Impact of bank mergers on shareholders' wealth

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ABSTRACT

Mergers and acquisitions (M&As) perform a vital role in corporate finance in enabling firms achieve varied objectives and financial strategies. This study sought to comprehend the impacts that previous bank mergers have had on the shareholders' wealth. The study location was in Kenya and it adopted the descriptive survey and correlation design in which the success of mergers was measured based on the objective oriented model using the annual accounts. The study computed the return on assets (ROA), return on equity (ROE) and the efficiency ratio (EFF) as indicators of shareholder value. The results of the commercial banks were analysed for a five-year period (2006-2010). The study reveals that mergers significantly influence shareholder value with banks that have undertaken mergers creating more value than those that have not. Such banks were ascertained to have posted better results than the overall sector.

Key words: Bank mergers, acquisitions, shareholders' wealth, Kenya

1. Introduction

According to Marks & Mirvis (2010), global value of M&As rose from $462 billion in 1990 to more than $4.6 trillion in 2007 slowing down in the next two years following the financial meltdown. Acquired company shareholders typically do very well, especially in cases where the acquirer pays a premium to forestall competitive bidding. The acquirers frequently experience share price underperformance in months following an acquisition with negligible long-term gains. Nearly two thirds of companies lose market share in the first one-quarter after the merger and by the third quarter, the figure leaps to 90% (Marks & Mirvis, 2010). M&As transactions in the financial sector comprise a surprisingly large share of value of merger activity worldwide. During 1985-2000, there were approximately 233,700 M&As transactions worldwide in all industries, for a total of $15.8 trillion (Ingo, 2004). Of this total, there were 116,150 M&As in the financial service industry (49.7%), valued at $8.5 trillion (Ingo, 2004).

While M&As continue to be a popular corporate strategy (Gopinath, 2003), there is unrelenting evidence that M&As failure rates are high (Cartwrght & Schoenberg, 2006). Few industries have encountered as much strategic turbulence in recent years as has the financial service sector. In response to far-reaching regulatory and technological changes together with important shifts in client behaviour and the globalization of specific financial functions, the organizational structure of the industry has been profoundly displaced (Ingo, 2004).

Regulatory and public policy changes that allow firms broader access to clients, functional lines of activity, or geographic markets may trigger corporate actions in the form of M&As. Similarly, technological changes that alter characteristics of financial services or their distributions are clearly a major factor. So are clients who often alter their views on the relative value of specific financial services or distribution interfaces with vendors and their willingness to deal with multiple vendors (Ingo, 2004). Deregulation in the financial market, market liberalization, economic reforms and a number of other factors perform an important function behind the growth of M&As in the banking sector. The growth of M&As during the period of economic downturn that started in 2007, is likely to be more faster, as more companies will need to develop strategic alliances, acquire or merge to survive (Ulijin et al., 2005). Mishkin (1998) predicts that if the trend in bank M&As will continue, then in the next twenty years, the number of banks will be less than half the current number.

1.1 Research Problem

The fundamental motive for undertaking M&As activities is to create value for the shareholders by enhancing their wealth. Shareholder wealth creation has become the new corporate paradigm and is considered one of the main objectives of companies.

Indeed, one of the most basic and fundamental conviction of capitalism is the obligation to create and maximise shareholders wealth. It is measured by the stock price which reflects the timing and risk associated with future benefits expected to be received by the shareholders (Moyer et al., 2008). It can also be measured in terms of ROE, ROA and EFF. Mergers in the banking sector have the capacity to ensure efficiency, profitability and synergy. Through M&As, banks seek strategic benefits in the sector as well as attempting to enhance their customer bases. Despite observing a strong increase in merger activities across the world, a vast majority of these unions seem to be unsuccessful. Indeed, over the last fifteen years, 45% of all merged firms have reported lower profits than comparable non-merged firms (Gugler et al., 2003). More than 50% of mergers fail to reach value. CEOs of merging companies promise shareholders handsome returns through increased market reach, economies of scale, consolidation of operations and synergies (Cools et al., 2007). Dessein et al. (2006) confirm countless examples of failed mergers that were unable to achieve the synergies that motivated the deals. According to Cools et al. (2007), between 1996 and 2006, 50% of the M&As destroyed shareholders value of the acquiring firms producing a net loss of 1.2% of all transactions.

M&As are acknowledged to be successful only if they lead to an increment in shareholders' wealth. Bouwman et al. (2003) conclude that it depends on the various factors such as the valuation methods (using short term or long term stock performance or accounting methods), methods of payment (cash, stock or mixed) among other factors. Similarly, Wang (2007) confirms that M&As increases value for the stockholders of the target company, whereas they decrease the acquiring and the newly combined company's value.

2. Research Methodology

The study employed both descriptive survey and correlation design. The descriptive design was considered because it involves collecting data which were used to test hypotheses. The correlation

design was chosen since it involves the description in quantitative terms the degree to which variables are related (Mugenda & Mugenda, 2003). A census method was preferred and focused on the twenty three (23) banks in Nairobi, Kenya which had their M&As approved by the year 2008 (CBK: Bank Mergers & Acquisitions, 2010). The study period was between 2006- 2010. Primary data was collected through the use of questionnaires from key informants in the Finance or Legal affairs divisions of the banks and who hold the position of a manager. The secondary data were collected through document analysis of published information from the Central Bank available in annual supervision reports (ASR) and the published financial statements of the participating banks. The following ratios were calculated; ROA, ROE and EFF. Pearson Product Moment of Correlation were applied to determine the extent of the relationship between the elements of a merger and the shareholders' wealth and the directions of such relationships. The first-order correlation was applied to test the direction of relationships between mergers and shareholders' value.

3. Results and Discussion

3.1 Relationship among study variables

Correlation Analysis

In order to establish the relationship among the different variables in the study, a zero-order (bivariate) correlation analysis was conducted on the main motive (MM) of M&As and the shareholders' wealth indicators, the shareholder wealth indicators themselves and between the organizational factors and the shareholder wealth indicators.

M&As demonstrate statistically significant relationship to the shareholder wealth indicators (ROA, ROE & EFF) both at the 95% and the 99% level of significance (Table 1).

Table 1: Correlations between Independent and Dependent variables

	MM	ROA	ROE	EFF
MM	1			
ROA	.475* .040	1		
ROE	.680** .001	.863** .000	1	
EFF	-.595* .012	-.615** .009	-.679** .003	1

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
(Source: Research Data, 2012).

A positive relationship exists between the MM of undertaking M&As and the organizations' ROA (r= 0.475*, p=0.040). This relationship implies that M&As influences shareholders' wealth positively. Also, there was a positive relationship between M&As and ROE (r=0.680**, p=0.001). This signifies that in order to maximize shareholders' wealth, an organization should seek to maximize ROE (Haffernan, 2005). Consequently, a negative relationship exist between the MM and EFF (r= -0.595*, p= 0.012). This implies that M&As and EFF are related although negatively and that an organization seeking to maximize shareholder value should endeavour to reduce the EFF.

3.2 Effects of bank mergers on shareholders wealth

Tests of Hypothesis

To determine whether value creation to the shareholders as a result of a merger has been significant, the first objective is guided by hypothesis (H_1)

H1*: Mergers have no significant influence on the shareholder value.*

Regression Analysis

In determining the extent of influence of mergers on the shareholder value, regression analysis was conducted with M&As as predictors of each of the shareholder value indicators and results presented below in the Tables 2:R1 - 2.3:R3;

Table 2: R1: Regression results for MM and ROA

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.475(a)	.225	.180	1.027

a Predictors: (Constant), MM

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.215	1	5.215	4.941	.040(a)
	Residual	17.943	17	1.055		
	Total	23.158	18			

a Predictors: (Constant), MM

b Dependent Variable: Banks Five-year average ROA

(c) Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.086	.558		3.736	.002
	MM	.486	.219	.475	2.223	.040

a Dependent Variable: Banks Five- year average ROA

(Source: Research Data, 2012).

Regression analysis was conducted with the MM of M&As as a predictor of ROA. The results reveals that 22.5% of the variance in the ROA is accounted for by MM with r= 0.475, F (1, 17) = 4.941, t>2.101, p = 0.04. M&As have a positive coefficient implying that a unit standard deviation increase in MM leads to a 0.475 standard deviations increase in ROA. Alternatively, a one unit change in MM results into a 0.486 unit change in ROA in the same direction. The linear regression equation for ROA given MM would thus be expressed as;

ROA= 2.086+ 0.486 MM.

Table 2.1: R2: Regression results for MM and ROE

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680(a)	.462	.430	.879

a Predictors: (Constant), MM

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.278	1	11.278	14.588	.001(a)
	Residual	13.143	17	.773		
	Total	24.421	18			

a Predictors: (Constant), MM

b Dependent Variable: Organization's Five-year average ROE

(c) Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.714	.478		3.588	.002
	MM	.714	.187	.680	3.819	.001

a Dependent Variable: Organization's Five-year average ROE

(Source: Research Data, 2012)

The regression analysis in the second component was administered with MM as a predictor of ROE. The results reveal that 46.2% of the variability in ROE was explained by the MM with, r=0.68, F (1, 17) = 14.588, t>2.101 and p = 0.001. The positive values of the coefficients B= 0.714 and β= 0.68 is an indication that MM positively influences ROE (β=0.68, p=0.001 <0.05).

Table 2.2 R3: Regression results for MM and EFF

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.595(a)	.354	.311	1.039

a Predictors: (Constant), MM

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.863	1	8.863	8.208	.012(a)
	Residual	16.196	15	1.080		
	Total	25.059	16			

a Predictors: (Constant), MM

b Dependent Variable: Organization's Five-year average EFF

(c) Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.365	.613		8.754	.000
	MM	-.664	.232	-.595	-2.865	.012

a Dependent Variable: Organization's Five-year average EFF
(Source: Research Data, 2012)

The regression analysis was applied with the MM as a predictor of EFF. The results disclose that 35.4% of the variability of the EFF is explained by the MM with r= 0.595, F= 8.208, absolute t>2.101 and p= 0.012. There was however a negative relationship indicated by the coefficients B= -0.664 and β= -0.595. The results affirms an influence of MM on EFF (β= -0.595, p=0.012 <0.05). This implies that the EFF influences the shareholder value negatively representing that in order to improve or grow shareholder value; banks should seek to reduce EFF.
$\mathbf{H_1}$ is rejected and organizations can pursue M&As as a strategy of improving the shareholder value.

3.3 Influence of the contextual factors on the relationship between M&As and shareholder value.

In determining this influence, the study is guided by the second hypothesis (H_2).
H2*: Organizational factors have no influence on the relationship between M&As and shareholders' wealth.*

Partial Correlations
In indicating the effect of organizational factors on the relationship between the MM and the shareholder value indicators, a first-order correlation was performed by introducing each of the moderating variables on the zero-order correlation results between M&As and the shareholder value indicators (Table 3):

Table 3: Zero-order correlations between MM and shareholders' value indicators

	MM	ROA	ROE	EFF
MM	1			
ROA	.475* .040	1		
ROE	.680** .001	.863** .000	1	
EFF	-.595* .012	-.615** .009	-.679** .003	1

* Correlation is significant at the 0.05 level (2-tailed). (Source: Research Data, 2012).
** Correlation is significant at the 0.01 level (2-tailed).

Effect of Relative size

Table 3.1: First- Order Correlations of Relative Size and Shareholders' Wealth

With the effect of Relative Size				
	MM	ROA	ROE	EFF
MM	1			
ROA	0.4732 0.064	1		
ROE	0.7580 0.001	0.7989 0.000	1	
EFF	-0.6377 0.008	-0.6127 0.012	-0.6739 0.004	1

(Source: Research Data, 2012)

The effect of relative size on shareholders' wealth can be observed in Column 2 of Table 3.1 and comparing the values with corresponding values in Table 3. The introduction of relative size strengthens the relationship between MM and ROE with r_{old}= 0.680**, p= 0.001 to r_{new}=0.7580, p= 0.001. Similarly, relative size has an expansionary effect on the relationship between MM and EFF with r_{old}= -0.595*, p= 0.012; to r_{new}= - 0.6377, p= 0.008. It can therefore be concluded that relative size influences the relationship between M&As and shareholders' wealth. This finding is consistent with those of Kusewitt (1985); Frensch (2007); DePamphilis (2010) & Gorton et al. (2009).

3.4 Influence of Method of Financing

In determining whether method of financing influences the relationship between M&As and shareholders' value, method of financing was introduced in the bivariate correlation result between MM and shareholder value indicators (Table 3) and its effect observed in the Table 3.2 below;

Table 3.2: Result of Partial correlation method of Financing and Shareholder value

With the effect of Method of Payment				
	MM	ROA	ROE	EFF
MM	1			
ROA	0.4111 0.114	1		
ROE	0.7026 0.002	0.767 0.001	1	
EFF	-0.5775 0.019	-0.6136 0.011	-0.6652 0.005	1

(Source: Research Data, 2012)

The method of payment suppresses the relationship between MM and all the shareholder value indicators except for ROE whose relationship with MM seem to be expanded by introducing the effect of method of finance with r_{old}= 0.680**, p= 0.001 to r_{new}= 0.7026, p= 0.002. Method of financing restricts the relationship between MM and ROA with r_{old}= 0.475*, p = 0.040 to $r_{new=}$ 0.4111, p = 0.114. The relationship between MM and EFF is constrained with r_{old}= -0.595*, p = 0.012 to $r_{new=}$ -0.5775, p = 0.019.

3.5 Influence of Number of Bidders

In testing for the effect of number of bidders on the relationship between M&As and the shareholder value, the variable number of bidders was introduced on the results of a bivariate correlation of MM and shareholder value indicators (Table 3) and the result are observed as follows;

Table 3.3: Result of Zero-order correlation of Number of Bidders on shareholder wealth

With the effect of Number of Bidders				
	MM	ROA	ROE	EFF
MM	1			
ROA	0.4546 0.077	1		
ROE	0.7503 0.001	0.8071 0.000	1	
EFF	-0.5977 0.014	-0.6146 0.011	-0.6885 0.003	1

(Source: Research Data, 2012)

The number of bidders expands the relationship between MM and the ROE as well as EFF from r_{old}= 0.680**, p = 0.001 to r_{new}= 0.7503, p = 0.001: and from r_{old}= -0.595**, p = 0.012 to r_{new}= -0.5977, p = 0.014 for ROE and EFF respectively. Number of bidders however has a restraining effect on the relationship between MM and ROA with r_{old}= 0.475*, p= 0.040 to r_{new}=0.4546, p= 0.077.

Table 3.4: Summary of Zero and First-order Correlation for Testing H2

Organizational Factor	Shareholder Value Indicator	Zero-Order Correlation Coefficients	First-Order Correlation Coefficients	Observation
METHFINCE	ROA ROE EFF	r_{1xy}= 0.475 r_{2xy}= 0.680 r_{3xy}= -0.595	r_{1xyz}= 0.4111 r_{2xyz}= 0.7026 r_{2xyz}= -0.5775	$r_{xy} \neq r_{xyz}$
RELSZE	ROA ROE EFF	r_{1xy}= 0.475 r_{2xy}= 0.680 r_{3xy}= -0.595	r_{1xyz}= 0.4732 r_{2xyz}= 0.7580 r_{2xyz}= -0.6377	$r_{xy} \neq r_{xyz}$
NUMBID	ROA ROE EFF	r_{1xy}= 0.475 r_{2xy}= 0.680 r_{3xy}= -0.595	r_{1xyz}= 0.4546 r_{2xyz}= 0.7503 r_{2xyz}= -0.5977	$r_{xy} \neq r_{xyz}$

(Source: Research Data, 2012)

It is observed that the correlation coefficient for the zero order correlation $\mathbf{r_{xy}}$ and the correlation coefficient for the first order correlation $\mathbf{r_{xyz}}$ are not equal in each of the three cases ($\mathbf{r_{xy} \neq r_{xyz}}$). This implies that each of the organizational factors influences the relationship between M&As and shareholders' wealth ($\mathbf{r_{xy} = r_{xyz)}}$. $\mathbf{H_2}$ is rejected since $\mathbf{r_{xy} \neq r_{xyz}}$, and concludes that organizational factors influence the relationship between M&As and shareholders wealth.

3.6 Influence of Organizational factors on Shareholder Value

H3*: Organizational factors have no significant influence on the shareholder value*

In order to test this hypothesis, a zero-order correlation was first performed on the shareholder value measurements. The results demonstrate statistically significant relationships both at the 95% and the 99% level of confidence (Table 4). Each of the organizational factors is then introduced onto this relationship one at a time and the results observed.

Table 4: Zero-order Correlation between Shareholder value Indicators

Without the effect of any of the moderating variables			
	ROA	ROE	EFF
ROA	1		
ROE	0.863** 0.000	1	
EFF	-0.615** 0.009	-0.679** 0.003	1

(Source: Research Data, 2012)

Effect of Relative Size

Table 4.1: First-Order Correlation between Relative Size and Shareholder value

With the effect of Relative Size			
	ROA	ROE	EFF
ROA	1		
ROE	0.7989 0.000	1	
EFF	-0.6127 0.012	-0.6739 0.004	1

(Source: Research Data, 2012)

The first-order correlation result presents relative size influencing shareholder value as depicted by comparing the results of Table 4.1 with those of Table 4 above. This is consistent with the findings reported by Frensch (2007); Gorton et al. (2009); DePamphilis (2010); Frensch (2007), who found evidence that relative sizes of M&As partners influence shareholder value. There is however need to examine if such influences are in any way significant in consistence with $\mathbf{H_3}$.

3.7 Effect of Method of Payment

Table 4.2: First-order Correlation of method of Financing and Shareholder Value

With the effect of Method of Financing			
	ROA	ROE	EFF
ROA	1		
ROE	0.7670 0.001	1	
EFF	-0.6136 0.011	-0.6652 0.005	1

(Source: Research Data, 2012)

The result of first-order correlation confirms that the method of financing M&As influence the shareholder value. Method of financing has a limiting effect on each of the three measures for example, the relationship between ROA and ROE is reduced from r= 0.863**, p = 0.000 to r= 0.767, p= 0.001. This finding is consistent with Sirower (1997); Houston & Ryngaert (1997); Amihud et al., (1990); Chevalier & Redar (2008); Al-Sharkas et al., (2010); Travlos & Papaioannou (1991) established evidence linking shareholder value to the choice of the method of financing.

3.8 Effect of Number of Bidders

Table 4.3: First-Order Correlation of Number of bidders and Shareholder Value

With the effect of Number of Bidders			
	ROA	ROE	EFF
ROA	1		
ROE	0.8071 0.000	1	
EFF	-0.6146 0.011	-0.6885 0.003	1

(Source: Research Data, 2012)

The first-order correlation results suggest that the number of bids that a target receives prior to M&As influences the shareholders value. Each of the three measures is hindered by introducing the variable onto the original zero-order result depicted in Table 4. This is consistent with the findings of Sing & Montgomery (1987); Sirower (1997); Frensch (2007); Al-Sharkas et al., (2010) who ascertain evidence linking the performance after M&As to the presence or absence of single or multiple bids on an individual target. Each set of the results illustrate that the organizational factors influence shareholder value. However, in order to test H_3, there was need to determine whether the influence is statistically significant. A simple regression was performed with each of the organizational factors being applied as a predictor of shareholder value.

3.9 Regression Analysis

3.9.1 Organizational factors as Predictors of ROA

In order to determine the extent to which the organizational factors influence shareholder value, a simple regression analysis was conducted with the organizational factors being used as predictors of ROA.

Table 5: R4: Regression results for Organizational factors as Predictors of ROA

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451(a)	.203	.044	1.109

a Predictors: (Constant), Relative size, Method of financing, Number of Bidders
b Dependent Variable: Organization's average ROA

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.700	3	1.567	1.273	.319(a)
	Residual	18.458	15	1.231		
	Total	23.158	18			

a Predictors: (Constant), Relative size, Method of financing, Single bided
b Dependent Variable: Organization's average ROA

(c) Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.104	1.050		4.863	.000
	METHFINCE	-.365	.215	-.413	-1.696	.111
	RELSZE	-.139	.141	-.235	-.983	.341
	NUMBID	-.056	.138	-.097	-.405	.691

a Dependent Variable: Organization's average ROA
(Source: Research Data, 2012)

The regression reveal that 20.3% of the variability of the ROA is explained by the predictor variables in the model with r = 0.451, F = 1.273 and p = 0.319. Each of the organizational factors relates negatively with ROA with 5.6%≤ **r** ≤ 36.5%. Since the p value of the F- test is greater than 0.05 i.e. p= 0.319, it can be concluded the organizational factors do not significantly influence the ROA. This does not mean that these factors do not at all influence the ROA. The presence of the negative standardized (B) and unstandardized (β) coefficients≠ 0, is a clear indication that each of these factors influence ROA negatively. For example, a change in method of finance by one unit will result in a change in ROA by 36.5% in the opposite direction.

3.9.2 Organizational factors as Predictors of ROE

Organizational factors were used as predictors in a simple regression model to determine the extent of the influence of the organizational factors on ROE.

Table 5.1: R5: Regression results for organizational factors as Predictors of ROE

(a) Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.363(a)	.132	-.042	1.189

a Predictors: (Constant), Relative size, Method of financing, Number of Bidders
b Dependent Variable: Organization's average ROE

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.212	3	1.071	.757	.535(a)
	Residual	21.209	15	1.414		
	Total	24.421	18			

a Predictors: (Constant), Relative size, Method of financing, Number of Bidders
b Dependent Variable: Organization's average ROE

(C) Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.008	1.125		4.451	.000
	METHFINCE	-.258	.231	-.285	-1.120	.280
	RELSZE	-.155	.151	-.255	-1.023	.323
	NUMBID	-.066	.147	-.112	-.446	.662

a Dependent Variable: Organization's average ROE
(Source: Research Data, 2012)

The regression results affirm that 13.2% of the variance of the ROE is accounted for by the model. The number of bidders relates positively with the ROE. Method of financing and relative size each relates negatively with the ROE. However, the p- value of the F-test, is not statistically significant at the 95% level of confidence because p = 0.535 (p-observed> 0.05) and conclude that the organizational factors do not significantly influence ROE at α= 0.05.

3.9.3 Organizational **factors as Predictors of EFF**
Organizational results were used as predictors of the EFF.

Table 5.2: R6: Regression results for organizational factors as predictors of EF
(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.527(a)	.278	.111	1.180

a Predictors: (Constant), Relative size, Single bided, Method of financing
b Dependent Variable: Organization's average EFF

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.961	3	2.320	1.667	.223(a)
	Residual	18.097	13	1.392		
	Total	25.059	16			

a Predictors: (Constant), Relative size, Single bided, Method of financing
b Dependent Variable: Organization's average EFF

(c) Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.231	1.220		2.649	.020
	METHFINCE	.352	.252	.352	1.396	.186
	RELSZE	.090	.157	.144	.575	.575
	NUMBID	-.282	.150	-.463	-1.884	.082

a Dependent Variable: Organization's average EFF
(Source: Research Data, 2012)

The results indicate that 27.8% of the variance of EFF is explained by the predictor variables in the model. From the results, each of the organizational factors relates positively with EFF except for the number of bidders. For example, using the un-standardized coefficients to explain the relationship increasing the number of bidders by one unit would reduce the value of EFF by 0.282 units if both method of financing and relative size are held constant. Conversely, increasing the method of payment by one standard deviation would increase EFF by 0.352 standard deviations holding the other variables constant.

However, the p-value of the F-test (p= 0.223) is greater than the critical value of p (≤0.5) at the 95% level of significance. It can therefore be concluded that the organizational factors do not influence the EFF.

Table 5.3: Summary of Regression Tests for the organizational factors

Shareholder Wealth Indicators			
Organizational Factors	ROA F=1.273, p=0.319	ROE F=0.757, p=0.535	EFF F=1.667, P= 0.223
Relative Size	B= -0.139 β= -0.235	B= -0.258, β= -0.285	B=0.352, β=0.352
Method of Finance	B= -0.365, β= -0.413	B= -0.155, β= -0.255	B=0.090, β=0.144
Number of Bidders	B= -0.056, β= -0.097	B= -0.06, β= -0.122	B= -0.282, β= -0.463

(Source: Research Data, 2012)

Organizational factors are determined to influence the shareholders wealth (B, β≠ 0) in all three tests. Since the p-value >0.05 in all three tests at the desired level of significance, it can be established that the organizational factors do not significantly influence the shareholders' wealth. In this respect, we thus fail to reject $\mathbf{H_3}$ and confirm that the organizational factors do not significantly influence the shareholder value. Failure to reject $\mathbf{H_3}$ does not mean that the influence of the organizational factors should not focused on by banks seeking M&As but should be considered to the extent that such factors are able to influence the success of an intended M&As. This is consistent with the findings in Chang (1998); Houston & Ryngaert (1997); Amihud et al. (1990); Sirower (1997); Al-Sharkas et al. (2010); Finkelstein & Haleblian (2002); DePamphilis (2010); Moeller et al.(2005) and Sing &

Montgomery (1997) who found evidence that the organizational factors have the potential to ruin M&As with the greatest potential.

4. Conclusion

The findings establish that M&As impact on the shareholder value. Using the accounting based approach, banks that have undertaken M&As have exhibited posting better results than those that have not. In addition, banks that have undertaken M&As have been determined to have posted better results than the overall banking sector performance. The findings assert that the organizational factors such as relative sizes of merging partners, method of financing M&As and the number of bidders in M&As have the potential to influence the realization of a M&As success. The findings indicate the importance of considering the size of a potential target, the method to be used in financing M&As; whether to use cash or stock swap and the number of bidders bidding for the same target. Choice of method of financing is important because, "if a company takes on to finance M&As and the deal goes sour, it runs into financial trouble and the executives are replaced, but if an equity financed acquisition goes wrong, the stock price simply underperforms and nobody can be sure why" (Hitt et al., 2001). The findings note that the organizational factors acting independently have the potential to influence the shareholder value. This implies that the management of banks and other organizations intending to undertake M&As should seek to evaluate and consider how these organizational factors are likely to impact on the success of the intended M&As.

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