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

BY

ERIC NJUE MUCHOKI

D53/CTY/PT/31741/2015

A RESEARCH PROJECT REPORT SUBMITTED TO SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER BUSINESS AMINISTRATION (STRATEGIC MANAGEMENT), KENYATTA UNIVERSITY

JULY 2020

DECLARATION

This project is my own work and has not been forwarded for presentation in any other institution.

Signature .... Date .27/07/2020.........

Eric Njue Muchoki

D53/CTY/PT/31741/2015

This projects has been submitted for presentation with my approval as the Candidate's University Supervisor

Signature .... Date 18/08/2020..

Dr. Reuben Njuguna

Lecturer, Department of Business Administration

School of Business

Kenyatta University

DEDICATION

I dedicate this study to my family and especially my parents Mr. and Mrs. Muchoki for their unwavering support throughout my life.

ACKNOWLEDGEMENT

I highly appreciate my parents and family members for their endless support. I am grateful to my supervisor, Dr. Reuben Njuguna for the comments and guidance throughout and to all my friends who encouraged me throughout this journey.

TABLE OF CONTENTS

LIST OF ABBREVIATIONS AND ACRONYMS

CBK:	Central Bank of Kenya
GCBL:	Giro commercial Bank Limited
RBV:	Resource-Based View
M&A:	Mergers and Acquisition
US:	United States
IT:	Information Technology
NYSE:	New York Stock Exchange
FIML:	Full Information Maximum Likelihood

OPERATIONAL DEFINITION OF TERMS

Acquisition an acquisition is where an organization takes ownership of another organization

Synergy effects An effect arising between two or more agents, entities, factors, or substances that produce an effect greater than the sum of their individual effects.

Capital The value that results when a bank's liabilities are subtracted from its assets.

Brand Is a name, term, design, symbol, or other feature that distinguishes an organization or product from its rivals in the eyes of the customer?

LIST OF FIGURES

LIST OF TABLES

ABSTRACT

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

CHAPTER ONE:

INTRODUCTION

1.1 Background of the study

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

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

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

1.1.1 Acquisitions

According to Samli and Frohlich, (2012), acquisition is whereby the acquiring company either fully or partially acquires the target company by way of cash payments, stock swap or even both. According to McNamara, Haleblian, and Dykes (2008) an acquisition is where an organization takes ownership of another organization whereas a merger implies a mutually agreed decision for joint ownership between organizations. Samli and Frohlich, (2012), further proceeds to state that few acquisitions are hostile and few mergers are the joining of equal. Acquisitions have been used by numerous organizations as a strategy to penetrate new markets as an expansion strategy and as a way of diversifying risks.

Mergers might be vertical or horizontal, with vertical being the merging of the company with either its supplier hence improving its accessibility and reducing costs incurred in acquiring supplies and vertical mergers involving the company acquiring companies in the same industry and mostly their competitors to boost their performance, increase synergy and market penetration (Gaughan, 2013). Acquisitions are a great strategy used by companies in expansion, venturing into new markets, tackling competition among other things and it comes with great advantages financially, operationally, among others. Mergers have been witnessed globally and to be on the increase both locally and internationally. The changes in the environment increase in stiff competition, changes in government and managing bodies' regulations, availability of resources, capital among others can be said to be the contributing factors to the local and global increase in mergers. According to Chung and Hoag, (2010), states that the motives for mergers and can be driven by need to keep up with changing environment like speed of entry to the market, competitive situations, consolidation opportunities, financial markets to capitalize on shares of low value, exploitation of strategic capabilities, cost efficiency, obtaining new capabilities among others. Acquisition is perceived to be the quickest strategy to adopt and implement by many. Brito (2012), further asserts that acquisitions is the quickest route to growth by gaining access to new markets and expertise. Acquisitions have happened globally like in Europe, the largest takeover in history was that of Vodafone taking over of Mannesman, in Australia, where Commonwealth Bank of

Australia acquired Colonial State Bank, Colonial State Bank had earlier acquired Trust Bank. In Nigeria the merger of Devcom Bank and Equatorial Trust Bank led to Equatorial Trust Bank and Habib Nigeria Bank and Platinum Bank merged to form Platinum-Habib Bank (Vkiram, 2013).

1.1.2 Non-Financial Performance

Any quantitative measure of either an individual's or an entity's performance that is not expressed in monetary units. This includes any ratio-based performance measure in that a non-financial performance measure that is ratio-based omits any monetary metric in either the numerator or denominator of that ratio (Timothy, 2012). Common examples include measures of customer or employee satisfaction, quality, market share, and the number of new products. Non-financial performance measures are sometimes considered to be leading indicators of future financial performance, while current financial performance measures such as earnings or return on assets are commonly considered to be trailing measures of performance.

Scholars in various fields are more concerned with organizational performance in terms of finance, firm development, legal aspects of the firm, operations, and strategic planners. Organizational performance measures output of a given operation, modifies the process to increase the desires output and ensure increased efficiency of the entire process. The concept of organizational performance can be applied to either group or individual performance. Organizational performance is usually determined by calculating value of both qualitative and quantitative performance factors such as customers, profit and cost. It is necessary for an organization to have relevant factors and know how they relate to the set firm goals as well as the level of dependency on performed activities. Today, managers consider organizational performance and put in the required effort necessary to define firm goals, performance indicators and be able to evaluate them. Timothy (2012), affirm that such an evaluation is done informally thus benefit more when a systematic approach is used. The first step towards improving performance of a company is making explicit available knowledge on performance factors and the relationship between them.

1.1.3 Commercial Banks in Kenya

In Kenya, the banking industry is regulated by three Acts including Banking Act, Companies Act, as well as Central Bank of Kenya Act. The banking sector officially liberalized in 1995 after the exchange control was lifted. CBK is under the Ministry of Finance. The CBK formulates monetary policy, enhance liquidity in the country and ensure solvency as well as a proper functioning financial system. It is also tasked with the responsibility of monitoring commercial banks and publishing reports about them. It works closely with non-banking financial institutions, handling the interest rates plus other monetary issues in the country (CBK, 2016).

Acquisitions are a great strategy used by many firms as a way of improving their financial performance through expansion into new markets, tackling competition through acquiring competitors hence reducing the number of competitors in the market, strengthening their performance through synergy gained by merging the two firms. According to Gounaris (2013), states that the motives for acquisitions and can be driven by need to keep up with changing environment like speed of entry to the market, competitive situations, consolidation opportunities, financial markets to capitalize on shares of low value, exploitation of strategic capabilities, cost efficiency, obtaining new capabilities among others.

In Kenya, the first acquisitions were recorded in Kenya in 1989 where nine financial institutions merged to form the Consolidated Bank of Kenya. Kenya has witnessed a record of 42 bank acquisitions dating all the way from 1989 to 2017. According to information from Central Bank of Kenya, the governing body for all banks within Kenyan boundaries, it shows that acquisitions have been on the increase with a total of six banks merging differently in the year 2017 alone. The Finance Bill 2015 which was proposed and forwarded to parliament for approval on the 17th June 2015, sought to propose the increase of the minimum requirement of the core capital for banks from one billion to five billion. The introduction of this bill meant that lending institutions which have a core capital of less than 5 billion were to raise additional core capital to reach the set recommended limit. The raising of additional capital can involve various means like floating shares among others (CB K 2016).

Acquisition also appear as the best fastest and easiest way and strategy for capital generation, growth and expansion as historically seen by numerous organizations from across the various industries locally and globally. It is seen as the preferred and most widely used growth and expansion strategy and source of capital. The finance bill 2015 was however rejected by parliament but despite this it has been observed that acquisitions have been on the increase. According to Cytonn Quarter one 2016 Banking sector report the country witnessed an average takeover rate of 77% involving more than 7 acquisitions of commercial banks year 2016 alone. The year 2017 there were six commercial banks acquisitions. This increase is assumed to be as a result of this bill despite it being withdrawn, for many banks seek to secure and prepare themselves for the future just in case the bill is pushed back into parliament again (CBK. 2015).

1.1.4 Acquisition of Giro Bank Ltd by I&M Bank Ltd

In 2017, the Central Bank of Kenya (CBK) announced that I&M Bank Ltd. (I&M Bank) had acquired 100percent of Giro Commercial Bank Ltd. I&M Bank, embarked on a rebranding exercise for all of the recently acquired Giro Commercial Bank Limited (GCBL) branches. The branches acquired by I&M Bank underwent a full brand conversion, effectively pushing up the I&M Bank Kenya's network to 43 branches countrywide. The successful acquisition of by I&M Group continued to underline the viability of Bank consolidations in Kenya as part of a strategic effort to foster financial inclusion and sustained growth for the local banking sector. The move underscores the I&M Group's expansion strategy, which seeks for opportunities to expand both locally and regionally by way of acquisitions.

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

1.2 Problem Statement

The gradual increase in acquisition as a growth and expansion strategy has become a focus especially with the great adoption of this strategy by most banks both globally and locally. This increase has brought great attention to this particular study and various researches have been done to try and establish if this strategy has an effect on non-financial performance especially on the banking and financial institutions. According to Weston and Brigham (2011) a company which takes up acquisitions as strategy is able to benefit from operational synergies or operating economies of scale, financial synergies and tax advantages, economies of scale in managerial capacities and marketing synergies.

With increasing competition and the economy heading towards globalization, the trend on acquisitions are expected to rise at a much larger scale with the aim of achieving a competitive edge and non-financial performance in the financial industry in Kenya. The integration of I&M Bank and Giro Bank is aligned to the strategic aspirations of I&M Bank and is aimed at making the merged entity a more efficient and stronger bank. The strategic rationale of the acquisition includes pursuing scale to improve market penetration, filling portfolio gaps in business operations and creating value by improving overall business performance while creating wider access for product offerings. The consolidation of GCBL provided a much-needed market growth advantage for I&M Bank which enjoy an expanded market presence and a quality balance sheet expansion. For Giro Bank customers, this acquisition provides additional advantage of accessing their bank accounts from 36 new I&M Bank branches located countrywide as well as through Alternate Channels like all Visa, Kenswitch and I&M Bank ATMs, Mobile Banking, Internet Banking and PesaLink.

Studies on acquisitions and non-financial performance have been done and have produced mixed results across the globe. Mugambi (2014), did a research on the impact of acquisitions on the performance of commercial banks in Kenya. Results indicated that there was improvement in financial performance of commercial banks after a merger or acquisition. This was due to an increase in return on assets, return on equity and reduction in cost to income ratio after the merger. A study done by Kioko (2013), which looked at acquisitions as a strategic entry to the market mainly focused on the need of bank mergers which has been driven by the need to integrate data in the banking industry to encourage growth of the organisations but did not highlight the importance of acquisition which enables non-financial performance.

Uyuke (2016), concluded that acquisitions were not worthwhile to commercial banks in terms of service delivery. Ogada, Achoki and Njuguna (2016) did not show how managerial effort relates to improved non-financial performance. Murithi (2011), alluded to lack of communication on acquisition with staff but did not elaborate on how this affects non-financial performance. Despite the fact that many firms have embraced mergers and acquisitions as a strategy of increasing their synergies, efficiency, market share and growth, these mergers and acquisitions tend to affect non-financial performance as the case studied by Muchichi (2013), of the merger of CFC stanbic Bank in Kenya showed that there might be a relation between acquisitions and non-financial performance, hence this research proposal seeks to fill this research gap in academia by investigating on the implications of acquisitions on the non-financial performance of commercial banks in Kenya.

1.3 Objectives of the study

1.3.1 General objective

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

1.3.2 Specific Objectives

i. To establish the effect of Synergy effects on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd

ii. To establish the effect of capital base on non-financial performance on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd

iii. To determine the effect of brand effects on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd

1.4 Research Questions

i. What is the effect of synergy effects on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd?

ii. What is the effect of capital base on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd?

iii. What is the effect of brand effects on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd?

1.5 Significance of the study

This research will help inform the employees on the effects these acquisitions have on the non-financial performance hence ensure that they offer their best services to these clients to ensure there is great customer loyalty and to build good strong customer-employee relations which are beneficial to the firms in the long run. Good performance means the probability of profit increase which means greater pay to the employees, bonuses, more benefits, improved working conditions, career growth and opportunities.

This research will aid the academicians in identifying if there is a relationship between acquisitions and non-financial performance. Thus, using the findings, they can better understand how these two variables affect each other and if there is any relation. The government will also greatly benefit with the research findings hence seek to support such acquisitions if the outcome is positive. This will in turn affect the policies being made by the government including capital base like the finance bill 2015, customer data protection, financial requirements and other regulatory requirements.

This will greatly aid in indicating whether these acquisitions have positive effect on non-financial performance. This will further seek to assist in explaining the behaviour of previous acquisition and expected customer behaviour after merging. This research will aid in trying to better understand the behaviour of customers during and after the acquisitions. It will also better show how these acquisitions affect the non-financial performance and if there is any relation between the acquisition and non-financial performance and if so to what extent, the magnitude.

1.6 Scope of the Study

The study focused on the effect of acquisitions on non-financial performance of commercial banks in Kenya using a case of the acquisition of Giro bank Limited by I&M bank limited. The study focused on 1030 staffs from the I&M Bank Ltd. The study focused on I&M Bank Ltd 14 branches in Nairobi. They include: Kenyatta Avenue, Karen,2nd Ngong, Sarit Centre, Biashara Street, Industrial Area, Langata Link, Valley Arcade Branch, Panari Sky Centre, Parklands, Wilson Airport, Ongata Rongai, South C, Riverside Drive Branch, Kenyatta Avenue, Karen,2nd Ngong, Sarit Centre, Biashara Street, Industrial Area and Langata Link The research administered questionnaires and conduct informal interviews with staffs of I&M bank Ltd.

1.7 Limitations of the Study

The researcher may face difficulties in getting or accessing confidential business information from concerning the staffs in the performance due to fear of incrimination from management executives. To overcome these, the researcher assured the sampled respondents on the confidentiality of the information collected and no names divulged in the final report. The researcher may be confronted with the challenge of accessing adequate studies done in the developing world with suitable information that suit the Kenyan scenario. The limitation was addressed through research and consultation with relevant stakeholders in banking Industry and the supervisor.

1.8 Organization of the Study

The study is divided into five chapters. Chapter one of the study contains introduction, giving a background of the study while putting the topic of study in perspective. It gives the statement of the problem and outlines the objectives, hypothesis, scope, limitations, and the significance of the study. Chapter two outlines the theories guiding the study which are; resource-based view theory, Dynamic capabilities theory and behavioural theory. Chapter three consists of research methodology which is used in the study. It covers the research design, target population, sample design, data collection, validity and reliability of data collection instruments, data analysis techniques, and ethical considerations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter seeks to explore on the various theories as discussed by the various authors and scholars on acquisitions. It seeks to discuss on the various theories regarding acquisitions. The chapter focuses on empirical literature review on, brand effects and non-financial performance, capital base and non-financial performance and synergy effects and non-financial performance it also presents a summary of empirical review and research gap and finally the conceptual framework

2.2 Theoretical Framework

This section examines the various theories that will be used to inform the study on the implications of acquisitions on non-financial performance. The study will be guided by the following theories; resource-based view theory, dynamic capabilities theory and signaling theory.

2.2.1 Resource Based View

The resource-based view (RBV) was introduced by Wernerfelt (1984). It proposes that competitiveness can only be attained by innovatively giving high value to consumers. RBV refers to the contention that all organizations are a collection of unique capabilities and resources. The exclusivity of any organization capabilities and resources is the foundation of an organization's strategy and its capability to get above average returns. Resources refers to inputs into a company's production process (Hitt, 2013).

According to Johnson (2008), Resource Based View is more helpful for gaining insights on why some competitors are more profitable than others. Resource Based View is useful in developing strategies for individual business and diversified firms by revealing how core competencies embedded in a firm can help it exploit new product and market opportunities. Resource Based View combines two perspectives, the internal and external perspectives integrating. For a resource to provide a firm with the potential for a sustainable competitive advantage it must have for attributes which are valuable rare difficult to imitate and difficult to substitute.

The theory is pertinent to the study because it identifies economic resources that are likely to be important in policy making process. Resource-based theory predicts resources are important to the commercial banks and their performance after the acquisitions (Cocks 2010). It further details the premise that the economic resources effects will be more important determinants of acquisition effects by comparing outcomes across multiple levels of analysis. Internal business perspective measures what the firm must do internally to meet customers' expectations. Excellent customer performance results from processes, decisions and actions that occurred throughout organization in a coordinated fashion and managers must focus on those critical internal operations that enable them to satisfy customer needs (Hitt, 2013).

The significance of the resource-based view (RBV) in this study is that it brings out management of resources which affects acquisition process in I&M bank Ltd. in Kenya. Resources in banking sector includes physical, financial, commercial, human, organizational, and technological assets used by companies to develop, manufacture, and deliver services and products to its customers. According to Cocks (2010) they may be categorized as tangible (physical or financial) or intangible

2.2.2 Dynamic Capabilities Theory

Dynamic capabilities was developed by Wheeler (2002). Dynamic capabilities mean an organization's ability to renew and recreate its strategic capabilities to meet the needs of a changing environment. Dynamic capabilities may be relatively formal such as systems for new product development or procedures for agreement for capital expenditure. According to Johnson (2008) noted that Dynamic capabilities may take the form of major strategic moves such as acquisitions or alliances by which new skills are learned by the organization or may be informal such as the way in which decisions get taken faster than usual when a fast response is needed. Whereas in more stable conditions competitive advantage might be achieved by building capabilities that may be durable overtime in more dynamic conditions competitive advantage requires the building of capacity of change, innovate and learn to build Dynamic capabilities.

The dynamic capabilities concept centers on the firm's ability to remain competitive in relation to other actors in the marketplace given a high rate of change in the environment (Eisenhardt & Martin, 2010). Barney (2011), highlights the importance of a competitive advantage by saying that the value-creating ability of the firm is hinged upon the firm having an edge over competitors. Simply put, if other actors provide more appealing products and services, the focal firm will not be able to continue making a profit. Thus, sustaining competitive advantage is the objective of dynamic capabilities.

2.2.3 Signaling Theory

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

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

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

2.3 Empirical Literature Review

2.3.1 Brand Effects and Non-Financial Performance

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

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

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

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

Brand awareness and perceived brand value are important sources of brand equity and that the effects of these two components on brand equity after mergers and acquisitions are significantly larger that before mergers and acquisitions (Awan, 2017). Awan (2017) in his research used random sampling of university students using questionnaires as the data collection tool.

Random sampling was used on Korean university students regarding IT products of various companies to better find how brand affected mergers and acquisitions. Awan (2017) in his research found out that mergers and acquisitions affected brand perception hence showed that there is a relationship between mergers and acquisitions and company brand. One of the limitations to the study was that the organizations staff were not interviewed or considered in the research to determine if the organizations had an influence in brand perception. The limitations to this study were that it only targeted one segment and the methodology used was a convenience sample of university students as respondents. Further limitation was that it did not interview the staff in the firms under study to determine other factors.

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

2.3.2 Capital Base and Non-Financial Performance

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

Matilda (2013), in her research on the effect of capital base efficiency on non-financial performance in Sweden found out that the post-merger analysis shows no remarkable improvements in bank technical efficiency after consolidation. These findings imply that decision makers ought to be more cautious in promoting mergers as a means of enjoying efficiency gains. The model proposed by them allows for time varying technical efficiencies in an unbalanced panel. This latter aspect is particularly important in the framework of this study since mergers and acquisition imply that banks disappear from the sample over time. Observation period from 1984 to 2002, 19 years banks studied were 157 in totals which had been involved in 28 mergers were studied with a maximum number of banks participating in a single merger being six. Results indicated the overall cost efficiency of Swedish savings bank is estimated to be 80%. This implies that banks can reduce their costs by 20% and still be able to produce the observed levels of output without any adjustment in input prices, output volumes or the branching network.

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

Nsiah, and Mensah, (2014), assessed the effect of capital base and non-financial performance on customer retention in the banking industry in Ghana, a case study of

Asokore rural bank limited. The primary data were collected through administrating questionnaire. Convenient sampling procedure was used to obtain 100 responses from customers and 20 from employees of the bank. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The research findings also indicate offering high quality service increase customer retention, which in turn leads to high level of customer commitment and loyalty.

2.3.3 Synergy Effects and Non-Financial Performance

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

Gichuru (2012), in his research on the benefits and challenges of mergers sought to find out operational synergy of mergers to establish whether the firm has gained any economies of scale or operational efficiency. Gichuru (2012) used cross sectional survey design and collected data through use of structured questionnaire where the respondents were required to score on a 5-point likert scale indicating the extent of the effect of the corporate merger. According to Gichuru (2012) stated that the reason as to why mergers take place was to gain competitive edge in the industry, to attain the preferred customer base and to reduce the cost of operations. The research design used was survey research. The use of descriptive or purposive research would have been effective. Data was analyzed using descriptive statistics which involved computation of mean and standard deviation on the extent in which certain variables had been observed. This tends to be a limitation as the use of mean does not greatly assist in showing the relationship and the use of standard deviation aids in indicating the variance. Regression analysis would have best aided in indicating if there is a relationship between these variables. Another limitation of the study was data was collected through interviews regarding the performance of the institutions while the use of financial reports would have better explained the organizations results and bring about easy comparison with the competitors.

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

Eliasson (2011) in her research on synergies in mergers and acquisitions sought to analyze synergy in regards to merger and acquisitions in technical trading companies to learn about success factors. The researcher used qualitative approach. Secondary data was company's specific information retrieved from the selected organizations web pages where the main sources of information have been general companies' information, press releases and annual reports. The primary data in form of interviews with company representatives was collected both through telephone conversation and on site visits to the organizations. The research found out that three important factors for synergy to be realized in mergers and acquisitions are entrepreneurship, human capital, the corporate heads knowledge, the experience and the selection capability and the inclusion of acquisitions in their business models. Eliasson (2011) found out that synergy to increase in mergers and acquisition of the three factors is well considered in choosing a partner. The limitations were that only one interview were conducted per organization under study. The exemption of new companies from the research was also a limitation itself for this would have also given an indepth in the effects of synergies in mergers and acquisitions of new companies. Regression analysis should have been used for better analysis of the data.

Arikawa and Takechi (2011) sought to determine the effects of synergy in merged firms and the effect on productivity by studying merged firms and determine if synergy would have changes in productivity and compare with how these firms would have been had they not merged. The sample was 589 Japanese firms listed on the Tokyo Stock Exchange with exclusion of firms in financial and utility sectors and those without research and design expenditure records, hence resulting with a sample of 523 out of the 589 firms included in manufacturing sector. In these they considered firms involved in mergers and acquisitions even if it was partial. The period of review was from 1999 to

2006 which involved 629 mergers. The research method was Full Information Maximum Likelihood (FIML). The research found out that without controlling for selection bias of mergers decision mergers has no effect on firm productivity. After controlling for selection bias the researcher found out that there was a large decline in productivity following mergers and a small increase at best in the third year after the merger. These results suggest the importance of controlling selection bias to properly evaluate the productivity gains from mergers. One of the limitations to this study was the data analysis method used was not effective for regression data analysis method would better able to analysis the data as it was bulky and dispersed considering the period being covered. The variables under measure were not effectively measured as the study did not consider the various industries that the merging entities were in and this greatly affects the performance and decision making when it comes to merging or acquisitions.

2.4 Summary of Empirical Review and Research Gap

Table 2.1: Summary of Empirical Literature

Author and Year	Topic of study	Area of study	Findings	Focus of Current Study
Ismail, Boye, and Muth, (2012),	Effects of customer brand relationship: An empirical study of customer's perception of brand experience, brand satisfaction, brand trust and how they affect brand loyalty	Customer brand relationship and customer service	For retail businesses within the fashion industry to ensure brand loyalty from the customers, brand satisfaction is the main focus.	The studies only focused on customer brand relationship and brand perception.
Hsu (2014),	branding strategy and consumers attitude	branding strategy and consumers	found out that attitude towards the merger positively impacted consumers attitude to	The current study will link brand effects and customer

		attitude	the brand.	service
Bahadir (2008),	Target and the acquirer firm characteristics that affect the value of a target firms' brands in mergers and acquisitions	Firms' brands in acquisitions and performance	The findings indicate that the acquirer and target marketing capabilities and brand portfolio diversity have positive effects on a target firms' brand value.	
Awan (2017)	Acquisitions and brand perception in Korean university	Acquisitions and brand perception	Acquisitions affected brand perception hence showed that there is a relationship between mergers and acquisitions and company brand.	
Long and Ling (2011),	How companies can integrate acquiring brand and acquired brand in mergers and acquisition	Integrate acquiring brand and acquired brand in mergers and acquisition	found out that when different companies and or divisions belonging to different companies combine into one entity brand as identity of the company often lead to brand problems	
Hermansson, (2015),	Understanding the relationships between bank-customer relations and capital base in Stockholm.	customer relations and capital base	The study found that Managerial implications include understanding the relational attributes that affect saving behavior, such as context, duration, and trust	The study did not incorporate the other aspects of mergers and acquisitions like synergy and competitive advantage
Matilda (2013),	Effect of capital base efficiency on bank mergers in Sweden	capital base efficiency and bank mergers	These findings imply that decision makers ought to be more cautious in promoting	

			mergers as a means of enjoying efficiency gains	
Azzam, (2014),	The impact of capital base management on customer satisfaction in the banking industry a case of Jordan.	capital base management and customer satisfaction	The statistical analysis revealed that there is a significant relationship between the independent variables	
Nsiah, and Mensah, (2014),	Effect of capital base and service quality on customer retention in the banking industry in Ghana, a case study of Asokore rural bank limited.	capital base, service quality and customer retention	The research findings also indicate offering high quality service increase customer retention, which in turn leads to high level of customer commitment and loyalty.	
Bernile and Lyandres (2013),	effects of expected synergies from horizontal mergers on the merging firm's rivals customers and suppliers	Synergies and horizontal mergers	found out that merger synergies are systematically associated with announcement returns and post-merger changes in operating performance of merging firms and of their rivals	Studies only focused on challenges of mergers. The studies did not incorporate customer service as the dependent variable
Gichuru (2012),	Benefits and challenges of mergers sought to find out operational synergy of mergers	Benefits and challenges of mergers	The reason as to why mergers take place was to gain competitive edge in the industry, to attain the preferred customer base and to	

			reduce the cost of operations	
Ogada (2016),	Determine the effect of synergy on the financial performance of merged institutions.	Synergy and financial performance	Found out that synergy had a significant relationship with financial performance of merged institutions. The results revealed that there was a positive relationship and significant relationship between return on Assets	

2.5 Conceptual Framework

A conceptual framework is a diagrammatical presentation of variables in a research. The framework demonstrates the correlation between variables that are dependent and those that are independent (Regoniel, 2015). The independent variables for the study are brand effects, capital base and synergy while the dependent variable is the non-financial performance.

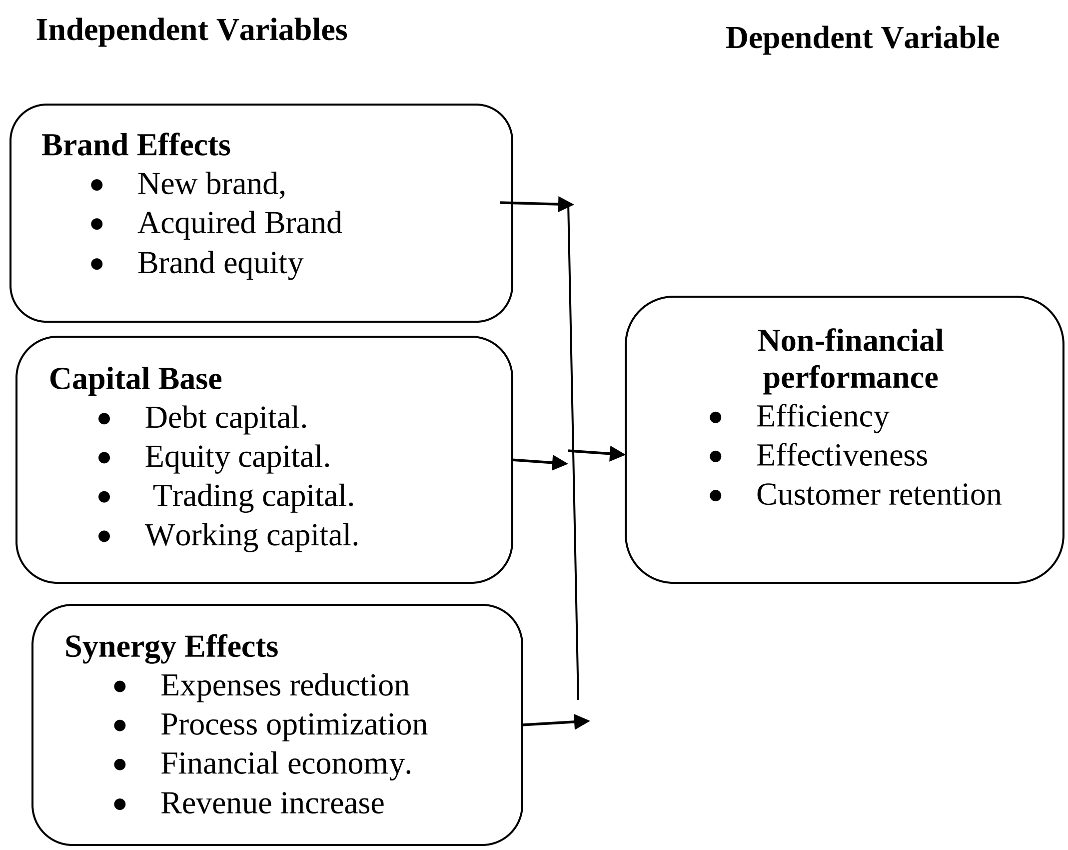

Figure 2.1:Conceptual framework (Research, 2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents various stages and phases that were followed in data collection and analysis while carrying out the research. In this stage, decisions about this research were executed and how the data was collected and analyzed. It involves the research design, the target population, data collection and data analysis, interpretation and presentation.

3.2 Research Design

This study employed a descriptive research design and this allowed the investigator to describe the variables of interest in terms of their characteristics. The design is suited and justified for use in this study because of the variables to be used. The dependent variable is the non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd and the independent variables included; synergy effects, capital base, and brand effects. The advantage of conducting descriptive design is that they are valuable in defining the specific features of an outsized population and high consistency which guarantees that the observer bias is greatly eradicated and it's easy to attain by presenting all subjects with a regular inducement (Mugenda & Mugenda, 2011).

3.3 Target Population

According to Kothari (2014), target population is the means used in generalization of the results by using a collective set of study of all subjects of actual or hypothetical set of objects, individuals or even events that are used by investigators. A study population can be well-defined as the whole assortment of units about which the scholar or the researcher needs to draw findings from. The study focused on 1030 staffs from I&M Bank Ltd. The study focused on I&M Bank Ltd 14 branches in Nairobi.

Table 3.2: Target Population

Branches	Population	Cumulative
2nd Ngong	72	72
Biashara Street	69	141
Industrial Area	77	218
Karen	89	307
Kenyatta Avenue	79	386
Langata Link	54	440
Lunga Lunga	72	512
Ongata Rongai	76	588
Panari Sky Centre	77	665
Parklands	89	754
Riverside Drive Branch	56	810
Sarit Centre	61	871
South C	78	949
Valley Arcade Branch	81	1030
Totals	**1,030**	

3.4 Sampling Design

Krejcie and Morgan's (1970), method was used to get the sample size of this research. This method is effective in finding sample size from a population with a given size. Nonetheless, in case target population is fixed, the following formula (Krejcie & Morgan, 1970) is used in determining the sample size.

$$n = \frac{\chi^2 * N * P * (1 - P)}{d^2 * (N - 1) + +\chi^2 * P * (1 - P)} \text{.............................(3.1)}$$

Where:

n = needed sample size.

χ^2= the table value of chi-square for 1 degree of freedom at the needed confidence level (3.841).

N = size of the population

P = the population proportion (assumed to be .50 since this would give the maximum Sample size).

d = the degree of accuracy (the margin of error) expressed as a proportion (.05).

The target population has 1030 staffs, therefore by use of Krejcie and Morgan's method of determination of a sample size the eventual sample size used composed of 278 staffs. Central limit theorem indicates that if the sample size is large enough (N > 30), the data gives a normal distribution curve, (Gilbert & Churchill, 2001).

Table 3.3: Sample Population

Branches	Population	Sample	Percentage
2nd Ngong	72	19	13.68
Biashara Street	69	19	13.11

Industrial Area	77	21	16.17
Karen	89	24	21.36
Kenyatta Avenue	79	21	16.59
Langata Link	54	15	8.1
Lunga Lunga	72	19	13.68
Ongata Rongai	76	21	15.96
Panari Sky Centre	77	21	16.17
Parklands	89	24	21.36
Riverside Drive Branch	56	15	8.4
Sarit Centre	61	16	9.76
South C	78	21	16.38
Valley Arcade Branch	81	22	17.82
Totals	**1030**	**278**	

3.5 Data collection instrument

Structured questionnaire was used to get the primary data. The surveys were self-administered through drop and pick later approach to the respective customers of I&M bank. The questionnaire allowed superior uniformity in the manner in which questions was asked, guaranteeing superior compatibility in the responses. Brotherton (2008) indicated that the use of structured questionnaires permits for consistency of responses to questionnaires while unstructured questions provide a participant freedom in responding to questions which assisted the investigator in determining the feelings of the respondent. The structured questions were in form of a five-point Likert scale, where a participant was required to give his or her views on a scale of 1 to 5.

3.6 Data collection procedure

Permission to gather information from the staffs was acquired, after the endorsement from the university to do the research. The researcher added a transmittal letter in every structured questionnaire. The researcher will visit different branches at various occasions and look for consent to gather information. Further, the consent was looked for from NACOSTI.

The researcher and three research associates gathered the information from the customers. This facilitated information to be gathered on time. The researcher control the associates on the means to follow in filling in the questionnaires and how to oversee the process to every respondent guaranteeing every last one of them of the privacy of unveiled data. Filled questionnaires were gathered and recording for advance investigation and analysis. However, where it demonstrates troublesome for the respondents to finish the questionnaire instantly, it was left to be gathered later.

3.8 Reliability and Validity

The reliability and validity of the research instruments was computed after pilot study is conducted.

3.8.1 Validity

According to Brotherton (2008), validity is used to show whether items measured what they were required to measure. Mugenda & Mugenda (2011), defined content validity as a measure of the extent to which data gathered using a particular instrument represent a particular domain of indicators or content of a certain subject. Content validity refers to whether an instrument provides adequate coverage of a topic. Additions and adjustments to the research instruments discussions and consultations with the administrator will be done to find content validity. In this study, the researcher will use content validity to find out whether the instruments responded to research questions.

The content validity of the instrument was determined in two ways. First the researchers discussed the items in the instrument with the supervisor, and randomly reach the customers. These customers are expected to indicate by a tick for every item in the questionnaire if it measured what is supposed to measure or not. The advice included suggestions, clarifications and other inputs which were used in making necessary changes. The average content validity Index (CVI) formula used to capture adequate and representative sets of items which were used to tap the content was;

$$\text{Content Validity Index} = \frac{\text{Number of items declared valid}}{\text{Total number of items}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.3)$$

3.8.2 Reliability

Cooper & Schindler (2006) defined reliability as assessment of the extent to which a research instrument gives consistent findings after recurrent study trials. Other scholars define reliability as the research consistency and the extent to which a certain study may be replicated. To make sure there is high degree of reliability, the researcher collected data personally and only in a very few cases did the researcher seek help from motivated and well-trained research assistants. Test-rested method of testing reliability was used where the pilot questionnaires were provided twice to the customers, with a 7 days interval, to permit reliable testing. 30 randomly picked staffs. For reliability, the investigator used internal consistency measure referred to as Cronbach's Alpha (α) which shows the extent to which a set of measurement items can be treated as measuring a single latent variable.

A pilot study was done with an aim of measuring the strength of the questionnaire and it was steered with the aid of study assistants. Brotherton (2008) indicated that the main objectives of the pilot test were to identify any possible deficits, errors and omissions in the questionnaire and remove them before it is used to gather the real data. A total of 30 customers were used for pilot study. The 30 staffs were picked at random. Test re-test approach was used to test for reliability of the instrument. The instruments were administered to the respondents and re-assigned to the same participants after one week.

The study used Cronbach's alpha formula to test reliability, with value of 0.7. Reliability offers a measure of the internal homogeneity and consistency of the items encompassing the scale. Results shows that synergy effects had the highest reliability (α= 0.930), followed by capital base (α = 0.850), and finally the brand effects (α = 0.832). This illustrates that all the variables were reliable as their reliability values exceeded the prescribed threshold of 0.7.

Table 3.4: Reliability Analysis

Variable	**Cronbach's Alpha**	**No. of Items**	**Verdict**
Synergy effects	.930	6	Reliable

Capital base	.850	6	Reliable
Brand effects	.832	6	Reliable

3.9 Data Analysis and Presentation

This study used descriptive analysis to analyze the collected data. Tabulations, graphs, numerical procedures and diagrams are the visual presentations to be used to show, present and organize the analyzed data. All these techniques aim to summarize the material to a form that display its distinctive features and therefore aids analysis. Descriptive statistics was also be used to quantitatively describe the imperative structures of the variables using standard deviation, frequency and the mean. The quantitative data was analyzed using the SPSS version 23 and used the multiple regression model in determining the implications of acquisitions on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd. Data that was analyzed was presented by statistical frequency tables and charts**.** These presentations were supported by results discussions in prose. The presentation was done in systematic order as per the order of the variable and the outline of questions in the questionnaires.

The study applied the following regression model

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

Where Y = Non-financial performance

X_1 = Synergy effects

X_2 = Capital base

X_3 = Brand effects

$B_1 – \beta_4$ are the regression co-efficient

e = Error term

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

3.10 Ethical Considerations

As a way of enhancing ethical standards in the study, confidentiality was of utmost importance. Questionnaires design ensured no questions that prejudice ones emotional or psychological wellbeing were captured. The design promoted anonymity. The researcher also acquired supporting letters that indicated the legality and permission of undertaking the research study from the university and also from other relevant government bodies. This instilled confidence to the respondents. Some of the letters are listed in the appendices.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The chapter presents the analysis of the findings and discussions. The chapter is presented in accordance to the study objectives. Descriptive analysis and inferential analysis were used in the data analysis.

4.1.1 Response Rate

The study targeted a sample size of 274 respondents from which 254 filled in and returned the questionnaires making a response rate of 91.4%.

Table 4.5: Response Rate

	Questionnaires Administered	Questionnaires filled & Returned	Percentage
Respondents	278	254	91.4

Research Data (2020)

This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

4.2 Demographic Information

This section presents information relation to respondent's demographic information. Specifically the area sought include highest level of education attained, whether the respondent had previous worked for Giro Bank, period which the respondent had previous worked for Giro Bank and Period which the respondent had previous worked for I&M Bank.

4.2.1 Highest Level of Education Attained

An individual level of literacy is correlated with one's interpretation of various subjects. In order to ascertain the respondent's ability to respond to the research questions, participants were required to indicate their highest educational qualifications.

Table 4.6: Highest Level of Education Attained

Level of Education	Frequency	Percentage
College Diploma	61	24.0
Undergraduate	115	45.3
Master	78	30.7
Total	254	100

Results presented in Table 4.2 show that majority of the respondent (45.3%) held bachelor's degree 30.7% of the respondents indicated masters while 24.0% indicated college diploma. Drawing from the findings, it's evident that all the respondents were well educated which implies that they were in a position to respond to the study subject with ease.

4.2.2 Whether the respondent had previous worked for Giro Bank

The study sought to determine whether the respondent had previous worked for Giro Bank, results are presented in Table 4.3

Table 4.7: Whether the respondent had previous worked for Giro Bank

Opinion	Frequency	Percentage
Yes	108	42.5
No	146	57.5
Total	254	100

Research Data (2020)

Results show only a few number of the participants (42.5%) had previous worked for Giro Bank while majority 57.5% had not. This implies that majority of the participants had previous worked for Giro Bank.

4.2.3 Period which the respondent had previous worked for Giro Bank

The study sought to determine the period which the respondent had previous worked for Giro Bank

Table 4.8: Period which the respondent had previous worked for Giro Bank

	Frequency	Percentage
3 to 5 years	20	18.5
6 to 8 years	34	31.5
9 years and above	54	50.0
Total	108	100

Research Data (2020)

From the study findings, the study revealed that majority of respondents (50.0%) had previous worked for Giro Bank for more than nine years, 31.5% of the respondents indicated 6 to 8 years While 18.5% of the respondents indicated 3 to 5 years. Drawing from the findings, it’s evident that most of the respondents had previous worked for Giro Bank for a considerable period of time which implies that they were in a position to explain the effects of acquisitions on non-financial performance of Giro bank ltd by I&M Bank Ltd.

4.2.4 Period which the respondent had worked at I&M Bank Ltd

The study sought to determine the period which the respondent had previous worked for I&M Bank Ltd.

Table 4.9: Period which the respondent had worked at I&M Bank Ltd

Period	Frequency	Percentage
Below 2 years	25	9.8
3 to 5 years	81	31.9
6 to 8 years	90	35.4
9 years and above	58	22.8
Total	254	100

Research Data (2020)

From the study findings, the study revealed that most respondents (35.4%) had previous worked for I&M Bank for a period of 6 to 8 years, 35.4% of the respondents indicated 3 to 5 years

22.8% of the respondents indicated more than 9 years. Drawing from the findings, it's evident that most of the respondents had previous worked for I&M Bank for a considerable period of time which implies that they were in a position to explain the effects of acquisitions on non-financial performance of I&M Bank

4.4 Acquisition and Non-Financial Performance

4.4.1 Brand Effects

Survey participants were Indicate their level of agreement with the following statements relating to Brand Effects

Table 4.10: Statements relating to Brand Effects

Brand Effects	Mean	Std dev.
I&M Bank Ltd have a right creative strategy for their brands	3.99	0.25
The I&M Bank Ltd advertisements increase the efficiency and effectiveness of the products and services	4.08	0.15
Branding helps in assessing the I&M Bank Ltd position against	3.80	0.16

the competition		
I&M Bank Ltd products and services are known in the media environment	4.11	0.75
I&M Bank Ltd Optimizes its advertisements in real-time	3.95	0.25
Composite Mean	**3.99**	**0.31**

Research Data (2020)

From the study findings, majority of the respondents agreed that I&M Bank Ltd products and services are known in the media environment(M = 4.11 SD = 0.75), the I&M Bank Ltd advertisements increase the efficiency and effectiveness of the products and services (M= 4.08 SD = 0.15), I&M Bank Ltd have a right creative strategy for their brands (M=3.99 SD=0.25), &M Bank Ltd Optimizes its advertisements in real-time (M=3.95 SD=0.25) and that Branding helps in assessing the I&M Bank Ltd position against the competition (M= 3.80 SD=0.16). The above findings concurs with the study findings by Ismail, Boye, and Muth, (2012), that awareness and perceived brand value are important sources of brand equity and that the effects of these two components on brand equity after mergers and acquisitions are significantly larger that before mergers and acquisitions.

4.4.2 Capital Base

Survey participants were Indicate their level of agreement with the following statements relating to capital base

Table 4.11: Statements relating to capital base

	Mean	**Std Dev**
The I&M Bank Ltd has a large asset base	3.75	0.25
The financial status of I&M Bank Ltd are stable	2.35	0.17

I&M Bank Ltd maintains the level of its assets	3.96	0.15
Capital base provides a benchmark when measuring I&M Bank Ltd returns	4.44	0.22
I&M Bank Ltd Investments performance is well maintained	3.85	0.14
Composite Mean	**3.67**	**0.19**

Research Data (2020)

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

4.4.3 Synergy Effects

Survey participants were Indicate their level of agreement with the following statements relating to Synergy Effects.

Table 4.12: Statements relating to Synergy Effects

	Mean	Std Dev
I&M Bank Ltd maintains operational effects to ensure good performance	4.25	0.25
The technological effect in I&M Bank Ltd allows good performance	3.95	0.32
Synergy Effects do not affect financial performance of I&M Bank	1.31	0.15
I&M Bank use information campaigns to reach out their clients and achieve expected performance	3.86	0.85
Financial synergy gained by the combined firm is a result of number of benefits which flow to the entity	3.93	0.81
Composite Mean	**3.46**	**0.48**

Research Data (2020)

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

4.4.4 Non-Financial Performance

Survey participants were Indicate their level of agreement with the following statements relating to Non-financial performance

Table 4.13: Statements relating to Non-financial performance

Non-Financial Performance	Mean	Std Dev
The bank is efficient in performing its mandate	4.00	0.36
The bank is effective in-service delivery	4.17	0.01
The bank has retained its customers for years	3.98	0.56
The institution clientele is good	3.81	0.83
The bank has been innovative and develops new products for its customers	4.36	0.99
Composite Mean	**4.06**	**0.55**

Research Data (2020)

From the study findings, majority of the respondents agreed that, the bank has been innovative and develops new products for its customers (M=4.36 SD=0.99), the bank is efficient in performing its mandate (M= 4.00 SD=0.36), the institution clientele is good (M=3.81 SD=0.83)

The bank has retained its customers for years (M= 3.98 SD= 0.56) and that the institution clientele is good (M=3.81 SD=0.83). The above goes hand in hand with the research findings by Awan (2017), found out mergers and acquisitions affects brand perception hence showed that there is a relationship between mergers and acquisitions and company brand

4.5 Regression Analysis

4.5.1 Model Summary

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

Table 4.14: Model Summary

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

Research Data (2020)

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables: From the findings in table 4.14 the value of adjusted R squared was 0.681 an indication that there was variation of 68.1 percent on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd due to synergy effects, capital base, and brand effects at 95 percent confidence interval. The findings are in line with Weston and Brigham (2011), that acquisition strategy has an effect on non-financial performance especially on the banking and financial institutions.

4.5.2 Analysis of Variance

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

Table 4.15: **ANOVA[a]**

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

Research Data (2020)

From the ANOVA analysis presented in table 4.10, the processed data, which is the population parameters, had a significance level of 0.000 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The F critical at 5% level of significance, 4 df, 60 df was 4.95 while F calculated was 71.908, since F calculated is greater than the F critical (value = 4.95), the overall model was significant.

4.5.3 Coefficients

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

Table 4.16: **Coefficients**

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

Research Data (2020)

Y = 13.938 + 0.306 X1 + 0.861 X2+ 0.510X3 + ε

A unit change in synergy effects would positively change non-financial performance of Giro bank ltd acquisition by I &M Bank Ltd by a factor of 0.306, a unit change in capital base would positively change non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd by a factor of 0.861 and a unit change in brand effects would positively change non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd by a factor of 0.510. The findings are in line with Timothy (2012), that organizational performance is usually determined by calculating value of both qualitative and quantitative performance factors such as customers, profit and cost.

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

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

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

4.6 Discussion of findings

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

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

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

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

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

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

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

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

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary for the study, the conclusions recommendations and suggestion for further studies. The purpose of this chapter was to determine find out the effect of Synergy effects on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd, to establish the effect of capital base on non-financial performance on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd and to determine the effect of brand effects on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd.

5.2 Summary

5.2.1 Synergy effects and non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd

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

5.2.2 Effect of capital base on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd

The study revealed that I&M Bank Ltd Investments performance is well maintained, I&M Bank Ltd have a large asset base. The findings show that the financial status of I&M Bank Ltd are stable. The above goes hand in hand with the research findings by Johnson (2008) the research findings also indicate offering high quality service increase customer retention, which in turn leads to high level of customer commitment and loyalty. The study also noted that between capital base and non-financial performance on non-financial performance of Giro bank ltd acquisition by I&M Bank Ltd showed that a positive significant relationship. The study also revealed that capital base provides a benchmark when measuring I&M Bank Ltd returns, I&M Bank Ltd maintains the level of its assets, the above goes hand in hand with the research findings by Gichuru (2012) Merger synergies have a positive effect on merging firms' corporate customers while the effect on customers of merging firms' rivals depends on potential switching costs.

The findings show financial synergy gained by the combined firm is a result of number of benefits which flow to the I&M Bank use information campaigns to reach out their clients and achieve expected performance. Synergy effects highly affected financial performance of I&M Bank. The above findings concurs with the study findings by Gichuru (2012) that the reason as to why mergers take place was to gain competitive edge in the industry, to attain the preferred customer base and to reduce the cost of operations.

5.2.3 effect of brand effects on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd

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

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

5.3 Conclusions

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

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

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

5.4 Recommendations

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

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

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

5.5 Suggestions for Further Research

The study sought to establish the implications of acquisitions on non-financial performance of the acquisition of Giro bank ltd by I&M Bank Ltd future studies need to establish the role of sports sponsorship promotional strategy on clientele growth among the financial institution in Kenya. The study variables only accounted for 68.1 percent variation on non-financial performance of Giro bank ltd acquisition by I&M Bank therefore other factors contributing to 31.9% should be established and their effects assessed.

REFERENCES

Azzam, Z. A. M. (2014). The impact of customer relationship management on customer satisfaction in the banking industry–a case of Jordan. *European Journal of Business and Management*, *6*(32), 99-112

Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and psychological measurement*, *30*(3), 607-610.

Churchill, G. A., & Brown, T. J., (2001). *Basic marketing research.*

Barney, G. (2011). Dynamic capabilities deconstructed: a bibliographic investigation into the origins, development, and future directions of the research domain. *Industrial and corporate change*, *19*(4), 1187-1204.

Bernile, G., & Lyandres, E. (2015). The Effects of Horizontal Merger Operating Synergies on Rivals, Customers, and Suppliers.

Brealey, R. A; Myers, S. C. & Allen, F. (2012). Principles of Corporate Finance. 8thedition. New York: McGraw Hill/Irwin cop

Brito, D., T. (2012). Merger analysis in the banking industry: the mortgage loans and the short term corporate credit markets. Desenvolvimen to Económico Português no Espa\ccoEuropeu, 67

Caroline, F. R. (2011). *Strategic management: Concepts and cases*. Peaeson/Prentice Hall.

CB K (2016). Bank Supervision Annual Report, 2015. Nairobi: Central Bank of Kenya

CBK. (2015). List of Banks Operating in Kenya, retrieved from https://www.centralbank.go.ke/images/docs/BankSupervision reports/Commercial Banks Directory

Chang, X.J. (2016). Industry expertise, information leakage and the choice of M&A advisors. *Journal of Business Finance & Accounting*, *43*(1-2), 191-225.

Chung, K. S., & Hoag, S. E. (2010). Mergers, Restructuring and Corporate Control. Prentice-Hall International.

Cocks, G. (2010). *Emerging concepts for implementing strategy. The TQM Journal, 22(3), 260-266.*

Cooper, D. R., & Schindler, P. S.(2003). *Business research methods*.

David, A. (2013).Mega mergers in banking and the use of cost efficiency as an antitrust defence", Antitrust Bulletin 37, 541-600,

Eisenhardt, I. & Martin,P. (2010). Dynamic capabilities: A review of past research and an agenda for the future. *Journal of management*, *36*(1), 256-280.

Ettore, J. (2010), Serving the customer is only true north in stormy retail seas. Retail Merchandiser, May, 41(5), 33.

Gaughan, P. A. (2013). Merger, Acquisitions and Corporate Restructurings (4th ed.). New Jersey: John Wiley & Sons Inc.

Gounaris, S. P., (2013). Antecedents to perceived service quality: An exploratory study in the banking industry. International Journal of Bank Marketing, 21(4) 168-190.

Hermansson, C. (2015). *Understanding the relationships between bank-customer relations, financial advisory services and saving behavior* (Doctoral dissertation, KTH Royal Institute of Technology).

Hitt, A.K (2013). Business unit strategy, managerial characteristics and business unit effectiveness at strategy implementation, *Academy of Management Journal, 27, 25-41*

Hsu, D. A. (2014). The value of brand equity. *Journal of business strategy*, *13*(4), 27-32.

Ismail, R., Boye, C. L., & Muth, A. (2012). Customer brand relationship: An empirical study of customer's perception of brand experience, brand satisfaction, brand trust and how they affect brand loyalty. *Marketing Program, Linnaeus University*.

Johnson, A.C. (2008). *Redefining the Concept of Strategy and the Strategy Formulation Process. Strategy and Leadership*., MCB UP Limited, 18(3): 34-39

Kim, W. G., & Moon, Y. J. (2014). Customers' cognitive, emotional, and actionable response to the servicescape: A test of the moderating effect of the restaurant type. *International journal of hospitality management*, *28*(1), 144-156.

Kioko S. (2013), Mergers and Acquisition as an entry strategy by CFC Stanbic Bank in the Kenyan Market, Unpublished MBA project, University of Nairobi

Kurtenbach, J. (2011), Focusing on customer service. *Health Forum Journal*, Sep/Oct, 43(5),35-37.

Long, C. E., & Ling, E. B. (2011). The contingent effects of top management teams on venture performance: Aligning founding team composition with innovation strategy and commercialization environment. *Strategic Management Journal*, *35*(12), 1798-1817.

Matilda, M. (2013). Assessing the efficiency effects of bank mergers in Sweden: A panel-based Stochastic Frontier Analysis. *Goteborg University, Department of Economics*.

McNamara, G. M., Haleblian, J., & Dykes, B. J. (2008). The performance implications of participating in an acquisition wave: Early mover advantages, bandwagon effects, and the moderating influence of industry characteristics and acquirer tactics. *Academy of Management Journal*, *51*(1), 113-130.

Michael S (1973). "Job Market Signaling". Quarterly Journal of Economics 87 (3): 355–374. doi:10.2307/1882010. JSTOR 1882010

Muchichi B. M. (2013). Effect of Mergers and Acquisitions on the financial performance of Commercial Banks in Kenya. Nairobi University

Mugambi, M. A (2014). The Effect of Mergers and Acquisitions on the financial performance of Commercial Banks in Kenya. Nairobi University

Murithi, V. N. (2011). Determinants of Financial Performance of Commercial Banks in Kenya(Doctoral dissertation, University of Nairobi)

Musyoka, L. W. (2011). Challenges of strategy implementation in Jomo Kenyatta foundation. *International Journal of Current Research*, *3*(11), 301-308.

Njoroge, K. N. (2016). *Effect of Service Quality on Sustainable Competitive Advantage in the Mobile Telecommunications Industry in Nairobi County* (Doctoral dissertation, United States International University-Africa).

Nsiah, R., & A Mensah, A. (2014). The effect of service quality on customer retention in the banking industry in Ghana: A case study of Asokore Rural Bank Limited.

Nyeck, S., (2012). Ten years of service quality measurement: reviewing the use of the SERVQUEL instrument. (C. Okonkwo, Ed.) Cuadernos de Diffusion, 7(13), 101-107.

Ogada, A., Achoki, G., & Njuguna, A. (2016). Relating Cost Efficiency and Profitability of Merged Firms in the Kenyan Financial Services Industry. International Journal of Business and Management, 11(7), 138.

Phillip, J.D. (2013). "Customer retention in retail financial services: an employee perspective", *The International Journal of bank Marketing*, Vol. 22, No 2, pp86.

Reddy, K. S., Nangia, V. K., & Agrawal, R. (2013). Indian economic-policy reforms, bank mergers, and lawful proposals: The ex-ante and ex-post 'lookup'. *Journal of Policy Modeling*, *35*(4), 601-622.

Rubalcaba-Bermejo, L. (2013). *Business services in European industry: growth, employment, and competitiveness*. Office for Official Publications of the European Communities.

Samli, C. A., & Frohlich, C. J. (2012). Service: the competitive edge in banking. *Journal of Service Marketing*, 1, 15-22.

Uyuke, S. W. (2016). *Effect of mergers and acquisitions on service delivery at cfc stanbic bank Kenya limited* (doctoral dissertation, university of nairobi).

Van Horne, J. C. & Wachowicz, J. M. (2010). Fundamentals of Financial Management. 12thedition. Harlow: Pearson Education Ltd

vkiram, N. K. (2013). Developing an instrument to measure customer service quality in branch banking. *International Journal of Bank Marketing*, 12(6), 10-18.

Wanjiru, M. W. (2011). Green marketing intervention strategies and sustainable development: A conceptual paper. *International Journal of Business and Social Science*, *2*(23).

Wernerfelt, B. (1984). Maximizing the potential of strategic typologies for marketing strategy research, *Journal of Strategic Marketing, 1,171-88*

Wheeler, B. C. (2002). NEBIC: A dynamic capabilities theory for assessing net-enablement. *Information Systems Research*, *13*(2), 125-146.

APPENDIX I: QUESTIONNAIRE

I am a graduate student undertaking Masters of Business Administration Degree (Strategic Management Option) in Kenyatta University and conducting a research study entitled '**EFFECTS OF ACQUISITIONS ON NON-FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF THE ACQUISITION OF GIRO BANK LTD BY I & M BANK LTD.** I hereby request for permission to interview the respondents using the attached questionnaire copy and interview schedule. The information obtained is strictly for academic purpose and shall be treated with utmost confidentiality.

Kindly provide answers on the spaces provided

Section: A: Demographic Information

1. Please indicate the highest level of education attained? (Tick as applicable)

    a) College Diploma [ ]

    b) Undergraduate [ ]

    c) Master [ ]

    d) Others (specify)

    ……………………………………………………………………………

    ……...

2. Were you a previous staff at Giro Bank?

    Yes ( ) No ( )

3. If so, indicate number of years

    Below 2 years ( ) 3 to 5 years ( )

    6 to 8 years ( ) 9 years and above ( )

4. For how long have you worked at I&M Bank Ltd

Below 2 years ( ) 3 to 5 years ( )

7 to 8 years ( ) 9 years and above ( )

Section: B. Acquisition and Non-Financial Performance

Indicate your level of agreement with the following statements relating to Brand Effects. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Brand Effects	**1**	**2**	**3**	**4**	**5**
I&M Bank Ltd have a right creative strategy for their brands					
The I&M Bank Ltd advertisements increase the efficiency and effectiveness of the products and services					
Branding helps in assessing the I&M Bank Ltd position against the competition					
I&M Bank Ltd products and services are known in the media environment					
I&M Bank Ltd Optimizes its advertisements in real-time					

Indicate your level of agreement with the following statements relating to capital base. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Capital Base	**1**	**2**	**3**	**4**	**5**
The I&M Bank Ltd has a large asset base					

The financial status of I&M Bank Ltd are stable					
I&M Bank Ltd maintains the level of its assets					
Capital base provides a benchmark when measuring I&M Bank Ltd returns					
I&M Bank Ltd Investments performance is well maintained					

Indicate your level of agreement with the following statements relating to synergy effects. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Synergy Effects	**1**	**2**	**3**	**4**	**5**
I&M Bank Ltd maintains operational effects to ensure good performance					
The technological effect in I&M Bank Ltd allows good performance					
The effects do not affect financial performance of I&M Bank					
I&M Bank use information campaigns to reach out their clients and achieve expected performance					
Financial synergy gained by the combined firm is a result of number of benefits which flow to the entity					

Indicate your level of agreement with the following statements relating to Non-financial performance. Key Use a scale of 1-5, where (1= strongly disagree, 2= disagree, 3= moderately agree, 4= Agree and 5= strongly Agree)

Non-Financial Performance	**1**	**2**	**3**	**4**	**5**
The bank is efficient in performing its mandate					

The bank is effective in-service delivery					
The bank has retained its customers for years					
The institution clientele is good					
The bank has been innovative and develops new products for its customers					

APPENDIX II: UNIVERSITY APPROVAL LETTER

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Dean, Graduate School

DATE: 10th July, 2019

TO: Eric Njue Muchoki
C/o Business Administration Dept.

REF: D53/CTY/PT/31741/2015

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 26th June, 2019 approved your Research Project Proposal for the M.B.A Degree Entitled, "Effects of acquisitions on Non-financial performance of commercial banks in Kenya: A case of the acquisition of Giro Bank Ltd by I & M Bank Ltd".

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Thank you.

ELIJAH MUTUA
FOR: DEAN, GRADUATE SCHOOL

c.c. Chairman, Business Administration Department.

Supervisors:

1. Dr. Reuben Njuguna
C/o Department of Business Administration
Kenyatta University

APPENDIX III: NACOSTI AUTHORIZATION

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke

Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53/CTY/PT/31741/2015

DATE: 10th July, 2019

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR ERIC NJUE MUCHOKI– REG. NO. D53/CTY/PT/31741/2015

I write to introduce Mr. Eric Njue Muchoki who is a Postgraduate Student of this University. He is registered for M.B.A degree programme in the Department of Business Administration.

Mr. Eric intends to conduct research for a M.B.A Project Proposal entitled, "Effects of acquisitions on Non-financial performance of commercial banks in Kenya: A case of the acquisition of Giro Bank Ltd by I & M Bank Ltd".

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELISHIBA KIMANI
AG: DEAN, GRADUATE SCHOOL

APPENDIX IV: NACOSTI LICENCE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **441746**

Date of Issue: **19/September/2019**

RESEARCH LICENSE

This is to Certify that Mr.. ERIC MUCHOKI of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: EFFECTS OF ACQUISITIONS ON NON-FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE OF THE ACQUISITION OF GIRO BANK LTD BY I for the period ending : 19/September/2020.

License No: **NACOSTI/P/19/1466**

441746

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION