EFFECTS OF CORPORATE ACQUISITIONS ON NON-FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF THE ACQUISITION OF GIRO BANK LTD BY I&M BANK LTD

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ABSTRACT

With increasing competition and the economy heading towards globalization, the trend on acquisitions are expected to rise at a much larger scale with the aim of achieving a competitive edge in the financial industry in Kenya. The study aimed at investigating the implications of acquisitions on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd. The study was guided by specific objectives: to establish the influence of Synergy effects on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd, to establish the influence of capital base on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd and to determine the influence of brand effects on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd. The study was guided by the following theories; resource-based view theory, dynamic capabilities theory and signaling theory. This study employed a descriptive research design and this allowed the investigator to describe the variables of interest in terms of their characteristics. The design is suited and justified for use in this study because of the variables to be used. The study will focus on 1030 staffs from I&M Bank Ltd. The study focused on I&M Bank Ltd 14 branches in Nairobi. Structured questionnaire was used to get the primary data. The surveys will be self-administered through drop and pick later approach to the respective staffs of I&M bank. In this study, the researcher used content validity to find out whether the instruments responded to research questions. The content validity of the instrument was determined in two ways. First the researchers discussed the items in the instrument with the supervisor, and randomly reach the staffs. Test-rested method of testing reliability was used where the pilot questionnaires were provided twice to the staffs, with a 7 days' interval, to permit reliable testing. The study used Cronbach's alpha formula to test reliability, with value of 0.7. This study used descriptive statistics to analyze the collected data. The findings show that their Acquisitions also enabled I&M Bank Ltd to scale up more efficiently, not just in terms of efficiency ratio, but also in terms of the banking operations. Not only do acquisition give bank more capital to work with when it comes to lending and investments, but it also provides a I&M Bank Ltd broader geographic footprint in which to operate, by leveraging the value of the brand, banks can more easily add new products to this line because people were more willing to try Banks's new product. The study also concludes that non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd improved due to adoption of strong synergy effects, capital base, and brand. In order for fully realize non-financial performance through mergers, banks need to have Develop a clear acquisition strategy. Mergers should have clear policies that clarify on new organizational brand, Mergers should be guided by velar policies the articulate on how expertise, assets and market share are to be combined, this will lead to the creation of more opportunities in the market for growth since and that It is important to determine the key criteria for identifying potential target firms (e.g., profit margins, geographic location, or customer base) merger or acquisition will improve the bank's performance for its shareholders through synergy.

Key Words: *acquisition, synergy effects, capital, brand*

INTRODUCTION

Banks venture into business with the sole purpose of making profits and or maximizing shareholder's wealth. Chang (2016), states that the primary purpose of acquisitions is to elevate the profitability growth of the company. To do this the firms need to increase sales either by persuading existing customers to buy more, diversifying their products, aggressive marketing and attraction of potential customers, hence the aspect of non-financial performance. The dynamic changing environment along with the continuous and fast changes in technology, globalization among other factors have greatly influenced competition through service delivery. Service delivery has been the crucial aspect to be considered by all firms in order to increase market share, new product take-ups, sales, customer loyalty among others. Non-financial performance is crucial in any particular business for good high-quality non-financial performance ensures a good ratio of customer retention and satisfaction which further boosts customer loyalty (Ogada, Achoki, & Njuguna, 2016).

Firms are continuously embracing and formulating various strategies to ensure customer retention, customer loyalty and sales. Good performance aids in tackling competition by other banks, the constant changing demographics, the high customer expectations are making organizations to rethink the various performance strategies. According to Nyeck, (2012), globalization and improvement of technology has brought about stiff competition and hence to try and address these challenges and continuously improve returns, management have sought various strategies such as joint ventures, alliances, takeovers and acquisitions.

Trends in Kenya suggest that there has being a high growth rate of acquisition deals in the recent years. The banking sector in Kenya has evolved which has resulted into multinational and international banks to show interest in Kenya so as to gain from the enormous growth the sector has gone through. Some have opted to set up operations while others have chosen to take up potential and thriving organisations through acquisitions which tend to be cheaper and easier for them. Musyoka (2011), proceeds on to state that business strategy perspective argues that achieving competitive advantage hinges on the existence of a coherent competitive strategy. Reddy, Nangia, and Agrawal, (2013),states that acquisitions have become a popular vehicle for emerging markets firms to rapidly access new opportunities and market capabilities. In Kenya, the banking industry has seen an increase in acquisitions with the industry seeing a total of more than forty-two acquisitions since 1989 (CBK, 2014).

In 2017, the Central Bank of Kenya (CBK) announced that I&M Bank Ltd. (I&M Bank) had acquired 100percent of Giro Commercial Bank Ltd. I&M Bank, embarked on a rebranding exercise for all of the recently acquired Giro Commercial Bank Limited (GCBL) branches. The branches acquired by I&M Bank underwent a full brand conversion, effectively pushing up the I&M Bank Kenya's network to 43 branches countrywide. The successful acquisition of by I&M Group continued to underline the viability of Bank consolidations in Kenya as part of a strategic

effort to foster financial inclusion and sustained growth for the local banking sector. The move underscores the I&M Group's expansion strategy, which seeks for opportunities to expand both locally and regionally by way of acquisitions.

The integration is well aligned to the strategic aspirations of I&M Bank and is aimed at making the merged entity a more efficient and stronger bank. The strategic rationale of the acquisition includes pursuing scale to improve market penetration, filling portfolio gaps in business operations and creating value by improving overall business performance while creating wider access for product offerings. The consolidation of GCBL provided a much-needed market growth advantage for I&M Bank which enjoy an expanded market presence and a quality balance sheet expansion. For Giro Bank customers, this acquisition provides additional advantage of accessing their bank accounts from 36 new I&M Bank branches located countrywide as well as through Alternate Channels like all Visa, Kenswitch and I&M Bank ATMs, Mobile Banking, Internet Banking and PesaLink. It will also enable them to enjoy the range of I&M Bank's credit, debit and pre-paid Visa and MasterCard payment cards. Corporate customers are able to avail of I&M Cash Management Services, Trade Services as well as Corporate Internet Banking suite.

PROBLEM STATEMENT

The gradual increase in acquisition as a growth and expansion strategy has become a focus especially with the great adoption of this strategy by most banks both globally and locally. This increase has brought great attention to this particular study and various researches have been done to try and establish if this strategy has an effect on non-financial performance especially on the banking and financial institutions. According to Weston and Brigham (2011) a company which takes up acquisitions as strategy is able to benefit from operational synergies or operating economies of scale, financial synergies and tax advantages, economies of scale in managerial capacities and marketing synergies. With increasing competition and the economy heading towards globalization, the trend on acquisitions are expected to rise at a much larger scale with the aim of achieving a competitive edge and non-financial performance in the financial industry in Kenya. The integration of I&M Bank and Giro Bank is aligned to the strategic aspirations of I&M Bank and is aimed at making the merged entity a more efficient and stronger bank. The strategic rationale of the acquisition includes pursuing scale to improve market penetration, filling portfolio gaps in business operations and creating value by improving overall business performance while creating wider access for product offerings. The consolidation of GCBL provided a much-needed market growth advantage for I&M Bank which enjoy an expanded market presence and a quality balance sheet expansion. For Giro Bank customers, this acquisition provides additional advantage of accessing their bank accounts from 36 new I&M Bank branches located countrywide as well as through Alternate Channels like all Visa, Kenswitch and I&M Bank ATMs, Mobile Banking, Internet Banking and PesaLink. Studies on acquisitions and non-financial performance have been done and have produced mixed results across the globe. Mugambi (2014), did a research on the impact of acquisitions on the performance of commercial banks in Kenya. Results indicated that

there was improvement in financial performance of commercial banks after a merger or acquisition. This was due to an increase in return on assets, return on equity and reduction in cost to income ratio after the merger. A study done by Kioko (2013), which looked at acquisitions as a strategic entry to the market mainly focused on the need of bank mergers which has been driven by the need to integrate data in the banking industry to encourage growth of the organisations but did not highlight the importance of acquisition which enables non-financial performance. Uyuke (2016), concluded that acquisitions were not worthwhile to commercial banks in terms of service delivery. Ogada, Achoki and Njuguna (2016) did not show how managerial effort relates to improved non-financial performance. Murithi (2011), alluded to lack of communication on acquisition with staff but did not elaborate on how this affects non-financial performance. Despite the fact that many firms have embraced mergers and acquisitions as a strategy of increasing their synergies, efficiency, market share and growth, these mergers and acquisitions tend to affect non-financial performance as the case studied by Muchichi (2013), of the merger of CFC stanbic Bank in Kenya showed that there might be a relation between acquisitions and non-financial performance, hence this research proposal seeks to fill this research gap in academia by investigating on the implications of acquisitions on the non-financial performance of commercial banks in Kenya.

OBJECTIVE OF THE STUDY

The main objective of this study was to investigate the effects of acquisitions on non-financial performance of Giro bank ltd by I&M Bank Ltd.

THEORETICAL FRAMEWORK

The study was guided by the following theories; resource-based view theory, dynamic capabilities theory and signaling theory. The resource-based view (RBV) introduced by Wernerfelt (1984) proposes that competitiveness can only be attained by innovatively giving high value to consumers. The theory is pertinent to the study because it identifies economic resources that are likely to be important in policy making process. Resource-based theory predicts resources are important to the commercial banks and their performance after the acquisitions (Cocks 2010). It further details the premise that the economic resources effects will be more important determinants of acquisition effects by comparing outcomes across multiple levels of analysis. The theory brings out management of resources which affects acquisition process in I&M bank Ltd. in Kenya. Resources in banking sector includes physical, financial, commercial, human, organizational, and technological assets used by companies to develop, manufacture, and deliver services and products to its customers. According to Cocks (2010) they may be categorized as tangible (physical or financial) or intangible.

Dynamic capabilities developed by Wheeler (2002) centers on the firm’s ability to remain competitive in relation to other actors in the marketplace given a high rate of change in the environment (Eisenhardt & Martin, 2010). Barney (2011), highlights the importance of a

competitive advantage by saying that the value-creating ability of the firm is hinged upon the firm having an edge over competitors. Simply put, if other actors provide more appealing products and services, the focal firm will not be able to continue making a profit. Thus, sustaining competitive advantage is the objective of dynamic capabilities.

Signaling theory by Michael (1973) argues that markets are not fully efficient. The management has access to better information than the remaining shareholders and may act from it. The signals that management sends out can illustrate the future direction of the firm and which results the company faces. The management signals to demonstrate what it is doing to maximize the value of the firm (Van Horne & Wachowicz, 2010). The market is in need of information and reacts not only on what the management communicates but also on how it performs. For example, the market reacts on dividends; if increasing the dividend of the firm, investors generally react positively. When the management shows that it believes in a positive future and that it goes from words to action, the signaling theory can explain the market's positive reaction (Brealey, Myers & Allen, 2012).

David, (2013), criticizes the theory on the grounds that offered wage to employees is the expected marginal product. Signals may be acquired by sustaining signaling costs (monetary and not). If everyone invests in the signal in the exactly the same way, then the signal can't use as discriminatory, therefore a critical assumption is made: the costs of signaling are negatively correlated with productivity. This situation as described is a feedback loop: the employer updates his beliefs upon new market information and updates the wage schedule, applicants react by signaling and recruitment takes place.

The theory is important to the study because through its actions, the management sends out signals to the market and acquisition transactions constitute signals that influence expectations of the investors. If there is a strong confidence in the management and the information about the transaction is explicit, it should be reflected in the reaction of the investors. If the signals are interpreted by the market as the management has an optimistic belief in the future, this should cause the stock price rise. This is also true for the reverse, when there is pessimistic belief in the future the opposite reaction is expected.

EMPIRICAL REVIEW

Brand Effects and Non-Financial Performance

Ismail, Boye, and Muth, (2012), studied effects of customer brand relationship: An empirical study of customer's perception of brand experience, brand satisfaction, brand trust and how they affect brand loyalty. This study was based on a deductive and quantitative research approach with empirical data conducted from 239 respondents to either accept or reject the stated hypotheses. The stated hypotheses were accepted and imply that 41.2 percent of brand loyalty can be explained

by brand satisfaction, brand trust and brand experience. However, for retail businesses within the fashion industry to ensure brand loyalty from the customers, brand satisfaction is the main focus.

Hsu (2014), in his research on the effects of keeping or dumping an acquired brand found out that attitude towards the merger positively impacted consumers' attitude to the brand. Hsu (2014) tried to investigate the effect of branding strategy. Using experimental study, the researcher sought to understand the effectiveness of keep or dumping the acquired brand and investigating the moderating and mediating effects. He studied the behaviour of customers in relations to their perception to a brand of merging entities. Participants were 127 business undergraduate students in a large public university in the US who were given extra course credits for their participants. Data was collected through questionnaires posted online. This study took the student to be the customers to the IT products. The analysis of the data was done using manipulation check while regression analysis would have better explained the spread of the behaviour. It did not seek to identify the perception or collect data affecting the merging entities.

Bahadir (2008), aimed to identify both the target and the acquirer firm characteristics that affect the value of a target firms' brands in mergers and acquisitions. The sample was based on 133 mergers and acquisitions in which acquirers attribute value to target firm's brands. The population under study was all mergers and acquisition in which the targets and acquirers were U.S. based public firms during the period from 2001 to 2005. Bahadir et al (2008) found out that on average the magnitude of a target firm's brand value accounts for 7.3% of the transaction value. The results support the argument that both the acquirer and target characteristics are important in determining the value attributed to the target firm's brands. The findings indicate that the acquirer and target marketing capabilities and brand portfolio diversity have positive effects on a target firms' brand value.

Bahadir et al (2008) observed that the acquirer firm's marketing capability and brand portfolio diversity have positive effects on the financial value of the target firm's brand portfolio value. A target firm's marketing capabilities and its brand portfolio diversity also have a positive impact on the value of the target firm's brands. We also examined the contingent role of M&A strategy and target sales growth on a subset of proposed main effects. The limitation was that only public companies were studied hence leaving out private companies which also have a great influence in terms of brand perception.

Brand awareness and perceived brand value are important sources of brand equity and that the effects of these two components on brand equity after mergers and acquisitions are significantly larger that before mergers and acquisitions (Awan, 2017). Awan (2017) in his research used random sampling of university students using questionnaires as the data collection tool. Random sampling was used on Korean university students regarding IT products of various companies to better find how brand affected mergers and acquisitions. Awan (2017) in his research found out that mergers and acquisitions affected brand perception hence showed that there is a relationship

between mergers and acquisitions and company brand. One of the limitations to the study was that the organizations staff were not interviewed or considered in the research to determine if the organizations had an influence in brand perception. The limitations to this study were that it only targeted one segment and the methodology used was a convenience sample of university students as respondents. Further limitation was that it did not interview the staff in the firms under study to determine other factors.

Long and Ling (2011) in their research on how companies can integrate acquiring brand and acquired brand in the acquisition found out that when different companies and or divisions belonging to different companies combine into one entity brand as identity of the company often lead to brand problems, as well as the complex condition of acquisitions in terms of the different industries scales and brand reputation. Long and Ling (2011) used case study research and primary data was collected through interviews to managers via email. Long and Ling (2011), found out that through appropriate rebranding strategy companies can get benefit from acquiring a strong brand and through right brand architecture product brand can influence other different level brand of the company. They further found out that building a suitable brand during integration process is very important for a company. The limitation to this study was on data collection via email which seemed not effected in being certain that the individual responding is the intended targeted respondent. The study also did not consider the diversity in industries in which these companies were in. Data analysis was not effectively done, regression analysis and hypothesis testing would have been done. Geographical location of the firms under study proved to be a challenge as the respondent was unable to access them for study purposes.

Capital Base and Non-Financial Performance

Hermansson, (2015), assessed the understanding the relationships between bank- non-financial performance and capital base in Stockholm. The study used multinomial logistic regressions, difference-in-difference regression, and structural equation modelling. The study found that Managerial implications include understanding the relational attributes that affect saving behavior, such as context, duration, and trust. Also, useful to know are the factors that can help to predict the probability of a customer's having a transactional or relational exchange form.

Matilda (2013), in her research on the effect of capital base efficiency on non-financial performance in Sweden found out that the post-merger analysis shows no remarkable improvements in bank technical efficiency after consolidation. These findings imply that decision makers ought to be more cautious in promoting mergers as a means of enjoying efficiency gains. The model proposed by them allows for time varying technical efficiencies in an unbalanced panel. This latter aspect is particularly important in the framework of this study since mergers and acquisition imply that banks disappear from the sample over time. Observation period from 1984 to 2002, 19 years banks studied were 157 in totals which had been involved in 28 mergers were studied with a maximum number of banks participating in a single merger being six. Results indicated the overall cost efficiency of Swedish savings bank is estimated to be 80%. This implies

that banks can reduce their costs by 20% and still be able to produce the observed levels of output without any adjustment in input prices, output volumes or the branching network.

Azzam, (2014), discussed the impact of capital base management on non-financial performance in the banking industry a case of Jordan. The population of the present study is customers of Jordanian banks operating in Amman city, the capital of Jordan. 528 respondents were selected through convenient sampling and data has been collected through questionnaires which were self administered by researcher. The statistical analysis revealed that there is a significant relationship between the independent variables.

Nsiah, and Mensah, (2014), assessed the effect of capital base and non-financial performance on customer retention in the banking industry in Ghana, a case study of Asokore rural bank limited. The primary data were collected through administrating questionnaire. Convenient sampling procedure was used to obtain 100 responses from customers and 20 from employees of the bank. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The research findings also indicate offering high quality service increase customer retention, which in turn leads to high level of customer commitment and loyalty.

Synergy Effects and Non-Financial Performance

Bernile and Lyandres (2013), in their research on the effects of expected synergies from horizontal mergers on the merging firm's rivals customers and suppliers sample was proposed merger deals between companies listed on the NYSE, announced between January 1990 and 31st December 2005 available in the securities Data company database. The sample was only those companies that were involved in merger of only two companies. Hence the sample was 3,935 unique mergers and acquisition offers. Bernile and Lyandres (2013) found out that merger synergies are systematically associated with announcement returns and post merger changes in operating performance of merging firms and of their rivals. They further found out those horizontal mergers synergies are negatively related to announcement returns and post-merger changes in operating performance of merging firms' product market rivals. Merger synergies have a positive effect on merging firms' corporate customers while the effect on customers of merging firms' rivals depends on potential switching costs. The limitation of this study was the sample data under study too wide comprised of 3,935 unique mergers and acquisitions. The researcher used mean and median to analyze the data. The use of regression analysis would have better explained the bulk data and aid in showing if there was a relationship between the variables under study.

Gichuru (2012), in his research on the benefits and challenges of mergers sought to find out operational synergy of mergers to establish whether the firm has gained any economies of scale or operational efficiency. Gichuru (2012) used cross sectional survey design and collected data through use of structured questionnaire where the respondents were required to score on a 5-point likert scale indicating the extent of the effect of the corporate merger. According to Gichuru (2012) stated that the reason as to why mergers take place was to gain competitive edge in the industry,

to attain the preferred customer base and to reduce the cost of operations. The research design used was survey research. The use of descriptive or purposive research would have been effective. Data was analyzed using descriptive statistics which involved computation of mean and standard deviation on the extent in which certain variables had been observed. This tends to be a limitation as the use of mean does not greatly assist in showing the relationship and the use of standard deviation aids in indicating the variance. Regression analysis would have best aided in indicating if there is a relationship between these variables. Another limitation of the study was data was collected through interviews regarding the performance of the institutions while the use of financial reports would have better explained the organizations results and bring about easy comparison with the competitors.

Ogada (2016), sought to determine the effect of synergy on the financial performance of merged institutions. Ogada (2016) used mixed methodology research design where qualitative and quantitative research approaches were used to answer the research questions. The population included 51 merged financial service institutions in Kenya and purposive sampling was used. Ogada (2016) analyzed data using quantitative techniques, descriptive analysis which entailed use of means, frequencies and percentages and inferential statistics such as correlation analysis was applied to test the relationship of the variables from secondary data. Panel data was also applied to describe changes in study variable overtime and trends. Primary data was obtained from questionnaires. The study period was a 5-year study period from 2009 to 2013. Ogada (2016), found out that synergy had a significant relationship with financial performance of merged institutions. The results revealed that there was a positive relationship and significant relationship between return on Assets, operation synergy and financial synergy. A P value of (0.00) less than the critical value of (0.05) are an indication of a significant relationship. There is significant relationship between operating synergy financial synergy and financial performance of merged institutions. The implications are that a high degree of synergy seems to improve performance in terms of profitability. The limitations of the study was that data collection through interviews was only focused on the organization and failed to interview the customers to get a feedback on efficiency and effectiveness on performance which is a great determinant of the operational performance. Regression analysis if used would have also aid greatly in data analysis especially of qualitative nature.

Eliasson (2011) in her research on synergies in mergers and acquisitions sought to analyze synergy in regards to merger and acquisitions in technical trading companies to learn about success factors. The researcher used qualitative approach. Secondary data was company's specific information retrieved from the selected organizations web pages where the main sources of information have been general companies' information, press releases and annual reports. The primary data in form of interviews with company representatives was collected both through telephone conversation and on site visits to the organizations. The research found out that three important factors for synergy to be realized in mergers and acquisitions are entrepreneurship, human capital, the corporate heads knowledge, the experience and the selection capability and the inclusion of

acquisitions in their business models. Eliasson (2011) found out that synergy to increase in mergers and acquisition of the three factors is well considered in choosing a partner. The limitations were that only one interview were conducted per organization under study. The exemption of new companies from the research was also a limitation itself for this would have also given an indepth in the effects of synergies in mergers and acquisitions of new companies. Regression analysis should have been used for better analysis of the data.

Arikawa and Takechi (2011) sought to determine the effects of synergy in merged firms and the effect on productivity by studying merged firms and determine if synergy would have changes in productivity and compare with how these firms would have been had they not merged. The sample was 589 Japanese firms listed on the Tokyo Stock Exchange with exclusion of firms in financial and utility sectors and those without research and design expenditure records, hence resulting with a sample of 523 out of the 589 firms included in manufacturing sector. In these they considered firms involved in mergers and acquisitions even if it was partial. The period of review was from 1999 to 2006 which involved 629 mergers. The research method was Full Information Maximum Likelihood (FIML). The research found out that without controlling for selection bias of mergers decision mergers has no effect on firm productivity. After controlling for selection bias the researcher found out that there was a large decline in productivity following mergers and a small increase at best in the third year after the merger. These results suggest the importance of controlling selection bias to properly evaluate the productivity gains from mergers. One of the limitations to this study was the data analysis method used was not effective for regression data analysis method would better able to analysis the data as it was bulky and dispersed considering the period being covered. The variables under measure were not effectively measured as the study did not consider the various industries that the merging entities were in and this greatly affects the performance and decision making when it comes to merging or acquisitions.

MATERIALS AND METHOD

This study employed a descriptive research design and this allowed the investigator to describe the variables of interest in terms of their characteristics. The design is suited and justified for use in this study because of the variables to be used. The dependent variable is the non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd and the independent variables included; synergy effects, capital base, and brand effects. The study focused on 1030 staffs from I&M Bank Ltd. The study focused on I&M Bank Ltd 14 branches in Nairobi. Krejcie and Morgan’s (1970), method was used to get the sample size of this research. This method is effective in finding sample size from a population with a given size. Nonetheless, in case target population is fixed, the following formula (Krejcie & Morgan, 1970) is used in determining the sample size.

$$n = \frac{\chi^2 * N * P * (1 - P)}{d^2 * (N - 1) + +\chi^2 * P * (1 - P)}$$

Where: n = needed sample size; $\chi^2 \chi^2$= the table value of chi-square for 1 degree of freedom at the needed confidence level (3.841); N = size of the population; P = the population proportion (assumed to be .50 since this would give the maximum Sample size); d = the degree of accuracy (the margin of error) expressed as a proportion (.05).

The target population has 1030 staffs, therefore by use of Krejcie and Morgan's method of determination of a sample size the eventual sample size used composed of 278 staffs. Central limit theorem indicates that if the sample size is large enough ($N > 30$), the data gives a normal distribution curve, (Gilbert & Churchill, 2001). A structured questionnaire was used to get the primary data. The surveys were self-administered through drop and pick later approach to the respective customers of I&M bank. The questionnaire allowed superior uniformity in the manner in which questions was asked, guaranteeing superior compatibility in the responses. The structured questions were in form of a five-point Likert scale, where a participant was required to give his or her views on a scale of 1 to 5. This study used descriptive analysis to analyze the collected data. Tabulations, graphs, numerical procedures and diagrams are the visual presentations to be used to show, present and organize the analyzed data. The quantitative data was analyzed using the SPSS version 23 and used the multiple regression model in determining the implications of acquisitions on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd. The study applied the following regression model:

$$\mathbf{Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3} + e$$

Where: Y = Non-financial performance; X_1 = Synergy effects; X_2 = Capital base; X_3 = Brand effects; B_1– β_4 are the regression co-efficient; e = Error term

T-test will be carried out at 95% confidence level to establish the importance of the independent variable in clarifying the changes in the dependent variable.

RESEARCH RESULTS

Brand Effects

Survey participants were Indicate their level of agreement with the following statements relating to Brand Effects. From the study findings, majority of the respondents agreed that I&M Bank Ltd products and services are known in the media environment(M = 4.11 SD = 0.75), the I&M Bank Ltd advertisements increase the efficiency and effectiveness of the products and services (M= 4.08 SD = 0.15), I&M Bank Ltd have a right creative strategy for their brands (M=3.99 SD=0.25), &M Bank Ltd Optimizes its advertisements in real-time (M=3.95 SD=0.25) and that Branding helps in assessing the I&M Bank Ltd position against the competition (M= 3.80 SD=0.16). The above findings concurs with the study findings by Ismail, Boye, and Muth, (2012), that awareness and perceived brand value are important sources of brand equity and that the effects of these two

components on brand equity after mergers and acquisitions are significantly larger that before mergers and acquisitions.

Capital Base

Survey participants were Indicate their level of agreement with the following statements relating to capital base. From the study findings, majority of the respondents agreed that capital base provides a benchmark when measuring I&M Bank Ltd returns (M= 4.44 SD = 0.22), I&M Bank Ltd maintains the level of its assets (M=3.96 SD=0.15), the above goes hand in hand with the research findings by Gichuru (2012) Merger synergies have a positive effect on merging firms' corporate customers while the effect on customers of merging firms' rivals depends on potential switching costs. Further the study revealed that I&M Bank Ltd Investments performance is well maintained (M=3.85 SD =0.14), the I&M Bank Ltd has a large asset base (M=3.75 SD=0.25). However respondent's disagreed that the financial status of I&M Bank Ltd are stable (M=2.35 SD=0.17). The above goes hand in hand with the research findings by Lyandres (2013) the research findings also indicate offering high quality service increase customer retention, which in turn leads to high level of customer commitment and loyalty.

Synergy Effects

Survey participants were Indicate their level of agreement with the following statements relating to Synergy Effects. From the study findings, majority of the respondents agreed that I&M Bank Ltd maintains operational effects to ensure good performance (M= 4.25 SD=0.25), the technological effect in I&M Bank Ltd allows good performance (M=3.95 SD=0.32), Financial synergy gained by the combined firm is a result of number of benefits which flow to the entity (M=3.93 SD=0.81) I&M Bank use information campaigns to reach out their clients and achieve expected performance(M=3.86 SD = 0.85). However respondent's disagreed that synergy effects do not affect financial performance of I&M Bank (M= 1.31 SD=0.15). The above findings concurs with the study findings by Gichuru (2012) that the reason as to why mergers take place was to gain competitive edge in the industry, to attain the preferred customer base and to reduce the cost of operations.

Non-Financial Performance

Survey participants were Indicate their level of agreement with the following statements relating to Non-financial performance. From the study findings, majority of the respondents agreed that, the bank has been innovative and develops new products for its customers (M=4.36 SD=0.99), the bank is efficient in performing its mandate (M= 4.00 SD=0.36), the institution clientele is good (M=3.81 SD=0.83). The bank has retained its customers for years (M= 3.98 SD= 0.56) and that the institution clientele is good (M=3.81 SD=0.83). The above goes hand in hand with the research findings by Awan (2017), found out mergers and acquisitions affects brand perception hence showed that there is a relationship between mergers and acquisitions and company brand.

INFERENTIAL STATISTICS

The model summary sought to determine whether the correlation coefficient was significant at 5% significance level and also the extent that each independent variable explained the dependent variable through the coefficient of determination.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.831[a]	.690	.681	4.12634

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables: From the findings in table 1 the value of adjusted R squared was 0.681 an indication that there was variation of 68.1 percent on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd due to synergy effects, capital base, and brand effects at 95 percent confidence interval. The findings are in line with Weston and Brigham (2011), that acquisition strategy has an effect on non-financial performance especially on the banking and financial institutions.

An Analysis of Variance (ANOVA) was tested so as to determine whether the model was significant at a confidence level of 95%.

Table 2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3673.08	3	1224.36	71.908	.000[b]
	Residual	4256.75	250	17.027		
	Total	7929.83	253			

From the ANOVA analysis presented in table 2, the processed data, which is the population parameters, had a significance level of 0.000 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance, 4 df, 60 df was 4.95 while F calculated was 71.908, since F calculated is greater than the F critical (value = 4.95), the overall model was significant.

A multiple regression was conducted so as to determine the extent of influence of the independent variables on the dependent variables.

$$\mathbf{Y = 13.938 + 0.306\ X1 + 0.861\ X2 + 0.510X3 + \varepsilon}$$

A unit change in synergy effects would positively change non-financial performance of Giro bank ltd acquisition by I &M Bank Ltd by a factor of 0.306, a unit change in capital base would positively change non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd by a factor of 0.861 and a unit change in brand effects would positively change non-financial

performance of Giro bank ltd acquisition by I&M Bank Ltd by a factor of 0.510. The findings are in line with Timothy (2012), that organizational performance is usually determined by calculating value of both qualitative and quantitative performance factors such as customers, profit and cost.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.938	3.096		4.502	.000
	Synergy effects (X1)	.306	.090	.177	3.387	.001
	Capital base (X2)	.861	.098	.485	8.781	.000
	Brand effects (X3)	.510	.098	.297	5.216	.000

From the coefficients table significant value for synergy effects is 0.001 which is less than 0.05. Since the P-value of 0.001 is less than 0.05 the null hypothesis which stated that synergy effects have no non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd is therefore rejected. The implication is that there exists a significant positive relationship between synergy effects and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd

The significant value for capital base coefficient table is 0.000 which is less than 0.05. Since the P-value of 0.000 is less than 0.05 the null hypothesis which stated that capital base has no non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd is therefore rejected. The implication is that there exists a significant positive relationship between capital base and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd.

From the coefficients table significant value for Brand effects is 0.000 which is less than 0.05. Since the P-value of 0.000 is less than 0.05 the null hypothesis which stated that Brand effects have no non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd is therefore rejected. The implication is that there exists a significant positive relationship between Brand effects and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd.

DISCUSSION OF FINDINGS

Inferential statistics show that A unit change in synergy effects would positively change non-financial performance of Giro bank ltd acquisition by I &M Bank Ltd by a factor of 0.306, the significant value for synergy effects is 0.001 which is less than 0.05. Since the P-value of 0.001 is less than 0.05 the null hypothesis which stated that synergy effects have no non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd is therefore rejected. The implication is that there exists a significant positive relationship between synergy effects and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd.

The study assessed the effect of Synergy effects on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd. Test regression results a strong relationship between Synergy effects and non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd. Results also establish that I&M Bank Ltd products and services are known in the media environment(M = 4.11 SD), the I&M Bank Ltd advertisements increase the efficiency and effectiveness of the products and services (M= 4.08), I&M Bank Ltd have a right creative strategy for their brands (M=3.99), &M Bank Ltd Optimizes its advertisements in real-time (M=3.95) and that Branding helps in assessing the I&M Bank Ltd position against the competition (M= 3.80). The above findings concurs with the study findings by Ismail, Boye, and Muth, (2012), that awareness and perceived brand value are important sources of brand equity and that the effects of these two components on brand equity after mergers and acquisitions are significantly larger that before mergers and acquisitions.

Assessment between capital base and non-financial performance on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd showed that a positive significant relationship. The significant value for capital base coefficient table is 0.000 which is less than 0.05. Since the P-value of 0.000 is less than 0.05 the null hypothesis which stated that capital base has no non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd is therefore rejected. The implication is that there exists a significant positive relationship between capital base and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd.

The study also revealed that capital base provides a benchmark when measuring I&M Bank Ltd returns (M= 4.44), I&M Bank Ltd maintains the level of its assets (M=3.96), the above goes hand in hand with the research findings by Gichuru (2012) Merger synergies have a positive effect on merging firms' corporate customers while the effect on customers of merging firms' rivals depends on potential switching costs. Further the study revealed that I&M Bank Ltd Investments performance is well maintained (M=3.85), I&M Bank Ltd has a large asset base (M=3.75). respondent's disagreed that the financial status of I&M Bank Ltd are stable (M=2.35). The above goes hand in hand with the research findings by Johnson (2008) the research findings also indicate offering high quality service increase customer retention, which in turn leads to high level of customer commitment and loyalty.

The study revealed appositive significant relationship between synergy effect and non-financial performance, the study also revealed that I&M Bank Ltd maintains operational effects to ensure good performance (M= 4.25), the technological effect in I&M Bank Ltd allows good performance (M=3.95), The findings concurs with Lyandres (2013) that merger synergies are systematically associated with announcement returns and post-merger changes in operating performance of merging firms and of their rivals.

From the coefficients table significant value for Brand effects is 0.000 which is less than 0.05. Since the P-value of 0.000 is less than 0.05 the null hypothesis which stated that Brand effects

have no non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd is therefore rejected. The implication is that there exists a significant positive relationship between Brand effects and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd.

Financial synergy gained by the combined firm is a result of number of benefits which flow to the entity (M=3.93) I&M Bank use information campaigns to reach out their clients and achieve expected performance (M=3.86). However respondent's disagreed that Synergy Effects do not affect financial performance of I&M Bank (M= 1.31). The above findings concurs with the study findings by Gichuru (2012) that the reason as to why mergers take place was to gain competitive edge in the industry, to attain the preferred customer base and to reduce the cost of operations.

From the study findings, majority of the respondents agreed that, the bank has been innovative and develops new products for its customers (M=4.36), the bank is efficient in performing its mandate (M= 4.00), the institution clientele is good (M=3.81), the bank has retained its customers for years (M= 3.98) and that the institution clientele is good (M=3.81). The above goes hand in hand with the research findings by Awan (2017) found out mergers and acquisitions affects brand perception hence showed that there is a relationship between mergers and acquisitions and company brand.

CONCLUSION

Based on the findings, this study concludes that there exists a significant positive relationship between synergy effects and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd, organizations should always ensure that the brand effects are sound and facilitate participation of the employees and customers as well as contribute to greater returns.

There exists a significant positive relationship between capital base and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd, firms should always ensure that they have more capital to work with when it comes to lending and investments and facilitate participation of the investors as well as contribute to great performance.

There exists a significant positive relationship between Brand effects and on-financial performance of Giro bank ltd acquisition by I&M Bank Ltd, awareness and perceived brand value are important sources of brand equity and that the effects of these two components on brand equity after mergers and acquisitions are significantly larger that before mergers and acquisitions.

RECOMMENDATIONS

It is recommended that banks should always develop appropriate brand effects which are informed by the changes in the environment and that accommodate environmental dynamism.

It is thus recommended that banks should always have a well-developed capital base and implement appropriate investment practices which are informed by the changes in the environment and that accommodate environmental dynamism both locally and internationally.

The study recommends that banks should always develop and implement appropriate synergy effects which can protect the firms from rapid environmental changes to allow them thrive in the competitive world.

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