MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN INVESTIGATION OF THE EFFECTS OF MERGERS AND ACQUSATIONS ON FINANCIAL PERFOMANCE. A CASE OF INSURANCE COMPANIES IN ZIMBABWE.

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DEDICATION

This dissertation is dedicated to all the COVID-19 victims, may their souls rest in eternal peace.

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Am grateful to Almighty God for enabling me to carry out my research and successfully complete this research.

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ABSTRACT

With mergers and acquisitions becoming one of the ideal strategies which has been utilised by investors. The main aim of this research was to investigate the effects of mergers and acquisitions on financial performance of Zimbabwean insurance companies. The objective of the study was to; to evaluate the feasibility of mergers as a strategy to meet statutory capital requirements; to evaluate the financial position of the insurance companies before and after mergers; to investigate if these insurance companies have grown and survived through mergers; and to identify if whether profitability of insurance companies in Zimbabwe has grown following mergers. The major theories that guided the study include the Eat or be Eaten" theory of mergers and the Agency theory. The study made use of a descriptive research design and quantitative data. The research findings indicated that the employees of insurances companies in Zimbabwe were aware of the mergers and acquisitions occurring within the sector. The major reasons for mergers includes; meeting the statutory minimum requirement for capital, accumulate and enjoy economies of scale, anticipation of cost synergies and strategically managing the industrial independence. The study also found that Mergers and Acquisitions contributed positively to the profitability of insurance firms in Zimbabwe. The study recommends that Management of insurance firms need to implement programs and policies which facilitate knowledge and skills sharing within the group to enhance competitive power and that companies specifically the insurance firms in Zimbabwe need to embark on effective cost management policies which creates cost synergies such as inventory management

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DEFINITION OF TERMS

Financial performance   A firm's financial performance is a measure of how well a firm uses its assets from its core operations and generates revenues over a given period of time.

Net Profit Margin   This refers to the net profit generated by the organisation after taxes and interests have been deducted from the gross profit. In simple terms, it is the profit gained by the organisation from all the phrases of the venture.

Merger   A merger is a process where two previously autonomous companies combine to form a larger company under the common control of a new company comprising of all or a substantial number of the shareholders of both companies.

Insurance   A system under which the insurer, for a consideration usually agreed upon in advance, promises to reimburse the insured or to render services to the insured in the event that certain accidental occurrences result in losses during a given period.

CHAPTER I

INTRODUCTION

1.0. Introduction

The study aims to investigate the effects of Mergers and Acquisitions on financial performance using a case of insurance companies in Zimbabwe. This chapter presents background of the study, problem statement, research objective, research questions, and significance of study, scope of study, limitations of the study and the summary.

1.1 Background of the Study

In the present globalized world investments play a key role, hence investors have reconsidered their positions and strategies on the market. Mergers and acquisitions have become one of the ideal strategies which has been utilised by investors lately and this shown in the increase in related literature. Achim (2018) conducted a thorough literature review in relation to articles published between 2015 and 2018 within the mergers and acquisition field. The statistics from the review shows that articles published in 2015 and 2016 was 206 and 323 respectively and further in the year 2017 and 2018, 339 and 403 articles were published showing a gradual increase annually. Among these published articles, Chaudhary (2016), Aik et al., (2015), Gao, Z. (2015), Al-Hroot (2016) and Harwood (2016) were with the view that mergers and acquisitions improve corporate performance, by joining skills and resources the organisation will become more competitive on the market.

Contrary to Makaza et .al (2015), Ugwuanyi (2015) and Nasieku and Joseph. (2016) in their studies found adverse impact of Mergers and acquisitions on organisation's performance, major reasons being, the reactions of customers and employees on newly formed company. In a different view, results from study conducted by Lai (2015) and Yanan (2016) shows that mergers and acquisition have no effects on corporate performance and they did not create any value. The above mentioned scholars show diverse in research findings, hence it is in the best interest of this study to investigate the effects of Mergers and Acquisitions on financial performance of Zimbabwean insurance companies.

There is a quite number of mergers witnessed within the insurances sector in Zimbabwe since 2000. In 2009, the Insurance and Pension Commission (IPEC) set the minimum requirement for capital at US$ 300 000, following this development the insurance market was reeling under recapitalisation challenges. Several mergers were witnessed between 2009 and 2011 in the insurance sector in seeking to meet the minimum capital requirement. These mergers include that of Lion of Zimbabwe and Zimnat Insurance Company which occur in 2010, General Accident Insurance and Commercial Union Insurance which was witnessed in 2011. Also in 2011, Diamond Insurance Company merged with National Insurance Company bearing a distinct name, Nicoz Diamond Insurance Company. Closure of some insurances companies was witnessed following the failure to meet statutory requirements on capital structure, namely Gallant Insurance Company and Agricultural Insurance Company.

Further on, IPEC increased the minimum capital requirement to US$ 3 million in the year 2012. In seeking to grow organically and reach capital requirements stipulated by the regulator, insurers strive to create competitive advantages by reducing rates which resulted in price war. Mergers also become strategy and this witnessed on the combining of Strategies Insurance Company and Orion Insurance to form Altfin Insurance Company in 2013. CGU and R M Insurance also merged in the same year 2013. Prior to this, in 2013 IPEC announced cancellation of eighteen registration certificates as a result of failure to meet required minimum capital and paying out its claims. The closed companies on this date included; Suremed Health, Brownstone Insurance Company, Jupiter Insurance, SFG and Horizon insurance company.

In 2015, AIG merged with Zimnat Lion to form Zimnat and it is noted as one of the biggest insurance firms in Zimbabwe. There was an acquisition that occurred in 2016 were FBC Holdings acquired 49.2% of Eagle Insurance. In 2015, all insurance companies recorded a gross premiums of US$ 110 million resulting in a drastic decline by 40.5% comparing with US$ 185 million of 2012. The statutory capital requirement become a driving force pushing insurance companies to strive to expand its market share by reducing rates, however it impacted negatively on the economic growth of the sector. In seeking to remedy this, the regulator stipulated a minimum rate to be adopted by the market as a whole. Closure of many insurances companies was witnessed following the failure to meet statutory requirements on capital structure.

The threshold for minimum capital requirement was set at $7.5 million as at 2018 by IPEC which shows an increase from $3 million of 2012. The IPEC urged insurance companies to consider mergers as a way of meeting the revised minimum capital requirements amid indications a number of players who did not meet the January 2018 deadline. In the same year FMHL acquired and 100% stake in Nicoz-Diamond, hence this acquisition resulted in operations of FMHL's subsidiary, TICL which is a short term insurance company merger creating a single short-term insurance business with Nicoz Damond. In the same year, SFG closed following failure to comply with the minimum capital requirement and at this moment it recorded and solvency ratio of 97.96%. The regulator, IPEC, encouraged insurers to engage in mergers activities voluntarily, this can be illustrated by the table 1.1 below.

Table 1.1 Statistics of insurance companies in Zimbabwe

Insurances companies combined	Company formed	Year of merger	Year of closure
Lion of Zimbabwe and Zimnat Insurance Company	Zimnat Lion	2010	-
General Accident Insurance and Commercial Union	SFG	2011	2013
Diamond Insurance Company and National Insurance	Nicoz Diamond	2011	-
Strategies Insurance Company and Orion Insurance	Altfin Insurance	2013	2016
CGU and R M Insurance		2013	2017
AIG and Zimnat Lion	Zimnat	2015	-
Suremed Health, Brownstone Insurance Company,		2013	2015
Jupiter Insurance and SFG		2013	2015

FBC insurance and Eagle Insurance	FBC Insurance	2016	-
TICL and Nicoz Diamond		2018	-

(Source: www.zimstatistics.co.zw)

The table 1.1 shows statistics on insurance companies which merged in the period between 2010 and 2018. The mergers occurred within the insurance companies in seeking to enhance financial performance as well meeting statutory requirement of minimum capital. The mergers were successfully done, however after few years of mergers these companies are noted to close. According to the table 50%, thus 5 out of 10 merged firms noted to close after few year of operating. It is in the best interest of this study to investigate the effects of mergers and acquisition on financial performance which resulted in closure of firms. The study also seek to assess if these merged firms were able to identify and utilize benefits which are brought by mergers and acquisition.

Nasieku and Joseph (2016) suggested for mergers as feasible strategy for growth and survival if organic growth failed. Makaza et al. (2015) stated that poor financial performance pushed insurance companies to continuously seeking ways of growing organically, competition levels were noted to be increasing following this development as firms were competing over this little business in the market. During this era, price reduction become ideal in creating competitive advantages resulting in lower premiums being recorded annually and Insurance and Pensions Commission (IPEC) designed a minimum premium rates in seeking maintain the insurance sector afloat. The paramount objective of mergers and acquisitions was to meet IPEC requirement of capital threshold, stiff completion resulting in price war was recorded to be one of the major reasons of closure by many insurers. The poor management of mergers and acquisition in relation to culture change, inefficiency due to complex new organizational structure is stated as other factors resulting in failure of mergers in the insurance sector (Makaza et al., 2015).

1.2 Statement of problem

It is essential to study the effects that mergers and acquisitions have on financial performance of corporate organization. Rather than being used as strategic tool in meeting minimum

requirement by IPEC. It is important to establish its impact on financial performance. Makaza et al. (2015) in their study discovered that mergers and acquisitions were not favourable within the Zimbabwean insurance sector and they were abolishing firms' value due to poor financial performance yielded. By analysing the financial performance of insurance companies in the pre and post-merger and acquisition period will determine its effects on ability of these firms to meet their short term obligations. If the problem left unaddressed more closure of firms will be recorded within the insurance sector which will result in monopoly, hence customers will tend to suffer from bargaining power. The study also seek to assess if these merged firm were able to identify and utilize benefits which are brought mergers and acquisition.

1.3 Aim of the Study

- To investigate the effects of mergers and acquisitions on financial performance of Zimbabwean insurance companies.

1.4 The Secondary Objectives

1. To ivestigate the feasibility of mergers as a strategy to meet statutory capital requirements.
2. To evaluate the financial position of the insurance companies before and after mergers.
3. To investigate if these insurance companies have grown and survived through mergers.
4. To assess if whether profitability of insurance companies in Zimbabwe has grown following mergers.

1.5 The Research Questions

The research questions were designed in seeking to accomplish research objectives since these typical questions will also be used in the construction of research instruments of this study. The research questions are as follows:

1. Are mergers a feasible strategy for Zimbabwean insurance companies in meeting statutory capital requirements?

2. What are the financial positions of the insurance companies before and after mergers?

3. Have insurance companies in Zimbabwe grown and survived through mergers?

4. What has been the profitability level of insurance companies in Zimbabwe as result of mergers and acquisitions?

1.6 Delimitations

1.6.1 Geographical scope

The study is going to be conducted using sample population constructed from insurance companies in Harare to facilitate the ongoing research.

1.6.2 Time scope

The research focused on data which is related to the period from 2010 to 2019. This period enables the researcher to evaluate the financial performance of the insurers in both pre and post-merger period.

1.7 Significance of the Study

1.7.1 To the insurance companies

This study opens up new areas for further research on the effectiveness of mergers as strategic interventions in insurance industry of Zimbabwe. It is the researcher's conviction that this research creates other researchable gaps which are worthy further investigation and evaluation.

1.7.2 To the researcher

The research will be of more beneficial to the researcher as it equips him with research skills which form the basis of research career since the research is being supervised by a professional.

1.8 Limitations

- Senior management and business unit managers may overrate the business benefits achieved from the mergers and acquisition. However in trying to mitigate this, interviewing of multiple informants at each company may assist in minimizing this effect.

- The reliability of those targeted as respondents eg, business managers' perceptions.
- One might encounter uncooperative respondents.

1.9 Chapter Summary

Chapter one has presented the fundamental subject problem which is to establish the effectiveness of mergers as strategic intervention for insurance industry of Zimbabwe. The problem statement has also been given to indicate clearly the gap in knowledge. The introductory chapter has provided research objectives and questions, significance and limitations of study The next chapter will be focusing on literature review related to the topic and the research problem.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The chapter comprises of various theoretical findings and ideas on results of mergers and acquisition globally. These ideas and theoretical findings were collected from the work of various authors. The convergence and divergence in scholars' ideas will be discussed in the chapter. Literature review will focus on the examination of relevant information collected from journals, dissertations, company articles and books. The study contains theoretical, empirical and conceptual frameworks.

2.1 Conceptual framework

When measuring financial performance, various variables should be adopted. Return on assets assesses the degree on how managers operate company's resources for the purpose of generating profit. The second variable in this research is the return on equity. It can be referred to as the financial ratio (Mboroto, 2013). The purpose of return on equity variable is to indicate total profit made by a firm in comparison with the total sum of shareholder equity contributed. Another variable is the earning per share. Wilkinson (2013) defined earning per share as the profit of a firm shared out to each outstanding share of common stock and indicates firm's profitability. The net profit margin is the last variable. It focused on the profit of the organisation and money generated from the sales revenue and it includes cost of operation (Wilkinson 2013)

Figure 2.1: Conceptual Framework
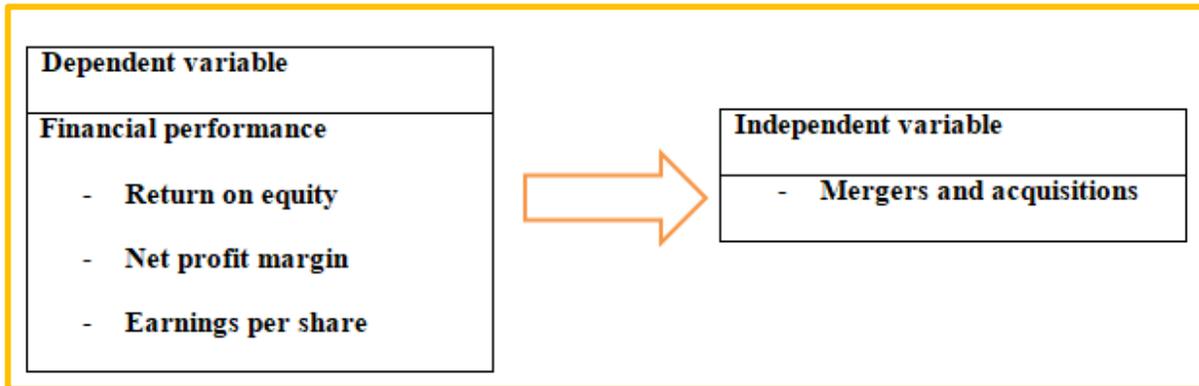
Source: Authors own development based on various readings

2.1.1 Return on Equity

Return on equity is the best variable that investors consider when measuring financial performance. High return on equity indicates that a firm is capable of producing liquidity internally. The return on equity can be described by as the ration of income divided by the total equity capital after all tax deduction has been done (Khrawish 2011). This measurement tool reflects how effective a company is managing funds of the shareholders. Naba and Chen (2014) pointed out that the main disadvantage of the variable is that it is flexible; they easily adapt to financial instabilities and can adjust to the prevailing market situation. ROE ratio illustrates profits made by an organisation by showing the net profit including the shareholder's normal value Mishkin (2006).

2.1.2 Net Profit Margin

This refers to the net profit generated by the organisation after taxes and interests have been deducted from the gross profit. In simple terms, it is the profit gained by the organisation from all the phrases of the venture. Thomson (2011), Zollo and Kerrigan (2012), Li and Pan (2013) stated that a firm with consistently high net profit indicates that the firm with one or more competitive advantages to their competitors provide the firm a cushion in the event of downturns, Tacit that the value of the combined firm will increase by doing merger and acquisition rather than operating individually.

2.1.3 Earning per Share

The Earning per share is regarded as the most powerful measuring tool for investment analysis, (Black, Wright and Davis 2011). It was noted that companies that save its EPS rather than them as dividends incur higher EPS. This will enable them to boost the firm's capital structure without ending up in debts and this will therefore leads to an increase in assets with higher earning and greater EPS. Chatfield, Dalbor, & Willie (2008) stated that shareholder value for any firm is strongly influenced by analysis appraisals for firm's future earnings per share (EPS).

2.2 Theoretical review

This study focused on three theories which were used in data collection namely; firms concentration theory, "Eat or be Eaten" theory of mergers and agency theory. These theories are discussed in detail below.

2.2.1 "Eat or be Eaten" theory of mergers

This theory was propounded by Gorton, Kahl and Rosen (2005) and was termed "Eat or be Eaten." This was the to address various merger waves that were experienced in the 1960's up to late 1990's in United State. The Eat and Be Eaten theory or framework was proposed by combining the elements of neoclassical and behavioural theories. The shortcomings of these two theories created the need for a more advanced theory. Basically, a model of defensive and acquisitions theory is presented by the Eat or Be Eaten theory. The theory proposed that when an organisation remains independent mergers and acquisition can occur rather than when it is acquired. According to this theory, chances of an organisation being acquired can be reduced by acquiring another firm thus increasing the size of a firm.

Gorton et al (2005) stipulates that a firm is not able to acquire a larger firm than itself, it can be however concluded that the firm can be reducing its chances of being acquired by an acquiring firm smaller than it. There is a decrease in the number of potential acquirers when the size of a firm is increased. The reason behind the rise of merger waves is the externalities that are involved in the defensive mergers. Gorton et .al (2005) observed that acquisitions decisions can be easily affected by managerial self-interest. They further stated that managers in some case make defensive mergers with the aim to protect their jobs at their

shareholders' expense. Managers even can do so in the case that the expected synergies of the mergers seem to be negative.

2.2.2 Agency theory

Regardless of managers acting fully rational, mergers and acquisitions can destroy value rather than creating synergies. The Agency theory best explains how the interests of the managers aim at maximizing their personal profits at the expense of the interests of the shareholders. Bjarke and Peter (2010) decisions made by the managers are however more of opportunism than irrational behaviour is. Kivisto (2007) stated that the Agency theory originated specifically from the information economics. The theory was developed with the aim of investigating more on risk sharing and incomplete information (Moe, (1984).

Thomsen (2008) stated that the Agency Theory assumes that there is full rationality for both managers and the owners/shareholders. Existing conflicts of the two parties can be therefore analysed on the basis of opportunistic behavioural assumption. This makes the agent to pursue his personal interest and in some cases may take advantage of the information from the superiors for personal gain. This is what Gorton, Kahl and Rosen (2005) referred to as *"eat or be eaten"* decisions to protect the job of the manager. The Agency theory stresses more on the benefits of the managers at the expense of the shareholders. Most if not all mergers and acquisitions bids are not for the purpose of benefitting shareholders and company owners but personal interests. This may not yield synergies since managers have confidential first-hand information of the business projection.

2.2.3 Firms concentration theory

Sathye (2002) defined concentration as "the degree of control of economic activity by large firms." The Bank Concentration Theory is linked to the work of Demirguc-kunt and Levine (2000) and Boyd and Runkle (1993). Demirguc-kunt and Levine (2000) referred bank concentration as the number of banks (they are few). A smaller number of banks may facilitate bank supervision and monitoring by the private sector with beneficial spill over for overall banking sector stability. Firms concentration theory can be linked to the model of economies of scale. Increases in concentration levels could be due to considerable size enlargement of the dominant firms and/or considerable size reduction of the non-dominant firms.

2.3 Feasibility of mergers as a strategy to meet statutory capital requirements

Heckova et .al (2019) stipulates that the point of departure for the analysis of merger motives is the idea that the high cost of external capital caused by asymmetric information, and the associated under-investment in projects which would otherwise have positive net present value, creates potential gains from mergers between well-capitalized firms and poorly-capitalized firms. According to Tang (2015) such gains could be realized if information asymmetries are lower between the capital-poor firms and potential acquirers than they are between the firm and other providers of capital. The acquiring firm can thus gain from the merger by exploiting its information advantage over the general equity market. In particular, in this circumstance the acquired finn is likely to be undervalued; given a capital infusion this undervalued asset will yield a high return relative to its low purchase price (Myers and Majluf 2014). Tang (2015) refers to these types of mergers as being driven by financial synergies, and investigates the prevalence of this merger motive in the property-liability insurance industry.

Pazarskis et al (2006) stipulates that the idea that insurance mergers could occur for financial synergies is appealing due to the significant potential for information asymmetries between insurance firms and capital markets. Insurer liabilities consist primarily of loss reserves and thus are highly firm-specific and subject to both errors and discretion in the estimation of their value. Myers and Majluf (2014) assert that many insurer assets, like those of other service providers, are intangible and therefore difficult to evaluate by firm outsiders. Information asymmetries are likely to be especially severe for the large segment of the industry made up of closely held or thinly traded stock companies, or mutuals. Moreover, the regulation of surplus ratios in the industry limits the use of risky debt, a source of capital thought to be less costly than external equity issues. Insurance companies that are capital constrained can reduce dividend payments or increase earnings retention, or issue stock.

2.4 Effects of mergers and acquisitions on financial performance

Mergers and acquisition has always been an issue for strategic managers and financial analysis, which due to the high competition arising from the fast-changing global market, it has significantly resulted in a condition where firms are finding it gradually difficult to remain competitive. Several studies have been conducted in developed and developing countries in order to address the effects of mergers and acquisition on company financial performance. Most of the previous studies on mergers and acquisition utilize financial variables such as Return on assets, Gross profit margin, Return on capital employed, Market Growth, total assets ratio, return on net worth, operational profit margin as their research variable (Pazarskis et al

2006; Ramaswamy and Waegelein 2003; Tang 2015). Rehan, et .al (2018) conducted an empirical study aiming to outline the impacts of merger and acquisition on bank profitability in Pakistan. Variables such as Debt Equity Ratio (DER), Net Profit Margin (NPM), Return on Capital Employed (ROCE) and Gross profit Margin (GPM) were used. Paired simple test was used so as to examine the effects of pre and post-merger and acquisition banks performance. The research concluded that there is a positive relationship between financial performance and mergers and acquisitions.

According to Kumar (2019), the resultant costs and benefits of mergers and acquisition is really a corporate issue and may affect the firm's performance either positively or negatively. Therefore the firm shareholders and their agents are faced with issues in other to determine whether this strategic activities and decisions will end up improving the company's financial performance (Katuu, 2013). Although observing into the problem of mergers and acquisition as always been seen as a very difficult issue for the leaders of companies. Long (2015) asserts that firms shareholders value can increase due to acquisition activities. Other than that Li and Pan (2013) also argued the value of the acquired firm will increase other than functioning individually. Fluck and Lynch (2011) also found that consolidation activities commonly used for marginally profitable startups and also this activity will lead to big loss of the firm when it face problems that occurs in the process of mergers and acquisition (Eliasson, 2011).

2.5 Empirical review

A study conducted by Kumar (2019) on the impacts of mergers and Acquisitions on business performance of the banking organisations in Hong Kong. Kumar (2019) also assessed the need for M&A strategies for businesses. The population of the survey consisted of 50 Senior Hong Kong Employees of banking organisations. Findings indicated that strategies of mergers and acquisitions in the banking sector influence positively the operational efficiencies as well as the economies of scale which directly influences cost reduction, competitiveness and financial performance demonstrated a positive outcome post era.

Mishra (2019) conducted a research examining how mergers and acquisitions in India after initiation of reforms in 1991 have affected firms' financial performance. Using panel data and applying the method of difference GMM, it is found that neither market concentration nor mergers and acquisitions affected firms' financial performance because of the multidirectional

structure-conduct-performance relationships. Instead, inter-industry differences in performance have been caused by capital intensity, efforts relating to marketing and distribution, and foreign technology.

Gwaya and Mungai (2015) examined the banks that have merged of acquire in Kenya for the period between 2000 and 2014. The aim of the research was to analyse whether or not the merger had any effect on the performance of the bank. Data was gathered by the use questionnaires. Both open and closed ended question were included in the questionnaires. Marangu (2015) carried out a research in Kenya with the aim of shedding more light on the impact of mergers and acquisition on financial performance of non-recorded commercial banks. The study focused on the profitability of non-recorded banks merged from 1994 to 2001. Four measures of performance were utilized in the research and these are, return on asset, benefit, total liability and shareholder equity. Findings stated that there is a positive change on the performance of non-recorded banks merged during the period under study (1994-2001) as compared to non-recorded banks merged outside the period under study. This supports the view that firms derive a large number of synergies be merging rather than working as individual.

2.6 Chapter summary

The main aim of the chapter was to unearth research gaps existing by combining relevant literature on the impacts of mergers and acquistition on corporte performance. The chapter highlighted what have been researched and areas which were left out that gives the researcher the need and guidance to carry out a detailed study.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

This chapter will focus on research methodology. Research methodology is a plan for achieving a targeted goal (Potter, 1996). Research methodology provides a blueprint that outlines the steps and procedures to be followed in the collection of data. This chapter outlines methods applied by the researcher in the gathering of information concerning the phenomenon under study which is the investigation of the effects of mergers and takeovers on financial performance of insurance companies in Zimbabwe. The chapter will explain in detail the research design, sampling, sources of data, research instruments, data collection procedures, data analysis and presentation and chapter summary to mention but a few.

3.1 Research Design

Research design is a set of tools, approaches and procedures applied in data collection. According to Cooper and Schindler (2011) a research design should be able to measure variables as specified in the research problem. Research design addresses research questions and determines the nature and type of data to be collected. It explains in detail the research variables, data collection methods and statistical analysis plan. This study's objective is to investigate the effects of Mergers and Acquisitions on financial performance of insurance companies in Zimbabwe. A descriptive research design was used by the researcher. It is regarded as the best design where there is large population to answer the research questions. The design selected was the most suitable in evaluating the effects of two variables, mergers and acquisations and financial performance.

3.2 Research Methodology

According to Johnson and Christensen (2005), research methodology is perspectives that are based on a set of shared assumptions, values, concepts and practices. Quantitative methodology enabled the researcher to collect data in an effective and appropriate manner, thus adopted for this research. In the study quantitative methodology was needed in order to explore the way in which participants perceive mergers and takeovers as a factor on financial performance

Thirty two questionnaires were manually distributed to the staff of the insurance companies. Likert scale was used, it ranges from 1-5 whereas 1 as strongly disagree and 5 as strongly agree. The researcher distributed questionnaires. Confidentiality and anonymity of respondents was maintained. This was done so as to assure that the researcher gathers relevant and accurate information thus making the research effective.

3.3 Population

The area under study covered insurance companies located in Harare. There were thirteen insurance companies including; Zimnat Lion, Nicoz Diamond and FBC Insurance among others. Targeted population consists of 105 management of all these insurance companies.

3.3.1 Population treatment

Sampling unit, sampling frame, sample size and sampling procedure is outlined in the sampling plan. Cooper & Schindler (2011) defined sampling frame as the list of population units from which sample will be drawn. A sample of 10%-30% is enough for sampling, as well as elements more than 30 (Mugenda and Mugenda, 2003). The sample consist of three firms which were chosen from the entire population of thirteen firms. Random sampling technique was used in this study and a sample of 32 individuals as selected accordingly. A sample of 32 was selected so as to save time since it is manageable. The managers were selected as the respondents and were expected to provide accurate and reliable information.

Table 3.1 Population and sample size

Category	Population	Sample size	Percentage
Zimnat Lion	45	14	30%
Nicoz Diamond	37	11	30%
FBC Insurance	23	7	30%
Total	**105**	**32**	**30%**

3.4 Research Instruments

Survey questionnaires were used in this research. A questionnaire is defined as a set of questions prepared for respondents to provide responses relating to the research topic Burkholder et al (2006). The use of questionnaires in collecting has an upper hand because they serve more than one purpose. Questionnaires serves four basic purposes that are; they aid in collecting data, regulate bias in Question set up, renders data comparable and applicable to analysis and make questions engaging and varied. Structured questionnaires contained both open ended and closed ended questions. The Likert scale was used to proportionate responses. The questionnaire was also used in the pre-launching phase with first ten respondents in testing the instrument's effectiveness. Confidentiality was maintained at all the stages of the data collection. Anonymity of respondents was guaranteed, respondents were not supposed to write their names on the questionnaire.

3.5 Ethical considerations

Researchers should always bear in mind that there are certain restricted areas that need permission for data collection. Several ethical practices were considered in this study. Silverman (2000) stated that in conducting a research, researchers should take note of several ethical issues during and after the completion of the study. According to Creswell (2003) researchers are ought to respect the values, rights, needs and desires of the informants hence caution should be exercised during the research period. The researcher conducted a research taking clear cognizance of the ethical considerations throughout the research. Participation of the respondents was voluntary. For an effective research, the following ethical considerations were taken care of.

3.5.1 Participant's informed consent

Voluntary participation of respondents was ensured in this research. Voluntary of informed consent involves the provision of provision of sufficient information to the respondents and assuring the respondents that confidentiality will be maintained. Respondents need to be fully informed before participating in the research so that information collected will be unbiased or misrepresented. Respondents have to participate freely, without the exercise of any undue influence, and pressure.

3.5.2 Dispelling fears of harm to participants and any form of risk

In order to dispel fears of harm and risk, the researcher assured participants that there is no harm associated with the participation. Trochim (2000) stated that respondents have to participate without fear of harm, be it physical or psychological. The use of discriminative, offensive and unacceptable language in the research or on the formulation of questionnaire is prohibited.

3.6 Data Collection Procedures

Data can be defined as facts and statistics collected together for reference Burkholder at el (2006). Survey questionnaires were used to collect data from three companies located in Harare. Structured questions were included in the questionnaire and the Likert rating scale with space provided for a selection of choices relating to the phenomenon under study. Open-ended questions in the questionnaire allow freedom of answering and in-depth responses while close ended questions provides quantitative data. The researcher ensured that questions in the questionnaire were as clear as possible, short and precise such that respondents will easily understand. This helped the researcher collecting quantitative data.

3.7 Data Validity and Reliability

Data validity and reliability are the two most important factors when evaluating data in a research. According to Cooper and Schindler (2011) good research must meet the validity and reliability tests. Validity is described as the notch that the research findings are realistic and legal (Ary et al, 2013). It assesses how well research tools measure what they are supposed to measure. Reliability refers to the degree of accuracy (Ary et al, 2013). The ability of measuring tools to produce consistent results in similar situations but different cases. Data validity in this research was ensured by making sure that the questions asked in the instruments are relevant to the research objectives. It was ensured by the help and approval of the academic supervisor that the questions to be asked were relevant to the research study.

3.8 Data Analysis and Presentation

Research instruments were pre-tested. A sample of three insurance companies was used and modified to increase its clarity. The final questionnaire designed after undertaking peer evaluation. After questionnaires were completed, the researcher edited checking, correcting and

eliminating errors. Data was coded so as to enable analysis of the responses. The researcher employed a descriptive analysis to examine data. Muchengetwa, S. (2013) argued that when data is collected the measures of central tendency can be applied to examine the data so that it can be presented. Central tendency measures used in this research are mode and mean. The selection of this tool was based on its preciseness, clarity, interpretation and it is easy to understand. This helped the researcher in drawing recommendations through quantitative analysis.

3.9 Summary

The chapter focused on the research methodology which is the process of collecting data. Research design, sampling, data collection and analysis, ethical considerations and validity and reliability were discussed in the chapter. The researcher used a descriptive research design. Quantitative data was collected and analyse. The next chapter will focus on data presentation and data collected from the research will be presented in form of graphs and tables.

CHAPTER IV

DATA PRESENTATION AND ANAYSIS

4.0 Introduction

The data presentation and analysis is to be illustrated in this chapter. The sample population highlighted in previous chapter played a crucial role in data collection; they took part in completing the questionnaire and participate in personal interviews. The data collected using questionnaires is to be presented, analysed and interpreted in this chapter.

4.1 Responses Rate

The questionnaire response rate is described as the percentage rate on which the questionnaires were returned as compared to those which were administered by the researcher. The researcher distributed 32 questionnaires to the participants for data collection purpose, 31 questionnaires were completed and handed back which resulted in 97% response rate. The questionnaire response rate of this study is best illustrated in table 4.1.

Table 4.1 Questionnaire response rate

Participants	Questionnaire distributed	Questionnaire returned	Response rate
Zimnat Lion	14	14	100%
Nicoz Diamond	11	10	91%
FBC Insurance	7	7	100%
Total	**32**	**31**	**97%**

Source survey data: 2020

4.2 Demographic Characteristics

4.2.1 Gender of respondents

Fig 4.1 Gender of respondents
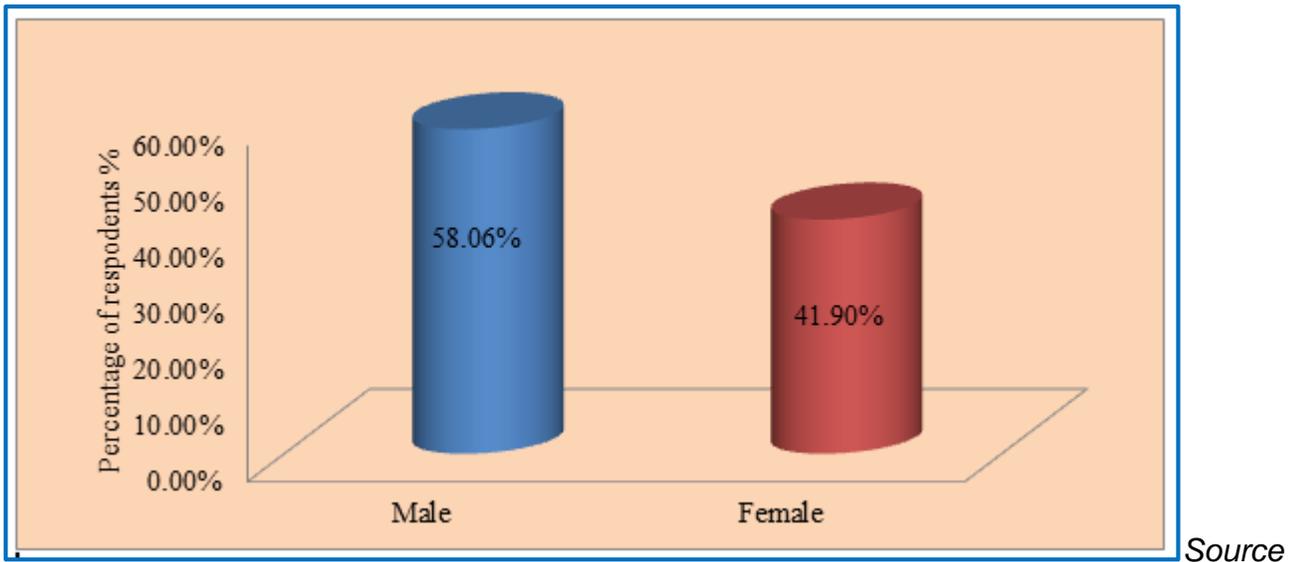
Source survey data: 2020

Fig 4.1 shows that 18 out of 31 (58.06%) were male participants, whilst 13 out of 31 (41.90%) were female respondents. This shows the insuarance sector is dominated by male employees. It is noted that males can easly adopt new technmologies as compared to females, hence they can provide reliable data for this study

4.2.2 Number of years in employment

Fig4.2: Years of Employment
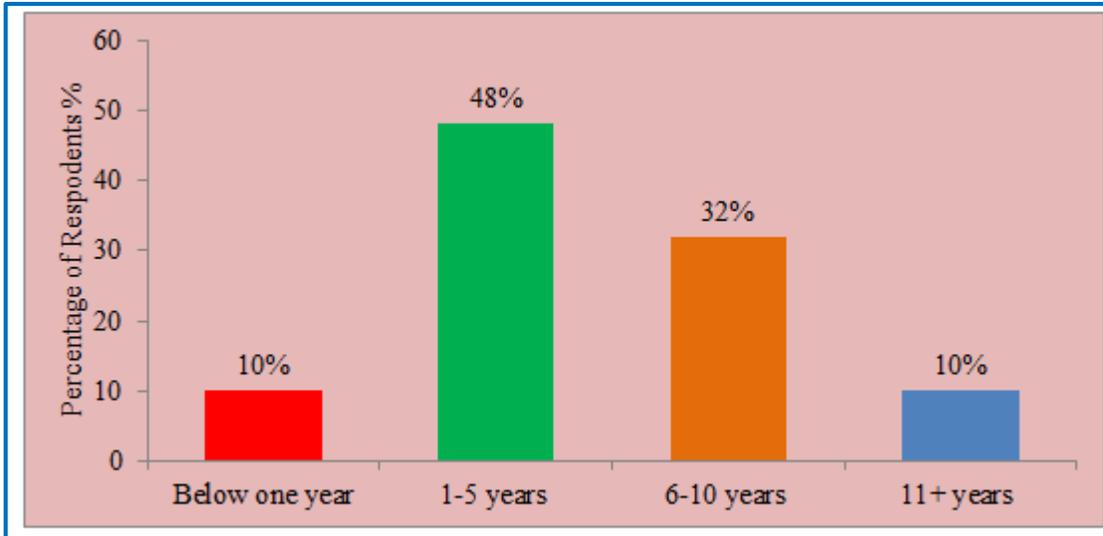
Source survey data: 2020

Fig 4.2 highlighted the number of years on which the participants were being employed within the insurance sector. The data shows that majority of the participants had more than one year being employed within the sector which ensures that data collected was reliable to draw conclusion on since they have adequate knowledge about mergers and acquisition.

4.2.3 Qualifications

Fig 4.3 Qualifications
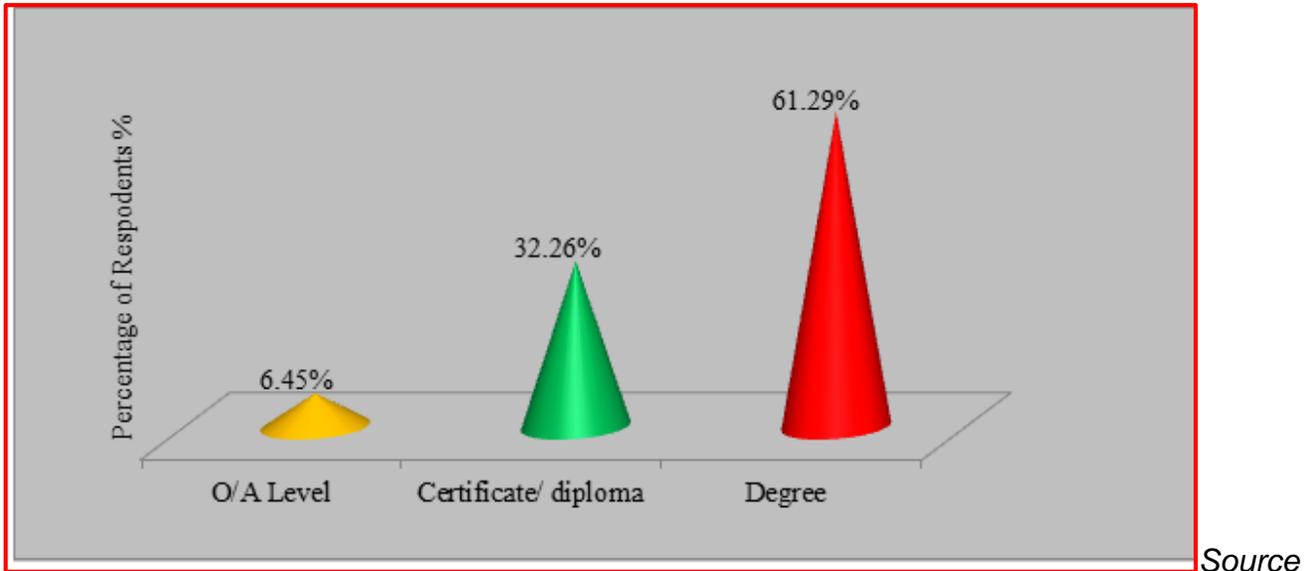
Source survey data: 2020

Fig 4.3 shows that 19 out of 31 (61.29%) participants were degreed, whilst 10 out of 31 (32.26%) had diplomas and 2 out of 31 (6.45%) had A level certificates. The data above shows that the sample group was comprised of literate participants which ensures high level of data reliability and validity.

4.3 Main Findings

The study inquired on the the effects of Mergers and Acquisitions on financial performance. A case of insurance companies in Zimbabwe. Thus, the respondents were asked to indicate their level of agreement with the statements regarding the internal audit function and performance of the construction firm using a five point Likert scale. Furthermore, the mean scores and standard deviation were presented and analysed. The mean statistics are based on the Likert scale used in the survey questionnaire where a mean score of less than 2 means strongly disagree, between 2.0 and 2.9 means disagree, 3.0 to 3.9 means neutral, 4.0 to 4.9 means agree and mean score above 4.9 means strongly agree

4.3.1 Mergers and acquisition which took place

Table 4.2: Mergers and acquisition which took place at your organization

36

	Yes	No	TOTAL
Respondents	30	1	31
% of respondents	96.78%	3.22%	100.0%

Source survey data: 2020

Table 4.3 shows that 30 out of 31 (96.78%) stated that they had knowledge of mergers and acquisition occurring within the insurance sector. However, 1 out of 31 (3.22%) was unaware and had no knowledge of mergers and acquisition occurring within the insurance sector. Overall, the mode of the data is 96.78% stated that they had knowledge of mergers and acquisition occurring within the insurance sector. Hence this ensure valid and reliable data collected.

4.3.2 Success of mergers and acquisition

Table 4.3 Mergers and acquisition were successful

	Yes	No	TOTAL
Respondents	19	12	31
% of respondents	62.29%	38.71%	100.0%

Source survey data: 2020

Table 4.3 shows that 19 out of 31 (62.29%) agreed that mergers and acquisition occur within the insurance sector were witnessed to be successful. However, 12 out of 31 (38.71%) disagreed, stating that the mergers and acquisition failed due to failure to identify opportunities associated with the practice.

Overall, the mode of the data is 62.29% agreed, which means that mergers and acquisitions were successfully implemented within the insurance sector of Zimbabwe and firms were able

to identify and utilize its merit. This was also supported by Jallow et al. (2017), who stated that mergers and acquisations is like gumbling game in which both adverse or favortable outcomes are anticipated despited effort put in place to ensure proper planning. Hence, proper and effective planning process minimises chances of   failure.

4.3.3 Motives behind mergers and acquisitions occurring within the insurance sector of Zimbabwe.

Table 4.4: Motives behind mergers and acquisitions

Statement	Percentage distribution of responses%				
	Strongly Agree	Agree	Uncertain	Disagree	Strongly Diagree
To meet statutory requirement for capital	32.26	67.74	0.00	0.00	0.00
Create economies of scale	29.03	58.06	6.50	6.45	0.00%
Creation of cost synergies	19.35	61.29	3.23	16.13	0.00
Management of industrial interdependence	0.00	9.68	0.00	77.42	12.90

Source survey data: 2020

4.3.3.1 To meet statutory require for capital

Table 4.4 shows that 10 out of 31 (32.26%) strongly agreed, 21 out of 31 (67.74%) agreed, 0 out of 31 (0.00%) were neutral, 0 out of 31 (0.00%) disagreed and 0 out of 31 (0.00%) strongly disagreed that mergers and acquisitions occurring within the insurance sector in seeking to meet statutory requirement for capital. This shows that 100.0% (32.26% strong agreed and 67.74% agreed) agreed that mergers and acquisitions occurring within the insurance sector in seeking to meet statutory require for capital. 0.00% (0.00% disagreed and 0.00% strongly disagreed) disagreed that mergers and acquisitions occurring within the insurance sector in seeking to meet statutory require for capital.

Overall majority of the respondents agreed that mergers and acquisitions occurring within the insurance sector in seeking to meet statutory require for capital and this was supported by

Gwaya and Mungai (2015) who noted that the strength of capital base determines the ability of a firm to create opportunities and economies of scale.   .

4.3.3.2 Creating economies of scale

Table 4.4 shows that 9 out of 31 (29.03%) strongly agreed, 18 out of 31 (58.06%) agreed, 2 out of 31 (6.45%) were neutral, 2 out of 31 (6.45%) disagreed and 0 out of 31 (0.00%) strongly disagreed that mergers and acquisitions occurring within the insurance sector firms are seeking to create economies of scale. This shows that 87.09% (29.03% strong agreed and 58.06% agreed) agreed that mergers and acquisitions occurring within the insurance sector firms are seeking to create economies of scale and this was supported by Anderibom and Obute (2015), who went on to discover the duplications of activities in the sector as a result of mergers and acquisation, it increases product dominance in the market and carter for surplus demand. 6.45% (6.45% disagreed and 0.00% strongly disagreed) disagreed that mergers and acquisitions occurring within the insurance sector firms are seeking to create economies of scale this was also supported by Meglo and Risberg (2015) stated that not all mergers are successful, and the successfulness of mergers is determined by the quality of corporate governance. Overall, the mode of the data is 87.09% agreed, which means that mergers and acquisitions occurring within the insurance sector firms are seeking to create economies of scale.

4.3.3.3 Creation of cost synergies

Table 4.4 shows that 6 out of 31 (19.35%) strongly agreed, 19 out of 31 (61.29%) agreed, 1 out of 31 (3.23%) were neutral, 5 out of 31 (16.13%) disagreed and 0 out of 31 (0.00%) strongly disagreed that mergers and acquisitions occurring within the insurance sector firms are seeking to create cost synergies. This shows that 80.64% (19.35% strong agreed and 61.29% agreed) agreed that mergers and acquisitions occurring within the insurance sector firms are seeking to create cost synergies and this was supported by Haider et al. (2015), state the paramount objective of mergers is to reduce operating cost by combining operations which enables them to eliminate wastage and utilize idle resources. 16.13% (16.13% disagreed and 0.00% strongly disagreed) disagreed that mergers and acquisitions occurring within the insurance sector firms are seeking to create cost synergies and this was supported by Marangu (2015), who alluded that cost synergies can only be created when the two entities involved in mergers in in the same line of business. Overall, the mode of the data is 80.64% agreed,

which means that mergers and acquisitions occurring within the insurance sector firms are seeking to create cost synergies.

4.3.3.4 For management of industrial interdependence

Table 4.4 shows that 0 out of 31 (0.00%) strongly agreed, 3 out of 31 (9.68%) agreed, 0 out of 31 (0.00%) were neutral, 24 out of 31 (77.42%) disagreed and 4 out of 31 (12.90%) strongly disagreed that mergers and acquisitions occurring within the insurance sector with an aim of managing interdependence among firms. This shows that 9.68% (0.00% strong agreed and 9.68% agreed) agreed that mergers and acquisitions occurring within the insurance sector with an aim of managing interdependence among firms and this was supported by Mishra (2019), who stated that mergers is an effective way of managing the supply chain and it enables the entity to create competitive advantages. 90.32% (77.42% disagreed and 12.90% strongly disagreed) disagreed that mergers and acquisitions occurring within the insurance sector with an aim of managing interdependence among firms this was also supported by Oloye and Osuma (2015), who stated that supported that the major drawbacks on the successfulness of mergers is the employees resisting the changes. Overall, the mode of the data is 90.32% disagreed, which means that managing interdependence among firms is not part of the motives behind mergers and acquisitions occurring within the insurance sector.

4.3.4 Impacts of mergers and acquisition on financial position of the insurance irms
Table 4.5 Impacts of mergers and acquisition on financial position

Statement	Percentage distribution of responses %				
	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Increase in profitability	6.45	41.94	6.45	32.26	12.90
Reduction in cost	22.58	29.03	3.23	35.48	9.68
Increased operational efficiency	3.23	16.13	6.45	64.52	9.68

Increased revenue levels	19.35	67.74	0.00	9.68	3.23

Source survey data: 2020

4.3.3.5 Increase in profitability

Table 4.5 shows that 2 out of 31 (6.45%) strongly agreed, 13 out of 31 (41.94%) agreed, 2 out of 31 (6.45%) were neutral, 10 out of 31 (32.26%) disagreed and 4 out of 31 (12.90%) strongly disagreed that profit margins for insurance companies increased following mergers and acquisitions. This shows that 48.39% (6.45% strong agreed and 41.94% agreed) agreed that profit margins for insurance companies increased following mergers and acquisitions. 45.16% (32.26% disagreed and 12.90% strongly disagreed) disagreed that profit margins for insurance companies increased following mergers and acquisitions.

Overall, the mode of the data is 48.39% agreed, which means that profit margins for insurance companies increased following mergers and acquisitions and this was also supported by Joash and Njangiru (2015), who also encourages using mergers and acquisitions as a strategy to increases profitability after observing acivities occur between 2000 and 2014 in Kenya industries.

4.3.3.6 Reduction in operating cost

Table 4.5 shows that 7 out of 31 (22.58%) strongly agreed, 9 out of 31 (29.03%) agreed, 1 out of 31 (3.23%) were neutral, 11 out of 31 (35.48%) disagreed and 3 out of 31 (9.68%) strongly disagreed that operating cost of insurance companies decreased following mergers and acquisitions. This shows that 51.61% (22.58% strong agreed and 29.03% agreed) agreed that operating cost of insurance companies decreased following mergers and acquisitions. 45.16% (35.48% disagreed and 9.68% strongly disagreed) disagreed that operating cost of insurance companies decreased following mergers and acquisitions.

Overall, the mode of the data is 51.61% agreed, which means that operating cost of insurance companies decreased following mergers and acquisitions and this was supported by Kruse et al. (2015), stated that mergers and acquisitions occur with an of enhancing operating economics this includes reducing cost by means of eradicating duplicate and compiting facilities and also gaing purchasing power.

4.3.3.7 Increased operational efficiency

Table 4.5 shows that 1 out of 31 (3.23%) strongly agreed, 5 out of 31 (16.13%) agreed, 2 out of 31 (6.45%) were neutral, 20 out of 31 (64.52%) disagreed and 3 out of 31 (9.68%) strongly disagreed that operational efficiency of insurance companies was enhanced as a result of mergers and acquisitions. This shows that 19.36% (3.23% strong agreed and 16.13% agreed) agreed that operational efficiency of insurance companies was enhanced as a result of mergers and acquisitions. 74.20% (64.52% disagreed and 9.68% strongly disagreed) disagreed that operational efficiency of insurance companies was enhanced as a result of mergers and acquisitions. Overall, the mode of the data is 74.20% disagreed, which means that operational efficiency of insurance companies did not change rather mergers and acquisitions did not have any impact.

4.3.3.8 Increased revenue levels

Table 4.5 shows that 6 out of 31 (19.35%) strongly agreed, 21 out of 31 (67.94%) agreed, 0 out of 31 (0.00%) were neutral, 3 out of 31 (9.68%) disagreed and 1 out of 31 (3.23%) strongly disagreed that revenue levels of insurance companies increased following mergers and acquisitions. This shows that 87.29% (19.35% strong agreed and 67.94% agreed) agreed that revenue levels of insurance companies increased following mergers and acquisitions. 12.91% (9.68% disagreed and 3.23% strongly disagreed) disagreed that revenue levels of insurance companies increased following mergers and acquisitions. Overall, the mode of the data is 87.29% agreed, which means that revenue levels of insurance companies increased following mergers and acquisitions.

4.3.5 Strategies implemented by the insurance company to ensure survival and growth

Table 4.6 Strategies to ensure survival and growth

Statement	Percentage distribution of responses %				
	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Knowledge and skills sharing	29.03	29.03	6.45	22.58	12.90
Combining of operations and functions	22.58	25.81	9.68	29.03	12.90
Procurement practices such as JIT	3.23	16.13	6.45	45.16	29.03
Technological innovations	22.58	25.81	9.68	29.03	12.9

Source survey data: 2020

4.3.5.1 Knowledge and skills sharing

Table 4.6 shows that 9 out of 31 (29.03%) strongly agreed, 9 out of 31 (29.03%) agreed, 2 out of 31 (6.45%) were neutral, 7 out of 31 (22.58%) disagreed and 4 out of 31 (12.90%) strongly disagreed that insurance companies are practicing sharing of knowledge and skills among entities to ensure enhancement of performance. This shows that 58.06% (29.03% strong agreed and 29.03% agreed) agreed that insurance companies are practicing sharing of knowledge and skills among entities to ensure enhancement of performance and this was supported by Sibel and Ihsan (2015), who averred that mergers took place to acquire skills and knowledge of the other entities so as to create and sustain competitive advantages. 35.48% (22.58% disagreed and 12.90% strongly disagreed) disagreed that insurance companies are practicing sharing of knowledge and skills among entities to ensure enhancement of performance and this was supported by Joash (2015), who stated that skills and knowledge sharing is determined by the employee motivation and the willingness of employees to cooperate.

Overall, the mode of the data is 58.06% agreed, which means that insurance companies are practicing sharing of knowledge and skills among entities to ensure enhancement of performance.

4.3.5.2 Combining of operations and functions

Table 4.6 shows that 7 out of 31 (22.58%) strongly agreed, 8 out of 31 (25.81%) agreed, 3 out of 31 (9.68%) were neutral, 9 out of 31 (29.03%) disagreed and 4 out of 31 (12.90%) strongly disagreed that insurance companies are combining entity's functions and department to ensure enhancement of performance. This shows that 48.39% (22.58% strong agreed and 25.81% agreed) agreed that insurance companies are combining entity's functions and department to ensure enhancement of performance and this was supported by Hroot (2016), highlighted that combining of operation enhances creation of competitive advantages as it reduces operating cost. 41.93% (29.03% disagreed and 12.90% strongly disagreed) disagreed that insurance companies are combining entity's functions and department to ensure enhancement of performance and this was also supported by Makaza (2015), alludes that combining of operations is not favorable if the functions of both entities involved in mergers are complex and big in size.

Overall, the mode of the data is 48.39% agreed, which means that insurance companies are combining entity's functions and department to ensure enhancement of performance.

4.3.5.3 Procurement practices such as JIT

Table 4.6 shows that 1 out of 31 (3.23%) strongly agreed, 5 out of 31 (16.13%) agreed, 2 out of 31 (6.45%) were neutral, 14 out of 31 (45.16%) disagreed and 9 out of 31 (29.03%) strongly disagreed that insurance companies are practicing just-in-time procurement practice to ensure enhancement of performance. This shows that 19.36% (3.23% strong agreed and 16.13% agreed) agreed that insurance companies are practicing just-in-time procurement practice to ensure enhancement of performance and this was supported by Okafor et al. (2015), that mergers enable the entity to gain purchasing power which enhances procurement practices. 74.19% (45.16% disagreed and 29.03% strongly disagreed) disagreed that insurance companies are practicing just-in-time procurement practice to ensure enhancement of performance.

Overall, the mode of the data is 74.19% disagreed, which means that insurance companies are not practicing just-in-time procurement practice.

4.3.5.4 Technological innovations

Table 4.6 shows that 7 out of 31 (22.58%) strongly agreed, 8 out of 31 (25.81%) agreed, 3 out of 31 (9.68%) were neutral, 9 out of 31 (29.03%) disagreed and 4 out of 31 (12.9%) strongly disagreed that insurance companies are focusing on improving their technology intensity to ensure enhancement of performance. This shows that 48.39% (22.58% strong agreed and 25.81% agreed) agreed that insurance companies are focusing on improving their technology intensity to ensure enhancement of performance and this was also supported by Nasieku and Joseph (2016), averred that technological innovations creates competitive advantages as a result in high levels of operational efficiency and offering customers real value. 41.93% (29.03% disagreed and 12.90% strongly disagreed) disagreed that insurance companies are focusing on improving their technology intensity to ensure enhancement of performance and this was also supported by Samila (2015), state that acquisition of technological machines is so costly which contradict with cost management policies of organization. Overall, the mode of the data is 48.39% agreed, which means that insurance companies are focusing on improving their technology intensity to ensure enhancement of performance.

4.3.6 The following were the challenges faced by insurance companies resulting in deterioration of financial performance

Table 4.7 Challenges faced by insurance companies

Statement	Percentage distribution of responses%				
	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Customer reaction	12.90	22.58	3.23	35.48	25.81
Resistance to change	16.13	48.39	6.45	22.58	6.45
Lack of communication	22.58	29.03	9.68	32.26	6.50
Lack of coordination	12.90	19.35	6.45	38.71	22.58

Source survey data: 2020

4.3.6.1 Customer reactions over newly formed entity

Table 4.7 shows that 4 out of 31 (12.90%) strongly agreed, 7 out of 31 (22.58%) agreed, 1 out of 31 (3.23%) were neutral, 11 out of 31 (35.48%) disagreed and 8 out of 31 (25.81%) strongly disagreed that insurance companies are being affected by negative reaction of customers following mergers and acquisition. This shows that 35.48% (12.90% strong agreed and 22.58% agreed) agreed that insurance companies are being affected by negative reaction of customers following mergers and acquisition and this is supported by Shin et al. (2015), that the resistance to change by customers result in rejection of entity's products and it negatively influence corporate performance. 61.29% (35.48% disagreed and 25.81% strongly disagreed) disagreed that insurance companies are being affected by negative reaction of customers following mergers and acquisition and this was supported by Wyman (2016), however customers prefer bigger organization as the implement product promotion and they produce quality product.

Overall, the mode of the data is 61.29% disagreed, which means that insurance companies are not being affected by negative reaction of customers following mergers and acquisition.

4.3.6.2 Employees' resistance to change

Table 4.7 shows that 5 out of 31 (16.13%) strongly agreed, 15 out of 31 (48.39%) agreed, 2 out of 31 (6.45%) were neutral, 7 out of 31 (22.58%) disagreed and 2 out of 31 (6.45%) strongly disagreed that insurance companies are being affected by workers resting change brought by mergers and acquisition. This shows that 64.52% (16.13% strong agreed and 48.39% agreed) agreed that insurance companies are being affected by workers resting change brought by mergers and acquisition and these were supported by Yanan et al. (2016), alludes that fear of losing jobs or being demoted following mergers has a negative influence on employee performance. 29.03% (22.58% disagreed and 6.45% strongly disagreed) disagreed that insurance companies are being affected by negative reaction of customers following mergers and acquisition, this was also supported by Ugwuanyi (2015), maintained that a firm to be able to create and sustain competitive advantages following mergers it should replace un-skilled labor with qualified and experienced labor..

Overall, the mode of the data is 64.52% agreed, which means that insurance companies are being affected by workers resting change brought by mergers and acquisition.

4.3.6.3 Lack of communication within the entity

Table 4.7 shows that 7 out of 31 (22.58%) strongly agreed, 9 out of 31 (29.03%) agreed, 3 out of 31 (9.68%) were neutral, 10 out of 31 (32.26%) disagreed and 2 out of 31 (6.50%) strongly disagreed that insurance companies which involved in mergers and acquisition are failing due to lack of communication among entities. This shows that 51.61% (22.58% strong agreed and 29.03% agreed) agreed that insurance companies which involved in mergers and acquisition are failing due to lack of communication among entities, this was also supported by Gupta and Banerjee, (2017) discovered that poor communication arise following mergers as the organization becomes big in size and control over communication channels becomes complex. 38.76% (32.26% disagreed and 6.5% strongly disagreed) disagreed that insurance companies which involved in mergers and acquisition are failing due to lack of communication among entities and this was supported by Farrell (2015), averred that the effectiveness of communication networks within the organization is determined by the cooperate governance.

Overall, the mode of the data is 51.61% agreed, which means that insurance companies which involved in mergers and acquisition are failing due to lack of communication among entities.

4.3.6.4 Lack of coordination among departments

Table 4.7 shows that 4 out of 31 (12.90%) strongly agreed, 6 out of 31 (19.35%) agreed, 2 out of 31 (6.45%) were neutral, 12 out of 31 (38.71%) disagreed and 7 out of 31 (22.58%) strongly disagreed that insurance companies which involved in mergers and acquisition are failing due to lack of coordination of functions. This shows that 32.25% (12.90% strong agreed and 19.35% agreed) agreed that insurance companies which involved in mergers and acquisition are failing due to lack of coordination of functions and this was supported by Gao (2015), averred that lack of coordination has a negative effective on performance, when an organization become big in size coordination becomes difficult. 61.29% (38.71% disagreed and 22.58% strongly disagreed) disagreed that insurance companies which involved in mergers and acquisition are failing due to lack of coordination of functions and this was supported by Chaudhary et al. (2016), alludes that coordination is determined by the willingness of employees and management to work together as one group.

Overall, the mode of the data is 61.29% agreed, which means that insurance companies which involved in mergers and acquisition are failing due to lack of coordination of functions.

4.3.7 Strategies which can be implemented by the insurance companies to ensure accomplishment of mergers and acquisitions objectives.

Table 4.8 Strategies to ensure accomplishment of mergers and acquisitions objectives

Statement	Percentage distribution of responses%				
	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Training Programs	6.45	22.58	3.23	51.61	16.13

| R&D programs | 29.03 | 61.29 | 3.20 | 6.45 | 0.00 |

4.3.7.1 The research and development (R&D) programs

Table 4.8 shows that 2 out of 31 (6.45%) strongly agreed, 7 out of 31 (22.58%) agreed, 1 out of 31 (3.23%) were neutral, 16 out of 31 (51.61%) disagreed and 5 out of 31 (16.13%) strongly disagreed that insurance companies requires research and development programs to ensure accomplishment of mergers and acquisitions goals. This shows that 29.03% (6.45% strong agreed and 22.58% agreed) agreed that insurance companies requires research and development programs to ensure accomplishment of mergers and acquisitions goals. 67.74% (51.61% disagreed and 16.13% strongly disagreed) disagreed that insurance companies requires research and development programs to ensure accomplishment of mergers and acquisitions goals.

Overall, the mode of the data is 67.74% disagreed, which means that insurance companies do not requires research and development programs and there not useful in relation to accomplishment of mergers and acquisitions goals.

4.3.7.2 Training programs for employees

Table 4.8 shows that 9 out of 31 (29.03%) strongly agreed, 19 out of 31 (61.29%) agreed, 1 out of 31 (3.23%) were neutral, 2 out of 31 (6.45%) disagreed and 0 out of 31 (0.00%) strongly disagreed that insurance companies needs to train its workers to ensure accomplishment of mergers and acquisitions goals. This shows that 90.32% (29.03% strong agreed and 61.29% agreed) agreed that insurance companies needs to train its workers to ensure accomplishment of mergers and acquisitions goals. 6.45% (6.45% disagreed and 0.00% strongly disagreed) disagreed that insurance companies needs to train its workers to ensure accomplishment of mergers and acquisitions goals. Overall, the mode of the data is 90.32% agreed, which means that insurance companies needs to train its workers to ensure accomplishment of mergers and acquisitions goals.

4.3.6 The Mergers and Acquisitions have a positive impact on financial performance of insurance companies

Table 4.9 Raw data: Positive impact on financial performance

Strongly agreed	Agreed	Uncertain	Disagreed	Strongly disagreed
5	19	2	4	1

Source survey data: 2020

Corporate firms have grown and survived through merger and acquisition, using question (Ai) to test. Computation of means, variances of insurances companies. This table shows the opinion of respondents and scale of point computation to show the sample mean as been computed.

4.4 Hypothesis Testing Pre and Post Indicators

Table 4.11: Table of Hypotheses

Hypotheses	Significant Level	Description
Mergers and acquisition has a significant impact on ROA	0.023 Fail to reject	The P-value is 0.023, which is below the significant level of 0.05. This illustrates mergers & acquisition is significant on ROA
Mergers and acquisition has a significant impact on ROE	0.003 Fail to reject	The P-value is 0.003, which is below the significant level of 0.05. This illustrates mergers & acquisition is significant on ROE
Mergers and acquisition has a significant impact on EPS	0.005 Fail to reject	The P-value is 0.005, which is below the significant level of 0.05. This illustrate mergers & acquisition is significant on EPS
Mergers and acquisition has a significant impact on NPM	0.567 Rejected	The P-value is 0.567, which is above the significant level of 0.05. This illustrates mergers & acquisition is insignificant on ROA.

H1: Mergers and acquisition has a significant impact on ROA

Return on assets is seen having a probability of 0.023, which is significant on merger because it's below the significant level of 0.5. The descriptive table shows ROA reduces significantly from the time of merger and after the merger from 9.8 to 1.3 on mean. This is because acquired firms didn't expand their operational cost after the merger so they build on utilizing their resources and also companies extensively use their discretionary accruals prior to the merger and acquisition. Market movement and economic growth of the UK economic was also an influence of the decrease of return on assets, therefore return on assets decrease significantly after the merger. Studies done by Yeh and Hoshino (2002), and Ismail et al.

(2009) in the Philippines manufacturing sector and concluded firms return on assets reduces after mergers and acquisition.

H2: Mergers and acquisition has a significant impact on ROE

Companies' return on equity probability value is 0.003, which is highly significant on mergers but the descriptive table illustrates that firm's return on equity decrease significantly after merger from 54.64 to 10.81, which is 44% reduction. The Zimbabwean insurance firms build on their profitability and expanded their operational cost after undergoing the merger, the high significant of return on equity is also has a result of companies making greater reserves accumulation, safeguarding shareholders value and improving management of funds. Khrawish (2011) concluded return on equity of firm's decreases after acquisition of companies.

H3: Mergers and acquisition has a significant impact on EPS

The companies earning per share is having a probability value of 0.005but a negative relationship value of -3.81, which is weak on mergers and acquisition. It's illustrated in the descriptive table that earning per increase 3% after the merger. This increment of earning per share is due to some factors like the firms going through buyback programs where the companies share is been sold out by their promoters and also the firms had made a lot of sales after the merger which increase its Operational Profits. The reason is also after a merger firms invested in other projects therefore their revenue incline and share earnings increases. Ahmed and Ahmed (2014) conducted studies on earning per share on US companies and concluded that the share of shareholders increases significantly after a merger.

H4: Mergers and acquisition has a significant impact on NPM

Companies' net profit margin probability value is 0.567, which is above the normal significant level of 0.5 and the descriptive table show the EPS reduces around 1% from 9.63 to 8.29 after the merger. This decline of earning per share is due as a result of firm complex organizational structures and the lessened managerial efficiency that leading to losing control affect the company efficiency of M&A toward performance (Ravenscraft and Scherer, 1989). And also another analysis is done by Mahesh and Prasad (2012) that firms external factors together with its internal factors such as higher expenses and financial charges, non-strategic decision from managers and operational inefficiency affects net profit margin negatively and results to a significant lost. On the other hand Nangja and Agrawal (2013), says net profit margin increased after mergers when they conducted a study on Indian pharmaceutical industry.

4.4 Chapter summary

This chapter was focusing on data presentation and analysis. Both primary and secondary data was analysed in this chapter, primary data was obtained through questionnaires whilst secondary data was obtained through company's documents. The data was analysed and presented with the aid of tables, graphs and descriptive summaries accompanying.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter went on to wind up the research by summarising research findings and recommendations on the effects of mergers and acquisitions on financial performance of Zimbabwean Insurance companies. This chapter aims on summarising the overall research and the findings and suggestions by the researcher are also to be addressed.

5.1 Summary of chapters

5.1.1 Chapter one

The research was focusing on the effects of mergers and acquisitions on financial performance of Zimbabwean Insurance companies. Chapter one contains vital components of the study which is the background of the study and problem statement which forms backbone of the study. The research objectives and questions are also included in chapter one which forms the directions and guidelines of the research.

5.1.2 Chapter two

The second chapter contains literature which relates to the mergers and acquisition activities occurred globally. The convergence and divergence of scholars' thoughts on mergers as strategy to create and sustain compatative advantages. Okpanachi (2014) and Al-Hroot (2016) were the main scholars in this chapter. Al-Hroot (2016) supported that mergers occurs with different motives which includes reduction of operating cost, create economies of scale, cost synergies by gaining the purchasing power. Okpanachi (2014) averred that there several reasons which lead to failure of mergers such as; poor corporate governance, customer and employee reaction, lack of communication and lack of coordination.

5.1.3 Chapter three

The third chapter outlined research methodology used in gathering of both primary and secondary data. The chapter illustrated how descriptive research design was used in gathering data. The chapter also demonstrates how census technique used to create a sample from the

targeted population. The research instruments used to gather data was also included in this chapter.

5.1.4 Chapter Four

The fourth chapter mainly focused on presentation and analysis of the research findings which were obtained using research methodology as described in chapter three. Thirty two questionnaires were distributed to the targeted population and the researcher recovered thirty one completed questionnaires on which results were concluded. The gathered data were presented in tables and graphical forms.

5.2 Major research findings

The research findings indicated that the employees of insurances companies in Zimbabwe were aware of the mergers and acquisitions occurring within the sector and they all rated them as successful since they serve the purpose they meant to purports. It is discovered that there are vast number of reasons why insurance firms in Zimbabwe opt for merger and strategies as an ideal strategy which includes; meeting the statutory minimum requirement for capital, accumulate and enjoy economies of scale, anticipation of cost synergies and strategically managing the industrial independence.

The profitability and revenue levels of most insurance companies in Zimbabwe are witnessed to maximise profit following mergers and acquisition due to reduction in number of competitors and as well elimination of substitutes for the services. The research findings also highlighted drastic decrease in operating cost as a result of combining operations and function and as well reducing rental cost and staff cost.

The strategic measures which were implemented by insurance companies in seeking to ensure survival and growth includes; knowledge and skills sharing, combining operation and embracing of technological innovations.

The research and development programs are noted to be the best alternative in seek ways to attain objectives of mergers and acquisitions. The training of employees including management is evitable to reduce resistance to change which may negatively affect the performance.

5.3 Recommendations

- Insurance companies need to embrace competition and utilize economies of scale and synergies brought by mergers and acquisition.
- Management of insurance firms need to implement programs and policies which facilitate knowledge and skills sharing within the group to enhance competitive power.
- Companies specifically the insurance firms in Zimbabwe need to embark on effective cost management policies which creates cost synergies such as inventory management.
- The management should consider the implementation of Just in Time approach for inventory to utilize its advantages.
- Companies should create cost control committees which ensure proper management of organisation's spending and also acts as an oversight of the activities of management in their purchases.

5.4 Summary

The chapter summarised the contents of the previous chapters, the conclusion arrived from research findings. Recommendations to the organization were also included in this chapter and if properly implemented they might be useful.

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Appendicies

Research on the effects of Mergers and Acquisitions on financial performance of insurance companies in Zimbabwe.

I am David Mashingaidze Kamkoyo R1610706B, a student from Midlands State University studying Bachelor of Commerce Accounting Honors Degree. The aim of this questionnaire is to solicit information regarding the effects of mergers and acquisition on financial performance of insurance companies in Zimbabwe. The information that you are going to provide will be kept confidential and will only be used for academic purposes.

Instructions to respondents

❖ Do not write your name on the questionnaire
❖ Tick in the relevant box for your response
❖ Where applicable give your opinion in blank space below

Section A

1. Gender

Male ☐ ☐ Female

2. Number of years in employment

Up to year ☐ ☐ years ☐ 6 – 10 years

11 + more years

3. Qualifications

☐

64

O/A Level [   ]   Certificate/ diploma   [   ]   Degree

4. What is your position in the firm? ……………………………..

Section B

1. Are you aware of the mergers and acquisition which took place at your organisation?

Yes	No

2. Can these mergers and acquisition which took place at your organisation regarded as successful?

Yes	No

3. The following are motives behind mergers acquisitions occurring within the insurance sector of Zimbabwe.

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
To meet statutory requirementfor capital					

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Create economies of scale					
Creation of cost synergies					
For management of industrial interdependence					

4. The following were the impacts of mergers and acquisition on financial position of the insurer

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
There was increase in profitability					
Operating cost were reduced due to cost synergies brought about					
Increased operational efficiency as a result of technology sharing					
Increased revenue levels resulting from reduced competition					

5. The following were strategies implemented by the insurance company to ensure survival and growth

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Knowledge and skills sharing					
Combining of operations and functions					
Procurement practices such as JIT					
Technological innovations					

1 **The following were the challenges faced by insurance companies resulting in deterioration of financial performance**

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Customer reactions over newly formed entity					
Employees' resistance to change					
Lack of communication within the entity					
Lack of coordination among departments					

2 **The following are strategies which can be implemented by the insurance companies to ensure accomplishment of mergers and acquisitions objectives.**

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree

The research and development (R&D) programs				
Training programs for employees				

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