Corporate Reputation and Goodwill in Merger and Acquisitions: Study of the Consolidation Exercise in the Banking Industry in Nigeria

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Abstract

Businesses contemporarily do not success the owners, thus are sold, acquired and merged with others. These activities create dis-satisfaction among shareholders (current and potential) hence cause decline in their welfare. This was evident during the consolidation exercise in the banking industry in Nigeria 2000-2010. Based on this, this work x-rayed the impact of goodwill and corporate reputation during merger and acquisition and established linear relationship between goodwill and corporate reputation as well as the need to manage both (goodwill and corporate reputation) for improvement in the welfare of stake and shareholders. The exercise was executed based on the use of structured questionnaire, interviews and the study of annual records of firms in the banking industry in Nigeria 2000-2010. It recommends proper identification of variables vital for the creation and sustenance of personal and corporate good will as built around corporate reputation; the optimization of relationship between corporate personnel and the organization for reduction in labour turnover rate as index of dis-functional publicity and corporate reputation.
Keywords: Reputation, goodwill, merger, acquisition, consolidation, banking industry and Nigeria

1. Introduction

Based on the continuity or going concern concept, an entity persists indefinitely, thus existing resources such as plant assets are proposed for utilization to fulfill the general purpose of a continuing entity rather than sold in tomorrow’s real estate or equipment market. This implies that all existing liabilities will be settled at maturity in an orderly manner. Opposed to this continuity concept is the liquidation assumption that opines that all items on statement of financial position are valued at the amount appropriate if the entity were to be liquidated in piece meal fashion within a few days or months-Horngren & Sunden (1990). Given that business operates on the going concern concept does not however obliterate that fact that they could be liquidated, sold off or be involved in merger and or take over-acquisition. Thus are managed for positive value at point of (take-over) acquisition.

The stock market prices provide good barometer of the consequence of a takeover. Thus if the aggregate net change in the value of the acquirers’ and targets’ share is positive as a result of a take-over, then merger is considered socially beneficial-Mansfield (1990).

Generally, the accounting data are considered more useful for the purpose of evaluating organizations for merger and or take-over compared to stock market prices, however accounting data do not provide evidence that the acquiring firm managed its acquired assets either worse or better than the average; especially as the study of accounting does not take into account the real market value of acquired assets as the accounting data as basis of assets evaluation are often either under stated or overstated.

Assets as the value of the various items the firm owns-Bateman & Snell (1999) are valued at the point of merger and or take-over as basis for determining the firms’ market price. These as tangibles assets (cash, employees, equipment, building among others) are physically observed, but as intangibles, they are not physical in nature, they are described as long-lived assets and rights to expected future benefits deriving from their acquisition and continued possession. Intangible assets include goodwill, franchise, patents, trademarks and copyrights.

Goodwill as the excess of the cost of an acquired firm over the sum of the fair market value of its identifiable individual assets less the liabilities cannot be acquired separately and or singly from the related business unlike other identifiable intangible assets of franchise, patent, trade mark and copyrights, as it is considered the excess revenue over the fair value of net identifiable assets of business acquired. Goodwill arises based on actual acquisition of the artificial person of the business with arms-length bargaining –Horngren & Sundern (1990); is recorded as asset on the purchaser’s books of account.
In the assertion of Williams, Haka, Bettner & Carcello (2012), goodwill is influenced by favourable intangible attributes of the firm that is subject to acquisition, which include favourable reputation, positive advertising, positive market shares, reputation for high quality market offer, good quality front line management personnel and personnel relationship with target market, loyal employees, superior management and operational efficiencies.

It is thus obvious that relationship exists between corporate goodwill and corporate reputation as negative corporate reputation erodes the value of corporate goodwill.

This work seeks to ascertain the degree of relationship that exist between corporate goodwill and corporate reputation and the impact of this relationship in money deposit banks acquisition and merger in Nigeria for the period between the pre and post bank consolidation exercise of the existing twenty five (25) money deposit banks in Nigeria-

i. Framework of this Study

Securing the shareholders’ welfare at the point of take-over or merger of businesses is intrinsically a valuable consideration in business purchase price negotiations, hence actual acquisition price of a business is expected to recognize the place of corporate goodwill as is influenced by the reputation of the business. This accounts for the importance ascribed to the discourse on corporate goodwill and reputation. Among these discourses Weiwei (2007) shows the relationship between corporate image and corporate reputation, and their impact on the customer’s loyalty; Zhang (2009), explains the impact of corporate reputation on customer loyalty; Harriss & Chevnatony (2001), explore the implications of corporate branding for the management of internal brand resources, Tuck, Lowe & McEachern (2006) evaluate the impact of corporate reputation(s) in its various stakeholder groups, given the firm’s ability to sustain competitive advantage as well as the importance of corporate citizenship policies to reputation as a drive to corporate sustainability and Smaizune & Jucevicius (2013), present a conceptual explanation as how to create structural composition of a corporate reputation portfolio. These studies dwell on corporate reputation and image, customer loyalty and corporate profitability without due attention to the relationship between corporate goodwill and corporate reputation and the impact of this relationship, whether significant or not, on the welfare of corporate stakeholders at the point of corporate merger or take-over based on the actual value of corporate tangible assets and actual acquisition value arising from goodwill based on arm’s length bargaining between parties to the acquisition/take-over and merger transaction. The satisfaction of this gap is the thrust of this study.
ii. **Research Objectives**

This exercise has these as objectives:

i. Determination of strength or weakness of the relationship between corporate goodwill and corporate reputation

ii. Determination of the impact of the relationship between goodwill and reputation on asset valuation at corporate point of acquisition, merger or take-over.

iii. Determination of the significance of goodwill on stakeholders’ welfare at corporate acquisition.

iv. **Research Hypotheses**

The study is anchored on three hypotheses stated in their null forms thus:

H$_0$ i: the relationship between corporate reputation and goodwill is insignificant relationship between corporate reputation and goodwill

H$_0$ ii: the relationship between corporate reputation and goodwill has insignificant impact on corporate acquisition price

H$_0$ iii: Corporate goodwill does not significantly influence stakeholders’ welfare at the point of corporate acquisition

2. **Materials and methods**

This study is influenced mainly by the papers of Smaizene & Jucevicius (2013); Tuck, Lowe & McEachern (2006); Harriss & Chevnatony (2001), Zhang (2009) and Weiwei (2007), etc., and aims to present better management of the relationship that exist between corporate reputation and goodwill for the maximization of the welfare of corporate stakeholders at point of acquisition, take-over or merger.

i. **Meaning and Importance of Corporate Reputation**

Corporate reputation as a concept is related to the firm’s image, however it is more considered as value judgements among the publics about an organization’s qualities, formed over a long period of time especially regarding corporate consistency, trustworthiness and reliability – Bennett & Rentochler (2003). It also relates to quality of products and services, ability to innovate, value as long term investment, financial stability, ability to attract, develop, retain talents; use of corporate assets, and quality of management – Marken (2004).

Firms benefit from good corporate reputation as it aids the organizations to attract potential customers. Sometimes in establishing relationship with target markets, corporate reputation
reduces the cost of transactions, as a result, creates premium revenue. It as well promotes the sales of new products and develops and sustains new market –Zhang (2009). Xujinfa & Lui Zhiganag (2005) assert that excellent corporate reputation saves cost of establishing trust with new target markets and improves transaction efficiencies.

Good corporate reputation is best achieved based on successful management of organization’s internal resources-Harriss & Chernatony (2001), hence reputation is considered based on a collective representation of the organization and its market offer given its past actions and results that describe the organization’s ability to deliver valued outcome to multiple stakeholders- Fornhrun & Rindova (1996).

ii. **Corporate Reputation and the Corporate Stakeholders**

Reputation, assert Cornelissen & Thorpe (2002), has no primordial atomic or Spation-temporal existence, but gains existence through influence from perceptions and actions by individuals and stakeholders’ groups, hence it is important to consider the specific and general publics of the money deposit bank needed in reputation evaluation and their impact assessment.

However, it is important to note that reputation means different things in different contexts as it is influenced by different variables in the contribution of Tuck, Lower & McEachern (2009).

- Reputation with various stakeholders may be driven by a range of strategies; capital markets, labour markets and regulatory markets that are dependent and inter-dependent variables of interest.
- The history of a company and its previous reputation will have a major impact on the present reputation.
- The location, demography and history of a host community may influence how important the management of different aspects of corporate reputation’s sustainability will be.

Corporate reputation in the financial and product markets is particularly important for money deposit banks as their stock is volatile and susceptible to changes in stakeholders’ and shareholders’ expectations. This is so because access to and cost of equity and debt are sensitive to corporate reputation; at the community level, reputation in regulatory and stakeholders market where stakeholders are able to influence access to resources is vital, money deposit banks sites and planning conditions that set the rules and costs structures under which money deposit banks operate and corporate reputation in labour and (knowledge) education markets influence the quality of inputs and associated variables-Tuck, Lowe & McEachern (2006), Dierckx & Cool (1989), Fombrun (1996), Landon & Smith (1998) and Roberts & Dowling (2002) in the determination of corporate reputation.
Studies on corporate reputation have identified five (5) main categories of corporate stakeholders. These include customers; employees; suppliers, retailers and other business partners, normative groups of stakeholders; directors, regulatory institutions and professional societies; rivals and diffused stakeholders of the host communities, journalists and other special interest groups-Dowling (2002), Helm (2007), Jackson (2004), Fombrun (1996) and Dalton & Croft (2003). It is important to note that the strategic reputational components the firm chooses as field of tangible resources investment must be those that should be capable of increasing the firm’s reputational assets and minimize the risk-Andreopoulos and Koronis (2007). Given the above, firms in the money deposit banking sector in Nigeria are expected like those in other nations of the globe to be strategic in reputation management, hence should

- Take into consideration the complexity and multiplicity of their stakeholders-Andrikopoulos & Koronia (2007);
- Identify the components of corporate reputation that are in coherence with their corporate mission, vision, strategic goals and corporate peculiarities;
- Make good choice of strategic reputational components for investment; and
- Allocate resources adequately and timely in the choice areas for proper shaping and management of the different categories of reputation effectively and
- Chose better and acceptance techniques for the management of the chosen specific reputations as against attempts at creating an overall positive reputation-Smaiziene and Jucevicicius (2013).

These chosen specific reputational fields in synergy as a network are capable of generating corporate reputation-Helm (2007) and Walker (2010) whose indices are capable of influencing corporate goodwill. This justifies the description of goodwill by Williams, Haka, Bettner & Carcello (2012) as value in exchange for the favourable intangible attributes of an organization at the point of its acquisition. Among others attributes of corporate goodwill are favourable reputation, positive advertising; favourable market share and its expansion propensity; reputation for high quality market offer, loyal employees, superior management and operational efficiencies as fields of reputation.

**Corporate Reputation sustenance**

Corporate reputation is a collection of representation of organization’s past actions and results that describe the firm’s ability to deliver valued outcome to multiple share/stakeholders that represent value judgement of the firms’ qualities, built up over a period of time-Gots & Wilson (2001), Mastal Roos, Bromley (2001) and Klein (1999). It is influenced by the ability and willingness of the firm to render consistent quality offer over a time frame. It is relatively easier to loss corporate reputation compared to what it takes to
create the associated expressions, that form bases for differentiating firms-Haapanseni (2000), Schuiartz (2004), Devine (2001), Hanson & Stuart (2001) and Koublezyk & Pawlish (2002). Though corporate image, identity and reputation have interchangeable usage; however dis-similarities exist between these terms. Identity is associated with the characteristics that command value by employees concerning the firm as employer. These are significant, controlled and unique and are held out by employees when they are placed for evaluation given other firms, as such show a linear relationship between the past, present and future values of the employer and do encourage employee loyalty rather than turnover-Markwick & Fill (2007) and Cornelissen & Harris (2001). The internal customers hold out the identity of the firm. Corporate image as part of corporate reputation refers to the opinions, impressions and expressions held in the past by the internal customers to the external, concerning the employers-firm, especially as it relates to the actual market offer as goods and services; management style; physical environment of operation in terms of facilities and infrastructure, corporate culture and target market of interest-segment-Bromley (2001), Whetten & Mackey (2002) and Gray & Balmer (2008). Corporate image is considered an important vessel for shaping consumers’ expectations and for perception building, for service quality, hence communicates values for positive attitude creation by employees.

Corporate reputation thus is a blend of corporate identity and image and the product of the integration of internal management policies and strategies, financial management, marketing operations and communication processes and procedures –Ettorre (1996), Goldberg, Cohen & Fregenhaum (2013). General business management variables as vital indices of corporate reputation evaluation are leadership and management quality and ethical values of the organization-Klein (1999), Grupp & Gaines-Ross (2002). These revolve around credibility, integrity and quality, vertical and horizontal inter and intra firm communication, for the attraction of investors, partners, clients and employees and for the enhancement of stakeholders’ confidence on corporate decisions.

Ethics as guide to standard and professionalism in service rendition are considered vital in the attraction and retention of good quality personnel and for the management of and or the elimination of employee hostility to the organization. As instrument of policy, ethics aid corporate decision making efficiency and ensure the welfare of employees-Richardson & Bolesh (2002).

In the area of financial management, corporate reputation is influenced by the value of returns on investment, share price, dividend policy, among others, as these have the ability of shaping investment results-Benneth & Kotlesz (2000) and Antunovich, Laster & Mutnick (2000). It is also influenced by organizational sustainability, and as future oriented management principle, given the firm’s ability to earn and sustain competitive advantage-Kowakzyk & Pawlesh (2002), it is considered valuable.
Based on the principles and concepts of marketing, corporate reputation is influenced by corporate branding, given efficiency in the integration of the intra elements of promotion as cognitive impressions are created—Benneth & Gabriel (2001) and Dechematony (2012). The blending of the marketing mix elements of product, promotion, price and place (distribution) and their intra elements contribute to the development, growth and sustenance of corporate reputation.

In the area of product are the cores, symbolic and augmented features of the offer. These relate to the shape, size, texture, color, design, name, place of production and name of producer, package and packaging activities among others. Product quality innovation and good value lead to enhancement of corporate reputation—Nokra (2000). For price, considered important for the creation and sustenance of corporate reputation are efficiency in the process and the manner of activities of price determination given the social, culture; political; legal and internal environments of the organization; rather than the objectives the pricing activities are determined and or achieved; the pricing methods and the pricing policies and strategies—Van derwalt; Strydom, Marx and Jooste (1996).

Corporate reputation with respect to promotion as a marketing mix element is influenced by the content, context and structure of the message as well as the choice of media, media agencies and message scheduling (timing). These must match the features and characteristics of the target markets given their personalities and aid the ability of the organization to project its (ideal self)-image for the appreciation of both the internal and external stakeholders—Christensen & Askegaard (2001) and Agbonifoh, Ogwo, Nnolim & Nkamnebe (2007). Based on the foregone, firms must achieve efficiency in the blending of the activities of public relations, corporate social responsibility, relationship marketing and networking principles—Oko (2014), Grupp & Gaines-Ross (2002) and Goldberg, Cohen & Fiegenbaum (2003) for the purpose of creating and sustaining good corporate reputation.

iv. Role of Stakeholders in the Development and Sustenance of Corporate Reputation

The internal and external stakeholders of the business play significant role in the development and sustenance of corporate reputation. This is highlighted thus:

- **Employees**

Corporate employees are generally referred to as the internal customers, their motivation and satisfaction lead to the provision of services that satisfy the external customers and for the building and sustenance of corporate reputation. It is therefore necessary for the employees to be managed as well as the reputation created by their relationship with the firm. Given this, employees behaviour as a factor input in reputation building represents the reality of the organization to corporate clients-Dys-functional behaviours are communicated to the external
customers and other stakeholders for dys-functional publicity and retarded reputation-Wison (2001). Obviously, highly rated organizations in terms of reputation, employ employee behaviour and its management as tool for the “humanization” of the organization and for factoring public trust-Mastal (2004), hence it is advocated that employee’s benefits and attitude be quantified as input variable for decision making-Klein (1999).

Contemporarily, firms invest actively and visibly on employees as internal customers, as strategy for building; maintaining and strengthening corporate reputation. This investment is both salaries and wages oriented-Fleishman (2006), especially as employees-individually and collectively, across different levels of operations and authorities are considered reputation managers.

- **Host Communities**

  Neighbouring (host) Community services as a source of corporate reputation has graduated from act of donating money for civic activities, allotting time to community matters, serving lunchons and other charity activities to big and high level investments, that generate political connections, goodwill and marketing benefits-Bateman & Snell (1999). Community services help firms cultivate customers, especially as customers do not exist without the community – Kanter (1995). Community service covers a range of activities and programmes inclusive of provision of information technology and offer of internship training programmes –Kanter (1995); as it is considered as having the potential to increase employees’ benefits and a source of corporate pride-Bateman & Snell (1999).

  Decision to develop, create, sustain, or restore corporate reputation is based on ability at packaging quality care programmes that offer qualitative and quantitative benefits to host communities. These activities and programmes as initiatives must align with business goals that deliver positive returns to the community as the loyalties of the employees, investors and customers are influenced –Ogbudu (2013). “Community relations” are considered indicies for evaluating corporate visionary and leadership qualities. Based on this discourse, Porter & Kramer (2006) assert that organizations that make the right choice and build proactive and integrated social initiatives that are in concert with corporate core strategies increasingly distance selves from the park of others.

- **Customer**

  Customer relation as a pointer to corporate reputation is based on customer service principles that are anchored on inter-personal relations as guided by skills. These skills aid the maintenance and enhancement of corporate self-esteem, as customers are acknowledged and complaints listened to and are helped to attain high level of satisfaction for delight-Bateman & Snell (1999).
Firms that are interested in enhancing corporate reputation through customer efficient service delivery are required to adjust to actions and attitudes that mean excellent customer services-Bateman & Snell (1999). These should include speed of filling and delivering normal orders; willingness to meet emergency needs; merchandise delivery in good condition, readiness to take back defective goods and re-supply quickly; availability of installation and repair services and parts; and service charges that meet target market expectations-Kotler (1990) and Berry, Parasuraman & Zeithaml (1994). The service quality must be effectively communicated as the value of information the customer receive effects the customers’ evaluation of the organization and influences their re-actions to the organization products-goods and services-Brown & Dacin (1997). Corporate leaders thus should manage their customer related activities and achieve favourable reputation-Sweeney & Coughlan (2008). Customers like other stakeholders when dissatisfied with corporate market offer direct their power towards the firm for change infliction on the product, brand and reputation –Werther & Chandler (2010). Bad (dys-functional) reputation as earned is difficult to change as it affects sales values and volume and other investments negatively-McElhaney (2008).

**Goodwill**

Following this discourse, it seems goodwill and reputation can be interchangeably adopted as terms; law and logic however have distinct meanings for the terms.

Goodwill as an intangible asset represents the difference between the purchase price of an asset and its fair market value is created when an institution (establishment) pays a premium to acquire the assets of another establishment at the point of acquisition, merger or take-over, as a transaction-www.juridecainternational.eu/publicy/pdf/ji2009. It is acceptable that a good quality combination of advertising, research, management talent, and training may as reputation fields generate for a firm a dominant position for which an acquiring firm is willing to pay for. These reputation fields enhance the ability to command a premium price for the total business referred to goodwill.

In the transaction of acquisition, merger or take-over, the sales of a business often involve a number of intangible assets identified as trademarks, patents, copyrights, licensing agreement among others. These set of intangible assets will often have values attached to them. However there are other intangible assets such as business reputation, brand names, customer lists, unique market position, knowledge of new technology, good location, and special skills and operating methods and efficiencies that are usually considered in aggregate as goodwill, that often do not have assignable value but they add to the overall value of the business, hence are necessary for convincing the acquirer of a firm at dissolution that the acquirer is able to generate abnormally high future earning based on the acquired firm.
Goodwill has no independent market or liquidation value as tax valuation is based on existing tangible and other intangible assets. For public limited liability firms, the value of goodwill is often influenced by vagaries of the stock market – thedemandingmistress.blogspot.com/…goodwill-and-reputation-of-trade (2005).

Factor considerations in goodwill valuation

Goodwill, described as reputation fields that are considered valuable to a firm, given their ability to generate future returns, may be attributed to other issues such as:

- When a firm has a dedicated and solid customer base, especially where the customers have respect for the company and are willing to share favourable information about the organization with friends and household members based on word of mouth communication as recommendations, with the ultimate objective of enhancing the capital base of the company.
- Where the firm has run a major advertising campaign, whose effect is positive influence on the firm’s goodwill?
- Where value can be added to the company based on new agreements with other firms, in integration or partnership, which as ascertained have the ability of generating new and additional income to the firm-Wikipedia (2013).
- The power of corporate leadership to take care of employees and provide good work environment as means of boosting employee morale as strategy for booking corporate bottom line customer loyalty and reputation-Smith (2013).

Goodwill is generated by actual availability of tangible assets vital for the generation of goods and services, and these products of the tangible assets are often basis for a passing off actions as other firms offer their products in the name and mark of the firm that has earned goodwill-Deepack (2011). Thus their products are of high quality; however such goodwill expenses cannot be capitalized and added to goodwill-Wikipedia (2013). It is the impact of these reputation in aggregate that yield goodwill as marked value at the point of acquisition of the firm.

vi. Concept of Merger and Acquisition

Merger and acquisition represent the ultimate in change for businesses –Evans (2000). Though difficult, challenging and chaotic, merger and acquisition provide ease way to corporate survival, corporate growth, market expansion and enhanced profitability especially in the ever increasing competitive market environment.

Contemporarily, mostly in businesses and in the developed economies such as USA organizations are established not as going concerns but for sell at higher market values and profit –Evans (2000), based on merger or acquisition.
Merger refers to the amalgamation of two or more firms, with the objective of presenting one new company, while acquisition has to do with the taking over of the assets of one firm by the other.

Mergers are classified as horizontal, vertical and conglomerate. They are horizontal when two firms in the production and or marketing of similar products (goods or services) are involved, especially for the purpose of increasing the market share of the new company. Vertically, firms merge along the value chain, where ‘A’ firm serves as a supplier of productive input to ‘B’ firm as means of creating and or gaining competitive advantage within a defined and definite market place, and it is conglomerate merger when it occurs where the firms are completely in divergent (different) industries but desire to smoothen out existing fluctuations in earning for the purpose of ensuring consistency in long term growth. Merger and or acquisition base on the principles of conglomerate may often lead to market and or product diversification.

vii. Benefits of Merger and Acquisitions

Mergers and acquisitions ensure the maximization of the advantage of synergy in revenue enhancement; cost minimization and reduced cost of capital. The most advanced benefit of merger and acquisition is cost minimization based on the elimination of redundant services in human resources, accounting, and information technology among others-Evan (2000).

Other reasons considered strategic for merger and acquisition exercise include to position and re-position the firm based on expected improvement, growth, development and or merging trends in specific industries; and market places; to fill in existing gaps based on the weaknesses of a firm given the strength of the acquiring or the acquired firm, as a means to long term survival; to maximize the benefits associated with human resources and intellectual capital for product innovation and or development in desired field of activities; and to gain access to a foreign market(s) for global market growth and expansion –Evans(2000).

Merger and acquisition as strategies for market growth and expansion could be motivated by the desire to enhance corporate bargaining position in purchase activities, to achieve the objectives of market and product diversification and to achieve short term growth objective of profitability. Given this discourse, this work has its minor thrust as determining the marketing factors (motives) for the consolidation exercise in the banking industry in Nigeria for the period under-review.

viii. Consolidation Principles

Consolidation is explained as investment option based on the coming together of firms or enterprises as a single entity. This is achieved based on merger, acquisition principle, recapi-
Corporate reputation and goodwill in merger and acquisitions


In Nigeria, consolidation in the banking sector has given shape and stability to banking operations as the number of banks has experienced expansion and contraction growth for stabilization. Between 1952-1978, the country had 45 units of banks; 1979-1989 54 units; 1988-Feb-Oct 66 units; 1989-1990 107 units, 1991-1996 112 units, 1997-2002 110 units, 2003-2004 89 units and 2004-till date 25 units of banks-Central Bank of Nigeria financial publications and financial market records (1970-2015). Based on these consolidation exercises, banks in Nigeria enjoy economies of scale of operations for increase in capital base, enhanced competitive advantage, enhanced access to improved technology, enhanced quality of personnel and ability to absorb stress in the financial market; enhancement in revenue base as better access to capital market facilities is assured; as well as enhanced tax gains as associate tax losses based on small unit operation, unused debt capacity and surplus funds of the individual small bank units are aggregated for improved investments. These however, do not obliterate the fact of dis-economics of scale-Tadessee (2005), associated with increase in minimum efficiency given increase in size of operation.

Consolidation in the banking industry in Nigeria show reasonable reduction in reliance of banks on government patronage for growth in economic activities in the real sector; improved level of corporate governance with reduction in the rate and level of cases of insider-abuses traceable to high level of non-performing loans and advances and other unethical practices that negatively affected the health and performance of participants of the banking industry in Nigeria; reduction in the number and rate of distressed member of the deposit-money banks as member of the finance industry. Umezuruike (2011) reported that the number of distressed money deposit banks rose from 17 (seventeen) in 2001 to 23 (twenty three) in 2002 and 2003 and to 27 (twenty seven) in 2004.

Records show that in spite of the benefits of bank consolidation, in Nigeria, marginally satisfactory performing and unsound performing banks still exist, as show in table 1.
Table 1: Nigeria state of the Banking Industry

<table>
<thead>
<tr>
<th>Category</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sound</td>
<td>10</td>
<td>13</td>
<td>11</td>
<td>10</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>63</td>
<td>54</td>
<td>53</td>
<td>51</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Marginal</td>
<td>8</td>
<td>13</td>
<td>14</td>
<td>16</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Unsound</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>10</td>
<td>15</td>
<td>5</td>
</tr>
</tbody>
</table>


This work is of the view that the policies on bank merger, acquisition and combination were not economic benefit motivated as these banks were consolidated thus:

- Weak small and medium sized banks came together – Unity Bank Plc and Skye Bank Plc.
- Banks with regional or cultural affiliations and having common shareholders came together – Intercontinental Bank Plc, Wema Bank Plc and Spring Bank Plc.
- Large size banks acquired smaller and weaker ones as a means of bailing out the smaller and weaker ones – Union Bank Plc acquired United Trust Bank Plc, Broad Bank Plc and Union Merchant Bank Ltd; and
- Large sized banks as major (key) players in the banking industry combined to form a bigger bank – United Bank of Africa Plc and Standard Trust Bank Plc – Umezuruike (2011).

Implicitly, the stronger banks were encouraged to acquire the smaller and weaker ones for obvious reasons.

Given that some marginally satisfactory performing and unsound performing banks still exist, after these consolidation exercises, the question, is what was and is the place of goodwill and corporate reputation in these consolidation exercises; and how did and does corporate goodwill influence stakeholders’ welfare at the point corporate acquisition and beyond?

These questions do not obliterate the factors that bank consolidation exercises show improvement in the performance of the industry as shown in Table 2.

Table 2 Basic Indicators of Evaluation of Banking Sector Performance-Post Consolidation

<table>
<thead>
<tr>
<th>Index</th>
<th>2004</th>
<th>2000</th>
<th>%Grt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of banks</td>
<td>89</td>
<td>25</td>
<td>-71.9</td>
</tr>
<tr>
<td>Number of bank branches</td>
<td>3382</td>
<td>4500</td>
<td>33.1</td>
</tr>
<tr>
<td>Total Assets Base of Banks (₦ billion)</td>
<td>3204</td>
<td>6555</td>
<td>104.3</td>
</tr>
</tbody>
</table>
Table 2 (Continued): Basic Indicators of Evaluation of Banking Sector Performance-Post Consolidation

<table>
<thead>
<tr>
<th></th>
<th>Pre-consolidation</th>
<th>Post-consolidation</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and Reserve (₦ billion)</td>
<td>327</td>
<td>957</td>
<td>192.7</td>
</tr>
<tr>
<td>Industry Capital Adequacy ratio (%)</td>
<td>15.2</td>
<td>21.6</td>
<td>42.6</td>
</tr>
<tr>
<td>Ratio of non–performing credit to total credit (%)</td>
<td>19.5</td>
<td>9.5</td>
<td>-57.3</td>
</tr>
</tbody>
</table>


A reduction in the number of banks from 89 to 25, post consolidation asset base increase by 104%; post consolidation capital and reserve increase of 192% and capital adequacy ratio increased from 15.8 percent to 21.6 percent and a reduction of non performing credit from 19.8 percent to 9.5 percent for period of 2004-2006. Given these achievements, the banking sector is considered a front liner in the Nigeria Stock Exchange Market.

3. Methodology

Set of questionnaires were administered to former and present stakeholders of merged, acquired and consolidated by combination banks in Nigeria 2000-2010 as shareholders, employees and top managers of Unity Bank and Skye Bank; Intercontinental Bank, Wema Bank and Spring Bank; United Trust Bank, Union Merchant Bank and Union Bank Plc, and United Bank of Africa and Standard Trust Bank as representative of banks in the small and medium size; banks consolidated based on regional or cultural affiliation, large size and small size and weak bank and large size bank consolidation respectively. Variables of consolidation were ranked based on modified Likert ranking scale and hypotheses 1, 2, and 3 were tested based on correlation co-efficient R, analysis of variance (ANOVA) and regression analysis respectively. The annual reports of these firms for the period of (2000-2004) pre-consolidation were x-rayed for the determination of corporate goodwill while staff disposition and service component of offer and other product attributes were appraised for association or otherwise with reputation as indices of goodwill.

4. Analysis

Test of hypotheses 1

The Pearson correlation co-efficient R is adopted to measure the relationship (strength or weakness) of association between corporate reputation and goodwill. This is based on mathematical notation shown as 1 thus:

\[
 r_{xy} = \frac{\Sigma (x - \bar{x})(y - \bar{y})}{nS_x S_y}
\]  

(1)
Where: \(x\) and \(y\) are each values of \(x\) and \(y\)
\[\bar{x}\text{ and }\bar{y}\text{ are mean values of }x\text{ and }y\]
\[S_x\text{ and }S_y\text{ are standard deviation of }x\text{ and }y\]
\[n\text{ is the number of paired values}\]

The indices of evaluation are shown in table 3

Table 3: Assessment of the Impact of Goodwill and Corporate Reputation to reduction in Risk that Corporate Profitability falters after Merge, Acquisition or Consolidation

<table>
<thead>
<tr>
<th>Index</th>
<th>Goodwill</th>
<th>Corporate Reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ability to build upon list of customers for recurring revenue and good word of mouth communication</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>• Data base of customers for competitive advantage and enhanced profit</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>• Acquired trademarks, brand names, licenses, permits and regulatory approvals</td>
<td>38</td>
<td>18</td>
</tr>
<tr>
<td>• Acquired employees, skills and experience</td>
<td>45</td>
<td>22</td>
</tr>
<tr>
<td>• Acquired training systems</td>
<td>48</td>
<td>24</td>
</tr>
<tr>
<td>• Accreditation, production or order backlog</td>
<td>34</td>
<td>29</td>
</tr>
</tbody>
</table>

Based on values in table 1, standard deviation for \(x\) and \(y\) are 11 and 6 respectively; hence substituting for mathematical notation 1, for the test of the hypothesis

\(H_0: \text{ there is insignificant relationship between goodwill and corporate reputation in profit sustenance and survival beyond point of merger, acquisition and or consolidation.}\)

\[
\begin{align*}
r_{xy} & = \frac{\sum(x - \bar{x})(y - \bar{y})}{nS_xS_y} \\
& = \frac{342}{6(11)(6)} \\
& = \frac{342}{396} \\
& = 0.86
\end{align*}
\]

Given this, the computed value is 8.6, showing a positive correlation between the contribution of goodwill and corporate reputation as \(x\) and \(y\) variables respectively to the sustenance of corporate profitability beyond that point of merger, acquisition and or consolidation.
Based on the result of the calculation of Pearson correlation, the test of the significance of the correlation is executed using the student’s t-test statistic represented as mathematical notation 2 thus:

\[ t = \frac{r \sqrt{n-2}}{1-r^2} \]  

(2)

Where \( r \) is the value of the Pearson correlation

\( n \) is the number of the paired observation

To execute the test, the formulated hypothesis is re-structured thus:

\( H_a: \mu \neq 0 \) (there is no linear relationship between goodwill \((x)\) and corporate reputation \((y)\))

\( H_0: \mu = 0 \) (there is a linear relationship between goodwill \((x)\) and corporate reputation \((x)\))

Substituting for mathematical notation 2, \( t = 6.62 \).

The value of ‘t’ computed is 6.62. At 0.05 level of significance and 4 degree of freedom (6-2), the critical value of the ‘t’ statistic is 2.132. The conclusion thus is that linear relationship exists between the contribution of goodwill and corporate reputation to the sustenance of profitability beyond the point of merger, acquisition and or consolidation of firms in the banking industry in Nigeria.

**Test of Hypotheses 2**

The analysis of variance (ANOVA) statistic is adopted to test for significance of differences between the assessment of shareholders, top management of banks (on merger, acquisition and consolidation) and finance regulatory agencies on the impact of goodwill on corporate acquisition price. This is represented as mathematical notation 3:

\[ f = \frac{V_b}{V_w} = \frac{\text{between groups variance}}{\text{within groups variance}} = \frac{S^2_B}{S^2_W} \]  

(3)

Where: \( V_B = \frac{\text{SSB}}{df_B} \) and \( V_w = \frac{\text{SSW}}{df_w} \)

The indices of evaluation are shown in table 4.
Table 4: Assessment of Shareholders’, Top Management and Regulatory Agencies on Impact of Goodwill and Corporate Reputation on Corporate Acquisition Price

<table>
<thead>
<tr>
<th>Option</th>
<th>Shareholders</th>
<th>Top Management</th>
<th>Regulatory Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>21</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>High</td>
<td>31</td>
<td>61</td>
<td>51</td>
</tr>
<tr>
<td>Low</td>
<td>38</td>
<td>38</td>
<td>33</td>
</tr>
<tr>
<td>Very low</td>
<td>10</td>
<td>28</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>146</td>
<td>100</td>
</tr>
<tr>
<td>Mean</td>
<td>25</td>
<td>37</td>
<td>25</td>
</tr>
</tbody>
</table>

The hypotheses as formulated are:

**H₀:** \((\mu₁ = \mu₂ = \mu₃)\) there is no significant difference between the assessment of shareholders, top management and regulatory agencies on the impact of goodwill and corporate reputation on corporate acquisition price

**H₁:** \((\mu₁ \neq \mu₂ \neq \mu₃)\) significant difference exist between the assessment of the shareholders, top management and regulatory agencies on impact of goodwill and corporate reputation on corporate acquisition price

Results of the computation of f ratio include:

\[
SSW = 347.5 + 807.5 + 1158 = 2313
\]
\[
SST = SSB + SSW - 270 = 2583
\]

The substituting for mathematical notation 3,

\[
V_B = \frac{SS_B}{df_B} = \frac{270}{2} = 140
\]
\[
V_W = \frac{SS_W}{df_B} = \frac{2313}{9} = 257
\]
\[
: f = \frac{V_B}{V_W} = \frac{140}{257} = 0.54
\]

Summary of ANOVA is presented in table 5:
Table 5 – Summary of ANOVA

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>df</th>
<th>Sum of Squares (SS)</th>
<th>Mean of Squares (MS)</th>
<th>f_cal</th>
<th>Critical value of f</th>
<th>Significance</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>2</td>
<td>SSB = 270</td>
<td>V_B = 140</td>
<td></td>
<td></td>
<td></td>
<td>Not Reject</td>
</tr>
<tr>
<td>Within groups</td>
<td>9</td>
<td>SSW = 2313</td>
<td>V_w = 257</td>
<td>0.54</td>
<td>4.26</td>
<td>Significant</td>
<td>H_1</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>2583</td>
<td>397</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At 0.05 level of significance, the critical value of f is 4.26; since f < f_0.05 (4.26). H_1 is rejecting, showing equality in mean of assessment of shareholders, top management personnel and bank regulatory bodies on the impact of goodwill and corporate reputation on corporate acquisition price.

Test of hypothesis 3

The simple linear model is adopted to establish casual relationship between variables as dependent and independent respectively. This is represented given mathematical notation 4 of:

\[ y = a + bx \]  

(4)

Where: y is the dependent variable  
\ a is the constant  
\ x is the independent variable

The expressions of the respondents are shown in table 6

Table 6: Impact of Corporate Goodwill on Shareholders’ Welfare at Point of Corporate Acquisition, Merger and Consolidation Beyond

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>180</td>
<td>60</td>
<td>3.00</td>
</tr>
<tr>
<td>High</td>
<td>90</td>
<td>30</td>
<td>1.20</td>
</tr>
<tr>
<td>Undecided</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Low</td>
<td>20</td>
<td>7</td>
<td>0.13</td>
</tr>
<tr>
<td>Very Low</td>
<td>10</td>
<td>3</td>
<td>0.03</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>100</td>
<td>4.36</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2015
Based on the statistics on table 6, it is discerned that corporate goodwill has significant influence on shareholders’ welfare at the point of corporate acquisition and beyond.

For the actual test, the hypothesis is stated thus:

**H0**: Corporate goodwill does not significantly influence shareholders’ welfare at the point of corporate acquisition and beyond.

Table 7: Influence of Corporate Goodwill Shareholders’ Welfare

<table>
<thead>
<tr>
<th>Variables</th>
<th>Co-efficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>340.340</td>
</tr>
<tr>
<td>Standard error</td>
<td>5.459</td>
</tr>
<tr>
<td>T Co-efficient</td>
<td>62.345<strong>xx</strong></td>
</tr>
<tr>
<td>Standard error</td>
<td>1.105</td>
</tr>
<tr>
<td>T</td>
<td>0.42</td>
</tr>
<tr>
<td>R²</td>
<td>26.427<strong>xx</strong></td>
</tr>
<tr>
<td>f. value</td>
<td>698.389</td>
</tr>
</tbody>
</table>

*Source: Extraction from Appendix*

Note: x, xx, and xxx are significant at 10%, 5% and 1% respectively

Using the linear regression model

\[ y = a + bx \]

Where: \( y = \) shareholders’ welfare

\( a = \) constant

\( b = \) co-efficient

\( x = \) corporate goodwill

\[ \therefore \text{Shareholders’ welfare} = 340.340 +1.105 \text{ corporate goodwill}. \]

Computation shows \( R^2 \) of 0.983 which is an indication that the 98.3% change in shareholders’ welfare is attributable to change in corporate goodwill with only 1.7% change caused by other factors.

**Decision:** It is therefore the decision of this work to reject the null hypothesis and conclude that corporate goodwill has significant influence on shareholders’ welfare at point of corporate acquisition and beyond.
5. Findings

The findings of this work indicate:

- The value of a business is determined by its ability to contribute to its profitability through generated cash flow and the management of the risks associated with consistently producing that cash flow. Goodwill has a major impact on the value of business as it reduces the risk that a business’ profitability will falter after it changes hand. This goodwill is anchored on basic attribute of well managed business –reputation. Reputation is influenced by efficiency in service delivery that is the result of efficiency in the integration of variables of brand or trade name and its recognition; website, domain names; trade secrets, recipes; customer list, exclusive supplier lists, copyrights, trademarks, patents; licenses, permits, regulatory approvals; constants; production or order backlog; accreditations; developed processes; proprietary designs, step-by-step training systems; customized or proprietary data bases; published articles or industrial press and employee skills and experience-Stabler (2013).

- In business acquisition, merger and or consolidation activity especially transactions that are structured as asset sale for income tax purposes, both the vendor and acquirer as required to allocate the purchase value as price of the assets in the transaction. These assets are classified as tangible and intangible –customer lists, and relationship, supplier relationships among others. The value of intangible assets of the going concern especially goodwill as empowered by corporate reputation is associated with the market advantage that causes increase in expected earnings above or in excess of a normal return on the other operating assets of the business.

- Tax authorities express the view that a portion of the purchase price of a going concern can be allocated to personal goodwill as integral of corporate goodwill, thus the buyer could benefit from the tax amortization as part of the associated value-Risius & Stumpf (2011). It is therefore the finding of this work that the ability to allocate a portion of the purchase price to amortizable personal goodwill has the potent of making stock transaction more palatable to buyers as potential and current stockholders at the point of acquisition hence impacts positively on corporate acquisition price-Finnerty (2014). This supports the findings of KPMG (2010) that over 50% of the purchase price of businesses is typically allocated to goodwill.

- Corporate goodwill as a combination of personal goodwill and other reputational variables influences shareholders’ welfare at the point of corporate acquisition and beyond as personal goodwill generates tax benefits such as:
• The selling shareholders’ gain from the sale of personal goodwill is taxed at capital gain rates;

• The acquired business does not trigger entity-level gain on the sale of personal goodwill, and

• The buyer of personal goodwill may be entitled to amortization deduction-Risius & Stumpf (2011)

6. Discussion of Findings

• Acquisition and merger as consolidation oriented corporate expansion programme of the Nigeria banking industry 2000-2010, expanded the capital base, assets base and branch network of the firms based on the reduction of the number of firms as players in the industry, thus enhanced the target markets’ confidence on the ability of the firms to render uniform and satisfactory services. This accounts for increase in deposits held by Nigeria banking industry during this post-consolidation period. Consolidation generated the capacity to provide excellent services, based on innovative programmes.

• The consolidation programme spurred Nigeria banks to investments in human capital assets and development, for the purpose of gaining and sustaining competitive advantage. Labour turnover rate of most banks declined with aggregate decline in the industry. The banks as survival of the consolidation programme have also shown interest in investment in electronics as key variables in information and communication technology as well as for the sustenance of the benefits of e-marketing, e-commerce and e-business. Given this, geographical diverse customers are attended to with relative ease.

• Emphases in the post consolidation period of the Nigeria banking industry has been on the introduction and implementation of cost saving programmes, especially in the area of cash management, risk venture identification and management.

Based on the foregone, the pre and post banks consolidation era performance in the banking industry in Nigeria is shown in table 8 and reviewed thus:
### Table 8: Pre and Post Consolidation Performance of the Nigerian Banks

<table>
<thead>
<tr>
<th>Micro Economic Indicators</th>
<th>N’m 2004 (a)</th>
<th>N’m 2005 (b)</th>
<th>N’m 2006 (c)</th>
<th>% change increase (+) decrease (-) or difference (D) (^*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average lending (N’m)</td>
<td>14,371,238</td>
<td>41,380,180</td>
<td>80,788,854</td>
<td>+62.15%</td>
</tr>
<tr>
<td>Average assets (N’m)</td>
<td>42,171.56</td>
<td>132,017.34</td>
<td>267,482.50</td>
<td>+534.27%</td>
</tr>
<tr>
<td>Average deposit (N’m)</td>
<td>10,482.36</td>
<td>85,007.13</td>
<td>188,478.55</td>
<td>+1690.05%</td>
</tr>
<tr>
<td>Average net worth (N’m)</td>
<td>7,708.73</td>
<td>19,708.88</td>
<td>38,831.31</td>
<td>+403.73%</td>
</tr>
<tr>
<td>Return on equity (%)</td>
<td>35.28</td>
<td>12.72</td>
<td>11.12</td>
<td>-24.16 (D)</td>
</tr>
<tr>
<td>Return on assets (%)</td>
<td>8.37</td>
<td>3.01</td>
<td>2.07</td>
<td>-6.30 (D)</td>
</tr>
<tr>
<td>Assets utilization (%)</td>
<td>33.62</td>
<td>11.52</td>
<td>11.04</td>
<td>-22.56 (D)</td>
</tr>
<tr>
<td>Total Bank Loan and Advance (N’m)</td>
<td>1,294,449.50</td>
<td>1,859,555.50</td>
<td>2,338,718.80</td>
<td>+80.67</td>
</tr>
<tr>
<td>GDP (Current Basic Price) (N’m)</td>
<td>11,411,070.00</td>
<td>14,572,400.00</td>
<td>18,067,830.00</td>
<td>+58.34%</td>
</tr>
<tr>
<td>Real GDP (growth %)</td>
<td>6.50</td>
<td>7.06</td>
<td>7.17</td>
<td>+0.67 (D)</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>10.00</td>
<td>11.60</td>
<td>10.60</td>
<td>+0.60 (D)</td>
</tr>
<tr>
<td>Exchange rate N$</td>
<td>132.86</td>
<td>129.00</td>
<td>128.30</td>
<td>+3.43 (D)</td>
</tr>
<tr>
<td>Min. lending rate</td>
<td>18.91</td>
<td>17.80</td>
<td>18.30</td>
<td>0.61 (D)</td>
</tr>
<tr>
<td>Max. lending rate</td>
<td>20.42</td>
<td>19.50</td>
<td>28.70</td>
<td>+8.28 (D)</td>
</tr>
<tr>
<td>MRR/MPR</td>
<td>12.80</td>
<td>13.00</td>
<td>10.00</td>
<td>+2.80 (D)</td>
</tr>
<tr>
<td>Credit to the private sector (N’M)</td>
<td>311,646.80</td>
<td>442,008.90</td>
<td>525,4820</td>
<td>+68.87%</td>
</tr>
<tr>
<td>Bank market capitalization (N’M)</td>
<td>662,712.600</td>
<td>1,212,218.545</td>
<td>21,142,745.733</td>
<td>+223.82%</td>
</tr>
<tr>
<td>Bank market capitalization NSE, Capitalization (%)</td>
<td>34.41</td>
<td>41.80</td>
<td>41.84</td>
<td>+743 (D)</td>
</tr>
<tr>
<td>Total market cap. NSE</td>
<td>1,925,937.530</td>
<td>2,900,092.072</td>
<td>5,120,943.220</td>
<td>+165.89%</td>
</tr>
<tr>
<td>Market cap (total)</td>
<td>5.70</td>
<td>11.80</td>
<td>28.34</td>
<td>+1.22 (D)</td>
</tr>
<tr>
<td>Credit to private sector</td>
<td>26.60</td>
<td>30.80</td>
<td>27.82</td>
<td>+0.18 (D)</td>
</tr>
<tr>
<td>Growth rate (%)</td>
<td>2.73</td>
<td>3.03</td>
<td>2.91</td>
<td>+0.18 (D)</td>
</tr>
<tr>
<td>Credit to private Sector /GDP</td>
<td>72.80</td>
<td>76.70</td>
<td>96.80</td>
<td>+24 (D)</td>
</tr>
<tr>
<td>Average loan/deposit ratio</td>
<td>24.08</td>
<td>23.77</td>
<td>22.47</td>
<td>+1.6 (D)</td>
</tr>
<tr>
<td>Credit to private Sector/Total loan</td>
<td>1,294,449.50</td>
<td>1,859,555.50</td>
<td>2,338,718.80</td>
<td>80.67%</td>
</tr>
<tr>
<td>Loan adv.</td>
<td>3,753,277.80</td>
<td>4,515,116.67</td>
<td>6,400,783.90</td>
<td>70.54%</td>
</tr>
<tr>
<td>Total assets (Nm)</td>
<td>1,661,482.10</td>
<td>2,036,089.90</td>
<td>1,826,275.60</td>
<td>89.92%</td>
</tr>
<tr>
<td>Capital + reserves (N’M)</td>
<td>348,387.60</td>
<td>591,738.70</td>
<td>953,001.20</td>
<td>+173.55%</td>
</tr>
<tr>
<td>Comm. Bank</td>
<td>32.89</td>
<td>30.98</td>
<td>35.43</td>
<td>+254 (D)</td>
</tr>
<tr>
<td>Non-financial private Sector credit/GDP</td>
<td>2.73</td>
<td>3.03</td>
<td>2.3191</td>
<td>+0.18 (D)</td>
</tr>
</tbody>
</table>
Pre 2000-2010 consolidation exercise in 2004, the existing 89 banks had total assets of ₦3,753.28 billion (US$ 28.250 billion), this rose to ₦6400.78 billion (US$49.88) billion at the post consolidation period of 2006, showing a growth rate of 70.5416 percent. It is also on records that the average bank had asset size of ₦42.172 billion (US$0.3174 billion) for the period pre-consolidation while the post consolidation record stood at ₦267.482 billion (US$2.0 billion), an increase rate of 534.27 percent. The equity base of the bank pre-consolidation was ₦7.71 billion (US 0.6168 billion) and post consolidation was ₦38.83 billion (US$0.31064 billion) with a growth rate of 404 percent; the leverage ratio showed a decline from 18.28 percent pre-consolidation to 14.52 percent post consolidation in average. While the banks’ intermediation activities in average rose by 1,690 percent from an average deposit base of ₦10.48 billion (US$0.08384) pre –consolidation to ₦188.48 billion (US$1.50784) post consolidation.

Post consolidation era in the Nigeria banking industry show improvement in the lending capacity of the bank compared with the pre-consolidation era, in 2000; In average, banks lent ₦14.371 billion but in 2006, this rose to ₦80.788 billion for a growth rate of 462.13 percent.

This post consolidation growth in the banking industry in Nigeria is attributed to the ability of most surviving banks to successfully position them in terms of goodwill based on associated reputation integration activities both at the corporate, top managers and shareholders level respectively.

Nigeria banks at 2000-2010 consolidation, packages the personal goodwill characteristics of its internal customers and stakeholders efficiently hence showed and do show that no non-complete agreement exist between the selling shareholders and the different banks; that businesses are and were highly, dependent on individual’s personal relationships, reputations, skills and know-how; that individual’s services are and were important in the sales processes, that operations in which shareholders are and were highly involved are and were common features of the banks; that most of the banks had and still have businesses with few individuals as natural and or artificial persons but the volumes of these transactions were and are high. These banks as survivals also show themselves as highly technical specialized and are and were engaged in the provision of professional services, as well as business that depend more on intangible rather than tangible assets. They have also but lately shown that the loss of key individuals as a result of labour turnover can be managed, for an optimization of their corporate goodwill for the retention of shareholders, sustainance and growth. At the
corporate level, the goodwill characteristics such as showing themselves as large business with formal organizational structure, processes and control; as able to market services with acceptable brand names and recognition based on trained corporate sales team; that their market offers are diversified based on the different characteristics of the target markets and product peculiarities; and that corporate operations are asset intensive based. The banks also show themselves as having deep management teams with the capacity to involving on long-term contracts with both the internal and external customers as such the propensity to banking and sustaining corporate as vital index of goodwill is high.

These virtues generate corporate reputation that draw impetus from trade secrets, good customer list; copy rights; trademarks, patents; licenses, permit; regulatory approval; proprietary designs and technical know-how; customized software programmes and proprietary data base, step by step training of personnel for skill and experience acquisition.

7. Conclusion

The relationship between goodwill and corporate reputation as dependent and independent variables must be sustained through the satisfaction of the internal customers for the sustenance of the welfare of the external customers as means to the generation of acceptable shareholders’ welfare. In the absence of this, the performance recorded in the banking industry post 2004 consolidation programme will wane.

8. Recommendations

Goodwill as a major index of corporate value given its ability to reduce associated risk to corporate profitability especially after consolidation by merger and or acquisition is sustained based on acceptable corporate reputation. Thus for the sustenance of corporate reputation, the following are recommended.

- Organization must identify and highlight variables that are capable of creating and sustaining the personal goodwill of its internal and external customers.
- Organizations must manage and optimize its relationship with key individuals in such a way that the loss of these individuals would not materially impact on the revenue and /or profitability of the organizations as it must also ensure a manageable labour turnover rate to avoid dys-functional publicity and dis-reputational index.
- Organization must also call to mind the fact that non-corporate agreements that exist prior to the transaction of acquisition, merger and or consolidation have the impact of transferring personal goodwill to corporate goodwill thus must maximize opportunity created by this at acquisition and or merger.
Organizations at acquisition and or merger must recognize the role of employment and non-complete agreements in the allocation of personal goodwill and exploit same optionally at merger and or acquisition. Corporate records should clearly state elements of personal goodwill and separate same from corporate goodwill, as well specify the role and duties of sellers at post transaction era as means of ensuring that the goodwills (personal and corporate) as acquired are considered implicitly and explicitly the corporate goodwill of the business acquirer.

References


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