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*SG-SSB LTD: A case of Cross –Border Merger and Acquisition  
in Ghana*

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## **Abstract**

Mergers and Acquisitions across national barriers in the banking industry have been rare in Ghana. We studied the only such M&A in Ghana (SG-SSB Ltd) to investigate the pre and post M&A operating performance. The study was conducted using the M&A failure model in which prior literature indicate that cross-border M&As only end up in failures. The research question was studied using dataset from the Ghana Banking Survey covering 2000 to 2004 and the annual reports of SG-SSB Ltd and its mirror banks. We also conducted decomposed analysis of the return on equity of the bank with respect to the mirror banks.

We empirically found out that in the short term, the operating performance of SG-SSB Ltd improved against the mirror banks chosen as control banks. SG-SSB Ltd also over the period took lower risks than its peers.

**Keywords:** Cross-Border Bank Mergers and Acquisitions, Operating Performance

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## Chapter One

### Introduction and Background

According to Buch and DeLong (2001), domestic mergers and acquisition (M&A) in the banking industry have increased over the past two decades more than cross-border M&A. They further maintained that where cross-border M&A takes place, it is between banks in the same region for instance most of the cross-border banking M&As took place between banks in European markets and when in the United States of America it is interstate. Buch and DeLong (2001) argued that banking M&A is one of the features of globalisation and may be the driving force for non-competitive banks.

In Europe, financial markets deregulation, technological development and the creation of the European monetary Union (European single currency) created the common platform for bank competition which led to expansion. The expansions took the form of M&As. According to Eurostat (1999) as a result of bank M&As in Europe, banks in individual countries within the Union have reduced in number. In Germany banking and credit services institutions fell from 4,739 in 1985 to 3,403 in 1998. In France during the same period were 1,952 in 1985 to 1,209 in 1998 and fell from 655 to 527 in the UK at the same period.

Over the past few decades when the financial services sector liberalisation took place in Ghana, only one domestic bank M&A was recorded between Social Security Bank Limited (SSB Ltd) and National Savings and Credit Bank in May, 1994. The only cross-border bank M&A recorded was consummated between Societele Generale of France and Social Security Bank of Ghana in March 2003 with the name SG-SSB Ltd. Societele Generale holds fifty one (51%) percent of the share capital in SSB Ltd making it the controlling stakeholder. Before the acquisition deal with Societe Generale, SSB Ltd was the fourth biggest bank in Ghana serving about two hundred and twenty thousand (220,000) individual customers and twenty six thousand (26,000) business customers with thirty eight (38) branches across the country.

## **1.1 The Banking Industry in Ghana**

Ghana is a small open economy with a steady improvement in Real Gross Domestic Product (GDP) from 3.7% in 2000 to 5.8% in 2004. As an agrarian economy, the agricultural sector contributed about 5.5% and the services sector which includes the financial and banking services 4.8% to GDP in 2004. Average inflation over the same period dropped from 40.5% to 11.8% but rose to 16.3% in 2005. Averagely, the cedi (currency of Ghana) which depreciated against the US dollar by 2.2% in 2004 is relatively stable thereafter. The lending rate also fell from 46% in 2000 to 28.8% in 2004 (Ghana Banking Survey, 2005). In 2005 the Bank of Ghana statistical information revealed further fall in the lending rate to 26% ([www.bog.gov.gh](http://www.bog.gov.gh)). The banking sector also experienced increasing competition between 2000 and 2004 (Ghana Banking Survey, 2005). As at 2002 formal banking reaches only about 5% of the total population of about 20 million people. However, bank activities covered almost every part of the country. About 35% of bank branches are concentrated in the Greater Accra Region which is the region where the capital Accra is located though the region represents only 13% of the total population. Also 50% of all bank branches in other regions belong to the Ghana Commercial Bank, which is state owned (Buchs and Mathisen, 2005). The Ghana Banking Survey, 2005 reported that between 2000 and 2004 the total deposit mobilised increased by 176% from 7.6 trillion cedis to 21 trillion cedis (Cedi is the official Ghanaian currency). The Ghana Banking Survey 2005 revealed that even though agriculture is the backbone of the economy it received decreasing funding from Commercial banks from 11% in 2002 to 7% in 2004.

The Financial Sector Assessment Program (FSAP) introduced in 2001 and updated in 2003, helped to remove legislative and administrative inefficiencies in the banking sector coupled with the financial sector adjustment programme (FINSAP) led to tremendous growth and competition in the banking industry( Ministry of Finance Report, 2003 & Ghana Banking survey , 2005). According to Buchs and Mathisen (2005) eighteen banks were operating in 2004 with nine commercial banks. Ghana Commercial Bank

contributed 25% of the total assets in the banking industry. We have three main categories of banks in Ghana. They are commercial, development and merchant banks. The commercial banks engage in traditional banking businesses with concentration on universal retail services while merchant banks engage in corporate banking services and the development banks focusing on medium to long term finances.

Money transfer activities are common in Ghana with both formal and informal operators. The formal money transfer activities include Western Union (mainly operated by Agriculture Development Bank) and Moneygram (operated by SG-SSB Ltd). However, many banks serve as receiving points for foreign remittances to Ghana. There are many unlicensed informal money transfer operators who operate from small shops or businesses but they are now being asked to register to obtain operating license after the September 11, 2001 terrorist attack on the US (Higazi, 2005).

## **1.2 History of Social Security Bank Limited and SG-SSB Limited**

The history of SSB Ltd started in February 1975 when it was incorporated as a private limited liability company with the name Security Guarantee Trust Limited. It was then solely owned by the Social Security and National Insurance Trust (SSNIT). SSNIT is the National Pension Fund by the government of Ghana and workers. Barely after a year, the bank changed its name from Security Guarantee Trust Limited to Social Security Bank Limited in February, 1976. The bank merged with the National Savings and credit Bank and maintained the name SSB Ltd in May, 1994 and was subsequently listed on the Ghana Stock Exchange in October, 1995 ([www.sg-ssb.com.gh](http://www.sg-ssb.com.gh)).

In September, 1997 a consortium made up of Blakeney Management Corporation UK, Morgan Stanley, Quantum Emerging Market Investment Corporation and others bought 52% of SSB Ltd issued Shares. In addition, the Bank changed its name from Social Security Bank Limited to SSB Bank Limited in 1998 after which Commonwealth Development Corporation acquired a 20% stake in the Bank in December, 1999 ([www.sg-ssb.com.gh](http://www.sg-ssb.com.gh)).

Societele Generale is the third largest bank in the Eurozone based on net banking income which has as its retail banking strategy to expand beyond its borders including Africa.

Before the deal with SSB Ltd, it was already operating in Benin, Cameroun, Chad, Burkina Faso, Cote d'Ivoire, Equatorial Guinea and Senegal. According to Societele Generale the rationale for the deal was to bring financial strength, international network and universal banking expertise to SSB Ltd ([www.socgen.com](http://www.socgen.com)).

### **1.3 Ownership Structure**

SSB Bank's ownership structure changed in March 2003 when Societele Generale, one of the leading banks in the Eurozone with expertise in asset management, retail and private banking acquired controlling shares in SSB Bank. As a result of the deal SSB Bank became a subsidiary of Societele Generale Group ([www.socgen.com](http://www.socgen.com)). SG-SSB Ltd is now a privately owned company listed on the Ghana Stock Exchange with active thirty – seven branches throughout the country. It operates corporate, retail and small and medium scale enterprise banking market ([www.sg-ssb.com.gh](http://www.sg-ssb.com.gh)).

### **1.4 Problem Formulation**

Berger et al. (2001) mentioned efficiency barriers as the major setback in international bank M&As. They further identified distance, different currency, language, culture, gross domestic product and financial supervisory structures as the barriers to efficiency. Berger et al. (1997) argue that consolidations such as M&A is a dynamic process which results in changes in post M&A size, financial conditions and competitive position. These changes also affect the post consolidation operating performance.

Vander Venet (1997) explained that the financial industry has experienced some increased desire to undertake merger and acquisition activities beyond national boundaries. This is seen mostly in the US and Europe. Unlike the US and Europe, Ghana has never experience any cross-border M&A in the banking industry especially when the financial services industry was deregulated and liberalised in the early 1990s until Societele Generale and SSB Ltd entered into the first M&A in 2003. During the announcement of the completion of the deal, both banks expressed their hope that the

new bank, SG-SSB Ltd will benefit from the international contacts and financial strength that will improve the already existing strong domestic base of SSB Ltd in Ghana.

From the perspective of Societele Generale the deal will help achieve its strategy of expanding its operations to the West African sub region. SSB Ltd believed the deal will bring a “world of expertise to bear on the bank’s operations to provide the platform to enable it achieve its mission of becoming the leading bank in Ghana” ([www.socgen.com](http://www.socgen.com)).

The M&A between Societele Generale and SSB Ltd was expected to bring about changes in the management structure, financial and competitive position which will have effect on the operating performance. In addition to the dynamic effects of the M&A, Societele Generale operates in a different cultural environment with a different currency and distance away from Ghana where SSB Ltd is located. The question is, however, whether this cross-border has been successful in terms of profitability. This leads us to the overall research question of this thesis.

### **1.5 Research Question**

Does the operating performance of SG-SSB Ltd improved due to the cross-border Acquisition?

### **1.6 Objective of the Study**

Our objective is to study pre and post acquisition performance of SG-SSB Ltd to see if the takeover has any effect on operating performance.

### **1.7 Contribution of the Study**

Many cross- border mergers and acquisitions have taken place worldwide with mixed report of success and failures. Our study is expected to inform Ghanaian banking industry about the effects of such acquisitions on operating performance. It is also expected to contribute to relatively limited body of knowledge about takeovers in the banking industry in Ghana.

### **1.8 Delimitation**

Our work is limited to the effect that Ghana experienced only one cross-border M&A in the banking industry and the result of the study could not be compared with any to establish relative trend. Also we could not access data covering 2005 in order to conduct at least two years post acquisition study hence the study could be described as short term.

### **1.9 Outline of the Thesis**

In order to induce effective flow of reading, the work has been structured as follows:

We considered introduction and background in chapter one while methodology featured in chapter two. Chapter three covers literature review and the theoretical framework of the study. Chapters four and five cover analysis of data and findings respectively.

## Chapter Two

### Methodology

Our research problem is expressed in the research question that cross- border acquisitions do not improve operating performance in banks. This is due to dynamic changes that take place in the post consolidation institution which affect the operating performance. The operating performance is a measure of how successful is the operations of an entity. The main components include among others profitability, labour productivity, operating efficiency and liquidity (Berger et al., 1997). We have described in this section the methodological tools necessary to investigate into the research question.

Silverman (1997) explains that methodology is about a general approach to studying research topics while method is a specific research technique or tool to gather empirical data. Remenyi et al. (1998) advance that research methodology is the procedural framework within which research is conducted. As a result of the thinking of the above researchers it is clear that no meaningful research is conducted without a particular or combination of research method(s).

In studying cross-border Bank mergers and acquisitions in the European Union, Lindblom and Von Koch (2002) used the balanced score card approach while Mylonidis and Kelnikola (2005) used the operating performance approach to study merging activity in the Greek Banking System. Schenk (2000) elaborates that the performance effect of mergers and acquisition can be estimated in several ways but event studies and the operating performance have been used extensively over the past decade. The event studies assess acquisition performance indirectly by studying the reactions of the stock market to the merger announcement. However, the approach should be used with caution since investors can affect the stock market with fads depending on the impact they expect the announcement to have on the stock price of the firm in question. Also the operating performance approach, directly estimates the merger performance by analysing the internal accounting data of the firm (annual reports). The use of the event study and the

operating performance approaches means that productive efficiency has increased leading to economic wealth creation.

We have decided not to use other approaches for the study especially the event study. The event study must be used when assessing acquisition over a long period of time. Also the daily stock data must be augmented with internal data through interviews with top management. It will be extremely difficult for us to get access to top management to conduct the needed interviews to generate additional data from SG-SSB Ltd. We are careful because the period of this acquisition is short but the first of its kind. Also banks are not satisfied with one acquisition and therefore are susceptible to entering new acquisition in the near future which may complicate the ability of a researcher to fathom the success or failure of the acquisition.

We will conduct this study utilising the operating performance approach in which pre and post M&A Operating performance will be compared. The performance indicators for the study includes highlights from the financial statement, profitability and efficiency ratios, market share ratios, return to shareholders' ratio, asset quality and liquidity ratios. We will also look at the capital structure and financial risk ratios.

Research should normally be conducted using an approach that is helpful in answering the question under study. In making use of the operating performance approach, we will combine both quantitative and qualitative methods in line with Gilmore and Carson (1996) and Fitzgerald and Rumrill (2005).

## **2.1 Data Collection**

Sekaran (2003) presents different techniques on how to collect data. The chosen alternative depends on which method best answers the question of the investigation. Data collection is done via primary and secondary sources. Our thesis will access secondary data from the published annual reports of SG-SSB Ltd and Ghana Banking Survey (2005) jointly published by PriceWaterHouseCoopers and Ghana Association of Bankers.

The data sources are reliable and relevant to our study because of the combination of independent dataset by PriceWaterHouseCoopers and Ghana Association of Bankers which will augment the published annual reports of SG-SSB Ltd.

Data for prior studies conducted into cross- border acquisition, cover many acquisition spanning for long period of time since they believe that acquisition effects are clear in the long run than in the short run (Carnes et al., 2003). Even though we are studying only one cross-border bank acquisition in Ghana within a short period of time, it is important because the result will guide the banking industry about possible acquisition in future.

## **2.2 The Mirror Approach**

In order to present a convincing result, the operating performance of SG-SSB Ltd before and after the acquisition will be viewed in the mirror of the same performance metrics for two other banks with some underlying denominator. We have therefore chosen Agricultural Development Bank (ADB) and Ecobank Ghana Ltd (EBG) as control (mirror) banks for the operating performance analysis in the next chapter. This will give us some indications as to whether the SG-SSB Ltd has performed better than these banks after the acquisition. This result will further indicate whether there is the need to go into acquisition by other banks.

## **2.3 Selection of Mirror Banks**

In selecting the control group we considered the 2002 operating assets as the basis. The operating assets of these banks were the closest among the eighteen banks operating in Ghana between 2000 and 2004. The operating assets for the various banks are displayed in table 1 below:

**Table 1: SSB Ltd and Mirror Banks**

<b>Banks</b>	<b>Operating Assets (Million Cedis) for 2002</b>
SSB Ltd	1,602,515
ADB	1,798,200
EBG	1,229,640

**Source:** Adapted from Ghana Banking Survey (2005)

Apart from the operating assets, the Ghana Banking Survey (2005) grouped the banks based on their 2004 performance into four quartiles. SG-SSB Ltd and the mirror banks are in the first quartile group. Both SG-SSB Ltd and EBG are commercial banks while ADB is a development bank. However, in Ghana development banks undertake commercial banking activities just as commercial banks also undertake some development banking activities. We have decided to use these banks as mirror for SG-SSB Ltd because ADB has forty three (43) local branches which is closer to the thirty eight (38) branches of SG-SSB Ltd. EBG has seven (7) branches but it is a subsidiary to a West African bank. SG-SSB Ltd also with the acquisition has become a subsidiary of Societele Generale which already has established presence in the West African Sub region. As a result we have one development bank and a commercial bank from which we shall compare the performance of SG-SSB Ltd.

SG-SSB Ltd provides retail and business products. The retail products include credit, money remittance, placement and services. The business products include corporate staff packages, day to day banking, international trade services, treasury and working capital financing.

ADB has the following banking products and services: development banking, corporate banking, commercial banking, consumer banking, international banking, international trade and money transfer.

EBG has the following products and services: mortgage and business loan, international trade, international banking, money transfer and online banking services.

All the three banks also operate automated teller machines.

#### **2.4 Performance Indicators for the Study**

We shall make use of the dataset from the Ghana Banking Survey (2005) and the annual reports of the banks in question. There are eighteen banks in the industry at the time of the survey. Key ratios such as profitability and efficiency, market share, asset quality, liquidity, capital structure and financial risks are considered as components of the performance indicators at the aggregate level. The rankings of the banks were based on the industry ranking except the EM and AU which we calculated ourselves for SG-SSB Ltd and the two mirror banks. We considered profitability and efficiency ratios in table 2. Tables 3 and 4 comprised of market share and asset quality ratios while tables 5 and 6 captured liquidity and capita structure and financial risk ratios.

The profitability and efficiency ratios cover ROA, ROE, PM and EM. ROA is a measure of profitability that relates to the size of the assets of the banks under study. It determines the net income produced per cedi of assets (Saunders and Cornett, 2004). According to the Ghana Banking Survey (2005), it depicts managerial efficiency or otherwise it shows the ability of management to effectively deploy the assets of the banks to generate the needed revenue. When the ROA is high it indicates that the banks generate more income from their assets base. ROE measures the amount of net income generated for each cedi of equity contributed by shareholders. A higher ratio indicates higher performance and value for shareholders.

Profit Margin measures the ability of the bank to put expenses under control and generate acceptable net income from operations. When the PM increases it means there is a drop in expenses. Equity multiplier measures leverage. The higher the ratio the higher the leverage and shows how much debt the bank is using to finance its assets. It is equally important to analyse the performance of the banks from their degree of generating

revenue from the assets called asset utilisation. Banks can generate income from both interest and non interest sources. According to Saunders and Cornett (2004), Asset utilisation ratio measures the degree to which a bank's assets generate revenue. This is expressed as total operating income per total assets. Operating income can be further expressed as interest income plus non interest income. Hence AU ratio can be expressed as interest income ratio plus non interest income ratio. ROA is the product of PM and AU. Therefore the higher the PM and AU ratios the higher the ROA. The AU can also be derived from the ROA and PM as  $ROA \text{ per PM } (ROA/PM)$ .

Asset quality tells of how profitable and efficient a bank is performing in terms of loan and advances. Loan portfolio profitability is a measure of how well different classes of loan given out by a bank performed. A higher asset quality ratio means higher performance. Liquid funds /total deposits measure the liquidity cover that banks provided to meet deposit maturity and withdrawals (Ghana Banking Survey, 2005). This guides against liquidity difficulties and when liquidity can be predicted with high degree of certainty then a low ratio does not pose a crisis situation for the bank.

Capital structure ratio measures how the bank is being financed with debt and equity and its financial health and risk exposure. It also shows how leveraged the bank is and the readiness of management to finance the operations with debt rather than equity. The higher the ratio the more leverage is the bank and less equity is being used to fund the assets.

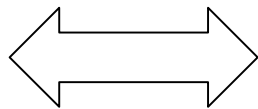
## **2.5 Detailed ROE Component Discussion**

In order to unearth the real performance of SG-SSB Ltd before and after the acquisition, we have decided to breakdown the ROE into its components so that the performance is analysed from risk and return perspective. We shall rely on the accounting data of the banks from 2002 to 2004 and the Ghana Banking Survey (2005). We are getting into the various components of the ROE because the main purpose of banking activities is to generate enough returns for shareholders. However, in the operation of the bank some level of risk is taken hence the need to go deeper into the ROE for the banks.

In discussing the component of the ROE, we will use the model internationalised by Alberts (1989) and utilised by Lindblom (2001). ROE is the ratio of operating income (OI) and equity capital (E). The operating income is made up of interest income and other income less non interest and interest expenses (Saunders and Cornett, 2004). We can then consider the ROE to be the difference between the ratio of operating income and that of equity and ratio of interest expense (IE) and equity. Also the extent of OI is dependent on the size and quality of the bank's assets (A) and the interest expenses are related directly to the total debts (D). The relation deduced from the above is presented in figure 1 below:

**Figure 1: Component of ROE\***

$$\mathbf{ROE} = \text{OI} / \text{E} - \text{IE} / \text{E} = \text{OI} / \text{E} * \text{A} / \text{A} - \text{IE} / \text{E} * \text{D} / \text{D}$$

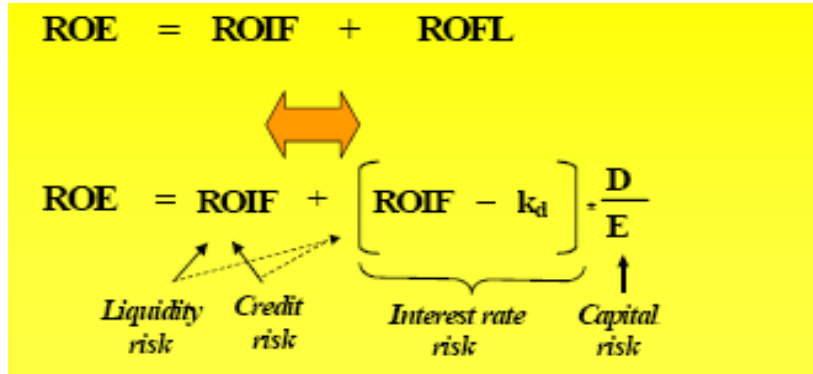


$$\mathbf{ROE} = \text{OI} / \text{A} * (\text{E} + \text{D}) / \text{E} - \text{IE} / \text{D} * \text{D} / \text{E} = \text{OI} / \text{A} + (\text{OI} / \text{A} - \text{IE} / \text{D}) * \text{D} / \text{E}$$

Source: Adapted from Lindblom (2001)

From figure 1, we can state the ROE as  $\text{OI} / \text{A} + (\text{OI} / \text{A} - \text{IE} / \text{D}) * \text{D} / \text{E}$  while  $\text{OI} / \text{A}$  is the operating income on assets, the average interest expense is  $\text{IE} / \text{D}$  ( $K_d$ ) and  $\text{D} / \text{E}$  is the debt – equity ratio. Again  $\text{OI} / \text{A}$  is the return on invested fund (ROIF). This implies we can again rewrite the ROE as  $\text{ROIF} + (\text{ROIF} - K_d) * \text{D} / \text{E}$ . But  $(\text{ROIF} - K_d)$  is the leverage spread while the product of the leverage spread and the debt- equity ratio is the return on financial leverage (ROFL). We can therefore rewrite the ROE as in figure 2.

**Figure 2: Component of ROE\*\***



$$ROE = ROIF + ROFL$$

$$ROE = ROIF + \left[ ROIF - k_d \right] \cdot \frac{D}{E}$$

*Liquidity risk*    *Credit risk*    *Interest rate risk*    *Capital risk*

**Source:** Adapted from Lindblom (2001)

From figure 2, we can now express the ROE as the sum of the ROIF and ROFL. The ROIF is related to liquidity risk and credit risks. The ROFL relates to the interest rate risk and can be used to analyse the capital risk.

The analysis chapter will use accounting figures from the annual reports to present the ROE based on figures 1 and 2 to show the performance of the banks from risk and return perspective to augment the aggregate level analysis from the Ghana Banking Survey (2005).

## Chapter Three

### **Literature Review and the Theoretical Framework of the Study**

Under the literature review we will discuss prior research work for and against the research question related to mergers and acquisitions in the banking industry beyond national boundaries. The review of prior literature will be discussed as follows: the banking industry in Ghana, Cross-Border Bank Mergers and Acquisition and Mergers and Acquisitions Failure Model.

### **3.1 Cross-Border Bank Mergers and Acquisitions**

The banking and the financial services industry worldwide has undergone structural and innovational changes. Mergers and acquisitions have been important part of the effect of globalisation on the banking industry. Schenk (2000) describes the 1990s as the period of peak wave of mergers and acquisitions in the United States of America and Europe. According to Lindblom and Von Koch (2002) M&As in the banking industry has grown and involve many large financial institutions in the US and Europe.

Vander Vennet (2002) various structural changes including technological innovation deregulation in the European Union and the introduction of the European monetary union have led to increased competition in the banking industry. In order to survive the surge in competitive pressure many banks undertook expansionary strategies and embraced consolidation hence M&As beyond national boundaries (international M&As).

By this thesis cross-border bank M&A means the M&A undertaken by two banks or financial institutions while at least one of the parties extends its operating activities to another bank or financial institutions in another jurisdiction.

### **3.2 Motivation for Cross-border M&A**

Khoury (1980) and Kim (1993) note that due to intense competition in the domestic banking industry, banks enter M&A to expand beyond their boundaries to get new customers. It is more expensive to operate effective banking services to foreign customers from home, hence to operate cost effective services to such customers banks enter into M&As to establish their presence in foreign countries. Sebastian and Hernansanz (2000) some countries have potential commercial banking opportunities but the banking industry in those countries are highly underdeveloped hence banks take advantage of such prospects by undertaking M&As with the local banks. Also some banks make some direct investments in the financial services sector in other countries to test the market. When the outcome proves positive then they are motivated to seek M&As with the local banks to establish their operating presence. Casson (1995) states that during the experimental period, the acquiring bank gathers relevant information overtime to assess whether to go ahead or not. In some circumstances banks enter into M&As to create value for their shareholders since they expect higher returns from foreign customers. However, Berger et al (2000) argues that it is difficult to measure scope and scale efficiency that accompany M&As and as a result it is not easy to claim that shareholder value is created in the process.

### **3.3 Theoretical Framework**

The study of cross-border M&As in the banking industry with particular focus on SG-SSB Ltd is premised on the tenets of the Mergers and Acquisitions Failure Model projected by Mueller (1999), Schenk (2000) and Ullrich et. al, (2005). According to them often M&As end up in failures. Mergers and Acquisitions take place to improve operating performance of the new entity. Productive and operating efficiencies are some of the indicators of success. In their argument M&As rather result in strategic comfort for the acquirers and create economic failures for the target banks. The economic and productive failures lead to decline in national economic prospects especially when the target entity is a strategic corporate body with high national interest. They further argued

that this is a normal occurrence peculiar to M&As composed of large acquirers and small target entities.

Banal-Estanol and Seldeslachts (2004) argued that M&As failures can be traced to the maximisation managers' self interest in which they only desire to belong to a larger entity without adequate shareholder value creation strategies. They again supported their argument that the utility of managers are directly correlated with the size of the firm they belong to even though their actions may not impact positively on the share prices.

In supporting the M&A failure model, a research conducted into the M&A failures by KPMG in 1999 were attributed to laxity in cultural integration of the employees of the acquirer and the acquired entities. The study found out that 83% of all M&As failed to create value for shareholders when over hundred chief executives involved in about seven hundred M&A deals were interviewed covering a two-year period ([www.grovewell.com](http://www.grovewell.com)). In the contribution to the massive M&A failures, Banal-Estanol and Seldeslachts (2004) explained that inadequate corporate culture may lead to inefficiencies in the new firm and thus affect returns to owners and other stakeholders.

Campell (2004) explained that M&A failure is all about shareholder disappointment with the results of the new entity's performance in not producing the expected improvement in profitability, efficiency, cash flows and share prices. In summing up the causes of M&A failures, he stated poor deal management, weak leadership and lack of deep forward looking insight into alternative strategies.

Cornett et al., (2006) argued that where M&As become successful it is because the new firm engages in both revenue enhancement and cost reduction activities. Houston et al., (2001) buttressed the findings of Cornett et al., (2006) that before M&A deals pre consolidation agreements project cost saving measures as the overriding strategies to be adopted. Hence, cost cutting activities predominate the post acquisition period in line with the pre acquisition agreement. In addition to improvement in performance due to cost cutting, Berger et al., (1998) indicated that improvement in profitability and

efficiency goes with diversification risks. So that when there is improved performance it means that the new firm takes on reduced risks. Berger and Mester (1999) explained in a growing banking environment, acquiring a bank in expanding market which is not yet experiencing full competition may create revenue enhancing opportunities that may improve performance. This means in a mature market with full competition M&A failure becomes apparent. Molyneux (2003) explained that the success of cross-border consolidation only takes place when the strategy is to enhance revenue generation by expanding into less competitive and growing markets.

### **3.4 Empirical Framework**

By the time of the acquisition, Societele Generale is the third largest bank in the Eurozone based on net banking income which has as its retail banking strategy to expand beyond its borders including Africa whereas SSB Ltd was the fourth largest in Ghana. This clearly shows that Societele Generale is an international bank and far larger than SSB Ltd. This implies that the acquisition is not expected to yield improved performance in SG-SSB Ltd but to enhance the quest for strategic presence in Ghana by the acquirer. Ullrich et. al., (2005) associates this to the fact that M&As changes are tackled in a discontinued manner which creates the picture that the activities of the acquired has changed and is not the same as before. This was experienced in SG-SSB Ltd after the acquisition when virtually all the old management team were replaced with new management team who adopted a new way of doing business quite different from the norm. This further led to the retrenchment of about one hundred and twenty workers with no expansion of branches. According to an interview conducted with a senior officer of the bank since the acquisition there has been no introduction of any new products, those products that are presented as new are just re-branding of old products of SSB Ltd. In addition, M&As end up in failures not because strategies are not well implemented after the deal but due to strategic overdependence in which the acquired premised its future performance on the acquirer forgetting that the acquirer's motives are different (Schenk , 2000). If the analysis of the performance of SG-SSB Ltd shows improvements, it may be due to the cost cutting activities, risk diversification and the growing banking business in

Ghana coupled with less competitive banking activities. This implies further that in such situations the success will be short-lived.

This model is important in studying the research question because we are using the operating performance approach to measure the pre and post performance of SG-SSB Ltd. Also because Societele Generale is much bigger in all respects of banking activities than SSB Ltd. The analysis chapter of the work will either support or otherwise disprove the assertion of the model.

## Chapter Four

### **Analysis of the Study**

The previous chapters dealt with the introduction, literature review and methodology with respect to cross-border M&A. In this chapter we shall consider data analysis of SG-SSB Ltd as the sole example of cross- border acquisition in Ghana. In doing so, we shall also present the analysis in comparism with the mirror banks (Agricultural Development Bank and Ecobank Ghana Ltd) using the dataset presented by the Ghana Banking Survey for the aggregate level analysis for the key ratios stated in the methodology chapter and the detail component analysis of the ROE. The decomposition analysis of the ROE is chosen because it measures performance of the bank and its management.

### **4.1 Aggregate Level Analysis of Key Ratios using Ghana Banking Survey 2005**

This section presents the analysis of SG-SSB Ltd with the components of the key ratios without digging deeper into the various components of the ROE.

As shown in table 2, in 2001 SG-SSB had an ROA of 7.1% while ADB and EBG were 7.7% and 5.4% respectively. In 2002 SG-SSB Ltd was 4.6%, ADB 3.9% and EBG 4.1%. This implies that in the pre acquisition period on average SG-SSB Ltd was performing better than the mirror banks. In the year of the acquisition, SG-SSB Ltd performed better than the mirror banks just as in 2004. However, the improvements in the performance of the mirror banks are more than that of SG-SSB Ltd.

**Table 2: Profitability and Efficiency Ratios (%)**

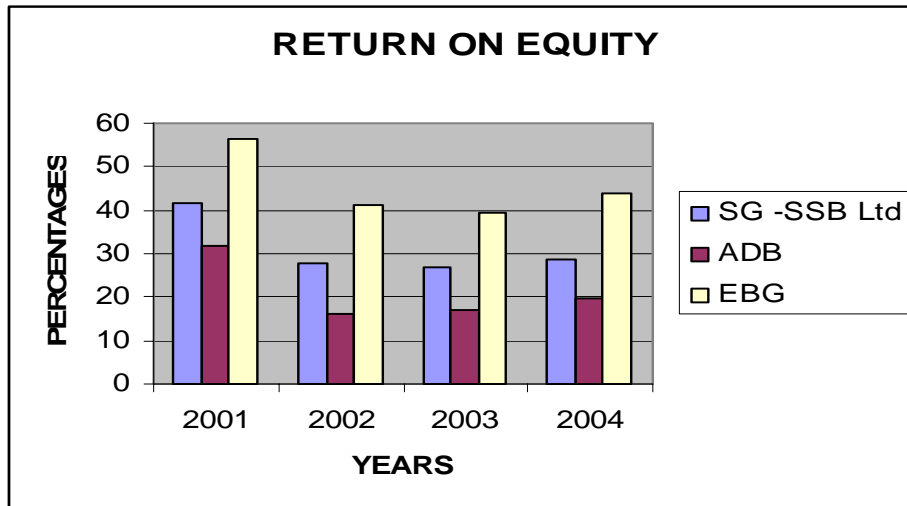
Measure	Return on Asset ( ROA)				Industry Ranking	
	2001	2002	2003	2004	R3	R4
<b>Banks</b>						
<b>SG-SSB</b>	7.1	4.6	4.6	4.7	4 <sup>th</sup>	3 <sup>rd</sup>
<b>ADB</b>	7.7	3.9	3.3	3.6	9 <sup>th</sup>	9 <sup>th</sup>
<b>EBG</b>	5.4	4.1	4.0	4.4	7 <sup>th</sup>	5 <sup>th</sup>
	Return on Equity (ROE)					
<b>SG-SSB</b>	41.6	27.6	26.9	28.8	8 <sup>th</sup>	8 <sup>th</sup>
<b>ADB</b>	32.0	16.17	17.0	19.7	12 <sup>th</sup>	12 <sup>th</sup>
<b>EBG</b>	56.4	41.2	39.6	43.8	5 <sup>th</sup>	3 <sup>rd</sup>
	Asset Utilisation ( AU)**					
<b>SG-SSB</b>	38.17	26.44	27.88	29.56	3 <sup>rd</sup>	2 <sup>nd</sup>
<b>ADB</b>	48.43	31.45	34.38	28.57	1 <sup>st</sup>	3 <sup>rd</sup>
<b>EBG</b>	36.49	35.96	29.63	36.67	2 <sup>nd</sup>	1 <sup>st</sup>
	Profit Margin ( PM)					
<b>SG-SSB</b>	18.6	17.4	16.5	15.9	3 <sup>rd</sup>	3 <sup>rd</sup>
<b>ADB</b>	15.9	12.4	9.6	12.6	13 <sup>th</sup>	8 <sup>th</sup>
<b>EBG</b>	14.8	11.4	13.5	12.0	6 <sup>th</sup>	10 <sup>th</sup>
	Equity multiplier( EM) **					
<b>SG-SSB</b>	5.86	5.60	5.85	6.13	2 <sup>nd</sup>	2 <sup>nd</sup>
<b>ADB</b>	4.16	4.15	5.15	5.47	3 <sup>rd</sup>	3 <sup>rd</sup>
<b>EBG</b>	10.44	10.05	9.90	9.95	1 <sup>st</sup>	1 <sup>st</sup>

**Source:** Adapted from Ghana Banking Survey (2005)

\*\* Own calculations

SG-SSB Ltd ranked 8<sup>th</sup> in the year of the acquisition and in 2004 in terms of ROE but ranked below EBG. Thus in both pre and post acquisition it performed better than ADB but less than EBG. The ROE for SG-SSB Ltd and the mirror banks as depicted by the graph below shows that after the acquisition the three banks recorded improvement but the mirror banks recorded greater improvements than SG-SSB Ltd.

**Figure 3: Graph of ROE of SG-SSB Ltd and the Mirror Banks**



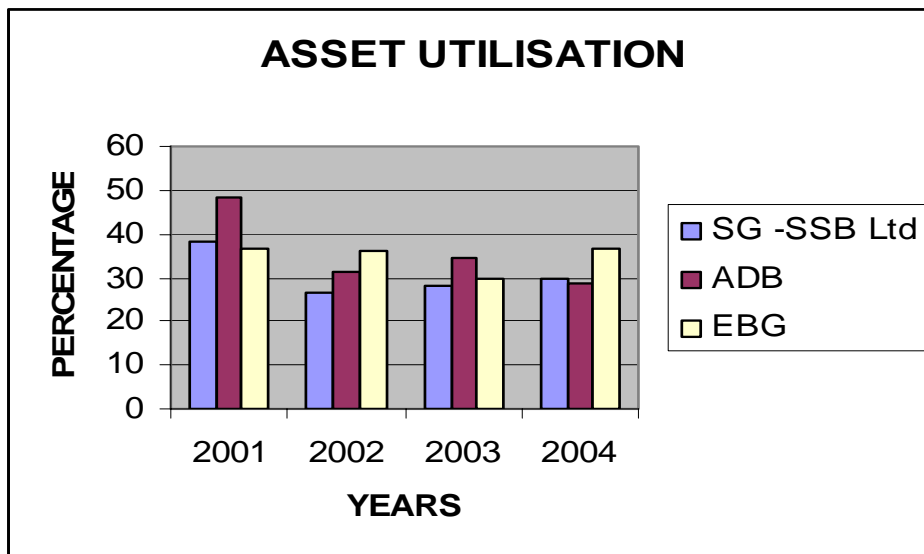
Analysing the PM from table 2, both the pre and post acquisition, the bank has been able to reduce expenses more than the mirror banks. This may be due to prior preparations towards the acquisition which ensured that they do some cost cutting including reduction in the labour force. An interview with a senior staff of SG-SSB Ltd confirmed that almost all the old senior management and different categories of staff were laid off just after the deal. The source stated that one hundred and twenty staff and three management staff were laid off. The bank did not establish new branches nor undertook serious training programmes. This could further explain the encouraging figure for the PM.

In the pre and post acquisition, SG-SSB Ltd has lower EM than EBG but higher than ADB. This means for both pre and post acquisition, EBG is more leveraged and prone to solvency risk than SG-SSB Ltd while SG-SSB Ltd is also more prone to solvency risk than ADB.

The ROA for SG-SSB Ltd improved slightly from 4.6% to 4.7% in 2003 and 2004 respectively with a marginal decline in PM during the same period. The AU, however, improved over the same period from 27.88% to 29.56% respectively. This means that the

improvement in the ROA in the post acquisition period of 2004 was due more to the AU. It also means after the acquisition the bank was able to generate more revenue from its assets than it was before the consolidation. For ADB, the improvement in the ROA in 2004 was as a result of improved PM at the same period because the AU declined from 34.38% in 2003 to 28.57% in 2004. Hence ADB was able to reduce expenses but could not generate enough revenue from its assets. EBG improved its ROA in 2004 but the PM declined from 13.5% in 2003 to 12% in 2004. The AU improved from 29.63% to 36.67% in 2003 and 2004. This implies the improvement in the ROA from 4.0% in 2003 to 4.4% in 2004 was propelled by the AU more than the PM. In comparison, however, EBG was able to generate more revenue from its assets than SG-SSB Ltd in 2004. The performance of the three banks in terms of the AU is displayed in the column graph below.

**Figure 4: Graph of Asset Utilisation of SG-SSB Ltd and the Mirror Banks**



**Table 3: Market Share Ratios (%)**

Measure	Share of Industry Deposits				Industry Ranking	
	2001	2002	2003	2004	R3	R4
<b>Banks</b>						
<b>SG-SSB</b>	8.87	8.71	7.73	7.52	5 <sup>th</sup>	6 <sup>th</sup>
<b>ADB</b>	7.46	8.26	9.29	7.63	4 <sup>th</sup>	5 <sup>th</sup>
<b>EBG</b>	8.17	7.90	7.71	8.60	6 <sup>th</sup>	4 <sup>th</sup>
	Share of Industry Total Assets					
<b>SG-SSB</b>	9.54	9.07	8.27	7.92	5 <sup>th</sup>	5 <sup>th</sup>
<b>ADB</b>	10.16	9.78	11.85	10.05	4 <sup>th</sup>	4 <sup>th</sup>
<b>EBG</b>	6.82	7.02	6.66	7.56	6 <sup>th</sup>	6 <sup>th</sup>
	Share of Industry Operating Incomes					
<b>SG-SSB</b>	11.20	10.74	9.90	8.91	4 <sup>th</sup>	5 <sup>th</sup>
<b>ADB</b>	10.59	9.34	9.18	10.03	5 <sup>th</sup>	4 <sup>th</sup>
<b>EBG</b>	5.63	5.66	6.49	6.53	6 <sup>th</sup>	6 <sup>th</sup>
	Share of Industry Shareholders Funds					
<b>SG-SSB</b>	13.70	11.74	11.49	10.18	5 <sup>th</sup>	5 <sup>th</sup>
<b>ADB</b>	25.28	17.67	16.32	15.48	2 <sup>nd</sup>	2 <sup>nd</sup>
<b>EBG</b>	1.73	5.23	5.32	5.57	6 <sup>th</sup>	6 <sup>th</sup>

**Source:** Adapted from Ghana Banking Survey (2005)

From table 3 above, before the acquisition, the bank had a higher market share in terms of its share of industry deposits than the mirror banks but after the acquisition its market share fell trailing immediately behind the control banks. This trend was due to massive competition and product portfolios of almost all the banks. Again, information received from a senior bank official indicates that after the acquisition, the bank did not undertake any expansion programme to introduce new products and establish new branches except the introduction of automated teller machines (ATM) which the mirror banks were already using. In terms of share of industry total assets, SG-SSB Ltd in the pre and post acquisition was behind ADB but above EBG and was ranked 4<sup>th</sup> and 5<sup>th</sup> in the whole industry in 2003 and 2004 respectively. The performance of SG-SSB Ltd in terms of

share of industry operating incomes was ranked 4<sup>th</sup> and 5<sup>th</sup> in 2003 and 2004 respectively but its market share by this indicator consistently fell from 2001 to 2004. This implies it could not improve its share of industry operating income before and after the acquisition. The mirror banks consistently improved their performance immediately before the acquisition to the year after the acquisition with ADB out performing it in 2004. Again before and after the acquisition, the bank ranked 5<sup>th</sup> in both 2003 and 2004 but behind ADB in terms of share of industry shareholder funds. Also the figures were declining for SG-SSB Ltd while it improved for the mirror banks. Thus the mirror banks were improving by this indicator as compared to SG-SSB Ltd before and after the acquisition.

**Table 4: Asset Quality (%)**

Measure	New loan loss provision/Gross loans and advances				Industry Ranking	
	2001	2002	2003	2004	R3	R4
<b>Banks</b>						
<b>SG-SSB</b>	6.38	5.24	7.20	3.76	15 <sup>th</sup>	10 <sup>th</sup>
<b>ADB</b>	9.28	9.69	8.38	9.76	18 <sup>th</sup>	18 <sup>th</sup>
<b>EBG</b>	1.77	1.11	2.01	0.96	3 <sup>rd</sup>	3 <sup>rd</sup>
	Loan portfolio profitability					
<b>SG-SSB</b>	38.89	21.70	19.56	20.29	9 <sup>th</sup>	7 <sup>th</sup>
<b>ADB</b>	24.62	17.87	15.54	19.64	15 <sup>th</sup>	9 <sup>th</sup>
<b>EBG</b>	27.55	15.92	15.80	18.10	13 <sup>th</sup>	10 <sup>th</sup>

**Source:** Adapted from Ghana Banking Survey (2005)

From table 4, SG-SSB Ltd performed poorly in the pre and post acquisition in terms of new loan loss provision/Gross loans and advances as compared to EBG but better than ADB. Both SG-SSB Ltd and EBG improved from 2003 to 2004 but the improvement was stronger for the former than the latter. From table 4 again, SG-SSB performed better than the mirror banks before and after the acquisition.

**Table 5: Liquidity Ratios**

Measure	Liquid funds /total deposits				Industry Ranking	
	2001	2002	2003	2004	R3	R4
<b>Banks</b>						
<b>SG-SSB</b>	91.0	100.0	95.0	97.0	9 <sup>th</sup>	8 <sup>th</sup>
<b>ADB</b>	107.0	93.0	117.0	106.0	5 <sup>th</sup>	5 <sup>th</sup>
<b>EBG</b>	87.0	81.0	77.0	85.0	14 <sup>th</sup>	13 <sup>th</sup>
	Liquid funds/total assets					
<b>SG-SSB</b>	57.0	60.0	57.0	63.0	13 <sup>th</sup>	6 <sup>th</sup>
<b>ADB</b>	47.0	49.0	59.0	55.0	9 <sup>th</sup>	12 <sup>th</sup>
<b>EBG</b>	63.0	57.0	57.0	66.0	11 <sup>th</sup>	5 <sup>th</sup>
	Cash ratio					
<b>SG-SSB</b>	0.60	0.63	0.60	0.60	11 <sup>th</sup>	7 <sup>th</sup>
<b>ADB</b>	0.48	0.50	0.60	0.56	10 <sup>th</sup>	13 <sup>th</sup>
<b>EBG</b>	0.65	0.59	0.60	0.68	12 <sup>th</sup>	6 <sup>th</sup>

**Source:** Adapted from Ghana Banking Survey (2005)

In 2003 and 2004 SG-SSB Ltd ranked 9<sup>th</sup> and 8<sup>th</sup> respectively in the whole industry but kept lower ratios than ADB during the same period. The liquidity asset ratio quantifies the proportion of total assets that banks keep in liquid assets and is also indicative of the risk appetite of banks. Before the acquisition, SG-SSB Ltd kept higher liquid asset ratios and cash ratios than ADB. After the acquisition both SG-SSB Ltd and EBG improved but EBG improved better than SG-SSB Ltd.

From table 6 below, we can see that EBG is more leveraged than SG-SSB before and after M&A but SG-SSB is more leveraged before and after acquisition than ADB.

**Table 6: Capital Structure and Financial Risk Ratios**

Measure	Total Debt Ratio				Industry Ranking	
	2001	2002	2003	2004	R3	R4
<b>Banks</b>						
<b>SG-SSB</b>	83.9	84.9	84.4	84.9	3 <sup>rd</sup>	5 <sup>th</sup>
<b>ADB</b>	77.4	78.9	84.5	81.9	4 <sup>th</sup>	3 <sup>rd</sup>
<b>EBG</b>	91.10	91.30	91.00	91.30	12 <sup>th</sup>	13 <sup>th</sup>
	Long term liabilities/ Equity					
<b>SG-SSB</b>	12.44	16.27	13.47	14.81	9 <sup>th</sup>	10 <sup>th</sup>
<b>ADB</b>	84.25	51.24	122.28	93.32	3 <sup>rd</sup>	3 <sup>rd</sup>
<b>EBG</b>	1.54	32.52	28.55	28.54	7 <sup>th</sup>	8 <sup>th</sup>

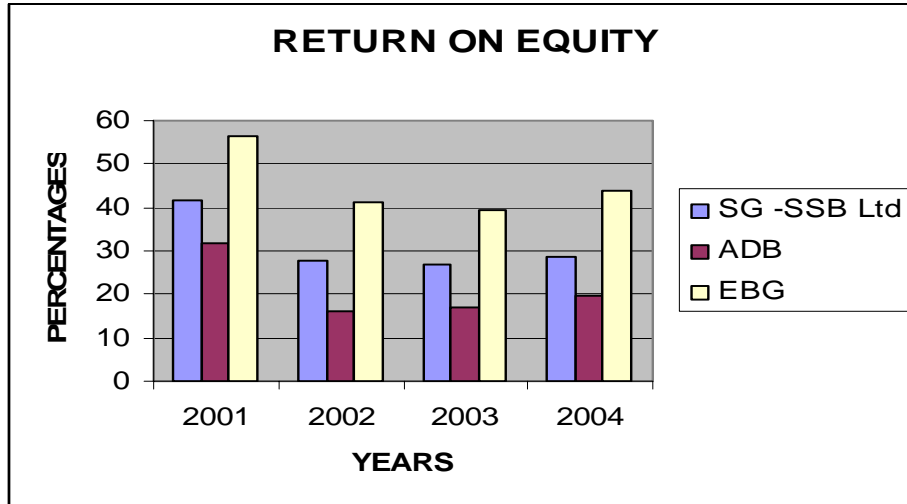
**Source:** Adapted from Ghana Banking Survey (2005)

#### 4.2 Analysis of the Decomposed ROE

The ROE measures the value created for shareholders as well as the efficiency of management. We will analyse the ROE in relation to the risk taking of the banks. It is however, noted that the analysis presents two ROEs. We computed the detail components of the ROE based on the model internationalised by Alberts (1989) and used by Lindblom (2001) with inputs from the available annual reports of the banks.

Analysing the ROE from the aggregate level, SG-SSB Ltd ranked 8<sup>th</sup> in the year of acquisition and in 2004 but ranked below EBG. Thus in both pre and post acquisition period it performed better than ADB but less than EBG. The ROE for SG-SSB Ltd and the mirror banks as depicted by the graph in figure 5 below shows that after the acquisition the three banks recorded improvement but the mirror banks recorded greater improvements than SG-SSB Ltd.

**Figure 5 The banks' ROE between 2001-2004**



In computing the ROE based on the individual components, we considered 2002 to 2004 annual reports for SG-SSB Ltd and ADB because 2001 annual report is not available. The annual reports of EBG is not available, only group consolidated annual reports for Ecobank International (representing the whole of West Africa) is available which is not appropriate for the analysis.

**Table 7: ROE and Standard Deviation (%)**

ROE for the banks (2002 – 2004)				Average	Sd
Bank	2002	2003	2004		
SG-SSB Ltd	90,1	80,95	85,21	<b>85,42</b>	<b>4,58</b>
ADB	49,7	49,94	58,89	<b>52,84</b>	<b>5,24</b>
EBG	n/a	n/a	n/a	n/a	n/a

From table 7, the average ROE is higher for SG-SSB Ltd than ADB which means there is economies of scale giving credence to the acquisition. From the table 7 again, one expects higher returns to correspond with higher risk but the standard deviation which is a measure risk is lower for SG-SSB Ltd than ADB. This implies some level of management efficiency and risk management by SG-SSB Ltd. The shareholder value creation of the banks is a trade off between banks' return and their risk taking (Lindblom,

2001). As a result we further analysed the main components of the ROE with respect to risk.

**Table 8: ROIF and Standard Deviation (%)**

ROIF for the banks (2002 – 2004)				Average	Sd
Bank	2002	2003	2004		
SG-SSB Ltd	17,16	16,77	15,80	16,58	0,70
ADB	13,83	10,94	13,98	12,92	1,71
EBG	n/a	n/a	n/a	n/a	n/a

From table 8, the ROIF on average for SG-SSB Ltd is higher than ADB and at the same time took lesser liquidity and credit risks (standard deviation) than ADB.

**Table 9: ROFL and Standard Deviation (%)**

ROFL for the banks (2002 – 2004)				Average	Sd
Bank	2002	2003	2004		
SG-SSB Ltd	72,9	64,18	69,41	68,83	4,39
ADB	35,87	38,99	44,91	39,92	4,59
EBG	n/a	n/a	n/a	n/a	n/a

In addition to the analysis from table 8, SG-SSB Ltd showed a better average ROFL and interest rate risk and capital risk than ADB as seen from table 9.

**Table 10: Leverage Spread and Standard Deviation (%)**

Leverage Spread for the banks ( 2002- 2004)				Average	Sd
Bank	2002	2003	2004		
SG-SSB Ltd	13,00	11,88	12,35	12,41	0,56
ADB	9,60	7,15	9,92	8,89	1,52
EBG	n/a	n/a	n/a	n/a	n/a

**Table 11: Debt- Equity Ratio and Standard Deviation**

Debt- Equity Ratio for the banks( 2002 - 2004)				Average	Sd
Bank	2002	2003	2004		
SG-SSB Ltd	5,61	5,4	5,62	5,54	0,12
ADB	3,74	5,45	4,53	4,57	0,86
EBG	n/a	n/a	n/a	n/a	n/a

From tables 10 and 11 SG- SSB Ltd recorded lower leverage spread and debt- equity ratio as compared to ADB. This implies that if the economy of Ghana goes on bad footing and the leverage spread and the debt- equity ratio continue to fall especially when the leverage spread turns negative then it will adversely affect ROFL of SG-SSB Ltd which will invariably decrease the ROE thereby reducing shareholder value. When this happens it will also mean the SG-SSB Ltd's inability to efficiently manage capital and interest rate risks.

In summary, the analysis focuses on the key performance ratios using the Ghana Banking Survey (2005). The components of the key ratios include ROE, ROA, PM, AU, EM, loan portfolio, cash ratio and share of industry operating incomes. The decomposed ROE analysis performance of SG-SSB Ltd and its mirror banks from risk and return perspective in which the standard deviation represents the risk.

## Chapter Five

### Findings and Suggestions for Future Research

We have studied SG-SSB LTD: A case of Cross –Border Merger and Acquisition in Ghana. We conducted this study by establishing that SG-SSB Ltd is the first cross – border M&A in Ghana. We presented in the body of the study, the introduction and background, methodology, literature review and the theoretical framework and finally the analysis of the data.

Our research question projects that the cross-border acquisition does not improve operating performance SG-SSB Ltd. We investigated into the research question by using merger and acquisition failure model in which mergers and acquisitions end up in failures (Mueller 1999, Schenk 2000; Ullrich et. al, 2005).

Cultural differences and disparities in legal jurisdictions in English speaking Ghana and France could pose potential barrier to Societele Generale’s desire to establish its operating presence in Ghana through an acquisition transaction with SSB Ltd. We, however, found that Societele Generale had operating presence in neighbouring Francophone West African countries of Senegal, Cameroon, Burkina Faso, Benin and Ivory Coast. This proximity to Ghana gave Societele Generale the opportunity to learn about the Ghanaian banking industry. A more compelling reason identified for the ease of a Francophone bank entering into M&A with a Ghanaian bank (English speaking) is due mainly to prior experience that Societele generale had with the then SSB Ltd through their wholly owned subsidiary, Genefitec which dealt with former corporate shareholders of SSB such as the Commonwealth Africa Investment Ltd and CDC Capital partners ([www.socgen.com](http://www.socgen.com)). The alliance helped the former to learn more deeply about Ghanaian culture, banking industry, legal system and business ethics. Societele Generale therefore took advantage of the potentially prosperous banking opportunities in Ghana as a result of lessons learnt overtime in line with (Casson, 1995; Hernansanz 2000).

### **5.1 Profitability and Efficiency**

We found during the analysis that SG-SSB Ltd when using profitability and efficiency to measure the operating performance, SG-SSB Ltd improved its performance after the acquisition but the mirror banks improved more than the former from the aggregate perspective. This also revealed that management after the deal was efficient but the efficiency was due mainly to cost cutting measures adopted in which redundancy programmes and lay off followed the acquisition. The cost cutting through redundancy and lay offs were substantiated by a senior staff of the bank when we interviewed him about the acquisition.

From the decomposition analysis of the ROE we found that the SG-SSB Ltd has been profitable than the mirror banks and took lesser risks than the peers. The bank recorded a higher ROIF and ROFL than the mirror banks over the period.

### **5.2 Asset Quality**

Measuring operating performance under the lens of asset quality, SG-SSB Ltd outperformed its control peers. This is an indication that the bank generated much revenue from loans and advances and at the same time controlled the rate of loan losses.

### **5.3 Liquidity**

Using the liquidity ratio approach, the bank's performance improved but when compared with the mirror banks, it only performed better than ADB. This implies the bank has a strong liquidity cover to meet future customer demands. From the decomposed ROE analysis we found that SG-SSB Ltd took on lower liquidity and credit risks than the mirror banks.

#### **5.4 Capital Structure Ratio**

Under total debt to equity the bank was less leveraged than EBG but more than ADB. When using long-term debt to equity it is less leveraged than the mirror banks. This we found might be due to the enthusiasm by retail investors in the shares of SG-SSB Ltd as a result of the announcement of the M&A. This implies the bank finances its operations with more equity than debts as compared to the mirror banks.

As a result from the decomposed ROE, the bank recorded a higher ROFL as well as lower leverage spread and debt- equity ratio. Implying the bank took on lower interest rate and capital risks than the mirror banks.

#### **5.5 Conclusions**

When the SG- SSB Ltd is compared with the mirror banks, its performance improved after the acquisition. The ROE of SG-SSB Ltd which is an indicator of shareholder value creation, management efficiency and the banks profitability indicated an overall improvement in the ROIF and the ROFL. The bank also took lower interest rate, capital, credit and liquidity risks than the mirror banks.

This finding is against the expectation of our research question and prior literature that cross-border acquisitions end up in failures. Thus we did not expect the operating performance in SG-SSB Ltd to improve. However, the long run effect may prove our findings contrary.

In addition, if the economy of Ghana does not improve in the near future, with low leverage spread and debt-equity ratio then both ROIF and ROFL will fall. When this happens, it will reduce ROE hence shareholder value will also reduce.

## **5.6 Suggestion for Future Studies**

In the light of the evidence adduced from the data and prior research, we suggest that when the acquisition relation remains in the next two years the same study be conducted to investigate whether the same conclusion will be arrived at.

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