EFFECTS OF MERGERS ON THE PERFORMANCE OF COMPANIES: A CASE OF CFC STANBIC BANK LIMITED

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CM11/00318/07

A Research Project submitted to the Graduate School in Partial Fulfillment of the Requirement for the Award of the Degree of Master in Business Administration (Strategic Management) of Egerton University

EGERTON UNIVERSITY
November, 2016
DECLARATION AND RECOMMENDATION

DECLARATION
I declare that this proposal is my original work and has not been submitted for examination in any other institution.

Signature: ………………………… Date: ……………………
Powell Gardner Mmbone
Reg. No. CM11/00318/07

RECOMMENDATION
This proposal has been submitted with our approval as university supervisors.

Signature: ………………………… Date: ……………………
Mr. Joshua Langat
Egerton University
DEDICATION

I dedicate this thesis to my parents, Maurice and Mary and to my brother Michael
ACKNOWLEDGEMENT

My acknowledgement goes directly to the Almighty God for without whom I would not have come this far. I appreciate the administration of Egerton University for granting me the opportunity to advance my studies and knowledge in the university. I would like to thank my project supervisor Mr. Joshua Langat for his patience, guidance, and constructive assistance throughout this study which was invaluable. My sincere appreciation goes to my lecturers whose support towards the achievement of this course cannot be overemphasized. My utmost gratitude is also extended to my parents and friends for their continuous support and encouragement to aim higher even from miles away. Finally, I am thankful to all the people who in their special ways made this research a success.
A merger happens when two firms, often of about the same size, agree to go forward as a single new company rather than remain separately owned and operated. According to popular perception, Mergers fail to deliver the synergies, competitive scale, and financial results that executives had anticipated (Robert, 2002). With the negative viewpoint so popular, many executives may have second thoughts about proceeding with a merger, even if a deal looks promising. In Kenya, a number of organizations including banks have embraced the Merger strategic move. Despite its anticipated advantages, some studies have shown the opposite. A study on effects of mergers on the performance of companies was carried out on CFC and Stanbic Limited in Kenya with greater emphasis on profitability, Cash flow and Share price as company performance parameters. The study was hinged on a conceptual framework where the envisaged aspects of mergers would form the independent variable while the expected outcomes formed the dependent variable. The interplay of the said variables were regulated by a moderating variable hinged on government policy, nature of industry and level of competition. The target population of the study was 50 respondents. The study utilized the descriptive survey design. Data was collected from the published annual reports and accounts of the CFC and Stanbic Limited before and after merging and was subsequently analyzed using t-test. The findings of the study were used to assess whether mergers improve financial and operational efficiency of banks. The findings will also be used by the government to assess whether their policies relating to mergers are bearing fruits. Finally, the findings of the study were useful to CFC Stanbic Bank in accessing its performance over the years and how to improve competition in banking sector. The findings indicate that merger had no significant influence on profitability and share price. It however had significant influence on cash flow. Future research can be done on effects of mergers and acquisition on the performance of companies in different fields so as to shed more light on the effect of mergers and acquisitions on other companies in different countries.
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<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CBK</td>
<td>Central of Kenya</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
</tr>
<tr>
<td>FCF</td>
<td>Free Cash Flow</td>
</tr>
<tr>
<td>MA</td>
<td>Mergers and Acquisitions</td>
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<td>NSN</td>
<td>Nokia Siemens Networks'</td>
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<td>SAHL</td>
<td>Stanbic Africa Holdings Limited</td>
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