

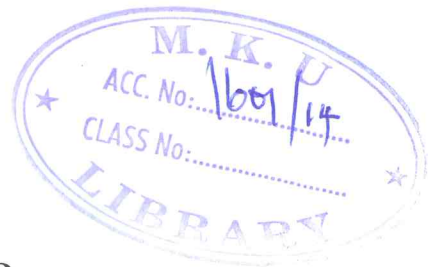
**EFFECTS OF MERGERS AND ACQUISITIONS ON PROFITABILITY OF  
COMMERCIAL BANKS IN KENYA:**

**(A CASE OF I & M BANK)**

**BY**

**GULLEID JAMA GULLEID**

**BCOM/112/00715**



**THIS RESEARCH PROJECT IS SUBMITTED IN PARTIAL FULFILLMENT FOR THE  
DEGREE OF BACHELOR OF COMMERCE (FINANCE OPTION) OF MT. KENYA  
UNIVERSITY**

**AUGUST 2014**

## ABSTRACT

In today's globalized economy, mergers and acquisitions (M&A) are being increasingly used world over for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalizing on economies of scale among other. The reasoning behind any corporate merger is that two companies are better than one because they increase shareholder value over and above that of the two separate firms (Sharma, 2009). The motives behind mergers and acquisitions are economies of scale, increase in market share and revenues, taxation, synergy, geographical and other diversification. The study was guided by four objectives in this study, the STUDY adopted descriptive research design using a case study approach. The target population of this study included managers and staff of I& M bank. A total of 70 respondents were targeted. The study adopted stratified random sampling. The sample size comprised of 25 respondents from a population of 70 which represents 35.71% of the target population. Descriptive statistics was used to analyze the data. Descriptive STATISTICS WAS USED IN DATA IN DATA. The findings of the study indicated that majority (96%) of the respondents agreed that asset quality has a direct impact on bank's profitability while 4% disagreed. The study findings showed that an overwhelming majority (97%) of the respondents agreed that executive compensation affects the profitability of merged banks. Only a small proportion (3%) of the respondents disagreed. One of the objectives of the study sought to find out relationship between capital adequacy of merged banks and profitability of commercial banks in Kenya. According to the findings, 88% of the respondents agreed that capital adequacy affected profitability of merged banks while 12% disagreed. The last objective of the study sought to determine how cost synergies of merged banks affect profitability of commercial banks in Kenya. According to the analysis of the study findings, 94% of the respondents agreed while a minority (6%) disagreed.