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# Financial Resources and Post-Acquisition Performance of Selected Acquired Banks in Kenya

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## ABSTRACT

**Purpose:** Bank acquisitions in Kenya have produced uneven results. Some acquired banks have recovered while others continue to post losses years after the transaction, even though higher minimum capital requirements are expected to drive further consolidation. This paper investigates the effect of financial resources on the post-acquisition performance of selected acquired banks in Kenya. **Methodology:** The study was anchored on the Resource-Based View and supported by Agency Theory. A descriptive and correlational research design was adopted. The unit of analysis was seven commercial banks acquired between 2015 and 2025, covering eight transactions, and the unit of observation was the individual respondent. A sample of 212 was drawn from a target population of 450 senior managers, middle-level managers, employees, Central Bank of Kenya officials, and financial analysts, auditors and consultants using Yamane's formula with stratified and purposive sampling. Data were collected with a structured five-point Likert-scale questionnaire and key informant interview guides; 189 usable questionnaires were returned (89.2%). Data were analysed in SPSS version 26 using descriptive statistics, Pearson's correlation and multiple linear regression. **Findings:** Financial resources recorded a composite mean of 3.56 (SD = 1.10). The financial stability of the acquiring bank received the strongest endorsement (64.55% agreement), while access to external financing and integration budgets drew the largest neutral shares. Financial resources were strongly and positively correlated with post-acquisition performance ($r = .672$, $p < .01$) and remained a significant predictor after controlling for human resource management, integration processes and market factors ($B = 0.186$, $\beta = .218$, $t = 3.456$, $p = .001$). The null hypothesis was therefore rejected. **Recommendations:** Acquiring banks should prepare financial plans that run from the transaction to full integration, ring-fence and track integration budgets, diversify funding sources and communicate financing arrangements openly to staff. The Central Bank of Kenya should complement its capital rules with post-acquisition financial guidance.

**Keywords:** *Financial Resources, Capital Adequacy, Post-acquisition Performance, Bank Acquisitions, Resource-Based View, Kenya*

## 1. Introduction

Mergers and acquisitions (M&A) have become a dominant strategy in banking as institutions respond to globalisation, competition, regulatory pressure and the search for economies of scale. Banking is among the most consolidation-intensive sectors in the world, and both the volume and the complexity of bank M&A activity have increased in developed and emerging markets alike (Chakraborty & Das, 2024). Whether an acquisition creates or destroys value, however, depends on how the combined institution is managed after the deal closes. Within the 4Ms framework of Money, Men, Methods and Market, this paper concentrates on Money, which refers to the adequacy of financial resources, the allocation of capital and the quality of financial planning that underpin an acquisition (Barney, 1991).

International evidence suggests that financial strength is central to whether the synergies expected from a bank acquisition are realised. In the United States, acquirers with stronger pre-merger capital positions have recorded better long-term stock performance and lower default risk

(Cowan et al., 2022), and in Japan financially strong acquirers have attracted positive market reactions that spilled over to other banks in the sector (Wang & Tsuyuguchi, 2025). The African record is less encouraging. A study of sub-Saharan bank mergers between 2003 and 2019 found that profitability deteriorated for several years after the deal, especially where undercapitalised banks were absorbed to satisfy regulatory capital minimums (Ayagre et al., 2024). Related work shows that the effect of M&A on profitability in the region depends on asset quality, so pooled capital alone is not sufficient without sound governance and risk management (Ajayi, 2023).

In Kenya, the Central Bank of Kenya (CBK) has used higher minimum core capital requirements to steer the industry towards consolidation. Between 2018 and 2025, eight acquisition transactions involving seven commercial banks were completed: Chase Bank by SBM Bank Kenya (2018), National Bank of Kenya (NBK) by KCB Group (2019), Transnational Bank by Access Bank (2020), Mayfair Bank by Commercial International Bank of Egypt (2020), Jamii Bora Bank by Co-operative Bank of Kenya (2020), Spire Bank by Equity Bank (2023), First Community Bank by Premier Bank of Somalia (2023), and NBK again, this time by Access Bank from KCB Group (2025) (Business Daily, 2023; CBK, 2023; People Daily, 2023b; The Standard, 2025). Many of these targets were financially weak at the time of acquisition. Spire Bank's core capital was negative KSh 2.6 billion in January 2022 against a statutory minimum of KSh 1 billion (People Daily, 2023a); First Community Bank's core capital had fallen to KSh 924 million (Business Daily, 2023); and Transnational Bank lost KSh 83.9 million in 2019 (Business Daily, 2020).

Post-acquisition outcomes have been inconsistent. SBM Bank Kenya, which took over the assets and liabilities of Chase Bank in August 2018, reported a net profit of KSh 1.32 billion for 2018 but a net loss of KSh 1.07 billion in 2024, which raised its accumulated loss to KSh 2.22 billion and required cash support from its parent (Business Daily, 2019b, 2025). At sector level, the gross non-performing loan ratio rose from 15.6% in 2023 to 17.1% in 2024, and the minimum core capital requirement is scheduled to rise from KSh 1 billion to KSh 10 billion by 2029, which is expected to prompt further acquisitions (CBK, 2025). Local studies report a similar mix, with some acquirers sustaining profit gains and others recording declining core earnings several years after their transactions (Oira et al., 2024). With the next wave of consolidation

driven by capital rules, it matters whether the management of financial resources after an acquisition explains these differences.

### 1.1 Statement of the Problem

Most of the literature on bank acquisitions concentrates on financial market outcomes such as stock price reactions, shareholder value and capital adequacy ratios (Chakraborty & Das, 2024). Much less attention has been paid to the financial management practices of the combined bank, such as integration budgeting, cost management, pre-acquisition financial planning and access to external funding, and to how these practices shape performance in developing economies. Regulation-induced consolidation in sub-Saharan Africa follows a different trajectory from voluntary acquisitions in developed markets (Ayagre et al., 2024), so evidence from the United States or Japan cannot simply be transferred to Kenya. Kenyan studies have so far relied mainly on secondary financial statements (Kirimi et al., 2022; Oira et al., 2024) and have not captured how managers and employees of acquired banks experienced financial resource decisions during integration. Without such evidence, acquiring banks and regulators have little empirical basis for designing financial strategies that improve acquisition outcomes. This paper addresses that gap.

### 1.2 Objective and Hypothesis

The objective of this paper was to investigate the effect of financial resources on the post-acquisition performance of selected acquired banks in Kenya. The paper tested the following null hypothesis:

**$H_{01}$:** Financial resources have no significant effect on the post-acquisition performance of selected acquired banks in Kenya.

The paper is drawn from a wider study that examined four management practices and market factors (financial resources, human resource management, integration processes and market factors) as determinants of post-acquisition performance. The other three variables are used here as controls so that the unique contribution of financial resources can be isolated.

## 2. Literature Review

### 2.1 Theoretical Framework

**Resource-Based View.** The Resource-Based View (RBV) holds that an organisation gains and sustains competitive advantage when it controls resources that are valuable, rare, inimitable and non-substitutable (Barney, 1991). In a bank acquisition, capital, liquidity and investment capacity are strategic resources. They allow the acquirer to fund the transaction, absorb the losses of a weak target, invest in technology and restructure operations so that synergies can be captured (Wang, 2025). The RBV also stresses that holding resources is not enough; advantage comes from how resources are deployed. This implies that the planning, budgeting and cost control applied to financial resources after the acquisition should matter as much as their size. The theory has been criticised for paying limited attention to the external environment, which is why market factors are controlled for in this paper.

**Agency Theory.** Jensen and Meckling (1976) describe the conflicts that arise when managers (agents) pursue goals that differ from those of shareholders (principals). In acquisitions, managers may favour deals or spending that increase their own status rather than shareholder value, and integration funds can be wasted or misallocated. Governance mechanisms such as performance-linked budgets, monitoring and internal controls reduce these agency costs. Agency Theory therefore explains why financial governance and transparency during integration, and not only the availability of funds, should influence post-acquisition performance (Oziegbe et al., 2024). Its main limitation is the assumption that managers are driven mainly by self-interest.

### 2.2 Empirical Review

**Global evidence.** Cowan et al. (2022) used an event-study and default-risk modelling approach on United States bank holding companies after the 2008 financial crisis and found that acquirers with stronger pre-merger capital positions recorded better long-term stock performance and materially lower default risk than weaker acquirers. Chakraborty and Das (2024) reviewed 174 bank M&A studies from 62 countries published between 2013 and 2023 and found that financial and operating performance was the most frequently studied theme, with capital adequacy and liquidity consistently identified as leading predictors of post-merger success. Wang and Tsuyuguchi (2025) combined event-study models, vector autoregression and propensity score

matching on two Japanese bank mergers and found that financially strong acquirers attracted significant positive market reactions and prolonged spillovers to other banks. The evidence from developed markets therefore points to a positive role for financial strength, but it comes largely from large banks and voluntary transactions.

**Regional evidence.** Aluko and Ajayi (2023) applied panel regression to a multi-country sub-Saharan dataset and found that the effect of M&A on bank profitability was mediated by asset quality, so financial resource adequacy alone did not guarantee better profitability. Ayagre et al. (2024), using a dynamic panel Generalised Method of Moments approach for 2003–2019, found that return on assets, return on equity and net interest margin deteriorated for several years after bank mergers in sub-Saharan Africa, particularly in regulation-induced consolidations. In contrast, Oziegbe et al. (2024) found a statistically significant improvement in return on assets and capital adequacy after Access Bank Plc's merger with Diamond Bank in Nigeria, although return on equity fell because the shareholder base was diluted. The regional evidence is therefore inconsistent, and the outcome appears to depend on asset quality, regulation and governance rather than on the amount of capital alone.

**Local evidence.** Kirimi et al. (2022) analysed the audited financial statements of 39 Kenyan commercial banks for 2009–2020 and found that ownership structure explained 53.04% of the variation in net interest margin and 31.37% of the variation in return on assets, with state and managerial ownership negatively associated with performance. Oira et al. (2024) found mixed financial outcomes among Kenyan acquirers, with some sustaining profitability gains and others recording declining core earnings, and linked the difference to post-merger capital deployment and cost management. Both studies relied on secondary data and did not capture how managers and employees perceived financial resource decisions during integration.

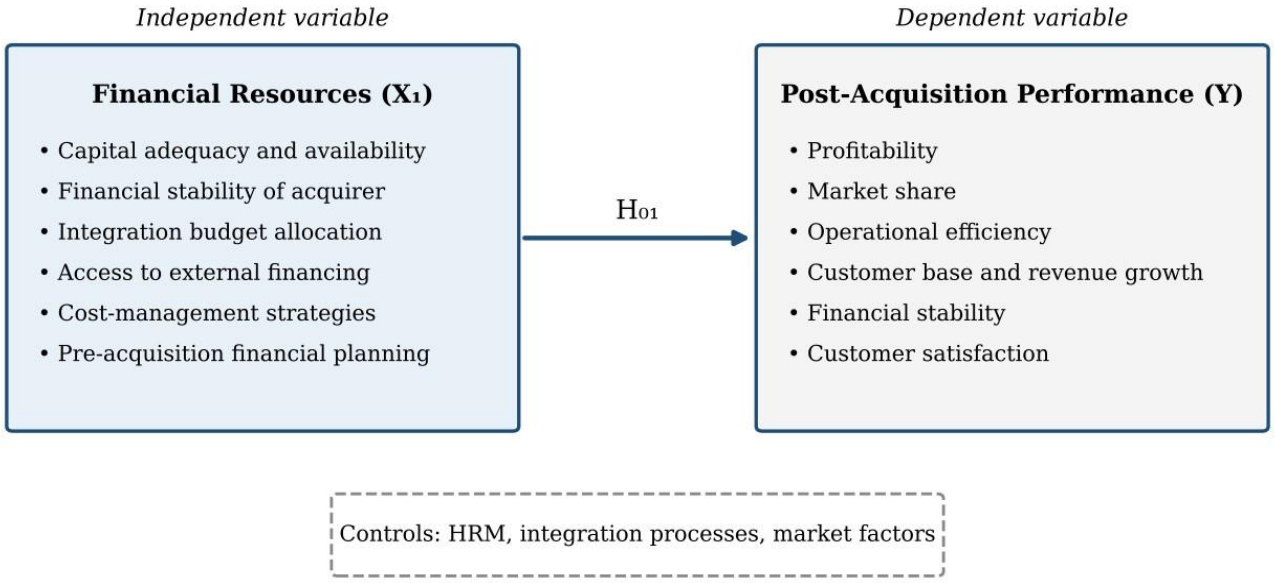
### 2.3 Research Gap and Conceptual Framework

Three gaps emerge from the review. Contextually, most evidence on the financial determinants of acquisition performance comes from developed, large-bank settings, while African evidence aggregates several countries without isolating Kenya's regulatory context. Conceptually, existing studies treat financial resources mainly as capital ratios, rather than as a set of practices that

includes integration budgeting, cost management, financial planning and access to external funding. Methodologically, Kenyan studies rely on secondary financial data and do not capture the perceptions of those who managed or experienced the integration. This paper responds by measuring financial resources as a multi-item construct using primary data and estimating its effect while controlling for the other management practices. Figure 1 presents the conceptual framework.

**Figure 1**

*Conceptual Framework*




*Source:* Researcher (2026).

# 3. Research Methodology

## 3.1 Research Design

The study adopted a descriptive research design to characterise the financial resource practices of the acquired banks, combined with a correlational design to establish the direction, strength and significance of the relationship between financial resources and post-acquisition performance. A mixed-methods approach was used: quantitative data were collected with a structured Likert-scale questionnaire, and qualitative data were collected through key informant interviews to provide context for the survey results (Takona, 2024).

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### 3.2 Unit of Analysis, Population and Sample

The unit of analysis was the selected acquired bank. Seven commercial banks licensed by the CBK, acquired between 2015 and 2025 and operating under the acquirer's management at the time of the study, were included. National Bank of Kenya was acquired twice and is counted once, giving seven banks and eight transactions. The period begins with the bank failures of 2015 and 2016, including the placement of Chase Bank under receivership in April 2016 (Business Daily, 2019a), and ends in 2025, the year of the most recent transaction. The unit of observation was the individual respondent. The target population comprised 450 persons directly involved in, or well informed about, the acquisitions and their outcomes (Creswell, 2014). The sample size was determined using Yamane's (1967) formula at a 95% confidence level and 5% margin of error:

$$n = N / [1 + N(e)^2] = 450 / [1 + 450(0.05)^2] = 211.76 \approx 212$$

Stratified sampling with a sampling fraction of 0.471 was used to allocate the sample proportionally across respondent categories, and respondents within each stratum were selected purposively for their first-hand knowledge of acquisition and integration. Data were collected at the head offices of the banks in Nairobi, where acquisition and integration decisions are made. Table 1 summarises the population, sample and response.

**Table 1**

*Target Population, Sample Size and Response*

| Category of respondents | Population (N) | Sample (n) |
|---|---|---|
| Senior management staff | 60 | 28 |
| Middle-level management staff | 120 | 56 |
| Bank employees | 200 | 94 |
| Regulatory officials (Central Bank of Kenya) | 20 | 9 |
| Financial analysts, auditors and consultants | 50 | 25 |
| **Total** | **450** | **212** |

*Note.* Of the 212 questionnaires distributed, 189 were returned and usable (response rate 89.2%). Source: Survey data (2026).

### 3.3 Research Instruments, Validity and Reliability

The main instrument was a structured questionnaire administered to managers and employees. Financial resources were measured with seven statements covering the adequacy of financial

resources, availability of capital, financial stability of the acquiring bank, budget allocation for integration, access to external financing, cost-management strategies and pre-acquisition financial planning. Post-acquisition performance was measured with seven statements covering profitability, market share, operational efficiency, customer base growth, revenue growth, financial stability and customer satisfaction. All items were rated on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Human resource management, integration processes and market factors, which serve as controls, were each measured with seven items in the same format. A semi-structured key informant interview guide was used with CBK officials, financial analysts, auditors and consultants.

Content validity was established by deriving items from the study objectives and the empirical literature, followed by review by the research supervisor and banking professionals. A pilot study with 21 respondents (10% of the sample) from banks outside the sample tested clarity and consistency; two ambiguous items were rephrased and the scale layout was improved. Reliability was assessed using Cronbach's alpha, and each questionnaire section met the 0.70 threshold before the main data collection.

### 3.4 Data Collection and Analysis

The study obtained an introduction letter from The Management University of Africa, a research permit from the National Commission for Science, Technology and Innovation (NACOSTI), and authorisation from the CBK and the management of the participating banks. Questionnaires were distributed by drop-and-pick and electronically, with a two-week completion window and two reminders. Data were coded and analysed in SPSS version 26. Descriptive statistics (frequencies, percentages, means and standard deviations) summarised the responses, and Pearson's correlation measured the bivariate association between financial resources and performance. The hypothesis was tested using multiple linear regression in which financial resources were entered together with the three control variables:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

where $Y$ is post-acquisition performance, $X_1$ is financial resources (the variable of interest), $X_2$ is human resource management, $X_3$ is integration processes, $X_4$ is market factors, $\beta_0$ is the constant,

$\beta_1$–$\beta_4$ are regression coefficients and ε is the error term. $H_{01}$ was rejected if $\beta_1$ was significant at the 0.05 level. Interview data were analysed thematically; participation was voluntary, consented and confidential.

## 4. Results and Discussion

### 4.1 Response Rate and Respondent Profile

Of the 212 questionnaires distributed, 189 were returned and none was excluded, giving a response rate of 89.2%, well above the 70% considered adequate for social science research (Mugenda & Mugenda, 2003). Respondents were drawn from all levels of the banks (top management 14.81%, middle-level management 29.63%, supervisory 23.81% and operational staff 31.75%) and from operations, finance, human resources, marketing and ICT; 73.02% held at least a bachelor's degree. Most (88.36%) had worked in the post-acquisition bank for at least one year, so they were well placed to comment on how financial resources were managed after the acquisition.

### 4.2 Descriptive Results on Financial Resources

Table 2 presents the responses on the seven financial resource statements.

**Table 2**

*Descriptive Statistics on Financial Resources (N = 189)*

| Statement | SA f (%) | A f (%) | N f (%) | D f (%) | SD f (%) | M | SD |
|---|---|---|---|---|---|---|---|
| Adequate financial resources improved the success of the bank acquisition | 38 (20.11) | 72 (38.10) | 45 (23.81) | 24 (12.70) | 10 (5.29) | 3.55 | 1.11 |
| Availability of capital enhanced a smooth transition during the acquisition | 42 (22.22) | 68 (35.98) | 48 (25.40) | 22 (11.64) | 9 (4.76) | 3.59 | 1.10 |
| The financial stability of the acquiring bank influenced acquisition performance | 48 (25.40) | 74 (39.15) | 42 (22.22) | 18 (9.52) | 7 (3.70) | 3.73 | 1.06 |
| Budget allocation for integration activities affected overall performance | 35 (18.52) | 62 (32.80) | 58 (30.69) | 24 (12.70) | 10 (5.29) | 3.47 | 1.09 |
| Access to external financing improved acquisition outcomes | 32 (16.93) | 58 (30.69) | 62 (32.80) | 27 (14.29) | 10 (5.29) | 3.40 | 1.09 |
| Cost-management strategies contributed to the success of the acquisition | 40 (21.16) | 70 (37.04) | 48 (25.40) | 22 (11.64) | 9 (4.76) | 3.58 | 1.09 |

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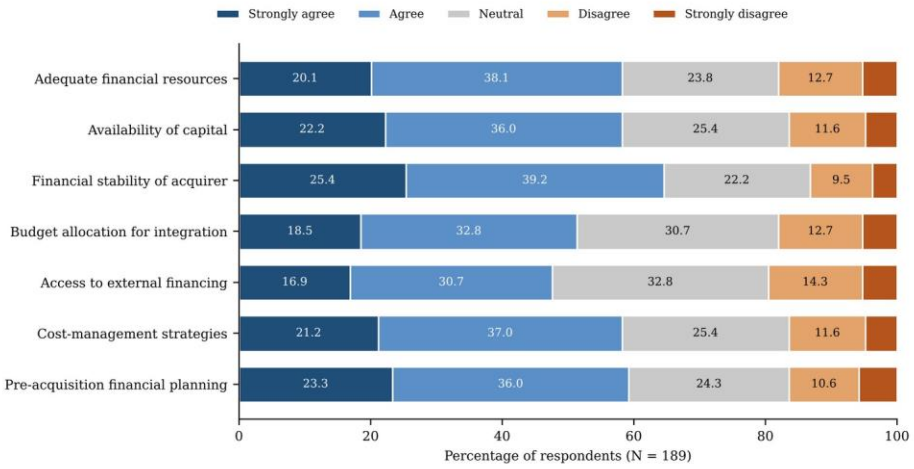
| Statement | SA f (%) | A f (%) | N f (%) | D f (%) | SD f (%) | M | SD |
|---|---|---|---|---|---|---|---|
| Financial planning prior to the acquisition positively influenced performance | 44 (23.28) | 68 (35.98) | 46 (24.34) | 20 (10.58) | 11 (5.82) | 3.60 | 1.13 |
| **Composite mean and standard deviation** | | | | | | **3.56** | **1.10** |

*Note.* SA = strongly agree; A = agree; N = neutral; D = disagree; SD = strongly disagree; M = mean; SD (last column) = standard deviation. Means are on a five-point scale (5 = strongly agree). Source: Survey data (2026).

The composite mean of 3.56 (SD = 1.10) shows that respondents generally agreed that financial resources contributed to the performance of the acquired banks. Agreement (agree plus strongly agree) ranged from 47.62% to 64.55% across the seven statements, and disagreement never exceeded 19.58%. Figure 2 shows the distribution of responses for each statement.

**Figure 2**

*Distribution of Responses on Financial Resource Statements*




*Note.* Values are percentages of 189 respondents; values below 7% are not labelled. Source: Survey data (2026).

The financial stability of the acquiring bank received the strongest endorsement (M = 3.73; 64.55% agreement), with only 13.23% disagreeing. A well-capitalised parent was thus seen as the key financial condition for success, as it reassures depositors, staff and regulators while a weak target is restructured.

Pre-acquisition financial planning (M = 3.60; 59.26% agreement), availability of capital (M = 3.59; 58.20%), cost-management strategies (M = 3.58; 58.20%) and the adequacy of financial resources (M = 3.55; 58.20%) formed a second group of practices with broadly similar support.

Their similar ratings suggest that capital works together with advance planning and cost control during integration to capture synergies.

The lowest ratings were for budget allocation for integration (M = 3.47; 51.32% agreement) and access to external financing (M = 3.40; 47.62%). These two statements also attracted the largest neutral shares, 30.69% and 32.80% respectively. This suggests limited visibility of integration budgets and financing arrangements, which are largely decided at board and group level. The neutral responses point to a need for greater financial transparency during integration so that employees understand, and can support, the financial strategy of the combined bank.

### 4.3 Descriptive Results on Post-Acquisition Performance

Table 3 summarises the respondents' assessment of post-acquisition performance, the dependent variable.

**Table 3**

*Descriptive Statistics on Post-Acquisition Performance (N = 189)*

| Performance indicator | Agree / strongly agree f (%) | Neutral f (%) | Disagree / strongly disagree f (%) | M | SD |
|---|---|---|---|---|---|
| Improved overall profitability | 114 (60.32) | 46 (24.34) | 29 (15.34) | 3.62 | 1.09 |
| Increased market share | 103 (54.50) | 52 (27.51) | 34 (17.99) | 3.51 | 1.11 |
| Improved operational efficiency | 118 (62.43) | 44 (23.28) | 27 (14.29) | 3.67 | 1.08 |
| Growth in customer base | 108 (57.14) | 50 (26.46) | 31 (16.40) | 3.57 | 1.09 |
| Increase in revenue | 98 (51.85) | 56 (29.63) | 35 (18.52) | 3.47 | 1.11 |
| Improved financial stability | 114 (60.32) | 48 (25.40) | 27 (14.29) | 3.65 | 1.08 |
| Improved customer satisfaction | 102 (53.97) | 54 (28.57) | 33 (17.46) | 3.51 | 1.11 |
| **Composite mean and standard deviation** | | | | **3.57** | **1.10** |

*Note.* Agree and disagree categories are combined for brevity. Source: Survey data (2026).

Performance was rated positively overall (M = 3.57, SD = 1.10). Agreement was strongest for operational efficiency (62.43%), profitability (60.32%) and financial stability (60.32%), and weakest for revenue growth (51.85%) and customer satisfaction (53.97%). Financial stability, the outcome most directly linked to capital support, was among the highest-rated, while revenue and customer outcomes appear to take longer to materialise.

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### *4.4 Correlation Analysis*

Pearson's correlation was used to measure the association between financial resources and post-acquisition performance, and between financial resources and the control variables (Table 4).

**Table 4**

*Correlation Matrix (N = 189)*

| Variable | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. Financial resources | — | | | | |
| 2. Human resource management | .624** | — | | | |
| 3. Integration processes | .587** | .638** | — | | |
| 4. Market factors | .512** | .546** | .559** | — | |
| 5. Post-acquisition performance | .672** | .718** | .694** | .653** | — |

*Note.* **Correlation is significant at the 0.01 level (2-tailed). Source: Survey data (2026).

Financial resources had a strong, positive and significant correlation with post-acquisition performance ($r = .672$, $p < .01$). On its own, therefore, financial resources share about 45.2% of their variance with performance ($r^2 = .452$). Banks whose respondents rated financial resource practices more highly also tended to report better post-acquisition outcomes. Financial resources were also moderately to strongly correlated with human resource management ($r = .624$), integration processes ($r = .587$) and market factors ($r = .512$). Well-resourced acquirers therefore also tend to manage people and integration better, so the effect of financial resources must be estimated with the other practices controlled. No predictor correlation exceeded .70, so multicollinearity was not a serious concern.

### 4.5 Regression Analysis and Hypothesis Test

Multiple linear regression was used to estimate the unique effect of financial resources on post-acquisition performance after controlling for human resource management, integration processes and market factors. The model summary, analysis of variance and coefficients are presented in Table 5.

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**Table 5**

*Regression Results for the Effect of Financial Resources on Post-Acquisition Performance*

| Predictor | B | Beta (β) | t | Sig. |
|---|---|---|---|---|
| (Constant) | 0.856 | — | 4.267 | .000 |
| **Financial resources ($X_1$)** | **0.186** | **0.218** | **3.456** | **.001** |
| Human resource management ($X_2$) | 0.274 | 0.312 | 4.892 | .000 |
| Integration processes ($X_3$) | 0.238 | 0.276 | 4.156 | .000 |
| Market factors ($X_4$) | 0.156 | 0.184 | 2.987 | .003 |
| *Model summary:* R = .782; $R^2$ = .612; adjusted $R^2$ = .603; SE of estimate = 0.313 | | | | |
| *ANOVA:* F(4, 184) = 72.591, p < .001 | | | | |

*Note.* Dependent variable: post-acquisition performance. B = unstandardised coefficient; β = standardised coefficient. Regression sum of squares = 28.456; residual sum of squares = 18.032; total = 46.488. Source: Survey data (2026).

The model was statistically significant, F(4, 184) = 72.591, p < .001, and explained 61.2% of the variance in post-acquisition performance ($R^2$ = .612; adjusted $R^2$ = .603). Holding the other variables constant, financial resources had a positive and significant effect on post-acquisition performance (B = 0.186, β = .218, t = 3.456, p = .001). A one-unit improvement in financial resources is associated with a 0.186-unit increase in performance (0.218 standard deviations per standard deviation). Since p = .001 < .05, the null hypothesis $H_{01}$ was rejected. The study concludes that financial resources have a significant effect on the post-acquisition performance of selected acquired banks in Kenya.

The standardised coefficient (β = .218) is much smaller than the bivariate correlation (r = .672), because much of the association between financial resources and performance is shared with human resource management and integration processes. This is consistent with the RBV argument that capital creates value mainly when it is used to retain staff, fund systems integration and restructure operations. Financial resources ranked third among the four predictors, behind human resource management (β = .312) and integration processes (β = .276) and ahead of market factors (β = .184). Money is therefore a necessary enabler of acquisition success, but it is not sufficient by itself.

### 4.6 Discussion

The finding that financial resources positively and significantly affect post-acquisition performance is congruent with Cowan et al. (2022), who found that United States acquirers with

stronger pre-merger capital positions recorded better long-term performance and lower default risk, and with Chakraborty and Das (2024), whose review identified capital adequacy and liquidity as leading predictors of post-merger success. The strong endorsement of the acquirer's financial stability is also congruent with Wang and Tsuyuguchi (2025), who found that financially strong acquirers drew positive market reactions and spillovers. The result supports the RBV view of capital and financial capacity as strategic resources (Barney, 1991).

In the African context, the findings are congruent with Oziegbe et al. (2024), who found significant improvements in return on assets and capital adequacy after the Access Bank–Diamond Bank merger in Nigeria. They are, however, incongruent with Ayagre et al. (2024), who found that profitability deteriorated for several years after mergers in sub-Saharan Africa, particularly in regulation-induced deals. Two explanations are possible. The acquirers in this study may have applied practices such as capital support, cost management and pre-acquisition planning that offset the negative trends observed elsewhere in the region. In addition, Ayagre et al. analysed financial ratios across several countries, whereas this study measured perceptions within Kenya. The finding that financial resources matter but explain less once other practices are controlled for is consistent with Aluko and Ajayi (2023), who showed that the effect of M&A on profitability depends on asset quality and risk management rather than on the size of the capital pool.

Locally, the findings are congruent with Oira et al. (2024), who linked the mixed performance of Kenyan acquirers to differences in capital deployment and cost management. The neutral responses on integration budgets and external financing in this study point in the same direction and suggest that how money is allocated and communicated during integration is a weak point. The findings also agree with Kirimi et al. (2022), who showed that the structure of capital ownership explains a substantial share of variation in Kenyan bank performance. From an Agency Theory perspective (Jensen & Meckling, 1976), limited visibility of integration budgets weakens accountability for how funds are used.

## 5. Conclusions and Recommendations

### 5.1 Conclusions

The paper concludes that financial resources have a positive and significant effect on the post-acquisition performance of selected acquired banks in Kenya. A financially stable and well-capitalised acquirer is the most important financial condition for success, because it gives stakeholders confidence and supports a smooth transition, particularly where the target is undercapitalised. Pre-acquisition financial planning and cost management during integration contribute to operational efficiency and to the financial stability of the combined bank. The effect of financial resources is, however, considerably smaller once human resource management and integration processes are controlled for. Capital therefore creates value mainly when it is used well, which supports the Resource-Based View. Limited transparency about integration budgets and external financing remains a weakness that reduces employees' understanding of, and confidence in, the financial strategy of the acquired bank.

### 5.2 Recommendations

For **bank management and boards**, the paper recommends that acquiring banks (i) prepare financial plans that cover the whole period from the transaction to full integration, with detailed integration budgets and contingency provisions; (ii) ring-fence integration costs and track them separately from routine operating costs; (iii) link the allocation of financial resources to measurable performance indicators; (iv) diversify sources of funding through strategic partnerships, syndicated lending and capital market instruments so that integration does not depend on a single parent injection; and (v) communicate regularly and in plain terms with employees and other stakeholders about acquisition financing, integration budgets and financial progress.

For the **Central Bank of Kenya and policymakers**, the paper recommends that the planned increase in minimum core capital to KSh 10 billion by 2029 be accompanied by post-acquisition guidance on financial planning, capital restoration timelines and integration budgeting for acquirers of weak banks. This would help ensure that consolidation driven by capital requirements leads to better performance rather than the prolonged profitability declines observed elsewhere in sub-Saharan Africa.

### 5.3 Limitations and Suggestions for Further Research

The study relied mainly on self-reported perceptions, which may be affected by social desirability and common method bias, and some employees may have had limited knowledge of board-level financing decisions. The cross-sectional design shows association rather than causation, and the most recent acquisition (2025) had only a short post-acquisition period. Data were collected at head offices in Nairobi and covered seven banks, so the findings may not apply to other institutions or countries. Future research should combine perception data with audited financial ratios such as capital adequacy, return on assets and return on equity in a longitudinal design; compare regulation-induced and voluntary acquisitions; test whether asset quality or organisational culture mediates the effect of financial resources on performance; and extend the analysis to microfinance banks, SACCOs and other East African banking markets.

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