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EFFECT OF MERGERS AND ACQUISITIONS ON COMMERCIAL BANK CREDIT TO SMALL BUSINESSES IN NIGERIA

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ABSTRACT

This study investigated the effect of mergers and acquisitions on commercial bank lending to small businesses in Nigeria (1992-2014). The central aim of the study is to evaluate the effect that mergers and acquisitions of commercial banks' will have on their lending to small businesses in Nigeria. This study used Ordinary Least Square (OLS) function and multiple regression model methodology to carry out its test and analysis.. The results revealed that mergers and acquisitions (MAA) had negative and significant effect on commercial bank lending to small businesses in Nigeria (CBLSB) .Moreover, the findings also established that bank lending rate (BLR), liquidity ratio (LQR) and cash reserve ratio (CRR) all had positive but insignificant impact on commercial bank credit to small businesses (CBLSB) in Nigeria. The study therefore recommended that: the monetary authorities should reintroduce the policy of mandating commercial banks, to allocate a fixed percentage of their total loan and advances to small and medium scale enterprises in Nigeria. Also, that the government should monitor the credit activities of commercial banks to small businesses in a bid to ensure that small businesses are properly financed by commercial banks in the years ahead. Moreover, the Central Bank of Nigeria should make cheap funds available for small businesses in order to save from the hands of commercial banks who lend more when the lending rate is high.

KEYWORDS: Mergers and Acquisitions, Small Businesses, Bank Lending Rate, Liquidity Ratio

INTRODUCTION

Small Businesses have been recognized as catalyst and panacea for the speedy growth and development of most developing economies, Nigeria inclusive (2014; Ofoegbu, Akanbi and Joseph, 2013; Mamman and Aminu, 2013). This is because they have capacity to cause positive economic turnaround in an economy and complement the efforts of the existing large scale industries (Osuagwu, 2001). The studies of Ogujiuba, Fadila and Stiegher (2013); Musa and Aisha (2012), equally emphasized that small businesses account for well half of the total share of employment sales and constitute the most viable and veritable vehicle for self – sustaining industrial development, as they possess the capability to grow an indigenous enterprise culture more than any other strategy. Economic development contributions of small businesses include conservation of foreign exchange, utilization of local raw materials, food security, specialist suppliers to large companies, adding varieties and choice for the consumers, checking the monopolistic tendency of large enterprises, providing source of innovation, breeding ground for new industries, employment creation, improved standard of living and reduction of rural to urban drift (Olowe, Moradeyo and Babalola 2013; Bamidele, 2012; Ogunleye, 2000). Lawal and Ijaya (2010) asserted that SMEs provide 70% and 60% of the industrial and agricultural sector employment, respectively.

Although small businesses are seen as veritable and viable engines of economic growth in Nigeria (Kpelai, 2009), several challenges have been militating against their growth and development. Some of these challenges include; inadequate management and entrepreneurial skills , limited capacity for research and development as well as innovations, limited demand for their products and services, lack of transparency arising from government regulation and regulators, under capitalization and difficult to access bank credit among others (Onugu, 2005 ;Lawson , 2007).

Access to finance has been recognized as an important tool for the survival, growth and promotion of small businesses globally, Nigeria inclusive (Olowe, Moradeyo and Babalola, 2013). Hence the need for banks to include small businesses in their credit grants schedule cannot be overemphasized, considering the number of small business operators who, on daily basis, pursue bank credits without hope. Indeed, most small business operators with beautiful business ideas have for several years been hovering around in search of banks that could quench their thirst for fund to execute their ideas but to no avail. This is so in the country where millions of small businesses with ideas well packaged and analyzed by experts, are lying in the shelves of many banks, while the owners of such business ideas are waiting for feedback from the banks they applied to (Nwoji, 2007). But the obvious fact remains that, these small businesses have no other serious source of finance other than the banks and most successful small businesses that grown to medium and large enterprises, were made what they are today by banks. Nowadays banks are seen running after big entrepreneurs with loan, while discarding the applications of small business owners (Nwoji, 2007). Idowu, (2008), Diagne and Zeller (2001) and Anyanwu, (2003) in their studies also argued that insufficient access to loans is one of the major problems facing SMEs in Nigeria, that may have negative consequences for their overall welfare.

Having realized that banks play a very crucial role in economic development via their intermediary function, through mobilization of idle funds and financial resources from surplus units' to deficit units of the economy for productive uses and investment purposes (Babajide, 2012). Therefore as a result of these financial intermediation activities, banks have an essential role in determining the amount and distribution of credit in an economy, since an increase in banks credit leads to increased investment, employment opportunities and subsequently economic development of the country (Prompitak, 2009).

However, banks may not efficiently and effectively occupy their enviable position as the backbone of the nation's financial system if they are unsound, undercapitalized and short of international and global financial standard. Moreover the decade between 1995 and 2005 was particularly traumatic for the Nigerian banking industry, as a result of unprecedented distress level experienced in the industry (Elumilade, 2010). These issues were of immense concern to regulatory institutions, policy analysts as well as the general public. Hence, there was clear need for consolidation and overhaul of the banking industry.

Therefore in a bid to reposition the banking industry, the Central Bank of Nigeria introduced major reform programmes aimed at making Nigerian banks stronger and better, in- order to finance all sectors of the economy including the small businesses which happens to been seen as one of the major drivers of the nation's economy . The main thrust of the reform agenda was the prescription of minimum shareholders' funds of 25 billion for Nigerian commercial banks not later than December 31, 2005. Merger and acquisition were among the various strategies through which consolidation objective could be actualized. Hence out of the 89 banks that were in operation before the reform, more than 80 percent (75) of them merged into 25 banks while 14 that could not finalize their consolidation before the expiration of deadline were liquidated (Olaitan, 2006, Elumilade, 2010).

Since the aim of any reform is to bring greater efficiency not only in the operations of commercial banks but also to their contributory role to the overall economy, it has also become necessary to determine whether the recent mergers and acquisitions have really impacted positively on both savings mobilization and credit allocations through increased returns on savings and reduced cost of borrowing (Prompitak, 2009). There still existed diverse opinions by several researchers with regard to the effects of mergers and acquisitions and its effects on commercial bank lending to small businesses in Nigeria. Emeni and Okafor (2008) asserted that non merged commercial banks have tended to extend more credits to small businesses than merged commercial banks mostly those whose merged due to dynamic effect. While, Elumilade (2010), established that mergers and acquisitions induced by consolidation programme has improved competiveness and efficiency of lending operations of commercial banks in Nigeria. Based on the above stated views, it is still doubtful if mergers and acquisitions have really improved commercial banks' credits to small businesses in Nigeria. Thereby establishing need for this study. By the time it is completed, we shall be in a position to ascertain if mergers and acquisitions have caused an improvement on commercial banks' credits to SMEs or not in Nigeria.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

Bank Capital Model

This model considers the lending behaviours of commercial banks to small businesses to be affected by a capital adequacy requirement. According to Obamuyi (2007), "the bank capital channel views a change in interest rate as affecting lending through bank capital, particularly when banks' lending is constrained by a capital adequacy requirement.

The Lifecycle Approach

The lifecycle approach, as described by Asuquo (2012), was conceived on the premise of rapid growth of small businesses and lack of access to the capital market. Small firms were seen as starting out by using only the owners' resources. If these firms survived, the dangers of undercapitalization would soon appear and they would then be likely to make use of other sources of funds, such as trade credit and short-term loans from banks and according to him, rapid growth could lead to the problem of illiquidity.

The dynamic small firm would therefore have to choose between reducing its growth to keep pace with its internally generated funds, acquire a costly stock market quotation, or seek that most elusive form of finance-venture capital" .Therefore, indicating a trend in small and medium business that expanding small firms are likely to experience rising short-term debts and use little or no long-term debts.

Pecking Order Theory

Babajide (2011), emphasized that another financing theory that is very familiar with the operations of the small business is the pecking order theory as proposed by (Myers, 1984). The pecking order theory states that firms prioritize the source of financing from internal such as cash flow or entrepreneur's capital to external such as loan from commercial banks (Olutunla and Obamuyi, 2008). This theory proposes that firms prefer to use internal sources of capital first and will resort to external sources only if internal sources are inadequate. This theory has been found to be relevant to the financing of SMEs. Most SMEs start with internal financing before looking for external sources. Older firms, by definition, have had more opportunities to accumulate retained earnings than younger companies, thus more funds are available to finance operational growth. Pecking order theory suggests that those funds should be used before external capital sources are tapped.

The Value-Increasing Theory

According to the value increasing school, mergers occur, broadly, because mergers generate synergies' between the acquirer and the target, and synergies, in turn, increases the value of the firm (Onikoyi, 2012), so to speak.

REVIEW OF EMPIRICAL LITERATURE

This section reviews the studies related to the effect of bank mergers and acquisitions. Although there may have been some other studies that have examined the impact of bank mergers and acquisitions, past literature relevant to the central objective of the present study were reviewed. Berger et al. (1997)**,** in their study on the effect of bank mergers and acquisitions on small business lending, examined data on small business lending and 6000 U.S. bank mergers and acquisitions between the late 1970s and early 1990s.They found out that small business lending is reduced when the type of merger and acquisition between banks is static (that is, when banks simply combine their balance sheets to create a larger institution). This is because they believed that larger more complex institutions become less relationship-based and less localized in their strategies. Small businesses are therefore negatively impacted by bank consolidation as securing small business loans is heavily dependent on owners forming relationships with bankers. Berger et al (1997), found that the decline in relationship-based lending is offset by the response from other banks in the market that adjust their strategy to take advantage of underserved small businesses. Thus they concluded that the supply of credit to small businesses did not change significantly by the merger activity of financial institutions.

Prompitak (2009), in her study of the impact of bank mergers and acquisitions (M&As) on lending behavior by commercial banks, which aimed at explaining the effects of mergers and acquisitions on bank loan pricing behavior, interest margin setting, credit availability and lending objectives. The study used difference in differences (DID) estimation technique to analyze the data set of large European commercial banks from 1997 to 2005. The analysis provided evidence that mergers had statistically significant influence on reduced lending rates, interest margins and loan supply. In addition, lending objectives for merged and non-merging banks were different, in that merger-involved banks tended to emphasize more on maximizing their utility, while non-merging banks focused on remaining safe. She asserted that merged banks could obtain efficiency gains through mergers and could pass these benefits to their customers in the form of lower lending rates and interest margins. In addition, diversification gains could arise from consolidations. This is because merged banks focused more on other business activities than traditional intermediary activities.

Aliyu and Kabiru (2013), assessed the effect of 2004 banking reforms on loan financing of the SMEs in Nigeria, using primary data sourced via questionnaires from randomly chosen 500 from small and medium scale enterprises registered between 2003- 2013. To test the reliability of the survey data, Cronbach's alpha, split-half test and guttman's lambda were used while chi- square test was used to analysis the data. The study's analysis revealed that 2004 banking reform had no significant effect on loan financing of SMEs in Nigeria within the period studied. Based on the results, the study therefore recommended that the Central Bank of Nigeria and the Federal Government should provide general procedures for accessing the loans in order to remove unnecessary constraints from commercial banks, which SMEs have suffered over the years.

Emeni and Okafor (2008), examined the relationship of bank mergers and acquisitions (M&As) and credits to small businesses in Nigeria (2004-2006). They divided the effects into static and dynamic effects. Cross sectional research design and multiple regression analysis were used for data collection and analysis, respectively. They found out that the larger the size of a bank by way of mergers and acquisitions

(M & A), that is the static effect, the more it tended to lend to small businesses. Also they found out that change in banking focus in the area of cutting down of branches in local areas), otherwise referred to as the dynamic or restructuring effect, resulted in poor lending to small businesses, even with mergers and acquisitions. In response to their findings, they suggested that policy makers should consider both the static and dynamic effects of mergers and acquisition on small business lending in their thrust.

Asuquo (2012)**,** also attempted to trace the effects of bank consolidation reforms on small business lending activities in Nigeria. To do that, data were collected by cross-sectional research design through the administration of questionnaires on three banks in Nigeria. He equally developed a simple linear regression model to analyze his data and the result showed that bank size, financial characteristics and deposits of non-merged banks were positively related to small business lending while for the merged banks, the reverse was the case.

Adebayo and Olalekan (2012), assessed the implication of M&As of commercial banks in Nigeria on their profitability and other associated measures of performance. Using simple percentages, tables, *t*-test and correlation coefficient analysis, they analyzed the data from the audited accounts of 10 out of the 24 consolidated banks. The results of their analysis revealed that there was a significant relationship between banks' capital base and their profitability, increased cost of services and bank lending. Moreover, there was significant difference between pre and post- merger and acquisition earnings per share.

Adolphus (2011), in his study tested four regression models to examine the effects of selected bank management ratios on rural lending and small business finance in Nigeria. He used published data generated from the *Central Bank of Nigeria (CBN) Statistical Bulletin* (various) for the period (1992-2007), and analyzed same with the Software Package for Social Sciences (SPSS). He found that a critical gap in bank intermediation still existed in the Nigerian rural and SME sectors and that a significant positive relationship existed between rural loan-to deposit ratio and aggregate loan-to-deposit ratio of banks at the 5% level.

Olokoyo (2011), investigated the determinants of commercial banks' lending behavior in the Nigerian context. The study aimed to test and confirm the effectiveness of the common determinants of commercial banks lending behavior and how it has affected the lending behavior of commercial banks in Nigeria. She used multiple regression analysis model to estimate relationship between Nigerian commercial banks loan advances (LOA) and other determinants or variables such as their volume of deposits, their investment portfolio, interest (lending) rate , stipulated cash reserve requirements ratio and their liquidity ratio for the period (1980 – 2005) studied. The findings revealed that there was a positive and significant relationship between bank loans and advances and volume of deposits and investment portfolio while interest rate, minimum cash reserve requirement ratio,and liquidity ratio had no significant effects on banks' lending behavior.

Elumilade (2010), tested his hypothesis by estimating a model that incorporated some key financial variables in a model that regressed interest rates on these financial variables. Two models were estimated: one for the lending activity and the other for the deposit activities. The model for lending activity had interest rate on loan as the dependent variable and deposit rate represented the dependent variable in the deposit model. The study found evidence to support the thesis that the consolidation programme-induced mergers and acquisitions in the banking industry had improved competitiveness and efficiency of the borrowing and lending operations of the Nigerian banking industry.

RESEARCH METHODOLOGY

This study was carried out based on exploratory research design. The population of this study comprised of all licensed commercial banks in Nigeria from 1992 to 2014 and all the registered small businesses captured in the *Central Bank of Nigerian Statistical Bulletins (various).* The sample included all the commercial banks in existence from 1992 to 2014. Secondary data sourced from the *Central Bank of Statistical Bulletin* was used to carry out tests and analysis for the study.

Model Specification

The aim of this study is to ascertain the effect that mergers and acquisitions has had on commercial bank credits to small businesses in Nigeria. However, other variables that influence commercial bank lending activities are equally considered. The variables are bank lending rate (BLR), liquidity ratio (LQR) and cash reserve ratio (CRR). Thus in line with the hypothesis stated below, the present study adopted and modified the models of Babajide (2012) and Afolabi (2013) to establish the effect of bank loans on SMEs growth in Nigeria. Therefore, the econometric multiple regression model that will be used for this study is expressed thus below;

$$\text{In CBLSBs}=\alpha+\text{In}\beta_1\text{MAA} + \text{In}\beta_2\text{BLR} + \text{In}\beta_3\text{CRR}+ \text{In}\beta_4\text{LQR}+\mu \quad \text{(Equ 1)}$$

Where; MAA = Mergers and acquisitions was proxied by dummy variable of 0 and 1.

0 represented years of non merger and acquisition, while 1 represented years of mergers and acquisitions.

CBLSBs = Commercial bank loan to small businesses in Nigeria,
α = Intercept or constant,
β = Parameters or coefficient of explanatory variables,
BLR = Bank lending rate
CRR = Cash reserve ratio
LQR = Liquidity ratio,
In=log=natural logarithm
μ = Error term.
The above empirical model would be used to achieve the objective of the study.

Brief Explanation of Variables Used in the Model eqn(1) above.

(A) Dependent variable;

1**. Commercial bank loan to small businesses (CBLSB):** Commercial bank loan to small businesses refers to summation of total amount of loan given to small businesses by commercial banks.

(B) Independent variables

1. Bank Lending rate (blr): Lending rate is the amount or interests that bank charge customers on loan. It is also the cost of obtaining credit.(Olutunla and Obamuyi, 2008)

2. Cash reserve ratio (Crr): This is a given percentage of total bank deposits that banks are mandated to keep with the Central Bank of Nigeria. It is a monetary policy tool used to set the minimum deposits that commercial banks must hold as reserves. It is also the ratio of cash reserve requirement to total current liabilities. Ajayi and Atanda, 2012.

Statement of Hypotheses

H_O: Bank mergers and acquisitions, bank lending rate, liquidity ratio and cash reserve ratio have no positive and significant effect on commercial bank lending to small businesses in Nigeria.

$H_{A:}$ Bank mergers and acquisitions, bank lending rate, liquidity ratio and cash reserve ratio have positive and significant effect on commercial bank lending to small businesses in Nigeria.

Analysis of Data Collected and Interpretation of Results

This section deals with analysis and interpretation of the results of the data collected during the course of this study. The data collected was presented in tabular form for clarification(see Table 1 in the appendix), analyzed with ordinary least square regression analysis and other statistical techniques such as unit root test, ARDL co integration test and error correction test in line with study's hypotheses.

Unit Root Test of Variables

To properly examine the trend relationship and the nature of stationarity in this study, we adopted the Augmented Dick-Fuller tests (ADF) at constant trend level in order to test for the presence of or otherwise of unit root and ensure that this study obtained reliable and non-spurious results. Engle and Granger (1987) in Olokoyo (2011) were of the opinion that most macroeconomic time series are not stationary at levels, which implied that most Ordinary least square (OLS) regressions done at level may not be reliable. From the results presented in the appendix Table 2 below, it would be seen that all the variables were not stationary at levels except cash reserve ratio. However, all these other variables were stationary at first difference.

Co Integration Tests

The ARDL or bound test approach was used to test the existence or otherwise of a long run equilibrium relationships existing among variables used in the study. Results presented in Table 3 in appendix led to the conclusion that there had existed a long- run relationship between commercial bank loans to small businesses (CBLSB), mergers and acquisitions(MAA),Bank lending rate (BLR), cash reserve ratio (CRR) and liquidity ratio (LQR). These had implied that these variables may wander from one another in the short –run but would move together in the long-run.

Short Run Dynamics, Error Correction Model.

From the results of commercial bank loan to small businesses (CBLSB) error correction model (ECM) on Table 4 in the appendix below, the ECT showed the correction sign and it was statistically significant at 5 percent level, which did suggest a feed-back mechanism between these variables implying that there was short run relationship among these variables. The ECT value in the model was -2.70. This coefficient is the speed of adjustment and it was significant at 5% level. The value of -2.70 coefficients implied that about 27 percent of the short run disequilibrium and inconsistencies were corrected and incorporated into the long run equilibrium relationship showing that the system got adjusted towards long run equilibrium at the speed of 27 percent.

Ordinary Least Square Regression analysis

Table 4 in the appendix below presented the results of the empirical OLS regression estimates for the study resulting from the data analyzed. The Coefficient of determination R^2 measured the explanatory power of the multiple regression models. From the results, there was a moderate coefficient of determination 42.9 percent. The implication was that the variables in the equation were useful for explaining the level of changes in commercial bank credit to small businesses that had occurred between 1992- 2014 studied. The F- statistic value was found to be 3.38. The F – statistic value was significant at 5 percent level. Therefore the overall fit of the regression model which was measured by the F-statistic was statistically significant at that level. The

Durbin Watson (DW) statistic of 1.85 indicated that there was no problem of serial correlation in the regression model used

It could be seen from the results that mergers and acquisitions (MAA) with a coefficient of -16894.77 had negative and significant impact at 5 percent level on commercial bank loans to small businesses (CBLSB) in Nigeria. This implied that an increase in mergers and acquisitions (MAA) would lead to a decrease in the commercial bank loans to small businesses (CBLSB) in Nigeria. It was observed that bank lending rate (BLR) with a coefficient of 948.68 had a positive impact on commercial bank loans to small businesses (CBLSB) in Nigeria. This implied that an increase in bank lending rate (BLR) would lead to an increase in the commercial bank loans to small businesses (CBLSB) in Nigeria. Also cash reserve ratio (CRR) with a coefficient of 740.58 had a positive impact on commercial bank loans to small businesses (CBLSB) in Nigeria. This also implied that an increase in cash reserve ratio (CRR) would lead to an increase in the commercial bank loans to small businesses (CBLSB) in Nigeria.

Finally liquidity ratio (LQR) had a positive impact on commercial bank loans to small businesses (CBLSB) with a coefficient of 687.48. This showed that as liquidity ratio (LR) increased, commercial bank loans to small businesses (CBLSB) in Nigeria grew.

FINDINGS OF THE STUDY AND IMPLICATIONS OF RESULTS

1) The co-integration tests revealed that there existed long run relationship between commercial bank loans to small businesses (CBLSB) in Nigeria, mergers and acquisitions (MAA), bank lending rate (BLR), cash reserve ratio (CRR) and liquidity ratio (LQR). This implied that these variables may wander from one another in the short –run but would move together in the long-run.
2) Mergers and acquisitions (MAA) had negative and significant effect on commercial bank lending to small businesses in Nigeria (CBLSB). This may be as a result of commercial banks financial resource diversion and concentration on other sectors and investments that may have yielded higher returns and are less risky. This discovery is at variance with the findings of Aliyu and Kabiru (2013) "that 2004 banking reforms had no significant effect on loan financing of SMEs in Nigeria".
3) Bank lending rate (BLR) had positive but insignificant impact on commercial bank credit to small businesses (CBLSB). This implied that an increase in BLR will lead to an increase in the commercial bank credits to small businesses (CBLSB) in Nigeria, though insignificantly. This might be due to the fact that commercial banks would lend more to the small businesses in the event of high interest rate on lending in order to make high profits. This result is in line with our a prior expectation.
4) Liquidity ratio (LQR) had a positive but insignificant effect on availability of commercial bank credits to small businesses in Nigeria. It implied that an increase in liquidity ratio will result to an insignificant increase in commercial loans to small businesses in Nigeria.
5) There was a positive relationship between cash reserve ratio and commercial bank lending to small businesses (CBLSB), but this relationship was not significant. It then means that commercial banks credits to small businesses increase as cash reserve ratios increases. This is against our *a prior* expectations that an increase in cash reserve ratio would lead to decrease in bank lending, because banks were expected to have less cash at their disposal for lending purposes. The plausible reason for this poor result could be due to distortions in the Nigerian banking system.

CONCLUSION

Mergers and acquisitions have not actually impacted positively on the small business and medium scale enterprises that are usually seen as catalysts and engines of economic growth of any nation. This implied that one of the purposes of mergers and acquisitions of giving birth to strong banks full of capacities to support bedrocks (small businesses) of economic development of Nigeria has not yielded the expected results in Nigeria .This might be due to the fact that lending to small businesses has inherent risks associated with them.

The excess liquidity in the banking industry as a result of strong customer confidence reposed on them via bank consolidation and reforms in the banking sector, if properly harnessed could have noticeable and significant effects on small business loans and the economy in general.

Proper enhancement and implementation of lending rate and cash reserve ratio would have more positive and significant effect on the volume of loans commercial banks extend to small businesses for productive and investment purposes and subsequently reduce the number of small businesses that closed shop due to inadequate funds.

RECOMMENDATIONS

Based on the findings of this study the following recommendations are provided for policy and decision makers.

1) Government in its future reform programmes should encourage banks to adopt mergers and acquisitions policy that would generate synergies beneficial to merged banks thereby leading to increased value of the particular bank such that it would counter its negative effects on banks' lending to SMEs found in the present study.

2) The federal government of Nigeria via the Central Bank of Nigeria should reintroduce the policy of mandating Nigerian commercial banks, to allocate a given percentage of their total loan portfolio to small and medium scale enterprises. Moreover, strict compliance must be enforced without option of paying penalty for none or partial compliance. This is because commercial banks may decide to finance other profitable and well established large scale businesses instead and use the profit generated to pay penalty.
3) The government through the Central Bank of Nigeria should make cheap funds available for small businesses in order to save them from the hands of commercial banks, who lend more when the lending rate is high with the aim of making outrageous profits. This would reduce cost of fund for small businesses and subsequently promote their growth and economic growth in general.
4) The Central Bank of Nigeria should ensure that commercial banks extend adequate short and medium term loans to small businesses from their liquid assets, instead of keeping them idle in their vault. This will hopefully help both commercial banks and small businesses to generate income and finance short term investments, respectively in the future.
5) There is need for the regulatory authorities to have comprehensive knowledge of various sources of deposits, income and funds in commercial banks in order to effectively enable them track and use cash reserve ratio as a monetary policy instrument on licensed banks in Nigeria.

SIGNIFICANCE OF THE STUDY

Uremadu (2002), stipulated that significance of any academic study should emphasize on those the study will have meaning and valuable to. As such the significance of the present study will include the following:

1) **The management and owners of small businesses in Nigeria:** This study will help them to understand importance of bank mergers and acquisitions and banks credit to the survival of their businesses as well as displaying of competence in preparation of justification for their project and request for credit assistance.
2) **The commercial Banks:** The study will serve as an information and decision tool to the banks, management and other stakeholders on the effect of their lending activities on the Nigerian small businesses after bank consolidation exercise through mergers and acquisitions, just to mention only a few.

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APPENDIX

Table 1: Presentation of Annual Data on Dependent and Independent Variables

Years	CBLSB ₦'B	MAA	LQR %	BLR %	CRR %
1992	20,400.00	0	29.1	29.80	4.4
1993	15,462.90	0	42.2	18.32	6.0
1994	20,552.50	0	48.5	21.00	5.7
1995	32,374.50	0	33.1	20.18	5.8
1996	42,302.10	0	43.1	19.74	7.5
1997	40,844.30	0	40.2	13.54	7.8
1998	42,260.70	0	46.8	18.29	8.3
1999	46,824.00	0	61.0	21.32	11.7
2000	44,542.30	0	64.1	17.98	9.8
2001	52,428.40	0	52.9	18.29	10.8
2002	82,368.40	0	52.5	24.85	10.6
2003	90,176.50	0	50.9	20.71	10.0
2004	54,981.20	0	50.5	19.18	8.6
2005	50672.60	1	50.2	17.95	9.7
2006	25,713.70	1	55.7	17.26	2.6
2007	41,100.40	1	48.8	16.94	2.8
2008	13,512.20	1	44.3	15.14	2.3
2009	16,366.49	1	30.7	18.99	1.3
2010	12,550.30	1	30.4	17.59	1.0
2011	15611.70	1	42.0	16.02	8.0
2012	13,863.46	1	48.3	16.79	12.0
2013	16,268.16	1	63.2	16.72	12.0
2014	17,424.30	1	38.3	16.55	13.0

Source: Central Bank of Nigeria Statistical Bulletin (2014)

Table 2: Unit Root Test Results

Variable	At levels	1st difference	Order of Integration
CBLSB	0.6904	0.0040*	1(1)
CRR	0.0414**		
		0.0213**	1(0)
LQR	0.1769	0.0098*	1(1)
BLR	0.0611	0.0022*	1(1)

Source: Researcher's Computations (2015) Using e-View 8 package.

Table 3: Results of The ARDL Bounds Tests For Co integration

	F-statistic	Lower bound	Upper bound	Conclusion
Model	14.576	4.428	6.250	Co-integration

Source: Researcher's Computations (2015) Using e-view 8 package

Table 4: Results of Error Correction Model of CBLSB model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1316.809	3374.235	-0.390254	0.7027
D(MAA(-1))	-25203.28	13784.32	-1.828402	0.0905**
D(MAA(-2))	21384.63	19656.05	1.087942	0.2964
D(BLR(-1))	1749.422	1045.556	1.673197	0.1182
D(CRR(-1))	-2098.952	2099.135	-0.999913	0.3356
D(LQR(-1))	-132.5321	405.9338	-0.326487	0.7493
ECT(-1)	-2.705197	1.304908	-2.073094	0.0506**

Source: Researcher's Computations (2015) Using e-View 8 package
Key: ** Significant at 5 % level.

Table 5: OLS Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-12778.76	37381.02	-0.341852	0.7364
MAA	-16894.77	9142.076	-1.848023	0.0811**
BLR	948.6893	1362.787	0.696139	0.4952
CRR	740.5849	1276.295	0.580262	0.5689
LQR	687.4818	470.1761	1.462180	0.1609

R-squared	0.429194	Mean dependent var	35156.57
Adjusted R-squared	0.302349	S.D. dependent var	21675.95
S.E. of regression	18104.96	Akaike info criterion	22.63542
Sum squared resid	5.90E+09	Schwarz criterion	22.88227
Log likelihood	-255.3073	Hannan-Quinn criter.	22.69750
F-statistic	3.383592	Durbin-Watson stat	1.854120
Prob(F-statistic)	0.031281**		

Source: Researcher's Computations (2015) Using e-View 8 package
Key: ** Significant at 5% level.

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