform process geared towards forestalling bank distress. In Nigeria, the reform process of the banking sector is part and parcel of the government strategic agenda aimed at repositioning and integrating the Nigerian banking sector into the African regional and global financial system. Banking sector reforms since 1990 is globally receiving more attention. The driving forces for this attitudinal change are technological innovations, deregulations of the financial sector and international competition (ECB2001). Another reason can be attributed to the banking crisis of the 1990s witnessed by the Asia and Latin America. These global phenomena has its toll in the Nigerian banking sector because of globalization which paved way for the Nigerian banking sector reforms.

To make the Nigerian banking sector sound according to (Akpan, 2007), the sector has undergone remarkable changes over the years in terms of the number of institution, structure of ownership as well as breadth and depth of operations. Similarly, a strong and virile economy depends to a very large extent on a robust, stable and reliable financial system including the banking sector, this explains the frequency with which the Nigerian banking sector has witnessed repeated reforms aimed at fine tuning it to meet the challenges for economic stability and developmental goals which are not only limited to domestic savings mobilization and financial intermediation.

According to Umoh (2004), mergers and acquisitions are expected to address the problem of distress among insolvent banks without an initial resort to liquidation. For Nigerian banking sector, out of the 89 banks that were in existence before 31st December,2005 only 25 banks met the consolidation requirements through mergers and acquisitions agreement, currently only 24 banks exist in Nigeria due to the merger between Stanbic bank limited and IBTC Chartered bank Plc.

Okparachi (2009), asserts that there was loss of public confidence due to fear of liquidation, customer dissatisfaction in banking services as well as some obnoxious, unprofessional and other sharp practices within the industry. All these caused great distortion in the financial system resulting to financial inefficiency which made investors not to have constant and high dividends as a result of inefficiency in terms of gross earning, profit after tax and net assets. Mergers and acquisitions are a global phenomenon with an estimated 4000 deals taking place every year. However, there have been recent developments. Four periods of high merger activity, also known as merger waves, occurred in the united states in 1897-1904, 1916-29, 1965-69, 1984-89, and 1993-2000. (Ilo, 2001., Jimmy, 2008 etal), while mergers staged in Nigeria in 2004/2005 with effect from January 2006 under the governorship of professor Charles Chukwuma Soludo worked out details of an agenda for repositioning the CBN and the financial system for the 21st century with an outcome of reducing the Nigerian into eighty nine (89) banks to twenty five (25) on or before December 31st, 2005.

In 2009 the Central bank of Nigeria declared 6 banks in Nigeria as insolvent. The banks were Spring bank, Afribank, Union bank, Oceanic bank, Bank PHB and Intercontinental bank. In 2011 the Central Bank of Nigeria declares the take-over of Spring Bank, Bank PHB and Afribank by investors or other word call for the nationalization of those banks. Before the establishment of Central Bank of Nigeria in 1958 there have been serious cases of banks failures and unhealthy capital adequacy base on resulting to uncountable reasons of bank failures. One of the crucial reasons of bank failure is inappropriate determinants of capital adequacy. The first bank failure and unhealthy capital adequacy in Nigeria can be traced to 1930s when 21 banks were identified as bankrupt. The second bank failure in Nigeria can be traced to 1989 where 8 banks were identified to be weak and in the year 1998 total bank distress were up to 31. Third bank failure in Nigeria was in the year 2004 where 89 banks were reduced to 25 banks that is to say that 64 banks were regarded to be in distressed state. The reason behind this is the inability of regulators to oversee the activities of these banks.

With reforms in several sectors of our economy, it is envisaged that, many mergers and acquisitions will take place in the next decades, not just in the banking sector but in other sectors of the economy.

1.1 Statement of the Research Problem

Business organizations are recently seeing consolidation (merger and acquisitions) as an alternative means of recapitalizing. The current trend of compelling all commercial banks to raise their capital base from N2 billion to N25 billion naira on or before 31st December 2005, has sent some of these banks on the move to consider merger and acquisition as a survival strategy.

Despite the mergers and acquisitions of banks in the country, some of the merged banks are still facing those challenges that led to the 2005 consolidation. These challenges include; poor risk management, poor corporate governance practices, over reliance on public sector funds, weak infrastructure, insufficient regulation and reporting, weak credit assessment skills, lack of professionalism and skills gap, which have resulted to illiquidity in the sector thereby causing more banks distressed that is characterized by job losses causing untold hardship in the country after the consolidation.

It is on the basis of the above that this research is aimed to determine the reasons why most companies fail to achieve capital adequacy despite the practice of mergers and acquisitions and how can the difficulties in achieving capital adequacy be overcome. These were the main problems of this study with particular reference to Enterprise Bank Limited.

1.2 Objectives of the Study

The main objective of the study is to examine the impact of mergers and acquisitions on the capital adequacy in the banking sector using Enterprise bank as a case study. The following Other specific objectives of the study are;

1. To examine the role of mergers and acquisition on bank liquidity in Nigeria.
2. To empirically determine the effect of mergers and acquisitions on banks customers.
3. To determine the effect of mergers and acquisitions on capital adequacy of banks in Nigeria.
4. To empirically determine if effective and efficient mergers and acquisitions in the banking sector increases banks profitability.
5. To make recommendations that will be useful to banks, and in effect, enhance economic development of Nigeria.

1.3 Research Hypotheses

The following hypotheses are formulated to guide this study;

Ho: There is no significant difference between effective and efficient merger and acquisition on increasing banks profitability.
Ha: There is a significant difference between effective and efficient merger and acquisition on increasing banks profitability.
Ho: There is no significant difference in the fact that merger and acquisition played a significant role in strengthening banks liquidity in Nigeria.
Ha: There is a significant difference in the fact that merger and acquisition played a significant role in strengthening banks liquidity in Nigeria.

Methodology

The research design, primary and secondary data was collected through self administered and well structured quantitative, questionnaire. The secondary data will be collected from text books, journals, and internet and seminar papers. The responses to the questions were analyzed using simple percentage and frequency tables.

The choice of design in any research depends on the purpose of the problem and variable alternatives for the problem of that nature. The study is descriptive; hence it is also based on quantitative and qualitative research design and questionnaire was employed. Qualitative in the sense that, it is small scale empirical which relies largely on the statistical rules of evidence as the basis for decision making? Quantitative as to our knowledge referring to the target population is relatively wide, so the use of sampling technique that best touches every aspect of the research topic and as well gives findings that has an overtime acceptable generalizations.

The actual target population for this research is the Nigerian Banking industry but for this study the researcher had limited their focus to enterprise bank limited being the case study of this thesis. The bank has about five thousand labour force or working staff comprising the senior staff and junior staff and in addition of about five million, eight hundred thousand customer's strength which are of interest to the study.

Enterprise Bank Adeola-Odeku is used for our sample with two branches and staff strength of about eighty persons comprising of about 40 management senior staff and 60 junior staff customer base of about seven thousand accounts.This sample technique has been chosen because it gives the entire management both senior and junior staff, and 100 customers of Enterprise Bank Ltd known chance of being chosen among 300 subjects of the sample size. The researcher applied a statistical formula propounded by Taro Yamane (1994), for sample size determination.

3.0 Literature Review and Theoretical Framework

3.1 Literature Review

Nigerian banks adopted different strategies to achieve the stipulated minimum capital base of N25 billion during the banking sector consolidation of 2004 and 2005, including mergers and acquisitions and internal growth (jimmy, 2008). The choice of a consolidation strategy is mainly determined by the organizational form of the involved institutions as well as the driving motive behind its corporate strategy. Mergers and acquisitions represent the most wide spread corporate/business strategy used by many firms to penetrate into new markets and new geographic regions, to gain technical management expertise and knowledge. Although a very popular corporate/business strategy, most literature resources on the subject reveals that almost 50% of merger and acquisition end up being unsuccessful (Gadiesh and Rovit, 2003) (Schucriler,2003). Many resource literatures indicates that the banking sector reforms are propelled by the need to deepen the financial sector and reposition for growth to become integrated into the global financial architecture and involve a banking sector that is consulting with regional integration and international best practices (Somoye, 2010).

3.1.1 Definition of Mergers and Acquisitions

The term mergers and acquisitions and consolidation may often be confused, they look similar and mostly used interchangeably. However, the three different meanings of Mergers may be of various types and so can acquisitions and consolidation. A merger refers to the combination of two or more organizations into one larger organization. Such actions are commonly voluntary and often result in a new organizational name. Acquisitions on the other hand, are the purchase of one organization by another. Such actions can be hostile or friendly and the acquirer maintains control over the acquired firm and acquisitions differ from a consolidation which is a business combination where two or more companies join to form an entirely new company. All of the combining companies are dissolved and the new entity continues to operate (Okonkwo, 2004). Gaughan (2007), also defines merger as "a combination of two or more corporations in which only one corporation survives" while section 570 of the Nigerian Companies and Allied Matter Act (CAMA) 1990 defines merger as any amalgamation of the undertakings or any part of the one or more companies.

3.1.2 Types of Mergers and Acquisitions

Previous studies on mergers and acquisitions consistently discussed three types of mergers and acquisitions: Horizontal, vertical and conglomerate mergers. However, Cartwright and Cooper (1992), and other writers mentioned and discussed a fourth type, which is concentric mergers. (Gaughan, 2007:13; Brealey, et al; 2006).

Vertical merger: This is a merger in which one firm supplies its products to the other. A vertical merger results in the consolidation of firms that have actual or potential buyer-seller relationship (Coyle, 2000).

Horizontal merger: This is the merger of two or more companies operating in the same field and in the stages of process of attaining the same commodity or service (Gaughan, 2007). In other words, a horizontal merger is the combination of firms that are direct rivals selling sustainable products within overlapping geographical markets.

Conglomerate merger: This occurs when unrelated enterprises combine or firms which compete in different product market and which are situated at different production stages of the same or similar products combine to enter into different activity fields in the shortest possible time span and reduce financial risks by portfolio diversification (Brealey, et al;2006;Okonkwo, 2004).

Concentric merger: This involves firm which have different business operation patterns, though divergent but may be highly related in production and distribution technologies, the acquired company represents an extension of the product lines, market participation or technologies of the acquiring firm under concentric merger and acquisition.(Cartwright and Cooper1992; Fisher, 2009).

3.1.3 Objectives of Bank Consolidation (Merger and Acquisition)

The objective of merger and acquisition has been argued to enhance efficiency through cost reduction in the long run. It also reduce industry's risk by elimination of weak banks and acquiring of the smaller ones by bigger and stronger banks as well as creates opportunities for greater diversification and financial intermediation. The pattern of banking system merger and acquisition could be viewed in two different perspectives namely: market-driven and government-led merger and acquisition. The market-driven merger and acquisition which is more pronounced in the developed countries see merger and acquisition as a way of broadening competitiveness with added comparative advantages in the global content and eliminating excess capacity more efficiently than bankruptcy or other means of exit (Ajayi, 2005). On the other hand, government-led consolidation (merger and acquisition) stem from the need to resolve problem of financial distress in order to avoid systematic crises as well as to restrict inefficient banks (Ajayi, 2005) one of the general effects of merger and acquisition is the reduction in the number of players, moving the industry toward an oligopolistic market" (Adedipe, 2007).

3.1.4 Motives for bank Merger and Acquisition

The inability of the Nigeria banking system to voluntarily embark on consolidation in line with global trend has necessitated the need to consider the adoption of appropriate legal and supervisory framework as well as a comprehensive incentive packages to facilitate consolidation in the banking industry, both as a crisis resolution option and to promote soundness, stability and efficiency of the system by the apex regulatory body of the banks in Nigeria (Soludo, 2004). According to Soludo (2004), the motives for bank consolidation (mergers and acquisitions) are:-

1. Technological Drive: A bank desirous of enhancing its operations and profitability but constrained by its inability to easily access the needed technology may be driven into merging with another which has the technological advantage over it.
2. Desire for growth: A merger and acquisition arrangement may be entered into by a bank with a view to harnessing the other bank to achieve the desire growth. Merger and acquisition may help to accelerate the pace of a banks growth on a convenient and inexpensive manner.
3. Stock exchange quotation: Business combination could be motivated by the desire for stock exchange listing. In this case, a bank unable to meet the requirement of the stock exchange, but desirous of public quotation may integrate with another bank in order to realize it goal.
4. Management expertise: A bank may enter into mergers and acquisition so that the requisite personal with high level technical or managerial skills to achieve its cooperate objectives.

3.1.5 The role of SEC, CBN, NSE and CAC as regulatory authorities in merger and acquisition.

1. Securities and Exchange Commission (SEC): The Nigeria law provides that every merger, acquisition or business combination between or among companies shall be subject to the prior review and approval of the Security and Exchange Commission (SEC) (ISA, 1999). Subsection 3 of the said section 99 provide that the commission shall approve any application made under that section if and only the commission find out that "it is not likely to cause a substantial competition or tend to create a monopoly in any line of business enterprise" or " use of such shares by voting or granting of proxies".
2. Central bank of Nigeria CBN approval: Banks and other Financial Institution Act (BOFIA) 1991 and the CBN Act of 1991, give enormous power to CBN to regulate banks including approval of consolidation of banks and changes in the structure and management of any bank. It follows that in view of the whole powers of the CBN; it is advisable that pre-merger approval of CBN be obtained prior to commencement of the process consolidation.
3. Nigeria stock exchange (NSE) approval: The approval of the Nigeria stock exchange is necessary if the merge company is to be a public limited liability company and desires listing on the exchange or some of the merging companies are listed on the exchange. During the merger period, the NSE is like place of listed parties to the merger or technical suspension to prevent unfair trading and protect those companies.

4. Corporate affairs commission (CAC) approval: Essentially from the legal point of view, the CAC has merely a ministerial role to play in mergers and acquisition. It is the custodian of company document; therefore most of the processes end up with the CAC for proper custody. This is done through statutory returns. Certificates of incorporation will eventually be returned and a new one issued for the merged company. The share capital many have to be increase substantially.

3.2 Theoretical Framework

Capital adequacy by definition is seen as a quantum of fund, which a financial institution should have and plan to maintain in order to its business in a prudent manner (Kishore 2005., & Pandey, 2005). Adequate capital is regarded as the amount of capital that can effectively discharge the primary function of preventing banking industries failure by absorbing losses. It is seen as a way of providing the ultimate protection against insolvency arising from the risk in the banking sector. It is the least amount necessary to inspire and sustain confidence in the bank, keep it open and operating so that time and earnings can absorb losses without being forced into costly liquidation and enable banking industry to take full advantage of it profitable growth opportunities (Akintoye & Somoye, 2008). It is to be expected that the firm value can be enhanced by judicious use of equity and borrowed capital.

Thus, the enhanced capitalization of insurance industry been called for by regulatory authorities provides an opportunity for banks to attain desired optimal structure for the purpose of increasing market value and shareholders wealth. Their efforts are geared towards protecting depositors from banks and insurance industry fragility and failure (NDIC, 2006). It should be borne in mind that the type of recapitalization envisaged should improve bank performance by ensuring solvency and profitability as well as enhancing financial intermediation capacity. The various approaches to recapitalization have been identified to be raising capital from existing or new owners i.e. using laundered financial resources (capital market), mergers and acquisitions and a combination of the identified strategies (Adeyemi, 2005).

3.2.1 Banks Capital and Liquidity

The study of relationship between banks capital and liquidity level is becoming more relevant because many organizations in the recent past had fallen a victim of premature liquidation as an inadequate attention to the insurance capital from the management of the affected firm. Jernnings (2004), Explained liquidity as the ease with which a firm can turn its current asset into cash. Pandey (2005), defined liquidity as the ability to realize value in money, the most liquid asset. Every business firm requires capital though they differ in their degree of requirement. Hence, it can be said that capital is vital for business survival. Oke (2006) & Gale (2010), described it as the effective blood of any business. Somoye (2008), opined that linear relationship subsists between liquidity and profitability of a firm in timely disbursements to the various stakeholders before they can enjoy smooth operation needed to reach the desired goals. Akinsulire (2005), explained that there must be trade-off between how a firm maintain its liquidity positions and its profitability position as well. He opined that to make more profit, an organization is likely to be short of liquid assets.

Conversely, in order to retain more liquid fund in the company's capital structure, the profitability objective might be impaired. The financial statement coming out as output from the accounting process needs to be analyzed by the management of the firm or by outsiders in order to make certain deduction about the strengths, weakness and potential of the insurance industry. The key to management of capital, as explained by (Kishore, 2005 & Pandey, 2005), is striking a balance between risk and profitability. They opined that when cash comes into a business and it actually leaves the business not a matter of interpretation but a matter of fact notwithstanding the records or accounting system in operation. All items of expenditure including those that are ultimately profitable reduce the company's liquidity in the short term. Akinsulire (2005), explained that analysis of liquidity needs the preparation of cash budget and cash flow statement to facilitate establishment of relationship between cash and other current assets to current obligation thus providing a quick measure of liquidity. The most common ratio, which indicate the extent of liquidity or lack of it are current ratio and quick asset ratio. Current ratio measures the relationship between assets and current liabilities and is designated as current asset/current liabilities.

On the other hand, quick asset ratio indicates the relative amount of cash and assets that can be quickly covered into cash available to meet short term liabilities. For these purpose, only liquid assets are considered. Therefore, stocks and deducted from the current assets. It is formulated as: current asset- stock/current liabilities (Jennings, 2007., Akinsulire, 2005., & Soyode, 2008). Banking industry should ensure that it does not suffer from lack of liquidity and also that it is not too much highly liquid. Pandey (2005), opined that the failure of a company to meet its obligation due to lack of sufficient liquidity will result in bad credit image, loss of creditor's confidence or even in lawsuits resulting in the closure of the company. A very high degree of liquidity is also bad because the assets earn nothing, it is therefore, necessary to strike a proper balance

between liquidity and profitability ratio, which is sometimes described as efficient ratio, indicate the relative efficiency of the business taking into account all revenue expenses.

3.2.2 Banks Capital and Profitability

Contrary to the propositions that in a frictionless world of full information and complete markets, a firm capital structure cannot affect its values (Modigliani and Miller, 2008), banks operates in a highly regulated and volatile World, hence lack any rational in the functionless world. Banks capital has a direct relationship with profitability, as more and more money is pump into the business, more profit will be recorded. Available statistics shows that arising from the consolidation, the capital market received a boost with a total of #406 Billion raised, out of which the apex bank has verified and cleared only #306billion as at December 2005. The consolidation derive has also brought a staggering $3Billion into the sector, $500 Million of which represent foreign direct investment (FDI). This is the highest inflow of FDI into the non- oil sector within one year (Adeyemi, 2006).

Results and Discussion

The first section shall be description of data consisting of the knowledge of the existence of Merger and Acquisition in the Nigerian Banking sector. Other tables present the cause, effect and possible solutions to the merger and acquisition process in the Nigerian banking sector. The second section is data analysis and interpretation based on hypothesis formulated. Statistical computation is used to analyze the output of the data obtained. The third section discusses the findings made from the analysis of data and in line with the hypothesis as well as the literature review.

Questions	Options	Number	Percentage %
Financial benefit is the reason for merger and acquisition by CBN in Nigerian banks	SA	110	55
	A	64	30
	NS	4	2
	D	16	8
	SD	10	5
Effective and efficient merger and acquisition increases banks profitability.	SA	120	60
	A	45	23
	NS	12	6
	D	20	10
	SD	3	1
Merger and acquisition have effect on the capital adequacy of banks in Nigeria.	SA	120	60
	A	38	14
	NS	10	5
	D	22	10
	SD	14	7
Banking reform process is able to forestall bank distress in Nigeria.	SA	120	60
	A	36	18
	NS	14	7
	D	22	11
	SD	8	4
There was loss of public confidence due to fear of liquidation in the Nigerian banking sector.	SA	70	35
	A	70	35
	NS	20	10
	D	30	15
	SD	10	5
Merger and acquisition contributed to job loss in the Nigerian banking sector.	SA	150	75
	A	20	10
	NS	10	5
	D	10	5
	SD	10	5
There is a significant difference in the creation of awareness for customers of banks on Merger and acquisitions process before it took effect.	SA	100	50
	A	60	30
	NS	14	7
	D	16	8
	SD	10	5

Merger and Acquisition played significant role in strengthening banks liquidity in Nigeria.	SA A NS D SD	100 40 15 30 15	50 20 7.5 15 7.5
Consolidation process encouraged international participation in the Nigerian banking sector.	SA A NS D SD	120 30 4 24 16	63 15 2 12 8

Source: Field Survey, 2015

From the above table 1, 55% strongly agreed, 30% agreed, 2% are not sure 8% disagree while 5% strongly disagreed. With the percentage of respondents in agreement, these results are proof that majority of the respondents agreed that financial benefit is the reason for merger and acquisition of Nigerian banks by CBN.

From the above table 2, 60% strongly agreed, 23% agreed, 6% are not sure, only 10% strongly disagreed and 1% disagreed. With the percentage of respondents in agreement, these results are proof that majority of the respondent agreed that effective and efficient merger and acquisition increases banks profitability.

From the above table 3, 60% strongly agreed, 14% agreed, 10% are not sure, 11% disagree while 7% strongly disagree. With the percentage of respondents in agreement, these results proof that majority of the respondents agreed that Merger and Acquisition have effect on the capital adequacy of banks in Nigeria.

From the above table 4, 60% strongly agreed, 18% agreed, 7% are not sure, 11% disagreed while only 4% strongly disagreed. And with the percentage of respondents in agreement, the result proved that, banking reform process has been able to forestall bank distress in Nigeria.

From the table above 5, 35% strongly agreed, 35% agreed, 10% not sure, 15% disagreed while 5% strongly Disagreed. With the percentage of respondents in agreement, the result shows that majority of the respondents agreed that there was loss of public confidence due to fear of liquidation in the Nigerian banking sector.

From the table above 6, about 75% strongly agreed, 10% agreed, 5% are not sure,5% disagree while 5% also strongly disagree. With the percentage of respondents the result shows that merger and acquisition contributed to job loss in the Nigerian banking sector.
From the table above 7, 50% strongly agreed, 30% agreed, 7% are not sure, 8% disagreed while only 5% strongly disagreed. With the percentage of respondent in agreement, these result proved that there is a significant difference in the creation of awareness for banks customers on Merger and Acquisition process before it took effect.

From the above table 8, about 50% of the respondents strongly agreed, 20% agreed, 7.5% are not sure, 15% disagreed and 7.5% strongly disagreed. With the percentage of the respondents in agreement, the results are proof that majority of the respondent agree that, merger and acquisition played significant role in strengthening banks liquidity in Nigeria.

From the above table 9, 63% strongly agreed, 15% agreed, 2% are not sure, 12% disagreed while 8% strongly disagreed. With the percentage of respondents in agreement, the result shows that majority of them agree that the consolidation process encouraged International participation in Nigerian banking sector.

5.0,Summary

The purpose of this work is to recognize and assess the impact of merger and acquisition of capital adequacy of banks in Nigeria (A case study of Enterprise bank Ltd.) presents a clear picture of empirical evidences that indicates clearly that there is statistically significance gain in value and performance from merger and acquisition activity. It is evident that acquired firm shareholders gain at the expense of the acquiring firm. This is documented over the course of many studies covering different time periods and different location.

The summary of the findings based on result of the test are: -

1. Mergers and acquisitions of banks in Nigeria a has consequently brought about capital adequacy of banks

2. Increase in capital adequacy of commercial banks does not only enhance revenue generation but acts as a hedge against future losses, economic slowdown and to secure the capital of shareholders
3. There are drastic changes during pre and post-merger / acquisition of banks in terms of asset structure, liquidity and capital structure.
4. Mergers and acquisitions have helped to curb the problem of illiquidity (customer's deposit were used for trading and check inadequate capital to meet maturing obligations as at when due) in the capital structure of the banks.
5. Merger and acquisitions, has significantly affected the earnings per share of investors

5.1, Conclusion

In the research work, attempts have been made to assess the resultant impact of mergers and acquisitions in the Nigeria banking sector with respect to its profitable on the economy. From the analysis carried out, with its evident hypothesis, the study concludes that mergers and acquisitions have increased capital adequacy and enhanced controls and survival of banks in Nigeria. The study shows that mergers and acquisitions in the banking industry have significantly influenced profitability of banks, liquidity and capital adequacy. Equally important, is the fact that introduction of consolidation through merger and acquisition has brought about changes in ownership structure. It has brought about decentralization of ownership to many shareholders contrary to over centralization of ownership in the hand of few shareholders prior merger/acquisition of banks in Nigeria.

5.2**. Recommendations**

This research work will not be completed without making the necessary recommendations as the way forward. It is the view of the author that capital adequacy is vital to the growth and survival of banks in Nigeria. The paper argued that low capital base is a significant factor for crises experienced prior to recapitalization policy. The present capital base of banks in Nigeria is too high when compared with counterparts in African region.

While regulations are necessary in order to protect the depositor's funds, banks are over regulated in Nigeria especially in area of minimum capital requirement, which has made for the various problems in the sector. In the light of the above the following recommendations may be found useful.

1. Banks should be classified into highly capitalized, moderately capitalized and small capitalized so as to be able to serve all economic groups without neglect of one.
2. Banks should be allowed to decide the level of capital required for their stay in the industry. Merger and acquisition must be monitored and evaluated so as make possible changes to avoid some problems that could cause irreparable damages.
3. There should be a policy by the new mega-banks capable of avoiding and managing conflicts in a way that openness, equity, fairness and leadership by example prevails.
4. Need for carefully identification and the use of culture of each merging bank.
5. Full involvement and participation of organization behavior experts at all levels of post-merger and acquisition integrations.
6. Government should make environment more enabling by provision of infrastructural base to support banking services.
7. Training and retraining of banks staff on post-merger and acquisition integration and corporate culture conflicts management; and sponsoring of such by the Central Bank of Nigeria (CBN).

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