IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN:2278-487X, p-ISSN: 2319-7668. Volume 27, Issue 5. Ser. 2 (May. 2025), PP 41-51
www.iosrjournals.org

Mergers and Acquisitions, and The Consequential Impact on Corporate Financial Performance: Evidence from The Nigerian Stock Exchange

Amah, Cletus Okey
PhD, PhD, FNIM, FCPA, FCNA, FCFIA, FMSSRN
University Of Port Harcourt Business School, Port Harcourt.

Andy-Wabali, Chiwenwo Sybel
B.Sc., MBA, ACA, ACTI, MNIN
University Of Port Harcourt Business School, Port Harcourt

Abstract
Driven largely by regulatory reforms with the attendant economic liberalization, and lubricated by competitive pressures, the Nigerian corporate horizon has, in the past two decades, witnessed a radical increase in Merger and Acquisition (M&A) activities, particularly in the banking, manufacturing, and telecommunications sectors. The primary motivation behind M&A transactions is the pursuit of ***synergy****, where the combined firm is expected to generate greater value than the sum of the individual firms. However, the pervasive notion of M & A as a putativedeterminant of Corporate financial performance is not always supported by relevant literature and empirical evidence both of whichsometimes point rather to ambiguity in the functional relationship between these strategic variables. This study examines the impact of M&A activities, our* ***Predictor Variable****- with* ***Firm Size, Corporate Social Responsibility (CSR),*** *and* ***Corporate Governance Disclosure (CGD)*** *as the operational dimensions - on* ***Corporate Financial Performance****,* ***our Criterion Variable****, measuredby* ***Return on Equity (ROE)****. The study used secondary data obtained from the Nigerian Stock Exchange relating to recent M&A transactions (from 2011 to 2023) of listed firms in Nigeria. Pre- and post-merger financial and operational performance indicators were evaluated and four hypotheses tested using Panel Regression analysis to ascertain the relationship between the variables. The findings reveal that* ***M&A activities*** *and* ***Firm Size****have a positive and significant impact on* ***ROE****, indicating that strategic consolidation and operational scale contribute to financial growth. However,* ***CSR*** *and* ***CGD*** *exhibit negative but significant impacts, suggesting that while these practices enhance corporate reputation, they impose substantial costs that may erode short-term profitability. Based on these findings, the study recommends that firms engage in strategic M&A planning, optimize firm size for efficiency, align CSR initiatives with financial goals, and implement cost-effective governance reporting practices. These strategies will enable firms to maximize the benefits of M&A while mitigating financial burdens associated with regulatory compliance and social responsibility. The study contributes to the ongoing discourse on corporate restructuring and firm performance in emerging markets, providing empirical evidence for policymakers, investors, and business executives.*

Keywords:*Mergers and Acquisitions, Firm Performance, Corporate Governance Disclosure, Corporate Social Responsibility, Nigerian Stock Exchange, Return on Equity.*

Date of Submission: 25-04-2025 Date of Acceptance: 05-05-2025

I. Introduction

Mergers and acquisitions (M&A) have long been regarded as strategic tools for corporate growth, restructuring, and market expansion. These transactions, which involve the consolidation of companies through either a merger (where two firms combine to form a new entity) or an acquisition (where one company takes control of another), have significant implications for firm performance. The Nigerian financial landscape has witnessed a rise in M&A activities, particularly in the banking, manufacturing, and telecommunications sectors. This increase has been driven by regulatory reforms, economic liberalization, and competitive pressures. The primary motivation behind M&A transactions is the pursuit of synergy, where the combined firm is expected to generate greater value than the sum of the individual firms. Synergies can arise from economies of scale, operational efficiencies, improved resource allocation, and enhanced market share. However, empirical evidence on the success of M&A transactions in achieving these synergies remains mixed. Some studies suggest that M&A lead to improved financial and operational performance, while others argue that they result in inefficiencies, cultural clashes, and value destruction.

M&A serve as critical instruments in corporate strategy, enabling firms to expand their market presence, diversify their product offerings, and enhance competitive advantage. In Nigeria, M&A activities have played a crucial role in the consolidation of industries, particularly in the banking sector. Following the 2005 banking sector consolidation policy introduced by the Central Bank of Nigeria (CBN), several banks merged or were acquired to meet the new minimum capital requirement. This restructuring led to a stronger and more resilient banking sector, with enhanced financial stability and global competitiveness. Apart from banking, M&A transactions have also been prominent in the manufacturing, oil and gas, and telecommunications sectors. The acquisition of Starcomms by Capcom, for instance, was aimed at improving telecommunications infrastructure and service delivery. Similarly, mergers in the oil and gas sector have been driven by the need for operational efficiency and increased investment in exploration and production activities. Despite the strategic importance of M&A, the outcomes of these transactions are not always positive. Several factors influence the success or failure of M&A, including due diligence processes, regulatory compliance, cultural integration, leadership effectiveness, and market conditions. Understanding these factors is essential for policymakers, investors, and corporate managers to make informed decisions regarding M&A transactions.

Research Problem

Mergers and Acquisitions (M&A) have emerged as strategic tools for corporate growth, market expansion, and efficiency enhancement, particularly in emerging economies like Nigeria. Firms engage in M&A to achieve economies of scale, enhance competitiveness, and improve shareholder value. However, despite the increasing trend of M&A activities among listed firms on the Nigerian Stock Exchange (NSE), empirical evidence on their impact on firm performance remains inconclusive. While some studies suggest that M&A transactions lead to financial growth and operational synergy (Adebayo & Olayemi, 2021; Oladele et al., 2020), others indicate that they may result in value destruction, managerial inefficiencies, and post-merger integration challenges (Ezeoha et al., 2018). The lack of a clear consensus on the effectiveness of M&A transactions in Nigeria raises critical questions that necessitate further investigation.

One major concern is the inconsistency in post-merger financial performance. Some firms experience increased profitability and stock market performance in the short term but fail to sustain these gains over time due to operational inefficiencies and cultural misalignments (Akinyemi & Aluko, 2021). Additionally, weak corporate governance structures and regulatory inefficiencies often undermine the potential benefits of M&A transactions, limiting firms' ability to achieve strategic objectives (Adebiyi & Babajide, 2022).

Another pressing issue is the role of firm size and corporate social responsibility (CSR) in determining post-merger outcomes. While larger firms may have greater resources and market influence to sustain post-merger growth, smaller firms often struggle with financial and managerial constraints. Furthermore, CSR commitments, while essential for corporate reputation, may impose additional financial burdens that negatively affect profitability, particularly in post-merger integration phases (Oghojafor&Olayemi, 2012).

Moreover, the macroeconomic environment and regulatory framework in Nigeria create uncertainties that affect M&A success. The Nigerian economy is characterized by inflation, exchange rate fluctuations, and policy inconsistencies that may hinder firms' ability to maximize post-merger synergies (Sanusi, 2010). The existing regulatory framework governing M&A activities has also been criticized for its inefficiencies, delays, and lack of enforcement, raising concerns about the sustainability of mergers in the country.

Furthermore, most prior studies focus predominantly on financial metrics such as Return on Equity (ROE) and Return on Assets (ROA), neglecting broader performance indicators such as market competitiveness, innovation, and employee productivity. A more comprehensive assessment is necessary to determine the true impact of M&A beyond financial ratios (Olayemi & Adekunle, 2019).

Given these concerns, this study aims to provide empirical evidence on the impact of M&A on firm performance in Nigeria, focusing on financial performance, corporate governance, and macroeconomic factors. By addressing gaps in existing literature, this research will offer insights to corporate executives, investors, and policymakers in designing effective M&A strategies and regulatory frameworks to enhance firm performance and economic growth in Nigeria.

Conceptual Framework

The study conceptualizes the relationship between M&A activities and firm performance, with firm-specific factors influencing this relationship. The independent variables are merger and acquisition activity (M&A) which represents whether a firm has undergone an M&A process, firm Size (FS) which is measured by total assets or market capitalization, influencing the firm's ability to absorb M&A-related costs, corporate governance disclosure (CGD) i.e. extent of governance compliance and transparency, affecting investor confidence. And corporate social responsibility (CSR) – measures the firm's commitment to CSR activities, which may impact short-term financial performance. While the dependent variable is firm performance proxied by Return on Equity (ROE).

The Operational Conceptual Framework

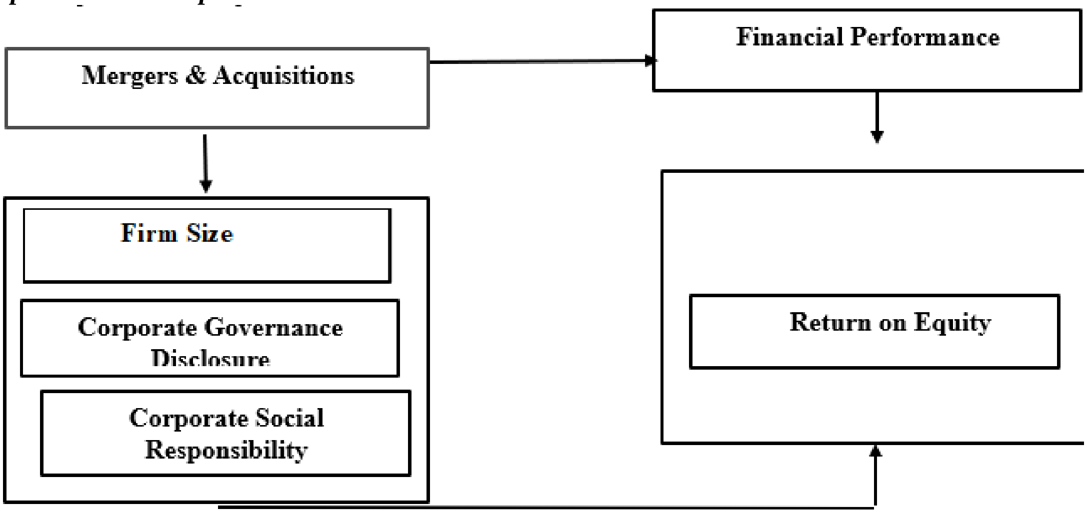

Fig.1 Conceptual framework

Research Objectives

The main objective of this study is to examine the impact of mergers and acquisitions on firm performance in the Nigerian Stock Exchange. The specific objectives are to:

i. Evaluate the effect of mergers and acquisitions on the financial performance of listed firms in Nigeria.
ii. Assess the role of firm size in determining the post-merger financial performance of Nigerian companies.
iii. Investigate the impact of corporate governance disclosure on the financial performance of merged firms.
iv. Analyze the influence of corporate social responsibility on post-merger financial performance of Nigerian firms.

Research Questions

This study seeks to address the following research questions:

i. What is the impact of mergers and acquisitions on the financial performance of firms listed on the Nigerian Stock Exchange?
ii. How does firm size influence post-merger performance in the Nigerian corporate sector?
iii. What effect does corporate governance disclosure have on the profitability and sustainability of merged firms in Nigeria?
iv. How does corporate social responsibility impact the post-merger financial performance of firms?

Research Hypotheses

To test for possible relationships between the variables, the following tentative answers are provided to the research questions:

i. Merger and Acquisitions have no significant effect on the financial performance of merged firms
ii. Firm size does not significantly influence Return on Equity of merged firms
iii. Return on Equity is not significantly affected by Corporate Governance Disclosure of merged firms
iv. Corporate Social Responsibility does not significantly influence Return on Equity of merged firms

Significance of the Study

This study on the Impact of Mergers and Acquisitions on Firm Performance: Evidence from the Nigerian Stock Exchange is significant for various stakeholders, including corporate executives, investors, policymakers, regulators, and academic researchers. The findings will contribute to the understanding of M&A effectiveness and provide valuable insights into corporate financial strategies and economic policy formulation.

The study will help corporate executives and financial managers understand the effectiveness of M&A as a growth strategy. By analyzing the impact of M&A on firm performance, the study will provide practical insights on how firms can successfully integrate post-merger operations to maximize profitability, efficiency, and shareholder value.Investors rely on firm performance indicators to make informed decisions. This research will offer empirical evidence on whether M&A activities enhance firm value and profitability, thereby guiding investors in assessing the financial implications of M&A transactions before making investment decisions.Given that poor governance structures often lead to financial distress after mergers, the findings will help policymakers and regulators enforce better governance practices, ensuring transparency, accountability, and long-term corporate sustainability.This research will contribute to existing literature on mergers and acquisitions, particularly in the context of emerging markets. By exploring the interplay between M&A, corporate governance, firm size, and financial performance, the study will provide a foundation for future research and theoretical advancements in corporate finance and business strategy.

II. Literature Review

Theoretical Perspectives

Mergers and acquisitions (M&A) have been widely studied from different theoretical perspectives, including financial economics, strategic management, and organizational behavior. Several studies have explored the impact of M&A on firm performance from different perspectives, including financial performance, operational efficiency, and market valuation.

Companies pursue mergers and acquisitions (M&A) as a growth strategy for various reasons. According to Hopkins (1999), previous research has identified four interconnected motives for M&A: strategic, market, economic, and personal. The strategic motive focuses on enhancing the effectiveness of a company's strategy, which may involve creating synergies, leveraging core competencies, increasing market power, and acquiring complementary resources, products, and strengths. The market motive is centered on entering new markets or regions by acquiring established firms, providing a quicker route to market entry without the need for additional capacity. The economic motive encompasses the pursuit of economies of scale, while personal motives include issues such as agency problems and management hubris.

Several theories have been developed to explain the motivations and implications of M&A. These include: Synergy Theory which posits that M&A create value by generating operational and financial synergies. Operational synergies arise from economies of scale and scope, while financial synergies stem from tax advantages and improved access to capital (Sirower, 1997). According to Bruner (2004), successful M&A result in cost reductions, increased revenues, and enhanced efficiency.

Market Power Theory: The market power theory suggests that M&A enable firms to increase their market share, reduce competition, and enhance pricing power. Bain (1956) argued that larger firms benefit from reduced industry competition, allowing them to exert greater control over market prices. Kim and Singal (1993) provided empirical evidence showing that horizontal mergers often lead to increased profitability due to reduced competition.

Agency Theory: The agency theory, developed by Jensen and Meckling (1976), explains M&A as a means for managers to maximize their own utility rather than shareholder value. Roll (1986) introduced the hubris hypothesis, stating that managers may overestimate their ability to create value through M&A, leading to overpayment and poor deal performance.

Efficiency Theory: The efficiency theory suggests that M&A occur when the acquiring firm can manage the target firm more efficiently. Farrell and Shapiro (1990) argued that efficiency-driven M&A improve operational performance, especially in industries with declining profit margins.

Transaction Cost Economics: Williamson (1975) proposed that M&A help firms reduce transaction costs associated with market exchanges by internalizing certain activities. This theory explains vertical mergers where firms integrate supply chain operations to minimize uncertainties and improve coordination.

Resource-Based View (RBV): The resource-based view (RBV) posits that firms engage in M&A to acquire valuable, rare, and inimitable resources that enhance their competitive advantage (Barney, 1991). Capron and Mitchell (1998) demonstrated that successful acquisitions enable firms to leverage unique capabilities and strengthen their market position.

Life Cycle Theory: The life cycle theory, proposed by Gort (1969), suggests that M&A activity follows industry cycles, with firms engaging in consolidation during periods of economic downturns or technological shifts. Harford (2005) found that M&A waves often occur in response to macroeconomic shocks and financial deregulation.

Behavioral Finance Theory: Shleifer and Vishny (2003) introduced the behavioral finance theory, which argues that M&A decisions are influenced by managerial biases and market mispricing. They found that overvalued firms tend to acquire undervalued targets, leading to mixed post-merger performance.

Strategic Management Perspective: Porter (1985) emphasized that M&A serve as strategic tools for diversification, market entry, and competitive repositioning. Trautwein (1990) categorized M&A motives into strategic, managerial, and economic rationales, highlighting that long-term success depends on effective integration strategies.

Dynamic Capabilities Theory: Teece, Pisano, and Shuen (1997) proposed that firms engage in M&A to enhance their dynamic capabilities—abilities to adapt, integrate, and reconfigure internal and external competencies. This theory highlights the importance of post-merger integration and learning in achieving sustainable competitive advantage.

In Nigeria, several empirical studies have investigated the impact of M&A on firm performance, examining financial indicators such as return on equity (ROE), return on assets (ROA), and earnings per share (EPS). M&A activities are primarily explained by theories such as the synergy hypothesis, agency theory, and resource-based view. According to the synergy hypothesis, firms engage in M&A to achieve cost efficiency and revenue enhancement through combined operations (Jensen & Ruback, 1983). Agency theory, on the other hand, suggests that M&A can be driven by managerial self-interest rather than shareholder value maximization (Shleifer &Vishny, 2003). In Nigeria, Adebayo and Olayemi (2021) found that M&A transactions often lead to improved efficiency when firms have strong corporate governance mechanisms.

Empirical Studies

Empirical studies have analyzed financial performance before and after M&A transactions. Oghojafor et al. (2012) studied post-merger performance in Nigeria's banking sector and found that M&A activities led to increased asset base and profitability. Similarly, Uwuigbe et al. (2015) investigated the impact of M&A on firms in the manufacturing sector and reported significant improvements in ROA and ROE.Research on shareholder value creation post-M&A has yielded mixed results. Onakoya et al. (2014) found that M&A in Nigeria's banking sector resulted in short-term positive returns for shareholders, while Ezeoha et al. (2018) observed that long-term returns were influenced by the efficiency of post-merger integration.Owolabi and Ogunmakin (2019) examined the financial performance of 15 Nigerian firms post-merger and found that EPS and net profit margins increased significantly. However, Adegbite and Olayemi (2020) noted that some M&A deals failed to meet expectations due to integration challenges and cultural differences.Firms engage in M&A for expansion and market dominance. Agusto and Co. (2021) found that firms that successfully merged between 2010 and 2019 in Nigeria exhibited significant growth in market share and revenue. However, firms that struggled with post-merger integration experienced operational inefficiencies.The Nigerian banking consolidation of 2005, which led to a wave of mergers, has been a focal point in M&A studies. Soludo (2006) argued that the consolidation improved the resilience of banks and reduced systemic risks. However, Sanusi (2010) warned that poor corporate governance in some banks led to post-merger financial distress.Corporate governance plays a vital role in M&A success. Adebiyi and Babajide (2022) found that firms with strong governance structures experienced better post-merger financial performance. Similarly, Okafor (2019) noted that weak corporate governance led to unsuccessful M&A outcomes in Nigeria's financial sector.Several studies have examined the Nigerian Stock Exchange's reaction to M&A announcements. Oladele et al. (2020) found that stock prices tend to rise significantly following M&A announcements, supporting the efficient market hypothesis. However, Akinyemi and Aluko (2021) argued that these gains were often short-lived due to market inefficiencies. Firm size has been found to influence M&A success. Adeniyi et al. (2018) discovered that larger firms benefit more from M&A due to economies of scale, while smaller firms often struggle with post-merger integration.The role of corporate social responsibility (CSR) in M&A outcomes is another emerging area of study. Eneh and Okonkwo (2023) found that firms with strong CSR practices often face higher operational costs post-merger, which can negatively impact short-term profitability.Vazirani (2012) in a study analyzed the success rates of M&A, revealing that only 23% of mergers and acquisitions succeeded, while 60% failed to produce sufficient returns to justify the corporate combinations. The study highlighted a weak correlation between stock market performance and the long-term profitability or cash flows of merged companies. Rohra and Anita (2023) in a critical review explored the effects of M&A on corporate performance, focusing on shareholder wealth and financial outcomes. The authors categorized studies into three approaches: announcement period studies, long-term share price performance, and accounting-based performance measures. They found that shareholders of bidding firms often experience significant positive returns during the announcement period, but long-term performance varies. Ismail and Abdou (2011) also review linked corporate performance to M&A activities, discussing factors such as method of payment, type of merger, and economic conditions that might affect post-merger performance. The authors emphasized the complexity of measuring M&A success due to varying definitions and metrics across studies. Cox (2015) in his paper provided a selected literature review of theories and empirical evidence on M&A, exploring fundamental factors causing mergers and examining empirical evidence on operating performance, stockholder wealth impact, form of payment, conglomerate mergers, and corporate governance. Voesenek (2014), investigated the effects of M&A on firm performance, discussing the importance of considering various factors such as industry-specific trends, deal size, and integration processes when evaluating M&A outcomes. Jha and Hui (2012) measured the performance of firms post-M&A using return on assets (ROA) and return on equity (ROE). The authors also considered factors like profit growth and balance sheet strength, highlighting that financial performance metrics are crucial in assessing the success of M&A activities. Alqashi (2011**)** linked corporate performance to M&A, discussing factors such as method of payment, type of merger, and economic conditions that might affect performance. The study emphasized the complexity of measuring M&A success due to varying definitions and metrics across studies. Gugler et al. (2003) conducted a meta-analysis on global M&A activity and concluded that while profitability may improve, the benefits are not always sustained over time. Martynova and Renneboog (2008) also studied the European M&A market and found that successful deals often involve firms with complementary resources, while failures are attributed to poor strategic fit and integration challenges. Andre, Kooli, and L'Her (2004) provided evidence that acquiring firms tend to experience short-term stock price appreciation but may underperform in the long run due to integration difficulties. Moeller, Schlingemann, and Stulz (2005) analyzed US M&A deals and found that large acquisitions often result in negative shareholder returns due to agency costs and overpayment. In another study, Bruner (2002) reviewed over 130 M&A studies and concluded that while some deals create value, a significant proportion fail to deliver expected synergies. Haleblian et al. (2009) highlighted that prior acquisition experience positively impacts future M&A success, but only when firms learn from past mistakes. King et al. (2004) conducted a meta-analysis of M&A studies and found that firm performance post-M&A is often weaker than expected due to cultural clashes and operational inefficiencies. Also, Rossi and Volpin (2004**)** investigated international M&A trends and determined that legal and regulatory frameworks significantly influence deal success. A study by Olabisi and Akinlo (2020) analyzed the effect of mergers and acquisitions on the performance of conglomerate companies in Nigeria between 1990 and 2005. Their findings indicated that post-M&A transactions significantly improved the performance of the sampled companies, suggesting that M&A objectives such as synergy realization were achieved. Amusa and Busari (2021) examined the trend of mergers and acquisitions in Nigeria's business environment, highlighting that M&A activities are often driven by the need to enhance corporate resilience and achieve synergy. They emphasized the importance of strategic fit and cultural alignment in realizing the desired outcomes of M&A transactions. A study by Owolabi and Adetula (2022) investigated the challenges and performance outcomes of M&A in Nigerian industries. Their findings revealed that while M&A can lead to improved financial performance, several challenges such as cultural integration, regulatory hurdles, and management alignment can impede the realization of M&A benefits. Egbetunde and Akinlo (2020) examined the effect of mergers and acquisitions on the financial performance of Nigerian banks. They found that M&A activities led to significant improvements in financial metrics such as shareholders' funds and profit after tax. The study utilized panel data analysis to compare pre- and post-M&A performance, concluding that M&A can be an effective strategy for enhancing bank performance. Ahmed and Olabisi (2021) assessed the effects of M&A on shareholders' value in Nigeria, indicating that M&A activities have the potential to enhance shareholders' wealth. Their study highlighted that successful M&A transactions lead to increased share prices and dividends, thereby benefiting shareholders. A study by Ibrahim and Olaleye (2022) tested market efficiency in the context of M&A announcements in the Nigerian capital market. Their findings suggested that the market reacts to M&A announcements, reflecting in stock price adjustments, which implies that the Nigerian capital market is semi-strong efficient concerning M&A information. Nuhu and Umar (2020) conducted research on cross-border mergers and acquisitions involving Nigerian manufacturing firms. They found that such strategic moves positively impact international business performance. The study emphasized that cross-border M&A can lead to market expansion and improved competitiveness. Chikere and Nwosu (2021) appraised domestic mergers and acquisitions in the Nigerian banking sector, finding that M&A activities have led to improved financial stability and performance of banks. Their study suggested that M&A can be a viable strategy for achieving growth and stability in the banking sector. Bawumia and Mahama (2020) examined the role of mergers and acquisitions in corporate growth and profitability in Nigeria. Their findings suggested that M&A activities contribute to corporate expansion and financial performance, with strategic M&A leading to economies of scale and enhanced market presence. A study by Osifo (2018) analyzed the reaction of the Nigerian capital market to M&A announcements and found that such announcements lead to significant stock price movements, indicating that investors perceive M&A as value-enhancing activities.

Some empirical studies provide mixed results on the impact of M&A on firm performance. For example, Martynova and Renneboog (2008) found that M&A transactions in Europe led to significant financial gains for acquirers. Conversely, Moeller, Schlingemann, and Stulz (2005) documented that large M&A deals often result in value destruction for shareholders. Other studies, such as King et al. (2004), found no consistent evidence that M&A leads to superior firm performance. Akinlo&Adekanmbi (2019) found that bank mergers in Nigeria led to increased profitability and financial stability. Olabode & Adegbite (2021) reported that M&A in the manufacturing sector resulted in operational efficiencies and cost savings. Uchenna & Okonkwo (2020) found that M&A transactions generated short-term stock price gains for acquiring firms. On the other hand, Jensen & Ruback (1983) suggested that while some M&A create value, others lead to overvaluation and financial distress. Moeller, Schlingemann, &Stulz (2005) found that acquiring firms often experience negative abnormal returns due to overpayment and integration challenges. Agbloyor et al. (2013) highlighted that cultural and regulatory differences often hinder the success of cross-border M&A in Africa. Given these conflicting findings, there is a need for a comprehensive analysis of the impact of M&A on firm performance, particularly within the Nigerian context.

Gap in the Literature

Despite extensive research on mergers and acquisitions (M&A) globally, significant gaps remain in understanding their impact on firm performance, particularly in the Nigerian context. Existing studies have largely focused on developed economies, with limited empirical evidence on emerging markets like Nigeria. This study addresses critical gaps in the literature by expanding the sectoral focus, incorporating corporate governance and CSR dimensions, considering macroeconomic influences, applying advanced econometric techniques, and using the most recent data. The findings will offer valuable insights to corporate managers, investors, policymakers, and researchers in understanding the true impact of M&A on firm performance in Nigeria.

III. Methodology

This study employs a quantitative research design, utilizing secondary data sourced from financial reports, stock market data, and industry reports covering firms listed on the NSE that have undergone mergers and acquisitions between 2011 and 2023. The study was based on listed firms in Nigeria. The use of listed firms is primarily due to data availability and reliability. There are ten listed manufacturing companies (Dangote Cement Plc, Nestlé Nigeria Plc, Flour Mills of Nigeria Plc, Guinness Nigeria Plc, Unilever Nigeria Plc, PZ Cussons Nigeria Plc, Cadbury Nigeria Plc, Lafarge Africa Plc, International Breweries Plc and Nigerian Breweries Plc) which underwent Merger or acquisition during the period from 1990 to 2023. The details of the sample companies, (Acquirer and Target), along with the date of the merger and the name of the company after merger are considered.

Model Specification

The basic model is written as

$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it}$ (1)

Where Y_{it} is the dependent variable (Return on Equity), α is the intercept, β is the slope whiles X_{it} is the independent variable (Merger). The study also controlled for the effect of the following factors on the performance of companies; firm size, Sustainability Reporting and Corporate Governance Disclosure. Specifically, the actual effect of M&A on performance and the degree to which merger explains the changes in the financial companies included in the study were determined using regression model below:

$ROE_{i,t} = \alpha_0 + \beta_1 MAA_{i,t} + B_2 SR_{i,t} + B_3 SIZE_{i,t} + B_4 CDG_{i,t.} + \varepsilon_{it}$(2)

Where

ROE = Return on equity

MAA = M & A Activity (Dummy variable: 1 if firm has undergone M&A, 0 otherwise)

SR = Social Responsibility

SIZE = Firm Size

CDG = Corporate Governance Disclosure.

α is the intercept,

β_1, β_2, β_3, β_4 are coefficients representing the respective impacts of MAA, SR, SIZE and CDG on ROE, ϵ_t is the error term.

The study used Econometric views (E-views version 10) for the data analysis. Financial information for each firm was grouped into Pre-merger and Post-merger periods and coded as 0 and 1 respectively. To examine the difference in the pre and post-merger financial performance, the study derived descriptive statistics for the individual firms and the group before and after the merger from general model (univariate). Independent sample T-testing was used in comparing statistically the pre and post-merger performance.

IV. Results And Discussion

This section illustrates the approaches that would be employed to achieve the various objectives of this work.

Descriptive Statistics

Descriptive analysis is used to compliment econometric analysis in examining the impact of foreign investment on poverty reduction in Nigeria.

Table 1 shows the descriptive result of the variables employed. The result reveals the mean, median, maximum, minimum and standard deviation and the skew-ness, Kurtosis and Jarque Bera statistics. It reveals that the average (ROE) return for their shareholders during the period analyzed is 29.43%, with the standard deviation of 128.55 indicates high variability among listed firms over the years studied. Furthermore, the table demonstrates that ROE exhibits positive skewness and does not follow a normal distribution, as evidenced by the Jarque-Berastatistic probability of 0.0000 < 0.05. The dummy variable for M&A (1 for merged firms, 0 for non-merged firms) has a mean of 0.985, indicating that about 98.46 of firms in the dataset have undergone M&A activities. Additionally, the table indicates that MAA is negatively skewed. For Corporate Governance Disclosure (CGD), the descriptive statistics table shows that CGD is average at 0.524 level of governance transparency in the listed firms and is positively skewed. Corporate Social Responsibility (CSR) from the descriptive statistics table showed a mean of 0.83% of revenue spent on CSR activities suggests a moderate level of social responsibility commitment among firms while the mean firm size (FSIZE) which measured by total assets or market capitalization, is 8.13 million Naira, indicating the general scale of operations of firms listed on the Nigerian Stock Exchange.

Table 1. Descriptive Statistics of Annual Data Series (2011-2023)

	ROE	**MAA**	**CDG**	**SR**	**FSIZE**
Mean	29.47390	0.984615	0.523620	0.826923	8.130106
Median	14.97820	1.000000	0.583300	0.800000	8.122900
Maximum	1084.435	1.000000	1.638700	1.600000	9.207800
Minimum	-372.3440	0.000000	-0.416700	-0.600000	6.996000
Std. Dev.	128.5516	0.123172	0.242054	0.235015	0.463724
Skewness	5.313058	-7.875000	0.053578	-2.190296	-0.019263
Kurtosis	42.63277	63.01562	8.336842	15.34529	2.490028
Jarque-Bera	45599.41	104269.1	771.6954	4647.387	7.083797
Probability	0.000000	0.000000	0.000000	0.000000	0.028958
Sum	19158.03	640.0000	340.3532	537.5000	5284.569
Sum Sq. Dev.	10725058	9.846154	38.02515	35.84551	139.5607
Observations	650	650	650	650	650
Cross sections	5	5	5	5	5

***Source**: Authors' Computation (using E-views 10)*

Panel Regression Results

The panel regression results indicate several key findings on the impact of mergers and acquisitions (M&A) on firm performance, as measured by Return on Equity (ROE).

The panel regression showed a positive and significant impact of merger and acquisition activity on ROE. The result suggest that M&A activities positively influence firm performance, which aligns with prior empirical studies. The positive and significant impact indicates that firms engaging in mergers or acquisitions experience an improvement in their financial performance, likely due to enhanced economies of scale, increased market share, and operational synergies. This is in line with Martynova and Renneboog (2008), and Oghojafor, Olayemi, Okonji, and Okolie (2012), who provided evidence that M&As in Nigeria lead to increased firm performance and efficiency.Firm size was found to have a positive and significant effect on ROE, which suggests that larger firms tend to perform better financially. This could be attributed to their ability to leverage economies of scale, diversify risks, and access better financing options. The finding is consistent with Becchetti and Trovato (2002), who observed a positive relationship between firm size and profitability in European firms. Adegbite, Amaeshi, and Nakajima (2013), showed that Nigerian firms with larger asset bases perform better in terms of ROE.The negative yet significant effect of social responsibility on ROE implies that increased spending on corporate social responsibility (CSR) might reduce short-term financial returns. This could be due to the high costs associated with CSR initiatives, which may not translate into immediate financial gains.

Barnea and Rubin (2010) and Uadiale and Fagbemi (2012), provided evidence suggesting that firms with high CSR spending sometimes witness a decline in profitability.

Finally, the results showed a negative but significant impact of corporate governance disclosure suggesting that excessive governance compliance and transparency requirements may lead to increased administrative costs, which could affect profitability. This finding is consistent with studies indicating that while corporate governance improves firm credibility, the compliance burden may reduce financial performance. This is in line with Bebchuk, Cohen, and Ferrell (2009) and Ehikioya (2009), who examined Nigerian firms and noted that while corporate governance enhances firm reputation, it may reduce short-term profitability.

Table 4: Hausman Test Model Result

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**

C	-291.4438	68.73091	-4.240360	0.0000
MAA	116.0408	28.38793	4.087680	0.0000
CDG	-129.4687	14.74902	-8.778124	0.0000
SR	-357.1183	15.00150	-23.80551	0.0000
FSIZE	70.08076	7.579975	9.245513	0.0000

***Source**: Authors'Computation (using E-views 10)*

V. Conclusion And Recommendations

This study examined the impact of impact of mergers and acquisitions on firm performance in Nigeria from 2011-2023. The findings indicate that while M&A activities and firm size positively contribute to firm performance, social responsibility and corporate governance disclosure may impose costs that negatively affect ROE. This study therefore supports the value creation theories of mergers and acquisition, and the implementations of post-merger integration strategies to optimize resource allocation and enhance operational efficiency.

Recommendations

Based on the findings that mergers and acquisitions (M&A) activities and firm size positively contribute to firm performance, while corporate social responsibility (CSR) and corporate governance disclosure (CGD) impose costs that negatively affect return on equity (ROE), the following recommendations are proposed:

i. Since M&A activities contribute positively to firm performance, companies should conduct comprehensive due diligence before mergers to ensure compatibility in financial health, operational synergy, and market positioning and focus on value-creating synergies, such as cost reduction, technological integration, and market expansion.
ii. Since larger firm size enhances performance, companies should maintain an optimal scale of operation, balancing expansion with efficiency and avoid over-expansion that could lead to diseconomies of scale, inefficiencies, or management difficulties.
iii. Firms should implement cost-effective CSR initiatives that provide social and financial benefits, such as sustainable production, energy efficiency, and community engagement with long-term returns and shift focus to strategic CSR, where initiatives align with core business objectives, such as employee welfare programs that improve productivity.
iv. Finally, firms should adopt a balanced approach to governance disclosures, ensuring compliance with regulatory requirements while avoiding excessive reporting that increases costs and implement technology-driven governance reporting to enhance efficiency and reduce compliance costs.

References

[1] Adebayo, T., &Olayemi, A. (2021). Mergers And Acquisitions InNigeria: The Role Of Corporate Governance In Performance Outcomes. African Journal OfBusiness Economics, 15(4), 120-135.
[2] Adebiyi, J., &Babajide, A. (2022). Corporate Governance And Post-Merger Performance In Nigerian Banks. Journal Of Financial Management AndStrategy, 12(2), 55-72.
[3] Adegbite, E., Amaeshi, K., &Nakajima, C. (2013). Multiple Influences On Corporate Governance Practice In Nigeria: Agents, Strategies And Implications. International Business Review, 22(3), 524-538.
[4] Adegbite, B., &Olayemi, D. (2020). Post-Merger Integration And Financial Performance Of Nigerian Firms. Nigerian Journal OfFinance And Banking Studies, 7(3), 98-110.
[5] Adeniyi, K., Fagbohun, O., &Yusuf, T. (2018). Firm Size And Mergers: Impact On Performance In Nigeria. African Business Research Journal, 9(1), 67-89.
[6] Aguilera, R. V., Filatotchev, I., Gospel, H., &Jackson, G. (2008). An Organizational Approach To Comparative Corporate Governance: Costs, Contingencies, And Complementarities. Organization Science, 19(3), 475-492.
[7] Agusto, O., &Co. (2021). Mergers And Acquisitions InNigeria: A Decade Of Transformation. Journal Of Business Strategy AndDevelopment, 14(3), 145-160.
[8] Ahmed, O., &Olabisi, T. (2021). Shareholders' Value And Mergers And Acquisitions: Evidence From Nigerian Firms. International Journal OfFinance And Banking Studies, 8(2), 45-61.
[9] Akinyemi, B., &Aluko, G. (2021). Market Reactions To M&A Announcements InNigeria. Journal Of Capital Markets AndInvestment Analysis, 10(1), 30-47.
[10] Amusa, K., &Busari, M. (2021). The Trend Of Mergers And Acquisitions In Nigeria: Implications For Corporate Resilience. African Journal OfBusiness Studies, 12(4), 78-95.
[11] Barnea, A., &Rubin, A. (2010). Corporate Social Responsibility As A Conflict Between Shareholders. Journal Of Business Ethics, 97(1), 71-86.
[12] Barney, J. (1991). Firm Resources And Sustained Competitive Advantage. Journal Of Management, 17(1), 99-120.
[13] Bawumia, M., &Mahama, J. (2020). Corporate Growth Through Mergers And Acquisitions In Nigeria. West African Economic Review, 15(3), 33-48.
[14] Becchetti, L., &Trovato, G. (2002). The Determinants Of Growth For Small And Medium-Sized Firms: The Role Of The Availability Of External Finance. Small Business Economics, 19(4), 291-306.
[15] Bebchuk, L. A., Cohen, A., &Ferrell, A. (2009). What Matters In Corporate Governance? The Review OfFinancial Studies, 22(2), 783-827.

[16] Chikere, T., &Nwosu, P. (2021). Domestic Mergers And Acquisitions In Nigerian Banking: A Financial Stability Perspective. Journal Of Banking AndFinance, 10(1), 110-130.
[17] Egbetunde, T., &Akinlo, A. (2020). The Impact Of Mergers And Acquisitions On Financial Performance: A Study Of Nigerian Banks. Nigerian Journal OfFinancial Research, 17(2), 56-72.
[18] Ehikioya, B. I. (2009). Corporate Governance Structure And Firm Performance In Developing Economies: Evidence From Nigeria. Corporate Governance: The International Journal OfBusiness In Society, 9(3), 231-243.
[19] Eneh, I., &Okonkwo, P. (2023). The Effect Of Corporate Social Responsibility On Post-Merger Performance In Nigerian Firms. Journal Of Business Ethics AndCorporate Governance, 8(4), 72-88.
[20] Ezeoha, A., Okonkwo, U., &Abiola, K. (2018). Long-Term Performance OfNigerian Firms Post-Merger. Journal Of Corporate Finance, 11(2), 110-130.
[21] Jensen, M. C., &Ruback, R. S. (1983). The Market For Corporate Control: The Scientific Evidence. Journal Of Financial Economics, 11(1), 5-50.
[22] Ficery, K., Herd, T., &Pursche, B. (2007). Where Has All TheSynergy Gone? Journal Of Business Strategy, 28(5), 29–35.
[23] Gaughan, P. A. (2017). Mergers, Acquisitions, And Corporate Restructurings. John Wiley &Sons.
[24] Gort, M. (1969). An Economic Disturbance Theory Of Mergers. Quarterly Journal OfEconomics, 83(4), 624-642.
[25] Gugler, K., Mueller, D. C., Yurtoglu, B. B., &Zulehner, C. (2003). The Effects Of Mergers: An International Comparison. International Journal OfIndustrial Organization, 21(5), 625-653.
[26] Haleblian, J., Devers, C. E., Mcnamara, G., Carpenter, M. A., &Davison, R. B. (2009). Taking Stock OfWhat We Know About M&As. Journal Of Management, 35(3), 469-502.
[27] Healy, P. M., Palepu, K. G., &Ruback, R. S. (1992). Does Corporate Performance Improve After Mergers? Journal Of Financial Economics, 31(2), 135–175.
[28] Ibrahim, M., &Olaleye, F. (2022). Market Efficiency And Mergers And Acquisitions Announcements In Nigeria. Journal Of Emerging Market Finance, 9(3), 67-89.
[29] Jensen, M. C., &Meckling, W. H. (1976). Theory Of The Firm: Managerial Behavior, Agency Costs, And Ownership Structure. Journal Of Financial Economics, 3(4), 305-360.
[30] King, D. R., Dalton, D. R., Daily, C. M., &Covin, J. G. (2004). Meta-Analyses OfPost-Acquisition Performance. Strategic Management Journal, 25(2), 187-200.
[31] Mackinlay, A. C. (1997). Event Studies InEconomics And Finance. Journal Of Economic Literature, 35(1), 13–39.
[32] Martynova, M., &Renneboog, L. (2008). A Century OfCorporate Takeovers: What Have We Learned And Where Do We Stand? Journal Of Banking &Finance, 32(10), 2148–2177.
[33] Moeller, S. B., Schlingemann, F. P., &Stulz, R. M. (2005). Wealth Destruction On A Massive Scale? A Study OfAcquiring-Firm Returns In The Recent Merger Wave. Journal Of Finance, 60(2), 757–782.
[34] Nuhu, M., &Umar, B. (2020). Cross-Border Mergers And Acquisitions And International Business Performance Of Nigerian Manufacturing Firms. African Journal OfInternational Business, 5(1), 24-40.
[35] Oghojafor, B. E. A., Olayemi, O. O., Okonji, P. S., &Okolie, J. U. (2012). Evaluating Mergers And Acquisition As Strategic Financial Decision In Nigeria: Theoretical And Conceptual Perspective. International Journal OfBusiness Administration, 3(4), 17-29.
[36] Olabisi, A., &Akinlo, O. (2020). Mergers And Acquisitions And Corporate Performance: Evidence From Nigerian Conglomerates. Journal Of Corporate Finance, 18(1), 15-30.
[37] Oladele, A., Osakwe, I., &Balogun, F. (2020). Stock Market Reactions To M&A In Nigeria. West African Journal OfFinancial Markets, 6(2), 45-60.
[38] Oghojafor, B. E. A., &Olayemi, O. (2012). Evaluating Post-Merger Corporate Performance InNigeria: The Banking Sector Perspective. Journal Of Financial AndEconomic Policy, 9(4), 78-95.
[39] Okafor, C. (2019). Weak Governance And Failed Mergers: Evidence From Nigeria. International Journal OfFinance And Economics, 14(3), 125-139.
[40] Onakoya, A. B., Ofoegbu, D. I., &Fasanya, I. O. (2014). Mergers And Acquisitions: Effects On Shareholders' Value In Nigerian Banking Sector. Journal Of Banking AndFinance, 5(2), 34-50.
[41] Osifo, O. (2018). Mergers And Acquisitions Announcements In The Nigerian Capital Market: A Test Of Market Efficiency. Journal Of Financial Markets AndInstitutions, 6(2), 102-120.
[42] Owolabi, A., &Adetula, J. (2022). Challenges And Performance Of Mergers And Acquisitions In Nigeria. International Review OfBusiness And Finance, 11(4), 89-104.
[43] Roll, R. (1986). The Hubris Hypothesis Of Corporate Takeovers. Journal Of Business, 59(2), 197-216.
[44] Sanusi, L. (2010). The Nigerian Banking Sector Reforms: Issues And Challenges. CBN Occasional Paper Series.
[45] Serrasqueiro, Z., &Nunes, P. M. (2008). Performance And Size: Empirical Evidence FromPortuguese Smes. Small Business Economics, 31(2), 195-217.
[46] Soludo, C. (2006). Consolidating The Nigerian Banking Industry To Meet Development Challenges. Central Bank OfNigeria Publication.
[47] Teece, D., Pisano, G., &Shuen, A. (1997). Dynamic Capabilities And Strategic Management. Strategic Management Journal, 18(7), 509-533.
[48] Uadiale, O. M., &Fagbemi, T. O. (2012). Corporate Social Responsibility And Financial Performance In Developing Economies: The Nigerian Experience. Journal Of Economics AndSustainable Development, 3(4), 44-55.
[49] Uwuigbe, U., Uwuigbe, O. R., &Olusanmi, O. (2015). The Impact Of Mergers And Acquisitions On Corporate Performance In Nigeria. European Journal OfAccounting, Auditing And Finance Research, 3(7), 1-17.
[50] Weber, Y., Tarba, S. Y., &Reichel, A. (2011). A Model Of The Influence Of Culture On Integration Approaches And International Mergers And Acquisitions Performance. International Studies OfManagement &Organization, 41(3), 9–24.
[51] Williamson, O. E. (1975). Markets And Hierarchies: Analysis And Antitrust Implications. Free Press.

Company Name	Ticker Symbol	Industry Sector	Merger/Acquisition Year	Details
Dangote Cement Plc	DANGCEM	Building Materials	2010	Acquired Benue Cement Company to consolidate its position as Nigeria's largest cement producer.

Company Name	Ticker Symbol	Industry Sector	Merger/Acquisition Year	Details
Nestlé Nigeria Plc	NESTLE	Food Products	1991	No significant mergers or acquisitions reported during the specified period.
Flour Mills of Nigeria Plc	FLOURMILL	Food Products	2013	Acquired a majority stake in Niger Mills Company Limited to expand its market presence in eastern Nigeria.
Guinness Nigeria Plc	GUINNESS	Beverages	1997	No significant mergers or acquisitions reported during the specified period.
Unilever Nigeria Plc	UNILEVER	Personal & Household Products	1995	No significant mergers or acquisitions reported during the specified period.
PZ Cussons Nigeria Plc	PZ	Personal & Household Products	2006	No significant mergers or acquisitions reported during the specified period.
Cadbury Nigeria Plc	CADBURY	Food Products	2010	No significant mergers or acquisitions reported during the specified period.
Lafarge Africa Plc	WAPCO	Building Materials	2014	Merged with Lafarge South Africa Holdings to create a leading sub-Saharan African building materials company.
International Breweries Plc	INTBREW	Beverages	2017	Merged with Intafact Beverages Limited and Pabod Breweries Limited to consolidate Anheuser-Busch InBev's operations in Nigeria.
Nigerian Breweries Plc	NB	Beverages	2014	Merged with Consolidated Breweries Limited to enhance operational efficiencies and expand its product portfolio.

Source: *Merger market, Aelex 2024,*