INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ECONOMICS & MANAGEMENT SCIENCES

OPEN ACCESS JOURNAL

Vol 11, Issue 2, (2022) E-ISSN: 2226-3624

The Impact of Merger and Acquisition Motives on Value-Based Financial Performance of Banks

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To Link this Article: http://dx.doi.org/10.6007/IJAREMS/v11-i2/13236 DOI:10.6007/IJAREMS/v11-i2/13236

Published Online: 14 June 2022

Abstract

The study investigates the impact of merger and acquisition (M&A) motives on the value-based financial performance (VBFP) of acquirer banks on Ghana Stock Exchange (GSE). This study utilized a cross-sectional and quantitative research design. Principal Component Analysis (PCA) was used to identify the key M&A motives that add value to shareholders. The findings show that M&A motives (MAM) enhance shareholder value (EVA, MVA and CVA). Strengthening market power, financial synergy; Synergy Gain (Cost Saving); and desiring control to replace incompetent management are the five main motives behind the acquisitions in the Ghanaian Banking Sector. MAM such as Pre-emptive and Defensive Motive, Solving/Avoiding Banking Crises, Empire Building and Hubris and Risk Spreading all negatively affect VBFP. Thus, they have high tendencies of destroying shareholder value in the banking sector. Prior work clearly shows that M&A performance depends on pre-merger issues and post-merger matters. Therefore, this study introduces another construct – MAM to the existing two above to form a holistic M&A success framework. The study provides an in-depth analysis of the effect of MAM on the success of acquisitions regarding VBFP. The wrong reasons for M&A can undermine the success of the agreement, which is why it is necessary to find the right motives that positively affect shareholders' wealth. The findings highlight the importance of taking a broad perspective in studying M&A performance from

the viewpoint of shareholders instead of reliance on traditional accounting performance indicators. The study was restricted to listed acquirer banks in GSE. To test the operability of the MAM, further studies should be carried out on other non-financial firms listed on the GSE involved in M&A activity over the years using the same VBFP.

Keywords: Mergers and Acquisition Motives, Value-Based Financial Performance, Economic Value Added, Market Value Added and Cash Value Added

Introduction

Mergers and acquisition (M&A) activities in the Ghanaian financial industry may be traced back to 1994, when Social Security Bank (SSB) and National Savings and Credit Bank (NSCB) merged to form Social Security Bank Ltd. SSB Bank's ownership framework has changed. In March 2003, Société Generale, one of the world's largest banks, acquired a majority stake (46.7 percent) in the SSB bank, making it a subsidiary of Société Générale. After Société Generale increased its ownership to 51 percent in March 2004, the SSB bank became SG-SSB Ltd. In 2008, UT Financial Services (UT Holdings) acquired several shares of BPI Bank Ghana Limited and managed the banking operations under the new management. under the name UT Bank. Shareholders of UT Financial Services (UTFSL) accepted the special decision in March 2010 to acquire UT Bank and obtained the required regulatory approval. UTFSL paid for all the work by issuing 91.3 million shares to UT Bank shareholders and listing the recently released shares on the Ghana Stock Exchange.

The merger of UT Bank and UTFSL led to the formation of UT Bank, a newly formed organization. In 2012, Access Bank and Intercontinental Bank, Ecobank and Trust Bank, Bank of Africa Amalgamated Bank, International Commercial Bank and the First Bank of Nigeria (FBN) merged; in 2014, International Commercial Bank and the First Bank of Nigeria (FBN) merged, In August 2014, Fidelity Bank Ghana Limited and ProCredit Savings and Loans Company Limited merged; and in August 2017, GCB Bank acquired UT Bank and Capital Bank. Although the growing growth and corporate relationships in M&A seem to justify it as a viable and profitable strategy, Christensen et al (2011) ' M&As eliminates the number of shareholder shareholders, with research reporting that about 70% to 90% of M&As fail. In other words, M&A can be successful, but a lot of companies don't care how it is done.

Although the Ghanaian Banking Sector has had its fair share of the M&A cake, few studies focused on the value-based corporate financial performance of these M&As. The paper therefore, examines the post-acquisition performance of banks proxied by traditional accounting measures such as Return on Equity (ROE) of the acquiring bank. As the majority of M & As proves negligence, it requires research work to provide an accurate assessment of the factors that motivate financial institutions in Ghana to pursue this risky and preferred alternative to safer alternatives, without their full experience. Considering M&A's rapid growth in Ghana's banking sector, it has become imperative to analyse what drives banks to opt for M&A and how it affects the economic value-added, market value added and cash value-added of the acquirer banks. Perhaps one can trace the failure of this integration and acquisition in the banking sector due to the lack of value-based M&A motive. An important question for M&As is whether they can generate value and improve the financial performance of integrated firms. This study underscores the relevance of value-based M&A motive as a precursor to improving the value-based financial performance of selected acquirer banks in Ghana.

Literature Review

Merger and Acquisition Motives

Different M&A perspectives explain why companies pursue M&A agreements for a variety of reasons. Previous research on integration theory has been integrated to provide insight into the potential benefits of M & As. Managers make a concerted effort to generate organizational value and consider the interests of shareholders, based on ideas for M&A value creation. As a result, executives opt for M&A agreements that lead to corporate co-operation. Because of the synergistic benefits, both acquired and targeted businesses benefit from M&A work. When synergy from M&A is less than the purchase price and integration costs, M&A agreements undermine value. Such ideas are explained by hubris activities and agency issues (Vijgen, 2007).

As integration and acquisition events have grown in importance, experts in the field of international business and strategy have begun to investigate various aspects of M&As (Seth et al., 2000). The current research team is still seeking answers to an important question: why is this integration and discovery so original? The solution is quite difficult, despite the fact that the question seems simple. Because the event covers all aspects of the organization, including costs, sales, risk, revenue, salaries, skills, and relationships with the environment, there is no solid M&As theory (Glaister and Ahammad, 2010). By examining the many incentives for integration and acquisition, theater research and research has revealed a few definitions of the M&A strategy. As a result, there are a number of reasons why a company may choose M&A as a way to expand. The most common reason sought is to develop synergy. Diversity, market strength, strong management, and tax compensation are some of the main reasons (Depamphilis, 2010).

Trautwein (1990) asserted that the motives of M&As had not received enough theoretical efforts from researchers as much as the M&A consequences. However, most researchers agree that in fact, several different motivations start M&As against a single cause (Ravenscraft and Scherer, 2011). Therefore, it was important to distinguish these motives (Mukherjee et al., 2004). For example, Trautwein (1990) divides M&A's theoretical theories into seven categories: efficiency, autonomy, aggression, balance, state structure, process and disruption theory. However, many of these ideas are lacking in research results. (Mueller and Yurtoglu, 2007) classify them as synergy, business management market, management insight, over-equity and hubris hypotheses. Mukherjee et al (2004) also cite other causes: diversity, management motivations, and tax considerations.

There are two types of M&As definitions: value addition and non-value addition definitions. Value addition includes ideas of efficiency (synergistic benefits and reduction of agency costs), ideas of wealth transfer (confiscation of assets from bond holder and employees, market power and tax benefits and perceptions of inefficiency (low price and myopia market). The non-value maximizing explanations include (1) diversification, (2) self-promotion, (3) free cash flow and (4) hubris and the curse of the winner (Romano, 1992).

Motis (2007) combined different M&A motives into two ideas. Industrial organization theory incorporates an increase in market strength, improved efficiency and pre-operational motivations. These objectives consider activities to increase the value of the firm that leads to an increase in future profits and increase the wealth of shareholders. The corporate

governance theories fixing agency problem, dealing with internal inefficiencies and financial market imperfections. These objectives do not reflect the interests of shareholders, but the interests of firm managers. These motives do not incorporate the interest of shareholders, but the interest of managers of firms. So, such mergers motives are not value-increasing activities for the firm but rather increase managers' wealth.

Gorton et al (2009) proposed a M&As theory that described three dimensions of size, namely (1) M&As occur in certain industries as firms try to increase their size, (2) the size of the industry is the main reason for M & As's occurrence, and (3) agreement is largely paid by companies large purchases. Major beneficiaries increase profits, and medium-sized beneficiaries make multiple acquisition deals.

Weston et al (2011) listed three categories of M&A theory: (1) M&A as value-adding activities, (2) M&As as value-reduction activities and (3) M&A that does not have value. M&A motives for creating value are (1) achieving collaboration, (2) reducing transaction costs and (3) disciplinary motives. M & As is a value-added enterprise as it introduces new technologies that reduce the cost of labor involved in the market and within the firm as production costs. Bradley et al (2006) explain that synergies occur due to economic scale and scope, effective management, development of production strategies, and related resources. M&A improves corporate performance by getting corporate management teams to manage a targeted business that did not perform well before M&A due to inefficient executives.

In some cases, M&As occur when the executives of a purchasing company have high hopes for the expected co-operation in M&A, which leads to the curse of the winner while excessively confusing the target company. This is the transfer of wealth from a profitable business to a targeted business (Weston et al., 2011). Therefore, many theories explain the reasons why merging and acquisition occurred. The most common is synergy theory or efficiency, hubris, managerialism or agency theory. Synergy motivation, hubris motivation and agency motivation are three factors in M&A theory (Ebimobowei and Sophia, 2011).

Value-based Financial Performance

Participants of companies can understand the volatility of their operations and obtain important information related to financial position, total earnings, cash flows, and changes in equity in financial indicators (Song et al., 2018; Elshandidy et al., 2018; Taylor et al., 2014; Li et al., 2017; Bini et al., 2015; Lehavy et al., 2011). In addition, financial performance indicators are the true measure of a company's success. Three levels of benefit, one measure of liquidity, two levels of solvency, and one measure of efficiency used by Kloptchenko et al (2004) describe and measure company performance, but Zhang et al (2004) used simply earnings per share (EPS) to anticipate financial success. Examining the company's financial strength and liquidity, Qiu et al (2014) employed EPS, traditional accounting index, and size-adjusted cumulative return (SAR), market response rate. Profit, return on investment, profit, or client portfolio, and product quality improvement, according to Badulescu et al (2020), can be regarded as general metrics to measure business performance. Situm (2013) used a mixed line analysis and retrospective analysis to develop business failure prediction models based on four financial indicators (equity ratio, EBIT (Interest and Taxes) / total assets, cash flows / total debt, and and the improvement in percentage sales.), which led to the division of companies into three categories (health, disaster resilience and financial constraints at risk).

Cabinova et al (2018) monitored the financial performance of Slovakian spa businesses from 2013 to 2017, using measures such as EVA (additional economic value), RONA (total refund), Creditworthy Model, and -Simplex Linear Programming Method to build the Enterprise Performance Model. Ingoma et al (2018) used standard machine learning and Fuzzy Chance Constrained Least Squares Twin Support Vector Machine (FCCLSTVM) method to predict company success using 27 financial metrics (Han & Cao, 2017).

Selected financial metrics show that firms can afford, make a profit, work capacity, company development potential, structural sustainability, and capital growth potential. Creditworthy Model (CWM), one of the company's latest performance testing models, was hired by (Kiselakova et al., 2018; Horvathova et al., 2015). It is considered one of the most important ways to compare the business performance of firms. Three commonly used estimates based on financial performance are presented in this study: additional economic value, market value, and value for money. This study focuses on these three variables as they can be calculated using publicly available financial data. Some of the value-based measures require information that is not available in the public domain, making it difficult to calculate.

An Analysis of Economic Value Added (EVA)

Chen and Dodd (2001); Worthington and West (2004); Chmelikova (2008); Lee and Kim (2008) all concluded that economic-based indicators were more beneficial than accounting-based factors (2009). Legends of the success of the EVA model have made a lot of books. When it comes to understanding stock recovery, EVA exceeds accounting rates (Behera, 2019; Gounder and Venkateshwarlu, 2017; Khan et al., 2016; Ahmed, 2015; Bhasin, 2013).

According to Stewart (1994: 73), EVA measures the economic benefits generated by a company. The difference between economic benefits and accounting is the large amount of money charged. In the case of accounting profits, only the cost of credit is included. However, EVA considers the costs of all forms of capital (debt and equity) and compensates all of its financial providers accordingly. EVA is a residual interest in operating over the fair value of cash opportunity (both debt and equity). The main charge is a very different aspect of EVA. Under normal accounting, many companies seem to make a profit. However, many undermine the number of shareholders because their financial costs consume their profits. EVA rectifies this error by clearly recognizing that when managers rent money, they have to pay it. By taking into account all capital costs, including equity costs, EVA reflects the amount of assets that the entity has created or spent in each reporting period.

EVA= NOPAT – (WACC X CE)

Where:

NOPAT: Net Operating Profit After Taxes but before financing costs

WACC: Weighted Average Cost of Capital

CE: Capital Employed

An Analysis of Market Value Added (MVA)

While building wealth for shareholders is a meaningful measure of a company's performance, creating a company's wealth is equally important. The company's main goal is to increase the market value of large investor assets. The best financial decisions lead to an increase in the market capitalization of the company's capital (Stancu et al., 2015). The best measure of this is another value-added product called Market Value Added (MVA). The market value of a

company is equal to the market value of its equivalent and the market value of its liability. In theory, this money is what can be "withdrawn" from the company at any time. MVA is the difference between the total market value of a company and its economic capital (Reilly and Brown, 2003). Economic capital is the value invested in a company and is an immovable asset with a total operating value.

MVA = Total Market Value – Total Capital
= (MV of Stock + MV of Debt) – Total Capital
Where MV of Stock = Market Capitalization = Shares Outstanding x Stock Price
MV of Debt = Book Value of Debt (as an estimate to the MV)
Total Capital = Total Book Value of Debt and Equity

An Analysis of Cash Value Added (CVA)

The Cash Value Added (CVA) ratio is associated with the Boston Consulting Group (BCG) and is considered a combination of EVA and CFROI (Gupta & MacDonald, 2000: 237). Instead of using economic profit figures, however, CVA calculates the flow of excess capital generated over capital expenditure. The scale covers all the benefits of EVA while trying to improve it using cash flow instead of profit calculations (Martin & Petty, 2000: 128).

The company's CVA is calculated by taking into account the cash flows instead of operating income (as was the case with EVA) and subtracting the total cash flow. To convert NOPAT into functional currency, depreciation and depreciation are added (Martin & Petty, 2000: 128). Changes in other long-term liabilities, such as levies and deferred levies, are also added to NOPAT to convert cash inflows (Young & O'Byrne, 2001: 441). Unlike EVA, capital levies are based on the total amount invested and not the remaining amount (Martin & Petty, 2000: 141). Therefore, accumulated depreciation is added to the investment.

CVA_t = *Operating cash flow - gross capital charge*
$= (NOPAT_t + CVAAdj_{op}) – [c^* \times (IC_{t-1} + AccDepr)]$
Where:
$CVAAdj_{op}$ = Depreciation, amortization and changes in other long-term liabilities
AccDepr = Accumulated depreciation

From the above literature, the following hypothesis are developed and tested:

1. **H_0**: M&A motives have significant positive effect on EVA of acquirer banks in Ghana
2. **H_0**: M&A motives have significant positive effect on MVA of acquirer banks in Ghana
3. **H_0**: M&A motives have significant positive effect on CVA of acquirer banks in Ghana
4. **H_0:** M&A motives have a significant positive effect on the shareholder value (EVA + MVA + CVA) of acquirer banks in Ghana

Methodology

Research Design

This study utilized a cross-sectional and quantitative research design. A study sample, comprising four (4) acquirer banks listed on GSE involved in an M&A activity from 2004 four hundred and eighty-two (482) respondents, was purposively selected for this study. These banks include Société Generale Ghana (SOGEGH), Access Bank Ghana Limited (ABG), GCB Bank Ltd and Ecobank Ghana Limited (EGH).

Data Processing and Analysis

The data collected was analysed quantitatively using regression equations, which were solved using STATA version 13.0 software. The study adopted value-based financial performance and managerial competence as dependent and independent variables respectively.

Independent Variable

The study sample comprised of four (4) acquirer banks listed on GSE involved in an M&A activity from 2008 and four hundred and eighty-two (482) senior and middle level managers of the respective banks, were purposively selected for this study. In soliciting data for the independent variables (managerial competence), self-administered questionnaire was issued to the respondents which questionnaire were anchored on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Merger and acquisition motives were measured in terms of Efficiency Gain; Synergy Gains; Financial Synergy; Strengthening of Market Power; Pre-emptive and Defensive Motive; Disciplinary Takeovers; Empire Building and Hubris; Risk Spreading/Diversification; and Solving Banking Crises.

Dependent Variable

There is no gainsaying that the goal of every business organisation is to maximise shareholder value. According to Kartika et al (2019), a firm should address the stakeholder's interests, ensure ethical business practices and the legitimacy to maintain sustainable operations, and obtain investors' trust to improve shareholders' value. Therefore, EVA, MVA and CVA are used as three different value-based financial performance measures. The analysis is based on secondary data from Ecobank Ghana Limited, Access Bank Ghana Limited, Societe Generale Ghana Limited, and GCB Bank Limited's audited annual reports from 2008 to 2021.

Table 3.1
Measurements of Variables

Variable type	Variable Name	Sub-Variables/measure	References	Measurement Tool
Independent Variable	Efficiency Gain (EG)	- Economies of scale - Technical competency and efficiency of management - Complimentary resources - New products/Service Development - Gaining higher revenue - R&D Capability - Enhance learning and obtain new knowledge - Acquire skilled personnel - Economies of scope	Wolfe et al (2011); Weston et al (2010); Daniya et al (2016); Wadhwa and Syamala (2015); Weitzel and McCarthy (2011); Sufian (2011); Smirnova (2014); Cigola and Modesti (2008); Pasiouras and Zopounidis (2008), Guo and Yang (2013); Antoniadis et al (2014); William (2009); Onwumere and Ogamba (2006); Salawu (2013)	5-point Likert scale. 9 sub variables
Independent variable	Synergy Gains (SG)	- Reduction fixed cost - Increase purchasing power - Better access to capital markets	Daniya et al (2016); Wadhwa and Syamala (2015); Weitzel and McCarthy (2011); Salawu (2013); Renaud (2016); Guo and Yang (2013); Antoniadis et al (2014); Wadhwa and Syamala (2015); Daniya et al (2016); Smirnova (2014)	5-point Likert scale. 3 sub variables
Independent variable	Financial Synergy (FS)	- Establish internal market - Enjoy financial economies of scale - Obtain tax benefits - Increase bank size to access cheaper capital - Reduce corporate and bankruptcy risk	knoll (2008); Trautwein (1990); Paulter (2001); Li and Pan (2013); Wang and Moini (2012)	5-point Likert scale. 5 sub variables
Independent variable	Strengthening of Market Power (MP)	- Increase the size and strengthen market position - Faster entry to market - Respond to the changing market conditions	Focarelli et al. (2002); Gregoriou and Renneboog (2007); Sherman and Hart (2006); Fontaine, (2007); Stahl and Mendenhall (2005); Wang and Zajac (2007); Morris (2004);	5-point Likert scale. 10 sub variables

		- Increase revenue and strengthen the financial position - Improve service quality - Diversify portfolio -Raise entry barriers - Increase customer size - Reduce the number of competitors - Compete with foreign banks	Pasiouras and Zopounidis (2008); Kingston University (2007); Huang and Kleiner (2004); Ojanen et al. (2008); Sufian (2011); Smirnova (2014); Guo and Yang (2013); Antoniadis et al. (2014); (Gohlich, (2012; Sarpong-Kumankoma et al. (2017)	
Independent variable	Pre-emptive and Defensive Motive (PDM)	- Prevent mergers and acquisitions outside the industry - Eliminate a significant competitor in the industry - Respond to tougher price competition from exogenous factors	Fridolfsson and Stennek (2005)	5-point Likert scale. 3 sub variables
Independent variable	Disciplinary Takeovers (DT)	- Replace incompetent management - Force existing management to follow a profit maximisation strategy.	Trautwein (1990); Kumar and Rajib (2007); Weston et al (2010); Arnold (2004)	5-point Likert scale. 2 sub variables
Independent variable	Empire Building and Hubris (EBH)	- Achieve (or increase) growth - Gain more power and prestige - Hold positions in committees and board of directors - Decrease employment risk - Reduce risk associated with managers' income - Hubris motive.	Hunt (2009); Gaughan (2011); McClure (2010); Hunt (2009); Ravenscroft and Scherer (2011); Pfeffer and Salancik (2003); Maksimovic et al (2011); Wang and Hoini (2012); Seth et al (2000); Kumar and Rajib (2007); Deo (2012);	5-point Likert scale. 6 sub variables
Independent variable	Risk Spreading/Diversification (RSD)	- Minimise risk - Avoid sales and profit fluctuation - Avoid unfavourable growth development - Avoid adverse competitive shifts	Pfeffer and Salancik (2003); Ojanen et al (2008); Martin and Sayrak (2003);	5-point Likert scale. 6 sub variables

		- Avert technological obsolescence - Decrease uncertainties		
Independent variable	Solving Banking Crises (SBC)	- Avoid bankruptcy and consequent liquidation - Stop the collapse of other banks - Respond to stakeholder pressures	Croson et al. (2004); Bruner (2004); Coyle (2000); Boyd and Graham (2000).	5-point Likert scale. 3 sub variables
Dependent Variable	Value-based Financial Performance	- Economic Value Added - Market Value Added - Cash Value Added	Stewart (1991, 1994); Stern (1993); Milunovich and Tsuei, (1996), O'Byrne, (1996), Chen and Dodd, (2001), Hall, (2013), Worthington and West, (2004), Chmelikova (2008) and Lee and Kim (2009).	Audited financial report of acquirer entities

Model Specification

Principal Component Analysis (PCA) was used to reduce the initial variability of the study to a small number, thus allowing research to focus on root themes or patterns. it was used to identify key combinations and acquisitions that add value to shareholders. Contradictory results have been reported by some researchers on issues affecting M&A performance and the effects of these factors on financial performance (Weber et al., 2014; Marfo and Agyei, 2013; Aggarwal and Singh, 2015; Akhtar and Iqbal, 2014) and through linear regression and multiple analysis of the retreat, it was possible to confirm such a belief. The study adopted the following model to assess whether the economic value added, the market value added, and the value added is a function of independent variance (mergers and acquisitions).

$Y = \beta 0 + ß1\ X1 + ß2\ X2 + ß3\ X3 + ß4\ X4 + ß5\ X5 + ß6\ X6 + ß7\ X7 + ß8\ X8 + ß9\ X9 + \varepsilon$

Where:

Y = Value-based Financial Performance (is measured by economic value added, market value added, and cash value added).

β0 = Constant variables that affect the value-based financial performance of acquirer banks listed on the Ghana Stock Exchange

ß1, ß2, ß3, ß4, ß5, ß6, ß7, ß8, and ß9 are the coefficient of the independent variable

X1 = Efficiency Gain (EG)

X2 = Synergy Gains (SG)

X3 = Financial Synergy (FS)

X4 = Strengthening of Market Power (MP)

X5 = Pre-emptive and Defensive Motive (PDM)

X6 = Disciplinary Takeovers (DT)

X7 = Empire Building and Hubris (EBM)

X8 = Risk Spreading/Diversification (RSD)

X9 = Solving Banking Crises (SBC)

ε = Error term

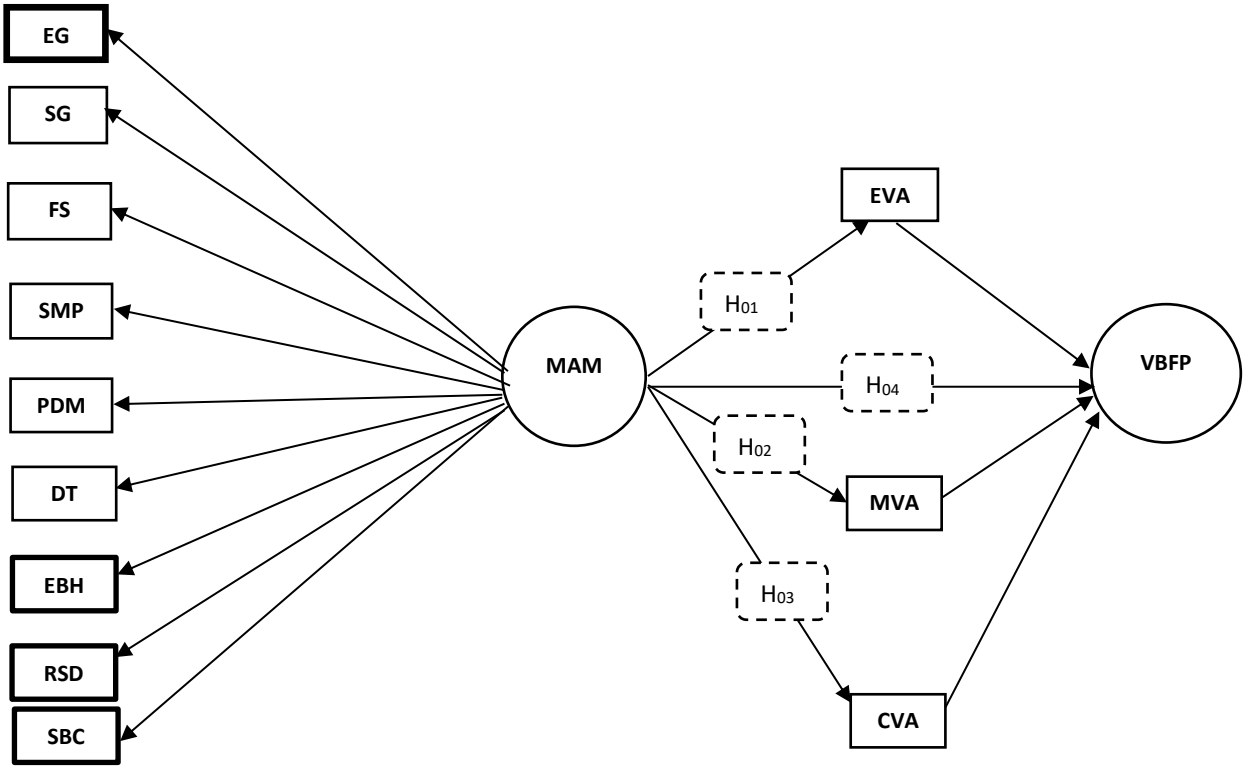

Figure 3.1: Conceptual Framework
Source: Authors construct (2022)

Legend
Efficiency Gain (EG)
Synergy Gains (SG)
Financial Synergy (FS)
Strengthening of Market Power (MP)
Pre-emptive and Defensive Motive (PDM)
Disciplinary Takeovers (DT)
Empire Building and Hubris (EBH)
Risk Spreading/Diversification (RSD)
Solving Banking Crises (SBC)

Results

H_{01}: M&A motives have a strong positive effect on EVA of acquirer banks on GSE

The linear regression results in Table 4.1 show that R = 0.972 and R^2 = 0.946. The R value of 0.972 indicates a strong linear relationship between merger and acquisition motives (hereafter MAM) and the added economic value (hereafter EVA) of acquisition banks in Ghana. This means that MAM has a strong influence on EVA. R^2 indicates that approximately 94.6% of EVA variables are defined in the EVA model β0 + β1 (MAM), and 5.4% are not defined in the model. According to Zygmont & Smith (2014), in normal terms the healthy variation of the dependent variant should be at least 60%, thus this model is found to be equally accurate as it predicted more than 60% of the total model.

Table 4.1
Model Summary for M&A Motives (MAM)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.972[a]	.946	.945	1.920

a. Predictors: (Constant), MAM

ANOVA statistics is used to represent the regression model significance. As in Table 4.2, the significance value for the F statistics is 958.212 and the significance ratio of 0.000 is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model EVA = β0 + β1(MAM) which is statistically significant.

Table 4.2
ANOVA for M&A Motives (MAM)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3530.843	1	3530.843	958.212	.000[b]
	Residual	202.665	480	3.685		
	Total	3733.509	481			

a. Dependent Variable: EVA
b. Predictors: (Constant), MAM

The results on the beta coefficient indicate that the coefficient β = 0.181 is significant because its p = 0.000 ≤ 0.05 value. This confirms the significant positive impact of MAM on the EVA of acquirer bank listed on the GSE. Therefore, the study adopted the first notion: *"merger and acquisition motives have significant positive effect on economic value added of acquirer banks listed on the Ghana Stock Exchange"*. Thus, the contribution of MAM to EVA was not by chance. This results in the model: EVA = 3.602 + 0.181 (MAM) + ε. The study found that if MAM were constant at zero, EVA realized was 3.602. The analysed data findings also showed that taking other independent variables at zero, a unit increase in MAM led to 0.181 increases in EVA of acquirer banks listed on the Ghana Stock Exchange.

Table 4.3
Regression Coefficient of M&A Motives

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.602	1.037		3.473	.001
	MAM	.181	.006	.972	30.955	.000

a. Dependent Variable: EVA

H_{02}: M&A motives have a strong positive effect on MVA of acquirer banks on GSE

The results of the linear regression in Table 4.4 indicate that R = 0.911 and R^2 = 0.831. The R-value of 0.911 indicates a strong linear relationship between merger and acquisition motives (hereafter MAM) and market value added (hereafter MVA) of listed acquirer banks in Ghana. This means that MAM has a strong influence on MVA. The R^2 indicates that about 83.1% of the MVA variations are explained by the model MVA = β0 + β1 (MAM), and 16.9% is unexplained by the model. According to Zygmont & Smith (2014), in normal terms a healthy variation dependent variable must be at least 60%, thus this model is found to be a good fit as it predicted above 60% of the entire model.

Table 4.4
Summary Model for M&A Motive and MVA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911[a]	.831	.828	3.168

a. Predictors: (Constant), M&A motives

ANOVA statistics is used to represent the regression model significance. As in Table 4.5, the significance value for the F statistics is 269.821 and the significance ratio of 0.000 is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model MVA = β0 + β1(MAM) which is statistically significant.

Table 4.5
ANOVA for M&A Motive – MVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2708.821	1	2708.821	269.821	.000[b]
	Residual	552.162	480	10.039		
	Total	3260.982	481			

a. Dependent Variable: MVA

b. Predictors: (Constant), MAM

The results on the beta coefficient shows that the coefficient β = 0.158 is significant because its p-value = 0.000 ≤ 0.05. This confirms a significant positive effect of MAM on MVA of listed acquirer banks in Ghana. Therefore, the study accepts the second hypothesis that: *"merger and acquisition motives have significant positive effect on market value added of acquirer banks listed on the Ghana Stock Exchange"*. Thus, the contribution of MAM to MVA was not by chance. This results in the model: MVA = -5.238 + 0.158 (MAM) + ε. The study found that if MAM were constant at zero, MVA realized was -5.238. The analysed data findings also showed that taking other independent variables at zero, a unit increase in MAM led to 0.158 increases in MVA of acquirer banks listed on the Ghana Stock Exchange.

Table 4.6
Coefficients for regression between M&A Motive and MVA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.238	1.712		-3.061	.003
	MAM	.158	.010	.911	16.426	.000

a. Dependent Variable: MVA

H_{03}: M&A motives have a strong positive effect on CVA of acquirer banks on GSE

The results of the linear regression in Table 4.7 indicate that R = 0.874 and R^2 = 0.764. The R-value of 0.874 indicates a strong linear relationship between merger and acquisition motives (hereafter MAM) and cash value added (hereafter CVA) of listed acquirer banks in Ghana. This means that MAM has a strong influence on CVA. The R^2 indicates that about 76.4% of the CVA variations are explained by the model CVA = β0 + β1 (MAM), and 23.6% is unexplained by the model. According to Zygmont & Smith (2014), in normal terms a healthy variation dependent variable must be at least 60%, thus this model is found to be a good fit as it predicted above 60% of the entire model.

Table 4.7
Model Summary M&A Motives

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874[a]	.764	.760	4.056

a. Predictors: (Constant), MAM

ANOVA statistics is used to represent the regression model significance. As in Table 4.8, the significance value for the F statistics is 178.140 and the significance ratio of 0.000 is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model CVA = β0 + β1(MAM) which is statistically significant.

Table 4.8
ANOVA for M&A Motives – CVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2930.164	1	2930.164	178.140	.000[b]
	Residual	904.678	480	16.449		
	Total	3834.842	481			

a. Dependent Variable: CVA

b. Predictors: (Constant), MAM

The results on the beta coefficient shows that the coefficient β = 0.164 is significant because its p-value = 0.000 ≤ 0.05. This confirms a significant positive effect of MAM on CVA of listed acquirer banks in Ghana. Therefore, the study accepts the third hypothesis that: *"merger and acquisition motives have significant positive effect on cash value added of acquirer banks*

listed on the Ghana Stock Exchange". Thus, the contribution of MAM to CVA was not by chance. This results in the model: CVA = -3.295 + 0.164 (MAM) + ε. The study found that if MAM were constant at zero, CVA realized was -3.295. The analysed data findings also showed that taking other independent variables at zero, a unit increase in MAM led to 0.164 increases in CVA of acquirer banks listed on the Ghana Stock Exchange.

Table 4.9
Coefficients for Regression between M&A Motive and CVA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.295	2.191		-1.504	.138
	MAM	.164	.012	.874	13.347	.000

a. Dependent Variable: CVA

H_{04}: M&A motives have a strong positive effect on VBFP of acquirer banks on GSE

The results of the linear regression in Table 4.10 indicate that R = 0.960 and R^2 = 0.922. The R-value of 0.960 indicates a strong linear relationship between merger and acquisition motives (hereafter MAM) and value-based financial performance (hereafter VBFP) of listed acquirer banks in Ghana. This means that MAM has a strong influence on VBFP. The R^2 indicates that about 92.2% of the VBFP variations are explained by the model VBFP = β0 + β1 (MAM), and 7.8% is unexplained by the model. According to Zygmont & Smith (2014), in normal terms a healthy variation, dependent variable must be at least 60%, thus this model is found to be a good fit as it predicted above 60% of the entire model.

Table 4.10
Model Summary for MAM – VBFP

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.960[a]	.922	.921	6.48453

a. Predictors: (Constant), MAM

ANOVA statistics is used to represent the regression model significance. As in Table 4.11, the significance value for the F statistics is 958.212 and the significance ratio of 0.000 is less than 0.05, which concludes that the regression model is statistically significant (Hair et al., 2010). This is depicted by linear regression model VBFP = β0 + β1(MAM) which is statistically significant.

Table 4.11
ANOVA for MAM – VBFP

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27422.771	1	27422.771	652.160	.000[b]
	Residual	2312.703	480	42.049		
	Total	29735.474	481			

a. Dependent Variable: VBFP
b. Predictors: (Constant), MAM

The results on the beta coefficient shows that the coefficient β = 0.503 is significant because its p-value = 0.000 ≤ 0.05. This confirms a significant positive effect of MAM on VBFP of listed acquirer banks in Ghana. Therefore, the study accepts the fourth hypothesis that: *"merger and acquisition motives have significant positive effect on value-based financial performance of acquirer banks listed on the Ghana Stock Exchange"*. Thus, the contribution of MAM to VBFP was not by chance. This results in the model: VBFP = -4.931 + 0.503 (MAM) + ε. The study found that if MAM were constant at zero, VBFP realized was -4.931. The analysed data findings also showed that taking other independent variables at zero, a unit increase in MAM led to 0.503 increases in VBFP of acquirer banks listed on the Ghana Stock Exchange.

Table 4.12
Regression Coefficients for MAM – VBFP

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-4.931	3.503		-1.408	.165
	MAM	.503	.020	.960	25.537	.000

a. Dependent Variable: VBFP

Table 4.13
Value-Based Merger and Acquisition Motives (VBMAM)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	53.150	4.225		12.581	.000
	EG	.999	.082	.676	12.230	.000
	SG	.381	.229	.112	1.665	.000
	FS	1.264	.152	.326	8.295	.000
	SMP	1.353	.129	.379	10.493	.000
	PDM	-4.624	.343	-.861	-13.496	.112
	DT	.348	.125	.160	2.775	.000
	EBM	-.296	.117	-.121	-3.396	.142
	RSD	-.061	.108	-.030	-.568	.571
	SBC	-.534	.155	-.146	-3.436	.131

a. Dependent Variable: VBFP

Discussion

The findings in Table 4.12 show that M&A motives enhances shareholder value by having a strong positive effect on VBFP (EVA, MVA and CVA) of acquirer banks. Merger and acquisition motives that have significant positive effect on EVA, MVA and CVA constitute value-based merger and acquisition motives (hereafter, VBMAM). The VBMAM in the banking sector in order of relevance are: SMP ($\beta = 1.353$, p-value = 0.000 < 0.05); FS ($\beta = 1.264$, p-value = 0.000 < 0.05), EG ($\beta = 0.999$, p-value = 0.000 < 0.05); SG in terms of cost savings ($\beta = 0.381$, p-value = 0.000 < 0.05); and DT ($\beta = 0.348$, p-value = 0.000 < 0.05) as shown in table 4.13.

The results consistent with Motis (2007) who M&A theories into industrial organization theories and non-value-maximizing theories. Industrial organization theories include increasing market power, improving efficiency and defensive or pre-emptive motives. These motives look into value increasing activities of the firm that lead to an increase in future profits and enhance shareholder value. The results of the study are also supported by Weston et al. (2011) who suggested that M&A ideas could be categorized as value-enhancing activities with motives that include: strengthening market strength; gaining efficiency; gain synergy; reducing transaction costs; and disciplinary action. The main objective of M&A in the banking sector is to achieve co-operation (financial co-operation) in the form of cost reduction or revenue growth but previous research shows a consistent result (Wadhwa and Syamala, 2015; Weitzel and McCarthy, 2011; Daniya et al., 2016).

M&As in the banking sector is based on a number of objectives: expanding into new national and international markets, exploiting strategic opportunities through synergies and industrial integration, reducing the number of competitors, developing and acquiring new integrated information, integration. high technology, gaining access to better and bigger services, achieving greater efficiency through economy of scale and breadth and increasing market strength (Smirnova, 2014; Guo and Yang, 2013; Antoniadis.et al., 2014). M & As is designed

to increase the wealth of shareholders (Pinter 2011). Focarelli (2002) states that M & Ass are designed to improve the quality of a portfolio of banks acquired by the size of large banks. Eccles et al (1999) argued that M&A's main objectives are to penetrate the market. They also consider direct expansion so that firms can control their supply and distribution resources etc. Hubbard and Purcell (2001) point out that foreign investors have the opportunity to see themselves in the new world market through M&A.

Fixler and Zieschang (1993) suggest that strategies to improve efficiency can work not only with cost controls but also with management expertise and competence. These skills needed to achieve efficiency can be gained by doing M&A. Congruently, Resti (1998) states that after going through M&A; company knowledge has increased profits and is based on additional size and an improved collection of resources available, such companies have also achieved a high level of efficiency. Weingberg (2007) points out that mergers have an impact on corporate governance as a newly formed company has greater market power over the entire set of skills and competencies that can easily dominate many of the management challenges based on the intent and strive of decision makers.

In contrast, M&A motives such as PDM (β = 4.4.624, p-value = 0.000 <0.05), SBC (β = 00.534, p-value = 0.001 <0.05), EBH (β = 00.296, p- value = 0.001 <0.05), and RSD (β = 00.061, p-value = 0.571 <0.05) all had a negative effect on value-based financial performance as shown in Table 6.2. The results are in line with Motis (2007) theory that second-class business management concepts, including motives such as agency resolution, internal conflict resolution, and major market imperfections. These objectives do not focus on the interests of shareholders, but on the interests of factory managers. Therefore, mergers with such motivations are not activities that increase the value of the firm but rather increase the wealth of management. Having said that, PDM, SBC, EBH, and RSD can undermine the number of shareholders as it is very similar to the inclusion of management. Shleifer and Vishny (1989) argue that management focus is another reason for reducing costs.

Conclusion, Implication and Recondation

Conclusion

Based on the empirical evidence and results of the analysis, several logical conclusions are reached. The findings show that M&A motives enhance shareholder value by having a strong positive effect on acquirer banks' aggregate value-based financial performance (EVA, MVA and CVA). Strengthening market power (Gaughan, 2010; Gupta, 2015; Guo and Yang, 2013; Antoniadis et al., 2014). Financial synergy (Brealey and Myers, 2007; Gaughan, (1991); efficiency gains (Shanmugam, 2003; Pasiouras and Zopounidis, 2008); Synergy Gain (Cost Saving); and desiring control to replace incompetent management (Kumar and Rajib, 2007; Weston et al., 2010) and are the five main motives behind the acquisitions in the Ghanaian banking sector. The study confirmed that the above motives have a positive effect on value-based financial performance (EVA, MVA and CVA).

The results correspond with Motis (2007) views, which clubbed together with the various motives of M&A into two theories. The first group labelled as industrial organization theories that include increasing market power, improving efficiency and defensive or pre-emptive motives. These motives look into value increasing activities of the firm that lead to an increase in future profits and enhance shareholder value. The results of the study are also supported

by Weston et al. (2011) opined those theories of M&A could be classified as value-enhancing activities with motives that include: strengthening of market power; efficiency gain; achieving synergy; reducing transaction cost; and disciplinary takeover.

On the contrary, M&A motives such as PDM, SBC, EBH; and RSD all negatively affect VBFP, as shown in table 1.13. Thus, they have high tendencies of destroying shareholder value in the banking sector. The results correspond with Motis (2007) views, who labelled the second group as corporate governance theories, including motives like solving agency problems, resolving internal inefficiencies, and capital market imperfections. These motives do not consider the interest of shareholders but the interest of managers. Thus, these M&As motives are not value-increasing activities for the banks, they rather increase managers' wealth. That said, PDM, SBC, EBH, and RPD could destroy shareholder value since they are more akin to management entrenchment.

The study found out that if the independent variables (SMP, FS, EG, SG, DT, PDM, SBC, EBH, RSD) were constant at zero, the VBFP realized was 53.150. The results in Table 1.16 shows that five out of the nine merger and acquisition motives have strong positive effect on value-based financial performance of acquirer banks listed on the Ghana Stock Exchange. The model envisaged was fitted as:

$$VBFP = 53.150 + 0.999(EG) + 0.381(SG) + 1.264(FS) + 1.353\ (MP) + 0.348(DT) + \varepsilon$$

The analyzed data findings in Table 5.1 showed that taking other independent variables at zero, a unit increase in EG led to 0.999 increases in VBFP of acquirer banks listed on the Ghana Stock Exchange. A unit increase in SG led to 0.381 increases in VBFP of acquirer banks listed on the Ghana Stock Exchange. A unit increase in FS led to 1.264 increases in VBFP of acquirer banks listed on the Ghana Stock Exchange. A unit increase in SMP led to 1.353 increases in VBFP of acquirer banks listed on the Ghana Stock Exchange. A unit increase in DT led to 0.348 increases in VBFP of acquirer banks listed on the Ghana Stock Exchange.

Table 5.1
Value-Based Merger and Acquisition Motives (VBMAM)

Factor	**β value**	**Significant (p-value)**	**Remarks**
SMP	1.353	P = 0.000 < 0.05	Significant
FS	1.264	P = 0.000 < 0.05	Significant
EG	0.999	P = 0.000 < 0.05	Significant
SG	0.381	P = 0.000 < 0.05	Significant
DT	0.348	P = 0.000 < 0.05	Significant
PDM	-4.624	P = 0.112 > 0.05	Not Significant
SBC	-0.534	P = 0.131 > 0.05	Not Significant
EBH	-0.296	P = 0.142 > 0.05	Not Significant
RS	-0.061	P = 0.571 > 0.05	Not Significant

Theoretical Implications

In this research, factors related with M&A motives (EG, SG in terms of cost savings, FS, SMP, PD, DT, RSD, EBH, SBC) are examined in a holistic conceptual framework. Empirical evidence shows that success of M&A is not dependent upon one single success factor, rather the

interdependencies of several constructs that determine M&A performance. Prior work clearly shows that M&A performance depends on pre-merger issues and post-merger matters (Barkema and Schijven, 2008; Bower, 2001; Stahl and Voigt, 2008). Therefore, this study introduces another construct – M&A motives to the existing two above to form a holistic M&A success framework.

Another important contribution of this study is that it provides an in-depth analysis of the effect of merger and acquisition motives on the success of acquisitions regarding value-based financial performance. The wrong reasons for consolidation and acquisition can undermine the success of the agreement, which is why it is necessary to find the right motives that positively affect shareholders' wealth in the banking sector. However, the current understanding that the incentives for consolidation and acquisition lead to success is limited to the banking sector in Ghana. Therefore, the main purpose of this study was to assess the impact of merger and acquisition factors (EG, SG on cost savings, FG, SMP, PD, DT, RSD, EBH, SBC) on acquisition performance.
This study adopts value-based financial performance indicators. The performance of acquisitions has been examined using economic value-added, market value-added, and cash value added simultaneously. This study attempts to bridge and integrate different value-based approaches to the evident phenomenon of corporate acquisitions. From the viewpoint of academic researchers, the findings highlight the importance of taking a broad perspective in studying acquisition performance from the viewpoint of shareholders instead of reliance on traditional accounting performance indicators such as ratios.

Practical Implications

Firms must heed value-based merger and acquisition motives with the view to increasing shareholders wealth. Merger and acquisition Motives such as the strengthening of market power, efficiency gains, financial synergy, cost savings, replacement of inefficient management should be the basis for mergers and acquisition in the financial sector of Ghana. Managers of financial institutions must comply with the agency theory's dictates by seeking the interest of shareholders. The reason for the high rate of failure in M&As should not be sought in the deal itself, but in the fact that managers all over the world have personal reasons for wanting to be involved in M&As, even though they prove to be value-destroying or at best, not value-creating. Hence, the deals go wrong because they were doomed from the beginning. The most discussed of the personal reasons is empire-building, as revealed by this study, and it is indicative of how managers put their interest ahead of those of the shareholders. In a larger company like banks, managers will most likely receive higher salaries, more perks, and better advancement chances. Being a bank manager is also often associated with a higher social status than managing a smaller company. The argument is that managers are looking out for their interests when they engage in M&As (Child et al., 2001). This merger motive must be discouraged since it destroys shareholder value. The interest of shareholders must occupy the minds of managers when deciding on any investment activity.

Managers should not engage in the M&A process to enhance their welfare at the expense of the acquired shareholders' wealth. Maksimovic et al (2011) call this the Empire building Theory. Managers should desist from embarking on M&A to maximize their utility at the expense of their firm's shareholders (Seth et al., 2000). Managerial self-interest (or materialism) and hubris are two main M&A motives, according to (Wang and Hoini, 2012;

Seth et al., 2000). These two motives could destroy shareholder value and should be discouraged amongst managers. Moreover, firms with tendencies of bankruptcy and consequent liquidation should consider M&A activity to revive the firm's fortunes. There is no gainsaying that banks face intense competition from other financial and non-financial firms (such as brokerage firms, finance companies, insurance companies, investment banks, credit institutions), resulting in a continuous decline in profitability.

Limitation and Further Studies

Future studies on an expanded scope that captures all listed firms on the Ghana Stock Exchange can help put forth a more generalized opinion in this area of study. Expanding the scope will reveal whether some of the limiting factors to estimate the economic value added, cash value added and market value added are industry-specific or to survive and maintain adequate profit levels to maximise shareholders' wealth, banks needed to develop value-based M&A motives as a logical way of eschewing the tendencies of bankruptcy and subsequent liquidation, country-specific.

In order to aid a better comprehension of the potency of the modern performance indicators which best depicts the actual performance of firms and subsequently determines the firm's value (stock price), more studies must be conducted on the other value-based measures on listed banks, and other listed firms on the Ghana Stock Exchange. The recommended modern indicators to be investigated on the firms include Cash Flow Return on Investment (CFROI), and Shareholder Value Added (SVA).

The study was restricted to listed acquirer banks in the Ghanaian banking sector. To test the operability of the M&A motives, further studies should be carried out on other non-financial firms listed on the Ghana Stock Exchange involved in M&A activity over the years using the same value-based financial performance.

The variable of M&A performance in the current study was based on EVA, MVA and CVA. This is only one way of measuring post-M&A performance. It is recommended that future study is conducted on the impact of holistic M&A motives on accounting base measures such as accounting ratios.

The differences in national cultures and M&A performance among countries may have different implications. Therefore, further studies are encouraged on the impact of a holistic cross border M&A motives on the value-based financial performance of companies listed on the Ghana Stock Exchange.

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