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Abstract: Prior to the consolidation exercise in 2005, the banking industry was filled with a large number of weak, small banks that had low capital bases and were not performing their duties as the main financial intermediaries in the economy. The consolidation exercise which was spearheaded by the CBN governor, Charles Soludo included the recapitalization of deposit money banks to a minimum of N25 billion naira by December 31, 2005 with mergers and acquisitions (M&As) as one of the strategies the banks could adopt to meet this requirement. By the end of the consolidation exercise, the number of banks had reduced from 89 to 25 while the capital base and reliability of the banks that survived increased. This study was carried out to find out the challenges faced by the banks during and after the exercise, the performance of these banks post-consolidation and if mergers and acquisitions has in anyway affected the banks and if so, in what ways. The panel data regression technique was used in the analysis and from the findings it was asserted that M&As affect banks’ performance but does not affect banks’ cost of equity capital. The management of Nigerian banks however has to be efficient and effective in allocating available resources so as to stay relevant in the now competitive banking industry and enjoy the full benefits that come with mergers and acquisitions.