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THE EFFECT OF MERGERS AND ACQUISITIONS STRATEGIES, RISK MANAGEMENT, INSTITUTIONAL CHARACTERISTICS ON THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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Abstract

The objective of this paper was to examine the joint effect of mergers and acquisitions strategies, risk management and institutional characteristics on the financial performance of commercial banks in Kenya. Synergies theory, resource-based view theory, agency theory, and concentration theory were used to achieve the study's objectives. A correlational descriptive research design with cross-sectional data analysis and positivism paradigm was used to accomplish the study's objectives. The thirty Kenyan commercial banks that had undergone mergers and acquisitions by 2017 formed the population of the study. The data was gathered from publicly available financial statements, which were split into two; three years before and three years after mergers and acquisitions, with the transaction year been excluded. To determine the mathematical connection among the variables in the study, multiple regressions were used. The results of the study showed that jointly mergers and acquisitions strategies, risk management and institutional characteristics did not influence the financial performance of commercial banks before mergers and acquisition. The study result also indicated that mergers and acquisitions strategies, risk management and institutional characteristics influenced the financial performance of commercial banks after mergers and acquisitions. The findings of the research provide answers to the inconsistences found in the prior reviewed studies by empirically testing the study variables thus contributing to knowledge by providing new insights based on the variables studied. The research findings contribute to the theory by revealing the relationship among the supporting theories. Synergies theory results to increased value of the firm, where agency theory highlights possible misuse of free cash flows and guides on solutions to avoid the agency problem ,while resource based view supports mergers and acquisitions strategies as a means of mopping excess cash flow by combining homogenous resources for competitiveness. The research findings further contribute to the policy and practice in the sense that; the insights will help decision-making processes geared toward targeted outcome. The study results are limited to variables of the study and hence a recommendation of similar study using other attributes in varied context and scope.

Key words: *Mergers and acquisitions strategies, risk management, institutional characteristics, financial performance, commercial banks .*

Introduction

The wave for mergers and acquisition strategies has become increasingly popular in recent years as businesses see them as a way to expand and improve their financial performance (Beverly et al., 2019). Mergers and acquisitions strategies enable organizations to achieve economies of scale, tax planning, and acceleration; gain market power, access new technologies and new research and development, increase shareholder wealth, product diversification, and improve financial performance (Amedu, 2004; Gaughan, 1991; Leepsa &Mishra, 2016). Variables such as the firm size involved in the deal affect the success of mergers and acquisitions strategies, though there has never been consensus on the ideal ratio (Ahuja & Katila, 2001; Cohen & Levinthal, 1990). Mergers and acquisitions can influence how a firm managements its risk management which in turn can influence the financial performance. Mergers and acquisitions strategies can affect an organization's risk management, including credit and liquidity risk, and thus its financial performance. Non-performing loans are reduced with proper credit risk management, leading to greater financial performance. Proper liquidity risk management, on the other hand, lets the company pay its bills as they come due, so it does not lose money because of penalties from third parties, get in trouble with regulators, or hurt its brand name (Chui, 2011; Harelimana, 2017).

The anchoring theory in the study was the synergy theory (Ansoff, 1968). The synergy theories explain that firm mergers and acquisitions are a strategy toward growth derived from various synergies such as financial, operating, and managerial efficiency. The idea also emphasizes that mergers and acquisitions generate value, since 2+2=5. The theory supports mergers and acquisitions, institutional characteristics, and financial performance because when organizations combine, they are theoretically expected to grow in size and improve their financial performance. The resource-based perspective supported mergers and acquisitions, institutional characteristics, and financial performance (Penrose, 1959). Mergers and acquisitions, risk management, and financial performance are all supported by concentration theories (Eckbo, 1985).

In Kenya, commercial bank mergers and acquisitions date back to 1989, when nine banks merged to form the Consolidated Bank of Kenya. By 2021, the banking sector will have seen 57 mergers and acquisitions. Commercial bank mergers and acquisitions are distinguished by their dynamic regulatory approach to evolving risk. Mergers and acquisitions became extremely popular following the 2008 financial crisis, which resulted in numerous bank failures. Locally, the Central Bank of Kenya issued prudential guidelines in 2013 that increased the requirements for capital adequacy and liquidity ratios. Commercial banks that were unable to comply with the new laws were compelled to pursue alternate methods, including mergers and acquisitions, to assist them comply with the regulator's declaration (CBK, 2020).

Mergers and acquisitions strategies

A business transaction in which two or more companies merge into one with a unified management structure or significant influence from a single shareholder group is referred to as a merger or acquisition, according to Baldwin (1998). There are five most common types of mergers and acquisitions; Conglomerate, horizontal, market extension, product extension and congeneric. Since Kenya's independence, several factors have contributed to an increase in mergers and acquisitions among Kenyan banks. Kenya Session Paper No. 2 on

Kenya Vision 2030, as well as other legal frameworks, have offer improved banking mergers and acquisitions, with the main objective of creating a strong and resilient financial sector. The changing regulatory landscape, as well as the desire for business expansion and growth, has all had a significant impact on the mergers and acquisitions landscape.

The latest wave of mergers and acquisitions has also been influenced by the need for business expansion and network expansion, particularly with an emphasis on technology. Utilizing technology in a bank's operations lowers operating costs, improves operational effectiveness, and expands the bank's current product or service offering. The merger of CBA and NIC Bank is an excellent example of a technologically focused and growth-driven M&A transaction. CBA Bank, a digital banking market leader, decided to acquire NIC Bank in order to increase sales revenue, accomplished, and extent for expansion. The transaction, which was completed on a 53:47 share-for-share basis in November 2019, led to the creation of NCBA Bank, for whom the value proposition is anticipated to be tier one. Though both banks have previously done corporate banking, the newly founded company has the possibility to become Kenya's corporate banking market leader (Kippra, 2020).

Risk Management

The procedure of recognition, quantification, administering, and keeping track of probable perils that may adversely affect the performance of an organization can be described as risk management (Cumming & Hirtle, 2001). The banking industry has grown enormously throughout the years. Growth has brought with it a plethora of financial and non-financial risks. Credit risk, liquidity risk, operational risk, market risk, interest rate risk, transaction risk, and legal risk are some of the hazards that commercial banks face. A bank's bottom line could be negatively impacted by this risk (Burki & Niazi, 2010). Banks' ignoring risk management primarily contributed to the Asian financial crisis of 1997, where banks were lending based on client relationships without collateral. The result was that borrowers could not repay the loans, weakening the banking sector (Safari et al., 2016). Any business's success depends on how effectively it manages all its risks. Good financial performance is associated with good risk management, while bad management is associated with a drop in financial performance (Ebenezer & Omar, 2016). Credit risk has been cited as the most significant risk in banks (Colquitt, 2007).

Institutional Characteristics

Institutional characteristics are the distinctive traits that make up various organizations, including their age, size, and business ownership. Institutional regulations and policies can affect quality (Ferreira et al., 2008). Institutional qualities are internal aspects that influence corporate operations (Zou & Stan 1998). Institutional features are microeconomic elements that influence the performance of a management-controlled firm (Mdoe, 2017).

There are three types of institutional characteristics: institutional characteristics (firm size, leverage, and ownership composition); institutional characteristics (firm size, leverage, and ownership composition); and institutional characteristics (firm size, leverage, and ownership composition). The fourth group includes market institutional characteristics such as sector specialties and corporate social responsibility, as well as profitability and liquidity (Rahman &Widyasari, 2008). These characteristics can affect a company's ability to stay in business as well as its overall

financial well-being (Kaguri, 2013). In the banking industry, operational efficiency, diversity, cost of capital, and liquidity are critical because they determine the institution's stability (Kioko, 2013). In a corporation, board size, ownership structure, and board makeup are all important factors because they influence corporate governance, which drives financial performance.

Financial performance

Various researchers to illustrate the fundamental steps undertaken by firms to generate revenues have explained financial performance. Moreover, it blueprints the capability to enhance the business stability. Yahaya and Lamidi (2015) stated that financial performance explains the proficiency of the organization. Financial performance is how well a company accomplishes its goals in terms of qualitative and quantitative measures, including revenue growth, profitability, return on assets, customer satisfaction, compliance, and staff satisfaction (Majari et al., 2012). Management's skill in turning available resources into cash is another factor that affects financial performance (Baba & Nasieku, 2016). Financial performance also refers to the overall organizational position in assets, liabilities, revenues, equity, and expenses (Rutagi, 1977). Financial performance shows how well an organization is able to utilize its resources in generating revenue from its active business assets and its overall position throughout the time (Baba and Nasieku's 2016).

Financial performance is important to an organization as it reflects how effective the management has been in utilizing the assets to generate revenue (Nzuve, 2016). It is also very critical to the going concern of an entity as it determines its prospects with lenders, suppliers' customers, and the regulators. Poor financial performance will result in low liquidity, which makes the entity unable to service its obligations as well as pay statutory obligations. Financial performance also indicates an entity's solvency, and a lack of solvency may discourage investors and lenders from extending credit. A poorly performing entity is unable to respond to a customer’s request, which may result in the collapse of the entity (Quach, 2005).

Commercial banks

Mergers and acquisitions of commercial banks in Kenya date back to 1989, when nine commercial banks merged to form a consolidated bank. From 1990 to 1999, there were 20 bank mergers and acquisitions, 16 from 2000 to 2010, and 9 from 2011 to 2020. Imperial Bank, Chase Bank, and Charter House Bank are the only commercial banks in Kenya that are currently governed by statute (CBK, 2019). Changes in the business environment have prompted Kenyan banks to merge and purchase one another (CBK, 2020).

Commercial banks in Kenya's financial performance is at two extremes; where some banks have been posting increasing profits, such as Equity Bank, KCB, and Co-operative Bank, while other banks, especially the third tier banks, have been posting declining profits, such as Jamii Bora bank and Bank of Africa. Due to poor financial performance, some banks, including Dubai Bank, Chase Bank, and Imperial Bank, have been placed under mandatory reporting administration (CBK, 2019).The difference in financial performance can be attributed to bank-specific characteristics and how well those elements are managed by the bank. For instance, risk management (Muriuki et al., 2019). Commercial banks' financial health has also been connected to institutional characteristics such as the bank's size, age, and ownership (Nyabaga & Wepukhulu, 2020).

Research problem

Commercial banks operate in an ever-evolving operating and legal environment. The risks facing commercial banks are becoming more sophisticated and complex on a daily basis with the emergency of technology and digital lending platforms accompanied by an increase in online fraudsters and hackers. There are increasing corporate governance issues, which are putting customer's deposits into risk. As such, the regulator has instituted a stringent operating and legal environment with which commercial banks are bound to comply. The financial crisis of 2008, when there was a mass of bank failures, opened the door for regulators to tighten the regulations to avoid such an occurrence. In Kenya, the Central Bank comes up with prudential guidelines, which all commercial banks are bound to comply. Commercial banks are further bound to follow Basel's committee guidelines as well as international accounting standards and more so (IFRS 9) in consideration of impairments of financial assets and liabilities.

The guidelines, pronouncements, and frameworks, which the banks are bound by makes some commercial bank unable to comply and therefore look for strategies where mergers and acquisitions become the most solemn way to enhance compliance and competitiveness (CBK, 2020; Nguli & Kyule, 2020; Kumar & Bansal, 2008; Kathali, 2014). Mergers and acquisitions strategies facilitate the creation of entities with a large capital base and a sufficient liquidity ratio. It also enables entities to find a soft landing for growth and diversification, tax savings, market power domination, and overall improved financial performance. The synergies brought about by the mergers and acquisitions strategies also facilitate proper risk management due to the combination of homogenous resources (Chui, 2011; Ciobanu et al., 2014; Filipovic, 2012; Heller, 2013).

Mergers and acquisitions can be traced back to 1989, when nine banks merged to form the Kenya Consolidated Bank. Since then, the trend has gained traction with 57 commercials considering mergers and acquisitions as of December 2021. The trend observed reveals that most of the entities acquired have been performing in a dismal manner while the entities that acquired them have been performing extremely well. In Kenya, recent mergers and acquisitions include the National Bank of Kenya and Kenya Commercial Bank of Kenya, the State Bank of Mauritius and the Chase Bank of Kenya, Equity bank and spire bank, and Access bank and Transnational bank. A performing bank and a non-performing bank are involved in the mergers and acquisitions. Other mergers, such as that of NIC and CBA to form NCBA, involved two performing banks seeking synergies. Some commercial banks are under statutory management, which included Dubai Bank and Imperial Bank, due to non-compliance with the regulator's guidelines, which also pointed toward corporate governance problems (Asokoinsight, 2020; Catton, 2019).

The wave of bank mergers and acquisitions has attracted academicians and researchers in equal measures. The direct relationship has been widely studied on mergers, acquisitions, and financial performance as evidenced by the reviewed studies whose findings and conclusions are varied. The varied findings and conclusions could point towards varied methodologies, population characteristics, context of the study, and assumptions made. A study on the direct connection for both mergers and acquisitions that discovered and concluded that mergers and acquisitions resulted in improved financial performance is an example (Ibeji, 2015; Kathali, 2018; Korir, 2006; Ogada et al., 2016; Ombaka&

Jargongo, 2018; Mwanza, 2016). Further reviewed studies on direct relationships whose findings and conclusions indicated that mergers and acquisitions do not have a direct impact on the financial performance of commercial banks included those of (Chesang, 2002; David, 2011; Ochieng, 2006; Marembo (2012), Muya, 2006; and Ndura, 2010). Harney (2011) did more research that was contradictory and found no link between M&A activity and how well commercial banks did financially.

Local studies have looked at the direct connection among mergers and acquisitions and financial performance. The investigations did not take into account any factors that could strengthen or weaken the correlation between the predictor and outcome variables. The investigation also did not take into account intervening variables. The highlighted studies reviewed in the local context included those of Juma et al., 2012; Kathali, 2018; Ombaka &Jagongo, 2018; and Wango'mbe, 2015). International studies reviewed, which also followed a direct relationship, included those of Asli et al., 2014; Nga &Kamolrat, 2007).Following the above shortcomings, these studies will be submitted to address the concept of moderating and intervening variables in the association among predictor and outcome variables in a local context.

The studies reviewed have also revealed varied methodological approaches and population characteristics. Some of the studies reviewed revealed that the researchers used small samples, which could result in an increase in margins of error and hence unreliable results (Njeru&Gathuku, 2015; Kathali, 2014; Waqas, 2019). This study will endeavor to study the aggregate population for accurate and reliable results. Other studies reviewed have used a span of one year before and after mergers and acquisitions, which is a short period for the effect of the event to be felt (Putri V, 2010). This study will use an average of three years before and after mergers and acquisitions, with the deal year being excluded. Other studies reviewed have used primary qualitative data, which is expensive, time-consuming, and sometimes biased due to human emotion variations. This study will use secondary quantitative data, which is more reliable and is available to the public (Muriithi et al., 2016; Yimka et al., 2015; Muriithi & Waweru, 2017; Orangi et al., 2019).

The reviewed studies present three main research gaps. First is the conceptual gap, where the reviewed studies yielded different findings and conclusions, driving toward insufficient knowledge of the in the subject matter. Some studies revealed that mergers and acquisitions result in increased financial performance while others indicated that the relationship is mutually exclusive. Still others indicated that mergers and acquisitions have no impact on the financial performance of commercial banks. The second is the methodological gap, where the reviewed studies present variations in sample size, duration of data collection, and data collection techniques. The third is the contextual gap, which ties with the methodological gap, where the reviewed studies in developing and developed economies have focused on direct associations amongst the predictor and the outcome variables while ignoring the role of moderating and intervening variables. The study intended to fill the gaps identified and empirically test the relationship between mergers and acquisitions strategies, risk management, institutional characteristics, and financial performance among commercial banks in Kenya.

Literature Review

Umoren and Olokoyo (2007) investigated the financial results of Nigerian commercial

banks following major mergers and acquisitions. Thirteen bank mergers and acquisitions were studied, with financial performance measured using return on equity 2 years beforehand and 2 years afterwards merger and acquisition (ROE). The results of the study showed an incremental post-merger financial performance as determined by the change in ROE following mergers and acquisitions. The study was conducted in a different setting and with a smaller sample size. The research will be conducted in a more local setting with a larger sample size. ROA was used in the study to indicate earning potential.

Mardianaet al. (2018) investigated the interaction between risk management and financial success in Indonesia. Credit risk management, as measured by non-performing loans, had no discernible bearing on commercial banks' financial results, based on the findings of the study. This study contradicts Prastiyaningtyas (2010) findings, which found that non-performing loans have a significant impact on commercial bank financial performance among Indonesian stock exchange-listed commercial banks. The research was carried out in a Western economy, and it must be replicated in a Kenyan setting. Because a single metric may not capture the entire picture, more liquidity and operational risk management will be implemented.

Mokaya (2014) used bank size as a proxy to look into the effect of institutional determinants on lending rates in Kenyan commercial banks. The population of the study included 39 commercial banks, whose data was gathered and analyzed between 2016 and 2015. The size of Kenyan commercial banks had a major impact on lending rates. The study's findings also diverged from those of Singh and Mogla (2010), who discovered that the size of a company had a negative influence on its financial performance after consolidation. The disparities in results could be attributed to a contextual difference in that the former looked at the impact on lending rates while the latter looked at financial results after mergers and acquisitions.

Suehiro (2002) looked into how bank restructuring and risk management affected Thailand's financial results. The central issue was whether consolidation enhanced the NPL ratio. Based on the report's results, the NPL ratio gotten better after restructuring. The study also looked into how restructuring affects asset quality, and it was unearthed that asset quality enhances after restructuring. Dziobek and Pazarbsioglu (1998) discovered that restructuring banks with a high volume of non-performing loans results in low earnings due to NPL provisioning, which contradicts the findings of this investigation. Extensive empirical assessment of the variables in a local and consolidation setting is required to corroborate the differing views.

Research methodology

Positivism as a research philosophy guided this study. A correlational descriptive research design was used for the study, which included time series data. Thirty commercial banks in Kenya that engaged in mergers and acquisitions between 1995 and 2017 form the population of the study. This research relied on secondary data gathered from documents and records including such financial statements and the regulator's annual report. The information was gathered three years before and three years after mergers and acquisitions, with the year of the transaction omitted. To verify that the information was free from any bias caused by the linear regression model suppositions, a diagnostic test was performed. Linearity, normalcy, multi-collinearity, auto-correlation, and homoscedasticity presumptions will be tested particularly on the data. Mergers and acquisition strategies were assessed by operational

efficiency and market share. To determine operational efficiency, the ratio of operating expenses to total income was used, and to calculate market share, the ratio of total revenue to industry revenue was used. The variables and predictors used in this study are the same as those used in previous studies in Kenya by Odada, Njuguna, and Achoki (2016) and Ombaka and Jagongo (2017). (2018). Risk management predictors included credit risk management and liquidity risk management. The ratio of non-performing loans to total loans was used to calculate credit risk, and the ratio of current assets to current liabilities was used to calculate liquidity risk. The predictors and metrics used by Folajimi are comparable (2020; Mardiana et al., 2018). As a financial performance metric, a ratio of operational income to total assets was used (ROA). The following studies used return on assets to evaluate financial performance: (Bceloupremo & Ogege, 2019; Ogada, Njuguna, & Achoki, 2016; Omaka & Jagongo, 2018). Three methodologies were used to determine the disparity in financial performance between the pre-merger/acquisition and post-merger/acquisition periods. To begin, ratios were determined by averaging three years prior to and three years following bank mergers and acquisitions. Secondly, t-test was carried out to see whether there was a statistically significant distinction between the mean average performance of pre-mergers and acquisitions and post-mergers and acquisitions (Abbas, 2014; Ong, Teo, & Tec, 2011). The ROA ratio was used as a metric and as a financial performance indicator. The analysis failed to account for the year of the merger or acquisition as any change might be due to the immediate effect of mergers and acquisitions i.e. over valuation or undervaluation effect. Multiple regressions were used to evaluate the mathematical connection between the study variables in the two periods. The model's predictive ability was assessed using an F-Test. The goodness of fit of the model was ascertained using a coefficient of determination (R2).

Result and Discussions

The mean for return on asset pre mergers and acquisitions is (ROA) is 0.422 while post-merger and acquisitions are 0.707.This means, the average financial performance among commercial bank in Kenya before mergers and acquisitions as measured using ROA was 4.22% while post mergers and acquisitions is 7.07%. The average performance improved during the post mergers and acquisition i.e. from 4.22% to 7.07%. The minimum is 0.000 and a maximum of 0.864 for pre mergers/acquisitions and 0.398 and 1.031 for post mergers/acquisitions period. The minimum of 0.000 as compared to the minimum of 0.398 in the post-merger/acquisitions period is an indication that more banks were performing dismally before been acquired or combined with another bank. The Skewness of-0.025 and the Kurtosis of -0.919 for ROA are both negative, referencing the data's distribution is peaked and possesses a thick tail. The negative skewness and kurtosis is an indication of low performance before mergers and acquisitions strategies. The skewness and kurtosis in the post mergers and acquisitions is 0.298 and 0.110 both of which are positive, an indication of improved financial performance. The mean operational efficiency is 0.080 in pre mergers/acquisitions and 2.081 in post mergers/acquisitions indicating an improvement. The mean for firm size is 3.870 and a standard deviation of 0.588 in the pre/ merger/acquisitions period, 4.193, and 0.684, inferring that the data is concentrated around the mean, reducing the outliers.

Durbin Watson independence test in both periods were in the range of 1.5 and 2.5, showing that the data exhibits no first order

linear auto-correlation. The ANOVA linearity test yielded a p value greater than 5, indicating that the entire variable has a linear connection. The multicollinearity test findings showed a VIF factor of less than 5 in both periods, indicating that there was no multicollinearity among the variables. The heteroscedasticity test resulted in a p value larger than 5, indicating that there was no indication of heteroscedasticity in the data in both periods. The Kolmogorov-Smirnov and Shapiro-Wilk (1965) normality tests were used, and the results show that the data is normally distributed because the P value is greater than 5 in both periods.

According to the correlation studies, operational efficiency is highly positively associated to financial performance. The positive association indicates that improving operational efficiency leads to improved financial success as measured by ROA. Market share suggests that there is a negligible positive association between ROA and market share. This implies that as market share grows, so does the ROA, but with a lower margin. The size of the firm correlates significantly with financial performance as assessed by ROA. This means that when the firm's size grows, so does the return on assets, and vice versa. Credit risk management is inversely related to financial performance as measured by ROA. This means that if credit risk rises, so does financial performance, and vice versa. Liquidity risk management is inversely related to financial performance as assessed by ROA. This means that if liquidity risk rises, so will financial performance, and vice versa.

The hypothesis tested was stated as "*the joint relationship of mergers and acquisitions strategies, risk management and institutional characteristics on financial performance among commercial banks in Kenya is not significant*"**.** The table below indicates test result before mergers and acquisitions.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

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1	.217[a]	.047	.020	.219

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.417	5	.083	1.742	.127[b]
	Residual	8.479	177	.048		
	Total	8.897	182			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.032	.462		.069	.945
	Operational efficiency pre-merger	.064	.066	.078	.978	.330
	Market share pre-merger	.116	.214	.040	.543	.588
	Firm's size pre-merger	.039	.031	.105	1.268	.206
	Credit risk management pre-merger	-.467	.243	-.177	-1.923	.056
	Liquidity risk management pre-merger	.108	.223	.043	.483	.630

Dependent Variable: ROA pre-merger

Research finding (2022)

The finding indicates that, overall, the variables failed to predict the financial performance of commercial banks (P>0.000). The conclusion from the finding is thus; jointly the variables did not had a significant influence on the on the financial performance of commercial banks before mergers and acquisitions.

The test result post mergers and acquisitions are as indicated in the table below

Model summary

Model	R	Change Statistics

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.277[a]	.077	.020	.118	.077	1.351	5	81	.000

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.095	5	.019	1.351	.0.00
	Residual	1.142	81	.014		
	Total	1.237	86			

Regression coefficient

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.645	.379		1.703	.092
	Operational efficiency Post Merger	.056	.026	.233	2.108	.038
	Market share Post Merger	-.095	.174	-.060	-.546	.586
	Firm's size	.014	.020	.079	.700	.486
	Credit risk management	-.040	.186	-.028	-.215	.830
	Liquidity risk management	.032	.183	.022	.175	.861

a. Dependent Variable: ROA Post Merger

Source: Research findings (2022)

The finding indicates that, overall, the variables predicted the financial performance of commercial banks (P=0.000). Regression coefficient indicated that, only operational efficiency was a significant predicator of financial performance (P=0.038<0.05).The conclusion for the finding are thus; jointly all the variables were statistically significant at 5% level of significance, hence the failure null hypothesis. It is therefore concluded that mergers and acquisition strategies, risk management, institutional characteristics jointly have a significant influence on the commercial bank financial performance.

The joint regression model; $ROA = \beta 0 + \beta_1 OF + \beta_2 MS + \beta_3 CRM + \beta_4 LRM + \beta_5 BS + \varepsilon i$ can be summarized as;

$ROA = 0.645 + 0.056OF - 0.095 + 0.14\ FS - 0.040CRM + 0.032LRM + \varepsilon i$

Where;

ROA=Return on asset

0F=Operational efficiency

MS=Market share

CRM=Credit risk management

LRM=Liquidity risk management

FS=Firm size

The study's findings were such that, before mergers and acquisitions, jointly the variables did not significantly influence the financial performance of commercial banks. Further, the study findings revealed that; jointly the variables influenced the financial performance of commercial banks post mergers and acquisitions. Operational efficiency has a significant effect on financial performance. The findings led to the rejection of the fourth null hypothesis. In their study, Gomez et al. (2010) discovered that mergers and acquisitions boost operational efficiency, as indicated by an increase in productivity following the transaction. According to Oman (2009), mergers and acquisitions boost operational efficiency as well as market share, which lead to greater financial performance.

Ayoush et al., 2020, for example, discovered that mergers and acquisitions had no statistically significant impact on financial performance. The observation could be the result of insufficient integration or an inflated aim. Other factors that were not considered in the model could potentially play a role. Muiru et al. (2014) discovered the same thing, finding no significant difference between the means of financial performance of commercial banks before and after mergers and acquisitions.

Similar study with consistent results included those of Babalola & akeji, 2021 whose findigs were that,mergers and acquistions influence financial performance,but other factors need to be incorporated like the moderating and intervening variables. Khan et al, 2017 found results which were inconsistent to the result of these result. In their investigation,they found that ,there was no effect of finanncial performance after mergers and acqustions for non-financial sector in Pakistan.Further , Abbas et al., 2014 found that,there is insignificant influence of mergers and acquistions on financial performance among commercial banks in Pakistan.

Conclusions and recommedations

The study findings revealed that, when the variable is jointly regressed before mergers and acquisitions, they did not have a significant influence on financial performance. Further, the study findings revealed that, when the variable were jointly regressed, post mergers and acquisitions, the overall model showed a significant influence on the financial performance. The findings before and after the mergers and acquisitions lead to the conclusion that, mergers and acquisitions strategies, risk management, institutional characteristics influence financial performance and hence the rejection of the null hypothesis ,the joint relationship of mergers and acquisitions strategies, risk management and institutional characteristics on financial performance among commercial banks in Kenya are significant. The study recommends decision makers to come with measures aimed at jointly boosting the study variables among commercial banks in Kenya, as this will translate improved financial performance. The study also recommends that, the regulator should come up with policies which facilitate mergers and acquisitions.

Contribution of the study

The key contribution to the corpus of information on subject areas is that mergers and acquisitions strategies, risk management,

and institutional characteristics all predict commercial bank financial performance in Kenya. According to the study's findings, the number of mergers and acquisitions strategies influences the financial performance of commercial banks. This infers that, the regulator should craft frameworks which make mergers and acquisition seamless to the banks which consider them. The findings that ;mergers and acquisitions strategies influences financial performance gives insights to bank leadership and managers who are looking for strategies to enhance compliance ,diversification, tax planning, economies of scale and organic growth.

Limitation of the study

The current study limited itself to the year 1995–2017 of which the results could be different with a larger period. The split of the period i.e. three years before mergers, acquisitions, and three years post mergers and acquisition, the period might not be long enough for the benefit of the deal to be realized. The likely hood of short-term effect on the result cannot be ignored and therefore longitudinal data may be necessary as opposed to the time series data. The current study has used secondary data, which is historical in nature, and hence it is possible that the results do not accurately reflect the current situation. The absence of any feedback from management is one of the reasons why secondary data presents its own unique set of challenges..

Suggestions for Further Research

In light of this limitation, a longer study length would be the one that is the most appropriate choice (five years or more). There was an excessive dependence on secondary sources, most of which are likely to be out of date by the time the study was finished because of the excessive use of secondary sources. Therefore, it is feasible that carrying out a comparable study utilizing primary data or a combination of primary and secondary data is just not viable.

The perspectives of management on how mergers and acquisitions have affected financial performance will be incorporated as an integral element of the process of primary data collection. Although the focus of this study is on commercial banks in Kenya, it could very simply be expanded to include data from other businesses in Kenya such as the insurance, industrial, pharmaceutical, and other sectors. Students and academics from East African nations who are interested in pursuing careers in the academic world would gain a significant amount from a trip to the region.

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