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Abstract

Purpose: This research generally assessed the contributions of horizontal business combination on financial performance of commercial banks and established the relationship between bank business combination bank financial performances.

Methodology: The study adopted descriptive design to the population of 150 staffs of I&M bank with 109 sample size through purposive sampling. The study analyzed the information from 90 respondents, and financial statements of the bank for the period of 2011-2018. This research adopted a mix of both qualitative and quantitative approaches, primary data were from respondents using questionnaires and interview while secondary data were from financials statements and reports (2011 -2020). The research used SPSS version 20 to produce descriptive analysis (mean, mode, frequencies and standard deviation) for interpretation.

Findings: The researcher performed correlation analysis and multiple regression analysis and found 0.834 correlation coefficient, 0.719. adjusted R squared at 95% confidence interval, holding horizontal combination, vertical combination and Lateral combination to a constant zero, financial performance of I&M bank would be 0.262, a unit increase in holding horizontal would lead to increase in performance of I&M bank by a factor of 0.356, a unit increase in vertical combination would lead to increase in performance of I&M bank by a factor of 0.832, a unit increase in Lateral combination would lead to increase in performance of I&M bank by a factor of 0.359. The study concluded that horizontal combination or lateral combination may include the need to increase their capital adequacy, improve on their new product development and acquiring new market share.

Recommendations: The study recommends I& M Bank to take advantage of benefits that accrue from conducting business combinations, especially the potential which offers the increasing financial performance, to analyze carefully the type of business combination and to undertake the horizontal with reference to their particular effect on financial performance indicator parameters such Liquidity, Operating profit, Solvency and Profitability.

Keywords: *Vertical combination, Horizontal combination, Lateral combination, Liquidity, Operating profit, Solvency and Profitability*

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1. Introduction

Business combination has been the topic of discussion among scholars in the recent time across the world. According to Zaremba and Plotnicki (2016) business combination is the transaction in which one company gains control, or at least controlling interest in another company. However, some studies refer it as business consolidation (Poku, & Frimpong, 2017) while majority of the scholars refer it as merger and acquisition. Looking at the process of business combinations, there are various combination options which can be used by an organization to acquire majority holdings in other companies namely, horizontal, vertical and lateral combination (convergent, divergent, diagonal, and mixed/circular combination).

Due to the recent globalization, privatization and liberalization of the economies in the 21st century that has come as a result of higher competition on a global, international and domestic scale, many firms and banks are turning to business combination as the only possible way to find out competitive their rivals and remain relevant to today's global challenges that come with stiff competition, looking at countries like India in the research that was conducted by (Sinha & Gupta, 2011: Bhaumik & Selarka, 2012), the findings from this research shows a huge decline in ROA of the merged firms in the period of five years after the merger and a decrease in profitability due to managerial theory of the firm hence a strong evidence that, the operating efficiency and profitability of merging firms are entirely affected as the performance of merged firms continue to decline shortly after combinations.

Historically, business combination has been most pronounced in the United States and the United Kingdom. Within the merger activities, bank combinations happened in the fourth wave from 1980 to 1989, which originated from the US. Since the long-standing geographical restrictions of banking were revoked in the US in 1994 (Riegle-Neal Interstate Banking and Branch Efficiency), bank merger activities were popular within the banking industry. Business combination has been a subject of discussion for scholars in the recent past. Studies carried out have shown that merger and acquisition activities on a wide range of sectors including banking & insurance, oil, gas, electricity among others. Such businesses often referred to combination (M&A) enable companies penetrate to new geographical markets to support growth by capitalizing on economies of scale and increase on customer base among other reasons (Kemal, 2011).
Europe caught up this trend due to the globalization and borderless economy. The banking industry followed the industrial development in Europe after Deregulation was exuberant. During the 1990s, the volume and number of merger and acquisitions increased in the EU (Altunbas & Marqués 2008). Due to changes in the operating environment, several licensed institutions, mainly commercial banks, have had to combine their operations in mutually agreed terms or one institution takes over another's operations (acquisitions). Other reasons include a short-term solution to finance problems that companies face due to information asymmetries (Gakwandi & Kule, 2015). The logic behind any corporate combination is the synergy effect; two is better than one. Companies believe that by either merging or acquiring another company, the performance would be better than a single entity. This is attributed by the fact that shareholder value would effectively be maximized (Mboroto, 2013). The reasons behind business combination are; increased market share and revenues, economies of scale, synergy, taxation, widen geographical areas and among other rationale.

Competition is reduced because the combination eliminates competition in the banking sector. In some cases, banks also suffer financially as a result of business combination as a result of this dominance and place resizing (Polemis & Paleologos, 2014). In a paradox to sector (Vertical, horizontal and lateral business combination) popularity, acquisitions appear to provide at best a mixed performance to the broad range of stakeholders involved. While target firm shareholders generally enjoy positive short-term returns, investors in bidding firms frequently experience share price underperformance in the months following acquisition, with negligible overall wealth gains for portfolio holders (Gakwandi & Kule, 2015).

More about the problem under statement is the quantification revealed in 2016, net profit margin of I&M bank started to decline gradually from 23.8 (2015) to 22.2, then 20.6 in 2017. this happened together with the decline in return on assets, 12.8 (2016) from 12.9 (2015) then 12.5 (2017). The statistics shown by I & M bank was questioned by this research, the liquidity ratio was 2.94 (2011), 2.79 (2012), they were an increase and decrease, from 3.03(2014), 2.85 (2015). Also, I&M bank's quick ratios had a chock which would be responded by the banks business combination. The status was that 0.94(2011),0.83(2012),0.69(2013) while 0.35 (2017) and 0.3(2018).

2. Review of Literature

Horizontal Combination

Horizontal integration is the process of a company increasing production of goods or services at the same part of the supply chain (Polemis & Paleologos, 2014). A company may do this via internal expansion or combination. The process can lead to monopoly if a company captures the vast majority of the market for that product or service. Business combination have always been used interchangeably with merger and acquisition to refer to business that serve to transfer ownership control from the target to the acquirer although the two words are different (Ayako, Musyoki, & Murungi, 2015). The difference explicit distinctive differences between the two forms depends on the approach which the target company and the ultimate corporation structure. In merger, the takeover bid is proposed to the representative manager of the target firm and in acquisitions directly to the owners of the company (the shareholders). In acquisitions, the acquirer makes a tender offer in the form of a public invitation to the shareholder to sell all or part of their stock.

In order to achieve better market control, competitive advantage and broad customer base, firm should acquire the competitors in same industry domain. The benefits of acquisition should be analyzed and compared with its cost of acquisition. Restructuring – Proactive management strategy should be enforced to change its set of businesses and financial structure. Company must reduce the ineffective resources and optimize its operational costs. Restructuring should be carried out frequently to keep up the dynamic business environment, hold the best capabilities and reduce the ineffective resources. The purpose of restructuring should be to boost its competitiveness and market strength with sophisticated resources and capabilities (Harper, 2009).

This study reflects to three theories, Synergy theory says that firms merge because the value of the combined firm is greater than the sum of the values of the individual firms Fluck & Lynch (2009). The growth theory was explained by Solow (2007), the firms merge to increase earnings growth.and diversification theory stems from the search for market power hypothesized in market power theory, the exploitation and utilization of resource bundles to attain sustainable competitive advantage as proposed by the Diversification theory Mwau, Mulwa , Tarus & Kosgeim (2015).

A company with enough capital adequacy results to increase in return on equity (ROE) and the debt-to-assets ratio (DTA). This means high leverage company will have higher performance (Ong & Phing, 2012). As pointed out by horizontal integration facilitates economies of scale, economies of scope, providing huge market share and market power to the producer and reduction in the cost of production. There are some disadvantages of horizontal integration when it is that sometimes the horizontal integration fails to add the value which was expected from the integration. The horizontal integration would lead to oligopoly or monopoly market situation which adversely affects the consumer. The horizontal integration increases the cost of managing and it became difficult to manage the whole integrated organization. When the firm concentrated on the horizontal integration instead of vertical integration, it helps to reduce the transportation cost and coordination cost. This would enable the firm to produce multiple types of goods instead of concentrating on the single goods production. Many of the multinational corporation companies established vertical integration in different sectors while few firms in the developed countries integrated horizontally that offers variety of goods.

Contribution of horizontal business combination on financial performance commercial banks

Pellinen, Teittinen and Jarvenpaa (2016) described various business combination citing that horizontal combination happens when two or more organizations operating in the same line of business combine to reduce competition and increase market capitalization. This study focused more on horizontal business combination because the two banks operating on the same business line came together and became one. When a company wants to grow horizontal integration, its primary objective is to acquire similar company in the same industry. The main for businesses opting to undergo through such strategy of combination is to increase their market size, create economies of scale, increase market power over other competitors and to expand the market to reach other new markets. When two companies combine, they also combine their products, technology, and the services they provide to the markets (Tarver, 2019).

Although horizontal combination is associated with numerous benefits to the company, critics states that such combination strategy face high level of scrutiny from the government agencies. Combining two or more companies that operate within the same supply chain cuts down competition, thereby reducing the choices available to customers. This creates monopoly where once company dominates that market and controls the availability, quality, pricing and supply of products and services. This is when the government put in laws to monitor the potential risk of exploitation of the customers. In addition, there are other potential drawbacks to horizontal integration, including reduced flexibility within the new organization. Prior to horizontal integration, the two companies may have been able to operate more nimbly, but now the new company is a larger organization. With more employees and internal processes, a company is now beheld to more bureaucracy and a greater need for transparency (Tarver, 2019).

Available evidence from the literature shows that, profitability declines after combinations, it however indicate that combinations are successful by showing only positive indicators on size and leverage (Fernández, Triguero and Alfaro-Cortés, 2019), where by the size and relative interest coverage ratio improved significantly after the combinations as this supports the growth maximization theory of combinations, but this does not support the performance theory as profitability and liquidity tend to decline due to combinations, most profoundly is the decline in profitability and yet liquidity indicating insignificant decline, the decline in profitability is manifested in the current ratio, size and even the debt equity ratio that possess a negative impact

on profitability as only interest coverage ratio contributing towards profitability especially in the future.
This decline in profitability is forecasted for a period of five years after merger and therefore no significant improvement in performance is expected in the short-run, while this may not only be attributed to the merger characteristics only but even the economy itself, though in the future prospects of improvements in profitability is expected as interest coverage predicts profitability than the debt equity ratio. Therefore, in the long-run profitability may be envisaged due to larger interest coverage of the merger firms due to positive coefficients in size and interest coverage ratio, this analysis indicates that current ratio, debt equity ratio and size portray a negative relationship to profitability, while on the other hand interest coverage ratio and age do affect profitability in the positive manner hence performance of combinations is better realized in a long period of time.

The study by Hassan and Lukman, (2020) sought to undertake a comparative effects of pre and post Bank business combination on employee productivity in selected banks in Nigeria, the study indicated that that making a proper use of merged knowledge and skills have greater contributions to firms post-merger innovative performance which in the future yield to higher profits, this is evident especially when comparing high-tech and non-high tech firms, with non-tech M&A making a less significant and additional technological learning hence creating lower innovative performances that yields to lower profits and efficiencies due to negative and disruptive effects on a given range of viable activities established in the firm's routine integration processes that require additional resources that would have been indeed invested in the innovative projects of the firm in the long-run , and on the other hand high-tech firms, the size and level of acquired knowledge has positive indications and effects during a given period of time, shortly after business combination, and it tends to be lower after some couple of years when it again turns around and only a negative trend in the performance indicators is envisaged hence affecting profitability and efficiency of these merged firms in the long-run, which therefore calls for only combinations to target their partners that are neither very much unrelated nor very similar in relation to their knowledge infrastructure so as to avoid risks of lower performance indicators that eventually affect their profitability, efficiency and economies of scale. It is also examined from the literature on the performance of merged companies regarding their profitability and productivity after business combination, and relevant available research on this matter clearly indicate that, most merged firms portray a better and significant improvements in asset productivity compared with premerger situation, this therefore brings higher operating cash flows as there is improved and better correlation between cash flows and abnormal stock returns at the M&A announcements, propelling the fact that profitability and better economic outlook is most significant in the long-run after the merger due to equity revaluations of the merged companies (Mboroto, 2013).

Nagaria and Kumari (2020) conducted a study in India to assess the current scenario of merger and acquisition which they focus on how the banking crisis impact on the economy. They pointed out that these days, the banking system in India has been beset through a big terrible debt crisis, which is crimping credit score to the productive sectors of our economy. This weakening in financial institution credit score has dampening impact on domestic funding, leading to subdued increase in employment and Gross domestic Product.

Regulatory interventions and oversight of central banks, government aid and stakeholder involvement arise widely a success in preserving stability, even though punctuated with obtrusive disasters. However, it may be the best time to reconsider the primary design of the banking device and restructure it by addressing the flaws in its present-day shape through business combination. Furthermore, the paper concludes that merger is a helpful strategy through this bank can expand their operations and the overall growth.

On yet another study conducted in Pakistan, Rehan, Khan and Khan (2018) sought to assess the effect of merger and acquisition on the profitability of banks and they selected some variables used to measure this relationship. The study revealsed that there was 54 percent change in Debt Equity Ratio (DER), 17 percent change in the return on capital employed (RCE), 33 percent change in net profit margin (NPM), 10 percent change in gross profit margin (GPM) and 100 percent change Return on equity (ROE) after merger and acquisition.
Okoye, Modebe, Achugamonu, and Isibor (2016) conducted a study in Nigeria to assess the effect of business combination on banking sector performance. This study sought to examine the extent to which banking sector performance differs between pre- and post-merger and acquisition periods. Return on assets, bank asset ratio and capital adequacy ratio were adopted as proxies for bank performance. The finding indicates that bank asset ratio shows significant positive difference between the pre- and the post-merger and acquisition periods. However, the result shows significant negative difference for capital adequacy ratio between the periods. The study recommends that due diligence should adopted in the identification and selection of compatible partners in order to achieve synergy.

Shah and Khan (2017) conducted a similar research to assess the pacts of business combination on acquirer banks' performance in Pakistan. Profitability, liquidity and capital adequacy ratios are used to measure the pre- and post-merger performances of the acquirer banks. It is observed that most of the profitability ratios, including ROE, ROA, net markup and non-markup income to total assets have declined in the post-merger period. Only an insignificant improvement is observed in net interest margin and administrative expenses to profit before tax ratios in the post-merger period. Deterioration is also observed in the liquidity ratios of the acquirer banks in the post-merger period. The cash and cash equivalent to total assets has declined significantly and advances, and investment to total assets ratios are increased, but insignificantly.

Kemal, (2011) while conducting its study on Post-Merger profitability using a case of Royal Bank of Scotland (RBS) asserted that the cost and profit efficiency analysis of 33 bank-to bank combinations which shows that the most of the domestic combinations improves the cost efficiency and little improvement of profit efficiency whereas little improvement in the profit efficiency and no improvement in the cost of efficiency in the cross-border combinations.
Badreldin and Kalhoefer (2019) research is based on Egyptian banks which have faced Merger or acquisition during the era of 2012-2017. They calculated companies Return on Equity (RoE) in order to the level of progress and success of banking reforms in strengthening and consolidating this sector. Their analysis suggested an increase in the performance when companies are compared with the pre-merger performance. It is concluded in the study that business combination in the Egyptian banking sector's profitability showed a significant improvement and as mall positive impact on the credit risk position. But these observations are not similar to the current process.

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2. Materials and Methods

This research adopted descriptive and correlative study design where descriptive statistics were applied to analyze data from questionnaires. The study used this design to obtain the descriptions of a particular group of individuals and cross-sectional survey in that it enabled the researcher to get data from a sample of the population at a particular time. The target population consisted of 150 staff working in administration, audit, operation, finance and accounting departments in I&M bank Headquarters (I&M HR, 2021).
This research adopted a mix of both qualitative and quantitative approaches which have been used together by the researcher to determine the contributions of horizontal business combination on financial performance of I&M Bank, to ascertain the effects of vertical business combination on financial performance of I&M Bank to assess the contribution lateral business combination on financial performance of I&M Bank and to establish the relationship between business combination and financial performance of I&M Bank. Quantitative data were collected to analyze the financial performance of I&M Bank while qualitative data were collected to reach other researches objectives.

Due to the scarcity of resources such as limited time and efforts, the researcher had not afforded to involve all staff therefore the total staff members of staff to be sample came to 150 staff working in the head quarter office.
Formula:

Where; $n=\dfrac{N}{1+N(e)^2}$

n= is the minimum sample size
N= is the population from which the sample was drawn estimated at 150 employees from the bank
e is the margin of error estimated at 5%. Substituting in the above formula, the sample size is determined as;

$$n=\frac{150}{1+150(0.05)^2}=\frac{150}{1+150(0.0025)}=\frac{150}{1+0.375}=\frac{150}{1.375}$$

n=109

4. Results and Discussion

Table 4.1 titled response rate show the rate of collected questionnaires, among 109 outsourced, 82.5 % (90) were filled and collected for analysis. 82.5% of the respondents were enough to reach the research objectives.

Table 4. 1 Highest level of education

		Frequency	Percent
Valid	Diploma level	3	3.3
	Bachelor level	52	57.8
	Master level	35	38.9
	Total	90	100.0

Source: Primary data (2021)

While seeking to assess the level of education of the respondents, the study found out that majority of the respondents were found to have gone as far as bachelor level in their studies at

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57.8%, followed by Master level 38.9%, and finally diploma level at 3.3%. This is an indication that the bank has competent staff are able to execute their work effectively and offer insightful views on this research.

Table 4.2 Level of management or department you work

		Frequency	Percent
Valid	Top management	33	36.7
	Middle management	39	43.3
	Lower management	18	20.0
	Total	90	100.0

Source: Primary data (2021)

While seeking to assess the level of participation in line with organizational management levels, it was observed that workers at the middle level of management accounted for 43.3%, followed by those in the top management 36.7% with lower-level management accounting for 20% of the respondents. This indicates a relatively fair distribution of employees across the various management levels which enabled good decision making within the organization through inclusivity.

Table 4.3 Level of experience working in banking system

		Frequency	Percent
Valid	1-5 years	31	34.4
	6-10 years	20	22.2
	11-15 years	29	32.2
	16-20 years	9	10.0
	More than 20 years	1	1.1
	Total	90	100.0

Source: Primary data (2021)

According to the level of experience, 1-5 years of work recorded the highest level of experience at 34.4%. 32.2% had 11-15 years of experience, 22.2% recorded 6-10 years, 10% had 16-20 years of experience with only 1.1% of employees having more than 20 years of experience. This indicates that majority of the employees are well versed with the banking industry having had ample experience.

The study also sought to find out if the bank has ever undergone the process of business combination. This was important to question to ask because introduces the other section of this study to probe more on some issues relating to business combination in financial institutions.

Table 4.4 Whether the bank undergone business combination for the last 5 years

		Frequency	Percent
Valid	Yes	87	96.7
	No	3	3.3
	Total	90	100.0

Source: Primary data (2021)

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According to the study, 96.7% of the respondents indicated that the bank had undergone business combination in the last 5 years, with only 3.3% indicating that the bank had not. This indicates an increasing trend towards mergers and acquisitions by banks.

Type of business combination which the bank underwent

The purpose for asking this question was to know from the respondents the type of business combination which the bank underwent through. Ideally, the study proposed three main types of business combination as follows;

Table 4.5 Whether the bank underwent horizontal combination

		Frequency	Percent
Valid	Yes	84	93.3
	No	6	6.7
	Total	90	100.0

Source: Primary data (2021)

From the table 4.5 , 93.3% of the respondents indicated that the bank had undertaken horizontal combination, with only 6.7% indicating that it had not. This point towards the increasing tendency for horizontal combination of organizations with similar product lines in order to increase their joint competitive advantage in the market.

Table 4. 6 Whether the bank underwent vertical combination

		Frequency	Percent
Valid	Yes	8	8.9
	No	82	91.1
	Total	90	100.0

Source: Primary data (2021)

Table 4.6 shows that 91.1 percent of respondents contended that the bank had not undergone vertical combination, with 8.9 indicating that it had. This indicates a lack of preference for vertical combination by the bank. This may be a result of the complexities arising from this form of combination and its limitations. The disadvantages such as a lack of economies of scale as a result of the two organizations being at different stages of production or even the complexity of vertical combination might be a deterrent to many banks.

Table 4. 7 Whether the bank underwent lateral combination

		Frequency	Percent
Valid	Yes	3	3.3
	No	87	96.7
	Total	90	100.0

Source: Primary data (2021)

The bank had not undergone lateral combination, as indicated by 96.7% of respondents, with only 3.3% saying that it had. The lack of preference for lateral combination might be attributed to its limitations such as the inflexibility in operations that most banks fear would arise within such an arrangement.

Contributions of Horizontal Business Combination on Financial Performance of I&M Bank.

Table 4.8 Contributions of Horizontal Business Combination on Financial Performance of I&M Bank.

Descriptive Statistics (N=90)

Statements	Strongly agree		Agree		Undecided		Disagree		Strongly Disagree		Mean	Standard Deviation
	F	%	F	%	F	%	F	%	F	%		
To increase capital adequacy	17	19	73	81	0	0	0	0	0	0	1.54	.926
To improve profitability and earnings	13	14.3	77	85.7	0	0	0	0	0	0	1.51	.824
To increase the capacity of the bank (economies of scale)	81	90.5	9	9.5	0	0	0	0	0	0	1.31	.713
Increase the income stream of the bank	39	42.9	51	57.1	0	0	0	0	0	0	1.49	.915
Improving their competitiveness and positioning in the market	47	52.4	43	47.6	0	0	0	0	0	0	1.31	.697
Improving their brand in the market	60	66.7	30	33.3	0	0	0	0	0	0	1.53	.810

Source: Primary data (2021)

The study indicates that majority of the respondents strongly agreed that horizontal combination contributes to increase in capital adequacy of the bank as indicated by a mean 1.54. With regards to improved profitability and earnings, respondents agreed strongly that horizontal business combination contributed to this at a mean of 1.51.

At 1.31 mean, respondents agreed very strongly that horizontal combination contributed to increasing the capacity of the bank.

Contribution towards income stream of the bank recorded a mean of 1.49 indicating very strong agreement by the respondents.

The response to business combination contributing to increase banks competitiveness and positioning in the market showed a mean of 1.31 which indicates very strong agreement.
Contribution towards improving the bank's brand in the market scored at 1.53 mean indicating strong agreement.
Overall, horizontal business combination drew very strong agreement from the respondents contributing favorably towards the parameters indicative of bank financial performance.

Effects of the type of Business Combination on Financial Performance of I&M Bank

Table 4.9 Effects of the type of Business Combination on Financial Performance of I&M Bank

Descriptive Statistics (N=90)

Statements	**Strongly agree**		**Agree**		**Undecided**		**Disagree**		**Strongly Disagree**		**Mean**	**Standard Deviation**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
Reduce operation costs	21	23.8	51	57.1	17	19	0	0	0	0	1.39	.665
Increase sales	39	42.9	51	57.1	0	0	0	0	0	0	1.32	.615
Operate cost effectively	39	42.9	51	57.1	0	0	0	0	0	0	1.23	.498
Increate the profits	56	61.9	34	38.1	0	0	0	0	0	0	1.32	.650
Improved management	39	42.9	47	52.4	4	4.8	0	0	0	0	1.22	.444
Better credit assessment	21	23.8	51	57.1	17	19	0	0	0	0	1.23	.520
Valid N (list wise)												

Source: Primary data (2021)

The results indicate that business combination favorably impacted the financial performance of I&M Bank with all the parameters of operation cost reduction, sales increase, cost effectiveness, increased profits, improved management and better credit assessment scoring in the range of 1.22-1.39 mean, indicating very strong agreement among the respondents.

Contribution the type of Business Combination on Financial Performance of I&M Bank

Table 4.10 Contribution the type of Business Combination on Financial Performance of I&M Bank

Descriptive Statistics (N=90)

Statements	Strongly agree		Agree		Undecided		Disagree		Strongly Disagree		Mean	Standard Deviation
	F	%	F	%	F	%	F	%	F	%		
Introduction of new innovative technology	26	28.6	64	71.4	0	0	0	0	0	0	1.26	.487
Sourcing for talented staff	26	28.6	64	71.4	0	0	0	0	0	0	1.23	.451
Adopting advance business infrastructure	51	57.1	39	42.9	0	0	0	0	0	0	1.34	.656
Providing access to expansive range of technologies	34	38.1	56	61.9	0	0	0	0	0	0	1.27	.515
Valid N (list wise)												

Source: Primary data (2021)

With regards to type of business combination, sourcing for talented staff was found to contribute the most to financial performance of I&M bank with respondents strongly agreeing at 1.23 mean. This was followed by introduction of new innovative technology at 1.26 mean, providing access to expansive range of technologies at 1.27 mean, and adoption of advanced business infrastructure at mean 1.34.

Contribution of Business Combination on market share

Table 4.11 Contribution of Business Combination on market share
Descriptive Statistics (N=90)

Statements	**Strongly agree**		**Agree**		**Undecided**		**Disagree**		**Strongly Di...**		**Mean**	**Standard Deviation**
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
Increase in Point of service	69	76.2	21	23.8	0	0	0	0	0	0	1.39	.665
Increase in branches	30	33.3	60	66.7	0	0	0	0	0	0	1.30	.570
Better credit assessment	17	19	69	76.2	4	4.8	0	0	0	0	1.29	.566
Increase in customer base	39	42.9	43	47.6	9	9.5	0	0	0	0	1.30	.550
Increase number of products and services	21	23.8	69	76.2	0	0	0	0	0	0	1.24	.457
Flexibility of products and services	39	42.9	51	57.1	0	0	0	0	0	0	1.33	.750
Valid N (list wise)												

Source: Primary data (2021)

Business combination was shown to number of products and services in the market share with a mean of 1.24 indicating very strong agreement. This was followed by increase in better credit assessment (1.29), increase in branches (1.30), increase in customer base (1.30), flexibility of products and services (1.33) and finally increase in Point of Service 1.39.
I&M bank underwent through business combination within the last five years. Horizontal combination was the preferred choice. This would be ideal for the banking sector since combining with another bank which is same-process line would ultimately lead to better realization of the economies associated with collective operation. Vertical combination was not preferred and this might be attributed to the complexities of control and co-ordination that may arise from a bank combining with a different firm engaging in different processes that might be dissimilar. Lateral combination was also unpopular and not preferred by the bank as it often may fail to realize the economies of scale with the process of alignment of services and products taking a long time. Business combination resulted in increase in financial performance of the bank in line with the performance indicators assessed.

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Regression Analysis

Table 4.12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.834[a]	.719	.651	.15173
a. Predictors: (Constant), Horizontal combination, Vertical combination, Lateral combination				

Source: I&M Bank's Financial Reports

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable, was 0.719. This shows that 71.9% changes in financial performance of I&M Bank could be accounted by horizontal combination, vertical combination and lateral combination. A strong positive relationship between the study variables marked by R=0.834.

Table 4.13 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.981	5	.258	11.747	.000[a]
	Residual	.359	17	.024		
	Total	1.340	21			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Horizontal combination, Vertical combination and Lateral combination						

Source: I&M Bank's Financial Reports (2011- 2020 years)

ANOVA test shows a p-value of 0.000 less than alpha (5%), the significance level. The calculated value was greater than the critical value (11.747 >3.01) an indication that horizontal combination, vertical combination and lateral combination significantly influence financial performance of I&M Bank

Table 4.14 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.262	.863		.292	.774
	Horizontal combination	.356	.132	.451	2.768	.014
	Vertical combination	.832	.288	.461	2.821	.012
	Lateral combination	.359	.255	.212	1.527	.046
a. Dependent Variable: Performance						

Source: I&M Bank's Financial Reports (2011-2020)

From the data in table 4.16, the established regression equation was: $Y = 0.262 + 0.356X_1 + 0.832X_2 + 0.359X_3$ .Holding horizontal combination, vertical combination and lateral combination to a constant zero, financial performance of I& M bank would be 0.262. the Equation means that a unit increase in holding horizontal combination would lead to increase in performance of I&M bank by a factor of 0.356, a unit increase in vertical combination would lead to increase in performance of I& M bank by a factor of 0.832, a unit increase in lateral combination would lead to increase in performance of I& M bank by a factor of 0.359.

5. Conclusions

Objective of this study was to determine the contributions of horizontal business combination on financial performance of I& M Bank, the research found that majority of the respondents strongly agreed that horizontal combination contributes to increase in capital adequacy of the bank as indicated by a mean 1.54 while horizontal business combination contributed to this at a mean of 1.51. At 1.31 mean, respondents agreed very strongly that horizontal combination contributed to increasing the capacity of the bank while contribution towards income stream of the bank recorded a mean of 1.49 indicating very strong agreement by the respondents. business combination contributing to increase banks competitiveness and positioning in the market showed a mean of 1.31 which indicates very strong agreement while Contribution towards improving the bank's brand in the market scored at 1.53 mean indicating strong agreement. It was found that horizontal combination was the preferred mode of combination and it resulted in managing the bank's Liquidity, Operating profit, Solvency and Profitability. This study concludes the below

Horizontal business combination helped to increase capital adequacy, to improve profitability and earnings, to increase the capacity of the bank (economies of scale), Increase the income stream of the bank, improving their competitiveness and positioning in the market and improving their brand in the market. From the findings of this study, it would be prudent for management in firms and banks to take advantage of benefits that accrue from conducting business combinations, especially the potential it offers for increasing financial performance. The banks however need to analyze carefully the type of business combination to undertake be it horizontal, vertical or lateral with reference to their particular effect on financial performance indicator parameters such as of Liquidity, Operating profit, Solvency and Profitability. The advantages of such combination as shown in the study include increased profits, reduced operational costs, better credit assessment and improvement in management among others specific to the type of business combination undertaken.

Recommendations

The study recommends firms and banks to take advantage of benefits that accrue from conducting business combinations, especially the potential it offers for increasing financial performance. The banks however need to analyze carefully the type of business combination to undertake be it horizontal, vertical or lateral with reference to their particular effect on financial performance indicator parameters such as of Liquidity, Operating profit, Solvency and Profitability

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