

## **An Analysis of the Impact of Mergers and Acquisitions on Commercial Banks Performance in Nigeria**

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**Abstract:** Mergers and Acquisitions (M and A) in the corporate world are achieving increasing importance and attention, especially with the advent of intense globalization. This is evident from the magnitude and growth of deal values and resultant mega-mergers transacted in recent times. This research work attempts to assess the implication of merger and acquisition of commercial banks in Nigeria on their profitability and other associated measures of performance. The research analysis used published audited accounts of ten out of twenty-four banks that emerged from the consolidation exercise and data from the Central Banks of Nigeria which consists of both primary data. The relevant data collected were analyzed and tested using simple percentage and tables. Subsequently, the three hypotheses formulated in this study were tested using correlation co-efficient ( $r^2$ ) and t-test. The result of the analysis revealed that there is significant relationship between pre and post merger/acquisition capital base of commercial banks and level of profitability, there is significant difference between pre and post-merger acquisition earnings per shares. Merger/acquisition have also, increased the capitalization of commercial banks with evidences of changes in company's share ownership, increase in the cost of services and changes in bank lending rates. Based on these findings, it can be concluded that the merger and acquisition programme has improved the overall performances of banks significantly and also has contributed immensely to the growth of the real sector for sustainable development.

**Key words:** Mergers and acquisitions, profitability, capitalization, commercial banks and earnings per share, Nigeria

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### **INTRODUCTION**

Banks are the linchpin of the economy of any country. They occupy central position in the country's financial system and are essential agents in the development process. By intermediating between the surplus and deficit savings' units within an economy, banks mobilize and facilitate efficient allocation of national savings, thereby increasing the quantum of investments and hence national output (Afolabi, 2004). Through, financial intermediation, banks facilitate capital formation (investment) and promote economic growth.

The decade 1995 and 2005 were particularly traumatic for the Nigerian banking industry with the magnitude of distress reaching an unprecedented level, thereby making it an issue of concern not only to the regulatory institutions but also to the policy analysts and the general public. Thus, the need for a drastic overhaul of the industry was quite apparent. In furtherance of this general overhaul of the financial system, the Central Bank of Nigeria introduced major reform programmes that

changed the banking landscape of the country in 2004. The main thrust of the 13-point reform agenda was the prescription of minimum shareholders' funds of 25 billion for Nigerian Deposit money bank not later than December 31, 2005. In view of the low financial base of these banks, they were encouraged to merge. Out of the 89 banks that were in operation before the reform, >80% (75) of them merged into 25 banks while 14 that could not finalize their consolidation before the expiration of the deadline were liquidated.

To a large extent, consolidation is based on a belief that gains accrue through expenses reduction, increased market power, reduced earnings volatility and scale and scope economies. However, the characteristics of the kind of reforms induced mergers and acquisition of the banking industry creates doubts about its potentials of realizing efficiency gains. A deeper look at the 25 banks that emerged after the consolidation shows that most banks that were regarded as distressed and unsound regrouped under new names or fused into existing perceived strong banks not necessarily to correct the inefficiency in their

operating system but just to meet the mandatory requirement to remain afloat and to continue business as usual.

Mergers and acquisition or any other form of consolidation may influence bank interest rates, competition and transmission mechanism of monetary policy in so far as the increase in size and the opportunity for reorganization involved may either provide gains in efficiency that bear on marginal costs or give rise to increase in market power or both together. Gains in efficiency would be obtained in moving on to greater scale of activity (if there are economies of scale). Since, the essence of any reforms is to bring greater efficiency not only in the operation but also their contributory role to the overall economy then it is important to also raise the issues whether the recent mergers and acquisitions have really impacted positively on both credit allocation and saving mobilization through reduced cost of borrowing and increased returns on savings.

Whether or not bank mergers actually achieve these expected performance gains still remain critically an empirical question. If consolidation does, in fact lead to gains then shareholder wealth can be increased. On the other hand if consolidating entities do not lead to the promised positive effects then mergers may lead to a less profitable and valuable banking industry. Mergers and acquisitions are commonplace in developing countries of the world but are just becoming prominent in Nigeria, especially in the banking industry.

In a sense, merger and acquisition simply implies the survival of the fittest and the best, i.e., a bigger, more efficient, better-capitalized more skilled industry. It is primarily driven by business motives and/or market forces and regulatory interventions. The issues therefore which this study intend to address are whether merger and acquisition will bring about efficient reliable and sound capital base for the bank that fully embraced mergers and to what extent can bank merger boost the confidence of the customers, the investors, the shareholders and ability to finance the real sector of the economy.

Therefore, since the importance of merger and acquisition cannot be overemphasized, this prompted the researchers interest to assess the perceived consequences of mergers and acquisitions on the banking sector in Nigeria.

### **Theoretical and conceptual framework**

**History of banks recapitalization in Nigeria:** According to Elumilade (2010), the Nigerian Banking System has undergone remarkable changes over the years in terms of the number of institutions, ownership structure as well as depth and breadth of operations. He observed that these

changes have been influenced largely by challenges posed by deregulation of financial sector, globalization of operations, technological innovations and adoption of supervisory and prudential requirements that conform to international standards.

Capitalization is an important component of reforms in the Nigeria banking industry, owing to the fact that a bank with a strong capital base has the ability to absolve losses arising from non performing liabilities. Attaining capitalization requirements may be achieved through consolidation of existing banks or raising additional funds through the capital market (Oyetunde, 2005).

There is the view that recapitalization of banks is not a new phenomenon and that right from 1958 after the first banking ordinance in 1952, the colonial government then raised the capital requirement for banks, especially the foreign commercial bank from 200,000-400,000 pounds. Also, in 1969 capitalization of banks was ₦1.5 million for foreign banks and ₦600,000 for indigenous commercial banks. In 1979 when the merchant banks came on board the Nigeria banking scene, the capital base was ₦2 million.

Since, the 1980s, there have been further increases in the capital base, particularly coupled with the liberalization of the financial system and the introduction of Structural Adjustment Programme (SAP) in 1986. In February 1988, the capital base for commercial banks was increased to ₦5 million while that of merchant banks was pegged at ₦3 million. In October that same year, it was jerked up to ₦10 million for commercial banks and ₦6 million for merchant banks. In 1989 there was further increase to ₦20 million for commercial banks and ₦12 million for merchant banks.

Similarly, Oyetunde (2005) opined that in recognition of the fact that well-capitalized bank would strengthen the banking system for effective monetary management, the regulatory authority increased the minimum paid-up capital of commercial and merchant banks in February, 1990 to ₦50 and 40 millions from ₦20 and 12 millions, respectively. Distressed banks whose capital fell this were expected to comply by 31st March, 1997 or face liquidation. Twenty six of such banks comprising 13 each of commercial and merchant banks were liquidated in January, 1998.

The minimum paid up capital of merchant and commercial banks was subsequently raised to uniform level of ₦500 million with effect from 1st January, 1999. In 2001 when the universal banking was adopted in principle, the capital base was jerk up to ₦1 billion for existing banks and ₦2 billion for new ones. However, in July 2004 the new governor of the Central Bank of Nigeria (CBN) announced the need for banks to increase their capital

base to ₦25 billion and all banks were expected to comply by December, 2005. At the end of the recapitalization exercise, only 25 banks survived out of former existing 89 banks before the mergers and acquisitions among the banks.

**Banks consolidation through merger and acquisition:** Consolidation is achieved through merger and acquisition. A merger is the combination of two or more separate firms into a single firm. The firm that results from the process could take any of the following identities: acquirer target or new identity.

Acquisition on the other hand, takes place where a company takes over the controlling shareholding interest of another company. Usually, at the end of the process, there exist two separate entities or companies. The target company becomes either a division or a subsidiary of the acquiring company. While consolidation involves merger and acquisition of banks, convergence involves the consolidation of banking and other types of financial services like securities and insurance.

Anecdotal evidence indicates that the commonest form of mergers and acquisitions found in the financial services industry involves domestic firms competing in the same segment (for instance, bank to bank). The second most common type of merger and acquisition transactions involves domestic firms in different segments (e.g., bank-insurance firms). According to Mangold and Lippok (2008), cross-border merger and acquisition are less frequent, particularly those involving firms in different industry segments. There are underlying theories for regulatory institution's push for mergers and acquisitions among which is the theory of concentration.

**A review of bank concentration theories:** Concentration refers to the degree of control of economic activity by large firms Sathye (2002). Increase in concentration levels could be due to considerable size enlargement of the dominant firm (s) and/or considerable size reduction of the non-dominant firm (s). Conversely, reduction in concentration levels could be due to considerable size reduction of the dominant firm (s) and/or considerable size enlargement of the non-dominant firm (s) Athanasoglou *et al.* (2005). The degree to which bank market structure matters for competition and performance has been a hotly debated topic. The outcomes of numerous researches have resulted in the existence of numerous bank concentration theories in literature. In the main, these theories could be classified into pro-concentration theories and anti-concentration theories. The theoretical analysis of the concentration implications of the Nigerian banks consolidation exercise shall be based on these theories.

**Pro-concentration theories:** Proponents of banking sector concentration argue that economies of scale drive bank mergers and acquisitions (increasing concentration) so, that increased concentration goes hand-in-hand with efficiency improvements.

To buttress this point, Boyd and Runkle examined 122 US bank holding companies and found an inverse relationship between size and the volatility of asset returns. However, these findings are based on situations in which the consolidations were voluntary, unlike the case with the concluded banks consolidation exercise in Nigeria. Some theoretical arguments and country comparisons suggest that a less concentrated banking sector with many small banks is more prone to financial crises than a concentrated banking sector with a few large banks. This is partly because reduced concentration in a banking market results in increased competition among banks and vice-versa. Proponents of this concentration-stability view argue that larger banks can diversify better so that banking systems characterized by a few large banks will be tend to be less fragile than banking systems with many small banks.

According to Allen and Gale (2003), concentrated banking systems may also enhance profits and therefore, lower bank fragility. High profits provide a buffer against adverse shocks and increase the franchise value of the bank, reducing incentives for bankers to take excessive risk. Furthermore, a few large banks are easier to monitor than many small banks so that corporate control of banks will be more effective and the risks of contagion less pronounced in a concentrated banking system.

**The Nigerian banking industry in perspective:** In Nigeria, the banking industry has gone through different stages and phases ranging from changeovers, takeovers and buyouts since, 1892 and these are with their peculiarities.

**First stage (The embryonic phase):** The African Banking Corporation with its headquarter in South Africa pioneered the Nigerian Banking System in 1892 followed by the British Bank for West Africa (now First Bank of Nigeria Plc) in 1894 while Barclays Bank D.C.O. (now Union Bank of Nigeria Plc) and the British and French Bank (now United Bank for Africa Plc) were established in 1925 and 1949, respectively (Danjuma, 1993; Ebhodaghe, 1995; Ibru, 2006).

The story of indigenous banking in Nigeria began with the establishment of the National Bank of Nigeria Limited in February 1933 and the Agbonmagbe Bank Limited (now Wema Bank Plc) in 1945 as well as the African Development Bank Limited which later became known as African Continental Bank Plc in 1948. The

establishment of these indigenous banks ushered in the era that saw the constant monopoly erstwhile enjoyed by the foreign owned banks challenged (CBN, 2008; Ebhodaghe, 1995).

**Second stage (The expansion phase):** The chain in banking industry stepped up to stage two which is the expansion of the Nigerian banking sector to the Rural Banking Scheme in 1977, Peoples’ Bank in 1989 and Community Banks (now Microfinance Banks) in 1990 to encourage community development associations, cooperative societies, farmers’ groups, patriotic unions, trade groups and other local organizations, especially in rural areas to imbibe formal banking methods. Between 1985 and 1991, banks sprout from 40-120 (Ebhodaghe, 1995; Mordi, 2004) due to the liberalization of the banking sector.

**Third stage (The consolidation/reform stage):** The phase started on January 1, 2006 when the Nigerian eighty nine banks shrunk to twenty five. The consolidation exercise then required banks to raise their minimum capital base from ₦2-25 billion with December 31, 2005 as deadline. This increase representing about 1,150% was to amongst other things encourage the consolidation of the banking sector to produce mega-banks from the then existing 89 banks as most of them were just fringe players and financially unsound (Soludo, 2008). Other financial institutions included government-owned specialized development banks: the Nigerian Industrial Development Bank, the Nigerian Bank for Commerce and Industry and the Nigerian Agricultural Bank as well as the Federal Savings Banks and the Federal Mortgage Bank. Also, active in Nigeria were numerous insurance companies, pension funds and finance as well as leasing companies.

**Fourth stage:** This research is clamoring and calling for the fourth stage of only three banks one of which one will be indigenous while the rest two should come through Foreign Bank Penetration, FBP from the United States and Europe, respectively.

**Objectives of the study:** These are basically to:

- Highlight the impact of mergers and acquisition on the performance of commercial banks in Nigeria
- Examine the extent merger and acquisition has impacted on the dividends per share and operational cost and prices
- Examine to what extent mergers and acquisition has impacted on the growth of commercial banks and Nigeria’s macro-economy

**MATERIALS AND METHODS**

The basic research design used in this study was survey. The population of the study consisted of banks that emerged victoriously during the consolidation exercise in Nigeria. The sampling method used to select ten banks out of the population was simple random sampling technique. With this sampling procedure, every bank had an equal chance of being selected out of the population of the study. Table 1 shows the number of banks involved and the number of questionnaires distributed and returns of questionnaires. The three hypothesized statements were tested using correlation co-efficient and t-test.

**Model specification:** The correlation co-efficient  $r^2$  was used in measuring the degree of correlation or association between the two variables of this study. For the variables that can conveniently be grouped as dependent (Y) and independent (X).

Some variables of this research may not be put as dependent and independent therefore, the use of letters X and Y was used to delineate the variables but not a causative arrangement. It is these variables that would demand ascertainment of correlation where:

$$\text{Correlation coefficient, } r = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{[N \sum X^2 - (\sum X)^2][N \sum Y^2 - (\sum Y)^2]}}$$

Where:

- X = Deviation of each value in one variable from the means of the variable
- Y = Deviation of each value in the other variable from the mean of that variable
- XY = Product of the deviation in one variable and the deviation in the other variable
- N = Numbers of cases compared

Table 1: Distributions and return of questionnaires

Bank/C.I	No. of distributed	No. of distributed (%)	No. of returned	No. of returned (%)	No not of returned
A	6	5.7	4	4.21	2
B	6	5.7	4	4.21	2
C	6	5.7	4	4.21	2
D	6	5.7	5	5.26	1
E	6	5.7	5	5.26	1
F	6	5.7	4	4.21	2
G	6	5.7	5	5.26	1
H	6	5.7	6	6.32	0
I	6	5.7	6	6.32	0
J	6	5.7	6	6.32	0
Customer/ Investors	35	33.0	25	26.32	0
<b>Total</b>	<b>106</b>	<b>100.0</b>	<b>95</b>	<b>100.00</b>	<b>11</b>

Field survey data, June 2011

If  $r$  is between -1 to 1, there is a correlation between X and Y but where,  $r = 0$  there is no correlation.

**The t-test:** The t-test is used to determine the prior and post performance of an activity. This sort to test according to Okpara. Could be used for testing performance before and after economic, political or social policy has been adopted and displayed (on a group after some treatment has been meted upon the groups. In the own case, researchers shall use it to evaluate the effect of Merger and acquisition on corporate performance of commercial banks in Nigeria. The t-statistic is given by the equation:

$$t = \frac{\sum d}{\sqrt{\frac{N \sum d^2 - (\sum d)^2}{N-1}}}$$

Where:

- $d$  = The difference between each paired observation
- $d^2$  = The square of the difference between each paired observation
- $N$  = The number of paired observation
- $\sum$  = The usual sigma notation
- $N-1$  = The degree of freedom

**Decision rule:** If the probability (or significance) of the  $t$  calculated is  $<5\%$ , researchers accept the alternative hypothesis and otherwise, researchers should accept the null hypothesis.

**Data summary:** Based on the questionnaire prepared and administered on 106 respondents that made up the sample of the study, the following data in Table 1 was generated from the population of the study through purposive sampling technique.

A total of one hundred and six copies of questionnaires representing 100% were distributed to the members of the senior staff, junior staff, management staff and customers/investors of the ten randomly selected banks in Nigeria out of which ninety five representing 90% were returned while eleven copies of the questionnaire indicating 10% were not returned. Consequently, only 95 questionnaires representing 90% were eventually used for data analysis.

**Test of hypothesis:** The three hypotheses are:

**Ho:** There is no significant relationship between pre-merger/acquisition equity capital base and profitability of commercial banks.

**H1:** There is significant relationship between pre-merger/acquisition equity capital base and profitability of commercial banks.

**Ho:** There is no significant relationship between post-merger/acquisition equity capital base and profitability of commercial banks.

**H1:** There is significant relationship between post-merger/acquisition equity capital base and profitability of commercial banks.

**Ho:** There is no significant difference between pre-merger and post-merger earnings per share.

**H1:** There is significant difference between pre-merger and post-merger earnings per share.

## RESULTS AND DISCUSSION

The result of the first hypothesis showed that capital base is very significant in influencing the profitability of commercial banks as value of  $r^2$  falls between 0.8-1.0 which shows very high relationship. We therefore accept alternate hypothesis (H1) which states that there is positive relationship between capital base and profitability of commercial banks. We therefore, reject null hypothesis (Ho).

In the second hypothesis, falls between 0.8-1.0 which shows very high relationship? We therefore accept alternate hypothesis (H1) which states that there is positive relationship between capital base and profitability of commercial banks. Researchers therefore, reject null hypothesis (Ho).

The third hypothesis propounded for empirical investigation deals with one major challenge. In connection with this hypothesis we employ the t-test of statistical analysis. Researchers got 2.262 (tabulated) since, this value is less than the calculated value above (Table 2-4, 7.16), we therefore reject the null hypothesis and accept the alternative hypothesis which states that there is significant difference between pre and post merger/acquisition earnings per share of commercial banks. The research findings are summarized as follows:

- Mergers and acquisitions of commercial banks has consequently increased the capital base of banks
- Increase in capital base of commercial banks does not only enhance revenue generation but acts as a hedge against future losses, economic slow-down and to secure the capital of shareholders
- There are drastic changes during pre and post-merger and acquisition of commercial banks in terms of asset structure, liquidity and capital structure

Table 2: Significant relationship between pre-merger capital base and profitability of banks

₦ billion					
Banks	Average capital base X	Average PAT Y	X <sup>2</sup>	XY	Y <sup>2</sup>
A	6.4	0.6	40.96	3.84	0.36
B	12.6	0.7	158.76	8.82	0.49
C	10.9	1.2	118.81	13.08	1.44
D	19.9	0.4	396.01	7.96	0.16
E	5.2	1.0	27.04	5.20	1.00
F	0.9	-2.2	0.81	-1.98	-4.84
G	39.1	1.6	1528.81	453.56	134.56
H	7.1	4.2	50.41	29.82	17.64
I	16.5	4.0	272.25	66.00	16.00
J	17.0	3.9	289.00	66.30	15.21
	ΣX = 135.6	ΣY = 15.4	ΣX <sup>2</sup> = 2882.86	ΣXY = 652.6	ΣY <sup>2</sup> = 192.02

Bank's published financial statements;  $r = \frac{10(652.6) - (135.6)(15.4)}{\sqrt{[10(2882.86) - (135.6)^2][10(192.02) - (15.4)^2]}} \Rightarrow r = \frac{6526 - 2088.24}{\sqrt{[28828.6 - 18387.36][1920.2 - 237.16]}} \Rightarrow r = \frac{4437.76}{\sqrt{[10441.24][1.683.04]}}$   
 $r = \frac{4437.76}{\sqrt{17573024.57}} \Rightarrow r = \frac{4437.76}{4765.58} \Rightarrow r = 0.9312$

Table 3: Significant relationship between post-merger capital base and profitability of banks

₦ billion					
Banks	Average capital base X	Average PAT Y	X <sup>2</sup>	XY	Y <sup>2</sup>
A	80.4	8.6	6,464.16	691.44	73.96
B	31.6	6.0	998.56	189.60	36.00
C	68.6	18.4	4,705.96	1,262.24	338.56
D	63.2	7.5	3,994.24	474.00	56.25
E	63.7	6.4	4,057.69	407.68	40.96
F	16.9	-6.7	285.61	-113.23	-44.89
G	159.8	21.6	25,536.04	3,451.68	466.56
H	83.0	14.4	6,889.00	1,195.20	207.36
I	100.9	11.5	10,180.81	1,160.35	132.25
J	133.5	23.8	17,822.25	3,177.30	566.44
	ΣX = 801.6	ΣY = 111.5	ΣX <sup>2</sup> = 80934.32	ΣXY = 11896.26	ΣY <sup>2</sup> = 1873.45

Bank's published financial;  $r = \frac{118962.6 - 8978.4}{\sqrt{[809343.2 - 642562.56][1873.45 - 12432.25]}} \Rightarrow r = \frac{29584.2}{\sqrt{[166780.64][6302.25]}} \Rightarrow r = \frac{29584.2}{\sqrt{1051093288}}$   
 $r = \frac{29584.2}{32420.6} \Rightarrow r = 0.9125$

Table 4: Significant difference between bank's pre and post-merger/acquisition Earnings per Share (EPS) (Test of hypothesis 4)

EPS (Kobo)				
Bank	Pre-merger/acquisition average	Post-merger/acquisition average	D	D <sup>2</sup>
A	18	60	42	1764
B	60	77	17	289
C	26	85	59	3481
D	15	73	58	3364
E	30	27	-3	9
F	-154	-70	84	7056
G	260	216	-44	1936
H	124	160	36	1296
I	26	83	57	3249
J	177	236	59	3481
	582	947	ΣD = 365	ΣD <sup>2</sup> = 25,925

Bank's published financial statement, 2003-2008;  $D = \frac{365}{10} = 36.5$ ;  $t = \frac{\sum d}{\sqrt{\frac{N \sum d^2 - (\sum d)^2}{N-1}}} \Rightarrow t = \frac{36.5}{\sqrt{\frac{10(25,925) - (36.5)^2}{10^2(10^2-1)}}} \Rightarrow t = \frac{36.5}{\sqrt{\frac{259,250 - 1,333.25}{100(99)}}}$   
 $t = \frac{36.5}{\sqrt{\frac{257,917.75}{9,900}}} \Rightarrow t = \frac{36.5}{\sqrt{26.0523}} \Rightarrow t = \frac{36.5}{5.10} \Rightarrow t = 7.16$

Degree of freedom = N-1 = 10-1 = 9 and 0.05. Researchers get 2.262 (tabulated) since, this value is less than the calculated value above (7.16), we therefore reject the null hypothesis and accept the alternative hypothesis which states that there is significant difference between pre and post merger/acquisition EPS of commercial

- Consolidation has 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 commercial banks
- Mergers and acquisitions has significantly affected the earnings per share of investors
- The financial activities of the bank being a fall-out of the merger process have to some extent benefited most of the customers and the shareholders. Among such benefits are improvements in the bank profitability, improved asset structure, strong capital base, increased stock value, liquidity among others
- The study further shows that the merger and acquisition of banks have acted as a catalyst for enhanced control, rapid growth and survival of banks in Nigeria
- Recapitalization was made possible as a result of merger and acquisition of commercial banks
- Mergers and acquisitions of banks has significantly influenced dividend per share of shareholders
- Consolidation of the banking sector has led to changes in company's share ownership
- Mergers and acquisitions have significant impact on the level of stock value of commercial banks
- Higher risk exposure is a possibility
- There has been increase in the cost of services as a result of merger/acquisition of commercial banks in Nigeria

### **CONCLUSION**

In this study, attempts have been made to assess the resultant effect of mergers and acquisition in the Nigeria banking sector with respect to its profitability performance and the economy. From the analysis carried out, it is evident that mergers and acquisition have increased profitability and enhanced control and survival of banks in Nigeria. The study shows that the mergers and acquisitions in the banking industry have significantly influenced profitability of commercial banks, earnings per share and dividend per share of shareholders.

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 and acquisition of commercial banks in Nigeria.

More importantly, the merger has helped to curb the problem of illiquidity characterized by banks trading with customer's deposits. The idea underlying the

consolidation policy is that bank consolidation would reduce the insolvency risk through asset diversification. The study further shows that one of the fall outs of the mergers is the shrinkage in the industry from 89-24 banks. Nigeria now have mega banks with huge capital to invest but it is instructive to note that size and huge capital do not necessarily make a good and sound bank. What makes a sound bank is really how effective and efficient the management of the bank is in deploying the available resources.

Generally, the study affirms that for a bank to survive in the current dispensation it needs to maximize its comparative advantage (strength) by promoting its uniqueness in the areas where it performs best. The decisive factors for competition and profitability in the new era would be the optimization of resources by the emerging mega banks. If any bank wishes to compete in the coming era now is the time to plan for optimal resources structure because the banks with the best brains and best hands would have an uncommon edge not only for future profitability but also survive future shocks.

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