

African Research Review

An International Multi-Disciplinary Journal, Ethiopia

Vol. 4 (1) January, 2010

ISSN 1994-9057 (Print)

ISSN 2070-0083 (Online)

Short Term Effect of Consolidation on Profitability of Nigerian Banks (Pp 322- 337)

Sanni, M.R. - Department of Accountancy, The Federal Polytechnic, Ilaro, Ogun State, Nigeria.

E-mail: babasanni@yahoo.com

+234(0) 8035629290

Abstract

Has the 2006 consolidation of banks in Nigeria led to a significant change in the profitability [Earning Per Share (EPS)] of the banks? This paper examined the EPS of 13 out of the 25 post consolidation 'mega' banks. The banks examined are those that fairly retained their identities before and after the consolidation exercise. The three-year (2003-2005) pre consolidation EPS mean of the banks was compared with the three-year (2006-2008) post consolidation period. Using descriptive statistical method, the combined EPS of the banks changed but not significantly at 5% significant level when a paired sample t-test statistical method was used. Three of the banks however stood out. The change (an increase) in the EPS of two of them is significant while the change (a decrease) in the third one is also significant not only at 5% but at 1%. The findings here confirm the existing controversy on whether or not mergers or acquisitions lead to improved profitability. What is however clear is that barring any effect of the present global economic meltdown; it may take some time for the EPS of most of the banks to change significantly.

Key Words: EPS Profitability Consolidation

Introduction

The **CAMEL** ratings (acronym for Capital adequacy, Asset quality, Management competence, Earnings strength and Liquidity position) of

Nigerian banks showed that thirty percent of the banks were either marginally unsound or totally unsound in 2004, meaning that one out of every three banks was affected. Bank failure, it should be noted, had earlier been experienced in the 1990s during which period one out of every two banks was distressed (Adewoyin, 2006).

The situation was described this way by Kareem (2008):

... by May 1996, 60 out of the nation's remaining 115 banks were distressed (five banks out of the previously existing 120 banks had earlier been liquidated). The 60 banks had non-performing loans of N35.88 billion, amounting to 62 per-cent of the banking industries' total of N57.87 billion. The total deposits of the distressed banks stood at N93.52 billion (45%) out of the banking industry's total of N208.73 billion while their insured deposits stood at N52.61 billion (50%) as against the industry's total of N105.9 billion....

With the above scenario in mind, the Governor of The Central Bank of Nigeria (CBN) in an attempt to prevent a repeat of the crisis of the last decade at a special meeting with the Bankers Committee on July 6, 2004 read out an on-going reform agenda which has permanently altered the Nigerian banking literature for good.

The main components of the reforms include the following:

- Minimum capitalization of N25 billion for banks with full compliance by December 31, 2005.
- Consolidation of banking institutions through mergers and acquisition.

One of the benefits of the consolidation exercise to shareholders as enumerated by Nwude (2008) is that it assures stability, potential for growth and sound shareholders' funds as the banks take on bigger investment opportunities.

The next question to ask is: Is it really true that the consolidation exercise has led to a significant increase in profitability of the bank three years after the exercise? It is the desire to answer this and other similar questions that motivated this research work.

The rest of the paper is divided into four sections. Section two is on review of related literature, section three on research methodology and model specification. Section four is on findings and discussions while section five concludes it.

Review of Related Literature

In practice the promised gains to shareholders in acquiring companies are not easily identified. A stream of empirical researches has examined the post-acquisition performances of bidders and has generally failed to find consistent evidence of improvement in shareholders' wealth after acquisitions (Sanni, 2008a). These findings appear to hold in the short run and in the long run. From a management perspective, these findings are troublesome and raise important questions about the wisdom of takeover activities. Despite the disappointing evidence on bidder's performances, there is no evidence that past failures to generate positive shareholders' returns has had an impact on the volume and acquisition activities.

There are many studies on the effects of M&A on financial performances of merged organizations. Singh (1971), in a sample covering the period 1955-1960 found that two-thirds of the seventy-seven companies which acquired other companies in the same industry had lower profits in the year after merger than in the earlier years. Utton, as quoted by Ahmad (2003) selected a sample of thirty-nine frequent acquirers in the period 1966-1970. For both periods, the average profitability of the sample was lower than that of the control group. Utton concluded first that companies which had relied heavily on external expansion had a lower profitability in a subsequent period of internal expansions and second, that the profitability could be maintained more readily in companies which demonstrate a slower growth rate, but rely on internal rather than external expansion.

The study of Meek (1977) was based on a sample of 233 large listed companies in the UK, which merged between 1964 and 1974. The merger profitability (the average of the three years profitability prior to the merger) was estimated for the merging companies and was compared with after the merger, having 'standardized' the profitability in relation to the average profitability of the appropriate industrial sector. The outcome of the study shows that apart from the merger year itself, profitability declined on an average and between one-half and two-thirds of the companies experienced a decline in profitability in each year after merger.

Newbould (1970) revealed that after two years, seventeen out of thirty-eight companies in the sample reported no benefits were anticipated within the next five years. Thirty per cent of UK acquisitions were failures, concluded Kitching (1974)

Berger and Humphrey (1992) examined mergers occurring in the 1980s that involved banking organizations with at least \$1 billion in assets and found that on average, mergers led to no significant gains in X- efficiency. Akhavein, Berger and Humphrey (1997) analyzed changes in profitability experienced in the same set of large mergers as examined by Berger and Humphrey. They found that banking organizations significantly improved their profit efficiency ranking after mergers. However, works based on more traditional ROA and ROE which excluded loan loss provisions and taxes from net income did not change significantly following consolidation. Elumilade (2008) worked on the effect of mergers and acquisitions on banks' operating performance in Nigeria. He found out among other things that the 2006 consolidation of banks in Nigeria led to improved performance of the merged and acquired banks, using the profit generating capacity of the banks. Their performances were better than those that did not merge.

Measure of Profitability

Three indicators, namely: Net Interest Margin (NIM), Return On Assets (ROA) and Return On Equity (ROE) are identified by Ahmed (2003) to be widely employed in the literature to measure profitability. However, there were divergent views among scholars on the superiority of one indicator over the others as a good measure of profitability. For instance, Goudreau and Whitehead (1989) and Uchendu (1995) believe that the three indicators are all good. Hancock (1989) used only ROE to measure profitability in her study. Also, Odufulu (1994) used only the gross profit margin in measuring profitability. Ogunleye (1995) did not believe that profit level per se could constitute a good measure of profitability and therefore used ROA and ROE. Profitability measures according to Akinola (2008) include Profit Before Tax (PBT), Profit After Tax (PAT), the rate of Return On Equity (ROE), Rate of Return On Capital (ROC) and Rate of Return on Assets (ROA). What this means in summary is that anyone or a combination of the indicators can be used to measure profitability of a firm depending on the objective of the analyst.

We shall stick to ROE for the purpose of this research work and we shall take it to mean Earning per share (EPS). This is line with the work of Adereti and Sanni (2007) and Sanni, Akinpelu and Ademola (2008). The use of ROE or

ROCE, it must be pointed out, will produce lesser amounts than those of EPS for obvious reasons and so, the conclusions from them may be worse than those from EPS. What concern an average Nigerian investor are the EPS, DPS and share prices (for those who invest for capital appreciation). It is in recognition of this fact that most companies display them in their published financial statements.

Akingunola and Olanrewaju (2000) on the following grounds had earlier justified the appropriateness of the use of profit maximization as a business objective:

- A rational being, performing any economic activity rationally aims at utility maximization. It is argued that that utility can be easily measured in terms of profits.
- Profit maximization ensures economic natural selection and in the end only profit maximizers survive.
- The firm, by performing its objective of profit maximization also maximizes social economic welfare.

Pandey (2005) opined that profit maximization implies that a firm either produces maximum output for a given amount of input or uses minimum input to produce a given output. The underlying logic of profit maximization is efficiency. It is assumed that profit is considered as the most appropriate measure of a firm's performance.

However, when one talks of profitability, one should be wary of accounting tricks and their effects on profitability and on investors (Akinsanya, 2008). Smith (1992) as quoted by Akinsanya identified twelve techniques, which though legal, can mislead investors. These include inconsistent use of extraordinary and exceptional items, some tricks of acquisition and disposal accounting, off balance sheet financing, disguising debt as equity, changing depreciation rules and capitalizing costs. These practices tend to do one of two things: increase reported profits or make a company's balance sheet stronger so that the shares of the company may be over valued. He concluded in his research of the study of American firms that the market is under performed by 20-25% over the five years after the tricks were introduced.

Research Methodology and Model Specification

The paper made use of secondary data. The data are on the Earnings Per Share (EPS) of 13 (thirteen) out of the twenty-five [(25) but later reduced to

twenty-four (24)] “mega” banks that remained after the consolidation exercise of January 1st, 2006. The data were in two categories: those for the pre-consolidation period of 2003-2005 and those of post-consolidation period of 2006-2008, making three (3) years for each period.

The banks used as case study cut across three (3) strata. From “old” generation banks five (5) were selected: Afribank Plc, First Bank Plc, UBA Plc, Union Bank Plc and Wema Bank Plc. Four (4) “new” generation banks were included. These are: Guaranty Trust Bank Plc, Intercontinental Bank Plc, Oceanic Bank Plc and Zenith Bank Plc. Also included are four (4) “up-coming” (that is, neither “old” nor “new” generation) banks. These are: Access Bank Plc, Ecobank Plc, First City Monument Bank Plc and First Inland (But later changed to Finland Bank) Plc.

The banks chosen in most cases are those that fairly retained their identities before and after the consolidation exercise and whose published financial reports and required data were available for the whole period under review.

The secondary data used were sourced from the Daily Official List (Equities) of The Nigerian Stock Exchange and the website of The Nigerian Stock Exchange. While the Earnings Per Share between 2003 and 2007 were as at 31 December on the daily official lists, those of 2008 were as on the website of the Exchange as on the 9th of April 2009. This is to take care of non-uniform accounting dates among the banks and reduce the effects of the global financial meltdown (if any). The author also made some computations.

The model used for this study is the descriptive (narrative) statistical method in conjunction with paired sample t- tests statistic. This is in agreement with an earlier work of Sanni (2008b). Paired sample t-test statistic was used because among other uses, the t-test is a statistical tool used to test the significance of the difference between two sample means observed at two points in time (Carver and Nash, 2000, Sanni, 2008c). This is an improvement on the ordinary student t-test used by Adereti and Sanni (2007), Banjo (2007), Sanni, Akinpelu and Ademola (2008) and Sanni (2008c).

Hypothesis tested.

The paper tested only one hypothesis in its effort to make the research objective achievable. This is:

Ho: The banking consolidation of 2006 in Nigeria has not led to any significant change in the profitability of the affected banks.

Hi: The banking consolidation of 2006 in Nigeria has led to a significant change in the profitability of the affected banks.

Model Specification

The test of significant difference between two means carried out with calculated t-value is:

$$t_{cal} = \frac{\bar{X}_a - \bar{X}_f}{\sqrt{\frac{\delta^2_a}{n_a} - \frac{\delta^2_f}{n_f}}}$$

Where:

$\bar{X}_a$ = Mean of Post – consolidation Earnings Per Share of the banks used as case study.

$\bar{X}_f$ = Mean of Pre – consolidation Earnings Per Share of the banks used as case study.

δ^2_a = Variance of Post – consolidation Earnings Per Share of the banks used as case study.

δ^2_f = Variance of Pre – consolidation Earnings Per Share of the banks used as case study.

n_a = Number of post consolidation years.

n_f = Number of pre-consolidation years.

The calculated P –value (significance level) is compared with 0.05 level of significance

Decision rule

Accept H_0 if Calculated P-value > 0.05.

Reject H_0 if Calculated P-value < 0.05.

Findings and Discussions

The Pre-Consolidation Period (2003-2005)

The EPS of the combined banks recorded a marginal loss of 6.21% in 2004 when it fell from N12.23 in 2003 to N11.47 in 2004 (Table 1). Interestingly, almost all the banks recorded increases over the same period, the highest by

Oceanic Bank Plc that had over 11,500% increase. The worst performance was by Intercontinental Bank Plc, whose EPS declined by as much as 41.51%.

Banks operations, it must be pointed out, were affected by a lot of macro and micro economic variables in 2004. For an example, in continuation of its medium term framework for the conduct of the monetary policy, the Central Bank of Nigeria (CBN) released its Monetary and Credit Policy Guidelines for 2004/2005, which retained most of the measures in the 2002/2003 policy guidelines. However, the critical changes worthy of note, as observed by Yakubu (2004) included *inter alia*, the following:

- Increase in the minimum ratio of capital to total risk-weighted assets from 8% to 10% effective from 1st January 2004.
- Cash Reserve Ratio (CRR) for all banks was reduced to 9.5%.
- Introduction of National Credit Guarantee Scheme (NCGS) for loans granted to Small and Medium Enterprises.

Despite government's desire to lower interest rates, lending rates continued to be high, ranging from 17% to 20% with additional fees of between 5% and 7.5%. All these positive changes did not have positive effect on the profitability of banks mainly because of government's continued withdrawal of public sector funds from the banking system (Alabi, 2005).

The EPS of the combined banks used as the case study increased by 6% in 2005, from N11.47 in 2004 to N11.53 in 2005 (Table 1). Most of the banks improved on their EPS, the highest of 212.50% coming from First City Monument Bank Plc and the worst loss of 87.18% by WEMA Bank Plc. Banks would have performed better during the year but for their over dependence on government deposits which accounted for 20% of total deposit liabilities of deposit money banks. The CBN commenced phased withdrawal of N74.5 billion government funds from banks. This created panic and mistrust in the system as some relatively small banks, which depended on the funds were reported to have defaulted in their financial obligations (Mutallab, 2005).

In all, the EPS of the combined banks used as case study declined by 5.72% in 2005 when compared with the one in 2003. This is because the EPS fell from N12.23 in 2003 to N11.53 in 2005. The result is however mixed for individual banks. The EPS of some of the banks increased throughout the pre-consolidation period. In this category are First City Monument Bank Plc,

whose EPS increased by 60% in 2004 and by 212.50% in 2005, Oceanic Bank Plc (11,566%, 80%), UBA Plc (14.73%, 8.78%) and Union Bank Plc (16.89%, 21.39%).

The EPS of Access Bank Plc increased by 14.29% before declining by 43.75%. Others in this category are: Afribank Plc (25% increase followed by 64% decrease), Guaranty Trust Bank Plc (9.52% increase, 18.84% decrease) and WEMA Bank Plc (151.61% increase, 87.18% decrease).

The EPS of First Bank Plc on the other hand, declined by 23.72% in 2004 before increasing by 2.13% in 2005. The same pattern was followed by First Inland Bank Plc (2.0% decline, followed by 6.13 increase) and Zenith Bank Plc (39.16% decrease, 56.32% increase). Only one bank, Intercontinental Bank Plc had reduced EPS throughout the period. Its EPS decreased by 4.51% in 2004 and by 37.63% a year later.

Post-Consolidation Period (2006 – 2008).

The combined EPS of the banks used as case study declined from N11.53 in 2005 to N11.32 in 2006, a reduction of 1.82% (Table 2). This notwithstanding, the EPS of some of the banks increased, the highest coming from Afribank Plc (466.67%), while some, as expected declined, the highest of 88.20% from First Bank Plc.

The macroeconomic environment for 2006 remained positive and the Nigerian economy recorded remarkable growth in major economic indices. The growth in money supply stood at 29%, almost at par with the 2006 budget assumption of 28% (Oyebode, 2006). The increase in money supply boosted credit creation and Balance Sheet growth in the banking system. The inflation rate improved to within single digit margin but nominal interest rate remained high. As a result, the cost of production and funding were high. Consolidation took effect in the banking sector, starting from January 1st 2006. Some banks (like Access Bank Plc) wrote off Goodwill and merger expenses (N7.5 billion by Access Bank Plc) during the year. Obviously, this dampened the financial performances recorded by most of the banks.

In 2007 the combined EPS of the banks used as case study grew by 36.40% when it rose from N11.32 in 2006 to N15.44. The EPS of individual banks also increased with the exception of that of First Bank Plc that fell by 34.27%. Access Bank Plc recorded the highest increase of 300%.

The monetary policy goals in 2007 were to ensure price stability and adherence to the Policy Support Instrument (PSI) target for monetary aggregates. The CBN Monetary Policy Rate (MPR) was lowered from 10% to 8% in June 2007. The CBN deposit lending facilities stood at 5.5% in response to the increase inflationary pressures of the last quarter of 2007. The banking industry witnessed the beginning of market-induced consolidation with the merger of IBTC-Chartered Bank Plc and Stanbic Bank Ltd. The soundness of the financial system has never been better in Nigerian banking history (Ezeh, 2008). The total assets of Nigerian banks grew by 227% in 2003 and 2007 with eleven banks having over US\$1 billion in Tier 1 capital by the end of 2007.

In 2008, the EPS of the combined banks rose by 32.62%. The EPS of individual banks increased the highest of 271.43% by Eco Bank Plc. Only one bank, Afribank Plc recorded a decrease (of 12.68%).

Paired Sample t-tests Statistic

The paired sample t-test statistic of the combined mean is N4.00 (Table 3). The paired sample t-tests statistics for each of the banks are all positive (except for First Bank Plc and Union Bank Plc) the highest of N1.14 by Oceanic Bank Plc, and the least of N4.333E-02 by WEMA Bank Plc. This indicates that the post- consolidation mean of the combined EPS is more than the pre-consolidation mean. This is also true for most of the banks. It means that except for First Bank Plc and Union Bank Plc, there was an increase in the EPS of each of the banks after the 2006 consolidation exercise.

Looking critically at Table 3, the paired mean difference of the combined banks (N4.00) being significant at 0.30 is not significant at 0.05. The two-tail significant levels of most of the banks are not also significant at 0.05 significant level. The highest paired mean difference of N0.87 by Afribank Plc and the least of N0.21 by First Inland Bank Plc are not significant. What this means in effect is that though there are increases in the EPS of these banks after the 2006 consolidation exercise, such increases are not significant. Three of the banks used as case study however stood out. The paired mean difference (an increase) of N1.14 by Oceanic Bank Plc and N0.38 by UBA Plc are significant not only at 0.05 but at 0.01. The N0.11 paired mean difference (a loss) by Union Bank Plc is also significant at 0.01. Of interest is the fact that two of the three banks involved are 'old' generation banks.

Summary and Conclusions

The paper took a look at the 2006 consolidation of banks exercise in Nigeria with a view of finding out whether it has any significant effect on the profitability of the banks. The three- year (2003-2005) pre consolidation EPS were compared with three- year (2006-2008) post consolidation EPS. Using descriptive statistical method, the mean of post consolidation EPS is more than the pre consolidations mean for the combined banks and for most of the individual banks. When sampled paired t-test statistical method was used however, it was found that the difference in the mean of the combined banks is not significant at 0.05. The same things applied to most of the banks individually. Three of the banks however stood out, as the difference in their mean is significant at 0.01. The result is therefore mixed for the banks.

Reason for the non-significance of the difference might be due to the fact that some banks (like Access Bank Plc) wrote off Goodwill and merger expenses (N7.5 billion by Access Bank Plc) during the post consolidation period. Again, most of the banks invested heavily in ICT in order to fight competition that arose from consolidation. This is a long- term strategy, which according to Banjo, may not be profitable in the short term.

One of the limitations to this work, which must be pointed out, is the fact that inflation/time value of money has not been considered. Another is that there were lots of discrepancies between the EPS in the Annual Report and Accounts of the banks, the website of The Nigerian Stock Exchange and Daily Official List (Equities) of The Nigerian Stock Exchange. Similar problem was encountered by Akinola (2008). The EPS in the Daily Official lists were used throughout except for 2008 when those in the website of The Nigerian Stock Exchange as at April 9th 2009 were used. The choice of EPS as a measure of profitability is being faulted in some quarters. This is because “issued capital”, it is being argued, would not give a true picture of total capital available if management for any reasons decides not to capitalize all of the funds belonging to shareholders. If other variables like Return on Equity (ROE) or Return on Capital Employed (ROCE) had been used, possibly different conclusions would have been reached. Again there is a danger of committing Type II error when the number of years used in an observation is too small. This can only be minimized by the way the hypothesis is formulated as the number of years (short term which is usually between one and three years) cannot be increased in this case.

Rererences

- Adereti A & Sanni M.R. (2007). The effects of mergers and acquisitions on corporate performances. *Knowledge Review*, 15 (9), 81-87.
- Adewoyin, A. O (2006). The implications of reform on banking sector. *Journal of Business and Management*, 5(1) pp 1-13.
- Ahmed, H. I (2003). Trend in the profitability of banks in Nigeria before and during interest rate deregulation: A comparative analysis, *NDIC Quarterly*, 13, September, p 62.
- Akhavein, J.D, Berger, A.N & Humphrey, D.B (1997): The effects of mega mergers on efficiency and Prices: Evidence from a bank profit function. *Review of Industrial Organization*, 12, 95 – 139.
- Akingunola, R.O and Olanrewaju, P.O (2000). *Fundamentals of Finance*, Ago-Iwoye, Centre For Sandwich Programme (CESAP), Olabisi Onabanjo University, P 5.
- Akinola, G.O (2008). *Effect of globalization on market structure, conduct and performance in Nigerian banking industry*. An unpublished Ph.D post field seminar, Department of Management and Accounting, Obafemi Awolowo University, Ile – Ife, P 18.
- Akinsanya, O.S (2008). *The impact of profitability on share prices: A case study of The Nigerian Breweries and Guinness Nigeria Plc*. An unpublished HND (Accountancy) project, The Federal Polytechnic, Ilaro, Ogun State, Nigeria. Pp 13-15.
- Alabi, C (2005). Chairman's Statement, *2004/2005 Annual Report & Accounts, Intercontinental Capital Market Ltd*, pp 6-7.
- Banjo, E.O (2007). *An overview of forecasts in prospectus and actual performances of manufacturing companies in Nigeria (2000 – 2005)*. An unpublished Project for the award of HND (Accountancy), by The Federal Polytechnic, Ilaro, Ogun State, Nigeria, pp 15-16.
- Berger, A.N, Humphrey T.O (1992). The relationship between capital and earnings in banking. *Journal of Money, Credit and Banking*, 27, pp 432 – 456.
- Carver, R.H & Nash J. G. (2000). *Doing statistics with SPSS 10.0*, Duxbury, USA Pacific Grove, P 128.

- Elumilade, D.O (2008). Effect of mergers and acquisitions on banks' operating performance in Nigeria. An unpublished Ph.D thesis submitted to The Department of Management and Accounting, Obafemi Awolowo University, Ile – Ife. Pp 172 – 174.
- Ezeh, C (2008). Chairman's Statement, *Annual Report & Accounts 2008, Fidelity Bank Plc*, pp 16-17.
- Goudrean, R.E, Whitehead D.D (1989). Commercial bank profitability improved in 1988, *Economic Review*, Federal Reserve Bank of Atlanta, July/August.
- Hancock, D (1989). Bank Profitability, Deregulation And The Production Of Financial Services, *Research Working Paper*, Federal Reserve Bank Of Kansas City, December.
- Kareem, A. O (2008). *The impact of mergers and acquisitions on employment in Nigerian banking industry*. M.Phil Proposal, Department of Management and Accounting, Obafemi Awolowo University, Ile-Ife, P 13
- Kitching, J (1974). Why do mergers miscarry? *Harvard Business Review*, Nov/Dec.
- Meek, G (1977). *Disappointing marriage: A case study of the gains from mergers*, Cambridge, Cambridge University Press.
- Mutallab, U.A (2005). Chairman's Statement, *Leadership, First Bank of Nigeria Plc, Annual Report & Accounts_2005*. P 21.
- Newbould, J (1970): *Management and Merger Activities*, Guthstead, Liverpool, England, pp 58-64.
- Nwude, C (2008): Capital market frauds in a developing economy – Nigeria. *The Nigerian Banker*, July – September, pp 15 – 21.
- Odufalu, O. (1994): "Monetary Policy And Banks' Profitability In Nigeria", *First Bank Of Nigeria Plc, Bi-Annual Review*, Dec.
- Ogunleye, R.W. (1995): "Monetary Policy Influence on Banks' Profitability", *NDIC Quarterly*, Vol. 5, No 4, December.
- Oyebode, G (2007). Chairman's Statement, *2007 Annual Report & Accounts (Abridged)*, *Access Bank Plc*, pp 6-8.

- Pandey, I.A (2005). *Financial Management (9th Edition)*, New Delhi, VIKAS Publishing House, pp 77-79, 104.
- Sanni M.R (2008a). The impacts of gearing on profitability of manufacturing companies in Nigeria. *Journal of Management and Enterprise Development*, 5 (4), 77-83.
- Sanni, M.R. (2008b). The effects of the merger of United Nigeria Textiles Plc and Nichemtex Industries Plc on profitability. *International Journal of Accounting*, (Expected).
- Sanni, M.R (2008c). Forecasts in prospectuses and actual performances of selected companies in Nigeria. *International Journal of Banking and Finance*. (Expected).
- Sanni M.R, Akinpelu Y.O & Ademola E.A. (2007): Post merger profitability of oil companies in Nigeria: A case study of Total Nigeria Plc and Oando Nigeria Plc. *International Journal of Economic and Development Issues*, 7(1) pp 104 – 112.
- Singh, A (1971): *Takeovers*, Cambridge University Press, Cambridge. P 346.
- Smith, T (1992). *Accounting for growth: Stripping the camouflage from company accounts*, London, Random House/Century Business, pp 238 – 421.
- Uchendu, O.A (1995): Monetary policy and the performance of commercial banking in Nigeria, Monograph, Research Department, CBN.
- Yakubu, M.G. (2004). Chairman's Statement, *Annual Report & Accounts, Union Bank of Nigeria Plc*, P 9.

Table 1: Earnings Per Share of selected Nigerian banks as at the end of financial years ending 2003-2005 (The Pre Consolidation Period)

	A 2003 N	B 2004 N	% Change 03/04	C 2005 N	% Change 04/05	Total (A+B+C) N
BANKS.						
1. ACCESS	0.14	0.16	14.29	0.09	(43.75)	0.39
2. AFRI	0.20	0.25	25.00	0.09	(64.00)	0.54
3. ECO	0.08	0.08	-	0.15	87.50	0.31
4. FIRST	4.30	3.28	(23.72)	3.35	2.13	10.93
5. FIRST CITY	0.05	0.08	60.00	0.25	212.50	0.38
6. FIRST INL	0.10	0.098	(02.00)	0.104	6.12	0.30
7. GUARANTY	1.26	1.38	09.52	1.12	(18.84)	3.76
8. INTERCON	1.59	0.93	(41.51)	0.58	(37.63)	3.10
9. OCEANIC	0.003	0.35	11566.67	0.63	80.00	0.98
10.UBA	1.29	1.48	14.73	1.61	8.78	4.38
11.UNION	1.48	1.73	16.89	2.10	21.39	5.31
12.WEMA	0.31	0.78	151.61	0.10	(87.18)	1.19
13.ZENITH	1.43	0.87	(39.16)	1.36	56.32	3.66
TOTAL	12.23	11.47	(6.21)	11.53	6.00	35.23

Sources: Daily Official List (Equities) of The Nigerian Stock Exchange.
Website of The Nigerian Stock Exchange.
Computations by the author.

Table 2: Earning Per Share of selected Nigerian banks as at financial years ending 2006-2008 (The Post Consolidation Period).

	2005/2006 % Change	A 2006 N	B 2007 N	% Change 06/07	C 2008** N	% Change 07/08	Total (A+B+C) N
BANKS.							
1. ACCESS	222.22	0.29	1.16	300.00	1.50	29.31	2.95
2. AFRI	466.67	0.51	1.42	178.43	1.24	(12.68)	
3.17							
3. ECO	000.00	0.15	0.28	86.67	1.04	271.43	
1.47							
4. FIRST	(88.20)	1.78	1.17	(34.27)	1.75	49.57	
4.70							
5. FIRST CITY MON	48.00	0.37	0.95	156.76	1.13	189.47	
2.45							
6. FIRST INLAND	(10.40)	0.00	0.47	47.00	0.47	00.00	
0.94							
7. GUARANTY TRU	27.68	1.43	1.26	(0.12)	1.94	53.97	
4.63							

8. INTERCON 4.61	89.66	1.10	1.24	12.73	2.27	83.06	
9. OCEANIC 4.40	63.49	1.03	1.51	46.60	1.86	23.18	
10.UBA 5.51	1.86	1.64	1.90	15.85	1.97	3.68	
11.UNION 4.99	(34.76)	1.37	1.63	18.98	1.99	22.09	
12.WEMA 1.32	120.00	0.22	0.55	150.00	0.55	00.00	
13.ZENITH 6.10	5.17	1.43	1.90	32.87	2.77	45.79	
TOTAL	(1.82)	11.32	15.44	36.40	20.48	32.62	47.24

Sources: Daily Official List (Equities) of The Nigerian Stock Exchange.
Website of The Nigerian Stock Exchange.
Computations by the author.

** EPS as on the website of The Nigerian Stock Exchange on April 9th 2009.

Table 3: Paired Sample t-test (Post Consolidation Mean of Earnings Per Share less Pre Consolidation Mean of Earnings Share Price).

BANKS.	Paired Mean Diff	t-cal	2- tail Sign level	Stand Deviation
1. ACCESS	0.85	2.30	0.15	0.64
2. AFRI	0.87	3.09	0.09	0.49
3. ECO	0.39	1.52	0.27	0.44
4. FIRST	(2.07)	(7.80)	0.16	0.46
5. FIRST CITY	0.69	3.73	0.07	0.32
6. FIRST INLA	0.21	1.36	0.21	0.27
7. GUARANTY	0.29	1.04	0.41	0.48
8. INTERCON	0.50	0.79	0.51	1.10
9. OCEANIC	1.14	19.13	0.003	0.10
10.UBA	0.38	17.23	0.003	2.1866E-02
11.UNION	(0.11)	(32.00)	0.001	5.77E-03
12.WEMA	4.333E-02	0.21	0.85	0.36
13.ZENITH	0.81	1.93	0.19	0.73
TOTAL	4.00	1.41	0.30	4.93

Source: Computations from SPSS.