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Effects of Acquisition on Profitability of Selected Manufacturing Firms in South-East, Nigeria

Mary Victor Asuquo
Department of Accounting,
Faculty of Management Sciences, University of Uyo, Uyo Nigeria
Maryasuquo1969@gmail.com

Obialor, Donatus Chukwuemeka
Department of Business Management,
Faculty of Management Sciences, University of Uyo, Uyo Nigeria
chukwuemekadobialor@uniuyo.edu.ng 08034092759
Correspondent Author: Obialor Donatus Chukwuemeka

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Abstract
Firms acquire each other with the objectives of improving various operational outcomes. The study investigated the relationship between acquisition and profitability of selected beverage firms in South-East, Nigeria. The purposive sampling method was adopted to draw a sample size of 398 from a population of 531. The findings indicates that acquisition has a significant positive correlation with profitability of selected manufacturing firms South-East, Nigeria. It was recommended that organizations should always embrace acquisition so as to enhance their profitability. The researchers concluded that acquisition improved the profitability of business organizations and boosted both earnings per share and price-earnings ratio while enhancing return on equity and profit after tax.

Keywords: *Acquisition, Business, Profitability, Earning, Asset, Tax.*

Introduction

The influence of globalization has resulted in an increase in economic development and the existence of free markets, which have affected the competitiveness of competition, whether nationally or at international levels. Business competition is definitely experienced by all companies, till it forces companies to develop strategies to maintain their existence and improve their performance in order to survive in the market and to be able to achieve company goals which include creating maximum profits every year. There are many things that a company can do to keep growing and develop during market competition and yet develop a sustainable business (Singh and Gupta, 2015). Many of the businesses that prosper in terms of profitability no doubt may have successfully attempted the use of acquisition to achieve their goal. Campello (2018) sees business acquisition as the process of acquiring a company to build on strengths or weaknesses of

the acquiring company in other to grow the business in a quicker and more profitable manner than normal organic growth would allow.

In acquisition, businesses within the same segment or a highly complementary market segment are targeted. Once defined, the target business is approached and if interest is shown, due diligence is performed to ascertain the financial and other conditions of the business. When the financial terms are agreed upon, and the contract is signed, the acquisition begins. Overlapping processes, personnel and products are evaluated and the better-performing pieces are retained (Ding etal, 2016). Gupta and Banerjee (2017) opine that acquisition has become one of the most popular ways to grow today. Companies choose to grow by acquiring others to increase market share, gain access to promising new technologies, achieve synergies in their operations, tap well developed distribution channels, obtain controls of undervalued assets, and a myriad of reasons. But acquisition could be risky when cultures clash, key employees leaves, synergies fail to emerge, assets are less valuable than perceived, and costs sky- rocket rather than fall (Gupta and Banerjee, 2017).

Acquisition can be either hostile or friendly as companies acquire target companies as a growth strategy because it can create a bigger, more competitive, and more cost-efficient entity. Ding et al. (2016) are of the view that profitability is the primary goal of all business ventures. Profitability which is measured with income and expenses is the positive difference between income and expenditure in a business. There is equity, net profit, return on invested capital, earnings before interest and taxation, etc. This study however focuses on earnings per share, price-earnings ratio, return on equity and profit after tax. Earnings Per Share according to Osborne and Hammoud (2017) is the portion of a company's profit allocated to each outstanding share of common stock. It serves as an indicator of a company's profitability. Once the difference between net income and dividends on preferred stock is determined, the quotient of that difference and average outstanding shares is called earnings per share. Also, Sinha et al. (2019) maintain that price-earnings ratio is the ratio for valuing a company that measures its current share relative to its per-earnings. Again, Vennet (2019) is of the view that return on equity measures how much a company makes for each dollar that investors put into it while Ding et al (2016) opines that profit after tax net amount earned by a business after all taxation related expenses have been deducted. This study on acquisition and profitability of manufacturing firms in South -East, Nigeria is geared towards investigating the interrelationships between the dependent and independent variables.

Statement of the Problem

The researcher has observed a researcher gap on the link between acquisition and profitability of manufacturing firms in South-East, Nigeria. Various empirical studies examined did not study the relationship between acquisition and earnings per share, price-earnings ratio, return on equity and profit after tax in the beverage industry. This shows that a research gap exists. Most of the existing studies on acquisition in Nigeria focused only in the banking industry. This exposes another research gap. For instance, Oloye and Osuma (2015) investigated the impacts of mergers and acquisitions on the performance of Nigerian banks: a case study of selected banks, while Omoye and Aniefor (2016) carried out an empirical analysis of the impact of post-merger

on Nigerian banks profitability. Also, Singh and Gupta (2015) researched on the impact of merger and acquisitions on the financial performance of deposit money banks in Nigeria; Jambi (2018) investigated the effects of mergers and acquisitions on the performance of commercial banks in Nigeria: evidence from United Bank of Africa (UBA) Plc. while Ding et al. (2016) examined an empirical analysis of pre and post merger on acquisition impact on financial performance of Pakistan Telecommunications Limited. All these are evidences of research gaps. Based on the dearth of empirical literature on acquisition and the following profitability measures: Earnings Per Share (EPS), Price Earnings Ratio (PER), Return of Equity (ROE) and Profit After Tax (PAT), this study was carried out to investigate the relationship between acquisition and profitability of selected manufacturing firms in South Eastern Nigeria.

Objective of the Study

The main objective of this study is to investigate the relationship between acquisition and profitability of selected manufacturing firms in South-East, Nigeria. The specific objectives are to:

1. find out the relationship between acquisition and earnings per share of selected manufacturing firms in South-East, Nigeria.

2. examine the correlation between acquisition and price earnings ratio of selected manufacturing firms in South-East, Nigeria.

3. ascertain the relationship between acquisition and return on equity of selected manufacturing firms in South-East, Nigeria.

4. determine the relationship between acquisition and profit after tax of selected manufacturing firms in South-East, Nigeria.

Research Questions

1. What is the relationship between acquisition and earnings per share of selected manufacturing firms in South-East, Nigeria?

2. What is the correlation between acquisition and price earnings ratio of selected manufacturing firms in South-East, Nigeria?

3. What is the relationship between acquisition and return on equity of selected manufacturing firms in South-East, Nigeria?

4. What is the relationship between acquisition and profit after tax of selected manufacturing firms in South-East, Nigeria?

Hypotheses

1. **$H0_1$**: There is no significant relationship between acquisition and earnings per share of selected manufacturing firms in South-East, Nigeria.

2. **H0$_2$**: Acquisition has no significant correlation with price earnings ratio of selected manufacturing firms in South-East, Nigeria.

3. **H0$_3$**: Acquisition has no significant relationship with return on equity of selected manufacturing firms in South-East, Nigeria.

4. **H0$_4$**: Acquisition has no significant relationship with profit after tax of selected manufacturing firms in South-East, Nigeria.

Review of Related Literature

Concept of Acquisition

An acquisition is a corporate action in which a company buys most, if not all, of another firm's ownership stakes to assume control of it. An acquisition occurs when a buying company obtains more than 50% ownership in a target company's stock and other assets, which allows the acquiring company to make decisions regarding the newly acquired assets without the approval of the target company's shareholders. Acquisition can be paid for in cash, in the acquiring company's stock or a combination of both (Singh and Gupta, 2015). Companies perform acquisition for various reasons. They may be seeking to achieve economies of scale, greater market share, increased synergy, cost reductions, or news niche offerings. If they wish to expand their operations to another country, buying an existing company may be the only viable way to enter a foreign market, or at least the easiest way. The purchased business will already have its own personnel, a brand name and other intangible assets, ensuring company will start off with a good customer base (Ahmed and Ahmed, 2014).

Acquisition are often made as part of a company's growth strategy when it is more beneficial to take over an existing firm's operations than it is to expand on its own. Large companies eventually find it difficult to keep growing without losing efficiency. When an industry attracts too many competitor firms, companies may look to acquisition as a way to reduce capacity, eliminate competition, or focus on the most productive providers. If a new technology emerges that could increase productivity, a company may decide that it is most cost-efficient to purchase a competitor that already has the technology. Research and development may be too difficult or take too much time, so the company offers to buy the existing assets of a company that has already gone through that process (Garuba and Ahmad, 2015).

Acquisition can be either friendly or hostile. Friendly acquisitions occur when the target firm expresses its agreement to be acquired. Hostile acquisition does not have the same agreement, from the target firm, and the acquiring firm must actively purchase large stakes of the target company to gain a majority. Friendly acquisitions often work towards a mutual benefit for both the acquiring and the target companies. The companies develop strategies to ensure that the acquiring company purchases the appropriate assets, including the review of financial statements and other valuations, and that the purchase accounts for any obligations that many come with the

assets (Osborne and Hammoud, 2017). Once both parties agree to the terms and meet any legal stimulation, the purchase moves forward. Unfriendly acquisitions, more commonly referred to as hostile takeovers, occur when the target company does not consent to the acquisition. In this case, the acquiring company must attempt to gather a majority stake to force the acquisition to go forward. To acquire the necessary stake, the acquiring company can produce a tender offer designed to encourage current shareholders to sell their holdings in exchange for an above-market value price. To ensure this, a 30-days acquisition notice must be filed with the Securities and Exchange Commission (SEC) with a direction to the target company's board of directors (Ding etal., 2016).

Yanan and Basit (2016) posit that a purchasing company can finance deal that involves elements of both debt and equity financing. Ever since the financial crisis of 2007-2008 when many lenders were badly burned by toxic debt, raising money to acquire a target company has become more difficult. Lenders have modified their criteria for providing credit by raising down payment requirements and carefully scrutinizing potential cash flow. Financing can therefore take the forms of private equity financing, equity financing, bank financing and asset-based financing. Private equity financing often takes the forms of venture capital- professionally managed pool of funds that invest in high- growth opportunities –or private equity firms. This is not always the case but it has proven to be an effective means of raising funds from dispersed sources and channeling them toward entrepreneurial opportunities. Equity financing involves the buyer company selling securities in order to raise money, then using that money for both the acquisition transaction and to provide additional cash for the new company. Again, bank financing takes a variety of focus. The most common is to receive a cash flow-based loan, in which case the bank scrutinizes the cash flow, debit load and profit margins of the target company (Ding et al, 2016).

There are pros and cons in acquisition strategy. According to Vennet (2019), a strategic acquisition can be one of the most important means. Businesses often find that growth through acquisitions is a faster, less expensive, less risk proposition than the traditional methods of growth realized through expanded marketing and sales efforts. Unlike growth through increased market share and sales, acquisition offers a host of other advantages, including easier financing for future undertakings and immediate savings due to economies of scale. Most businesses growing through acquisition will find a member of other competitive advantages as well, ranging from catching the competition off guard to instant market penetration. In some cases, competitors can be eliminated entirely vial acquisition. Acquisition is therefore one of the most time-efficient growth strategies; it offers the opportunity to quickly acquire resources and core competitors not currently held by a company (Obialor et al, 2022). An acquisition will quickly build market presence for a company, increase market share while reducing the competition's stronghold. Businesses may choose acquisition as a route of gaining competencies currently not held. These can have multiple advantages, ranging from immediate increase in revenues to improving long term financial outlook to making it easier to raise capital for other growth strategies. Diversity and expansion can also help a company to weather periods of economic or market slump. Synergy between the surviving and acquired organizations can mean substantial cost savings as well as more efficient use of resources for soft financial gains. Also, acquiring an existing entity can often overcome formerly

challenging market entry barriers while reducing risks of adverse competitive reactions (Obialor et al, 2022).

However, when an acquisition brings together diverse product or service lines, there can be difficulties managing resources and competencies, for instance, 7up acquired Pepsi and Coco Cola acquired Limca Okigwe etc. Management of employees and dependents can face extreme hurdle and the time necessary to address such issues may deplete much of the value which could lead to acquisition. When the acquisition faces too many challenges or the timeline for completion stretches out longer than anticipated, too much of the managerial focus is diverted away from internal development and daily operations (Obialor et al, 2022).

Acquisition and Earnings Per Share

Acquisition of a business may drive earnings per share of the company. Earnings Per Share is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. When calculating Earnings Per Share, it is more accurate to use a weighted average number of shares outstanding over the reporting term, because the number of shares outstanding can change over time (Singh and Gupta, 2015). Also, Rashid and Naeem (2017) opine that earning per share is generally considered to be the single most important variable in determining a share's price and also a major component used to calculate the price-to-earnings valuation ratio. An important aspect of the EPS that is often ignored is the capital that is required to generate the earnings (net income) in the calculation. Two companies could generate the same EPS number, but one could do same with less equity (investment). Investors also need to be aware of earnings manipulation that will affect the quality of the earnings number. It is important not to rely on any one financial measure, but to use it in conjunction with statement analysis and measures.

Acquisition and Price-Earnings Ratio (P/E Ratio)

The price-earnings ratio is another index of business profitability that may influence price-earnings ratio. According to Zhongming et al (2022), it is the ratio for valuing a company that measures its current share price relative to its per-share earnings. In essence, the price-earnings ratio indicates the dollar amount an investor can expect to invest in a company in order to receive one dollar of that company's earnings. This is why price-earnings is sometimes referred to as the multiple because it shows how much investors are willing to pay per dollar of earnings. In general, a high price-earnings suggests that investors are expecting higher earnings growth in the future compared to companies with a lower price-earnings (Sinha et al, 2019).

Again, Gupta and Banerjee (2017) opine that the price-earnings ratio can also be seen as a means of standardizing the value of one dollar of earnings throughout the stock market. In theory, by taking the median of price-earnings ratios over a period of several years, one could formulate something of a standardized price-earnings ratio which could then be seen as a benchmark and used to indicate whether or not a stock is worth buying. However, valuations and growth rates of

companies may often vary widely between sectors due to the differing ways companies earn money. One ought to only use price-earnings as a comparative tool when considering companies within the same sector. Another important limitation of price earnings ratio is one that lies within the formula for calculating price-earnings itself. Accurate and unbiased presentations of price-earnings ratios rely on accurate inputs of the market value of shares and of accurate inputs of the market value of shares and of accurate earnings per share estimates (Osborne and Hammound, 2017).

Acquisition and Return on Equity

Return on Equity is a ratio that measures the ability of a company to produce net income from capital paid by shareholders. The larger scale of the company plus the motivation of financial synergy obtained from a combination of assets and capital that continuously makes the company's ability to earn a profit (ROE) will increase to increase Return on Equity performance, which will reflect a significant increase after acquisitions on company’s Return on Equity (Omoye and Aniefor, 2016). Return on equity measures how much a company makes for each dollar that investors put into it and calculated by dividing the net income (NI) by the amount of money invested by shareholders (SI) and multiplying the quotient by 100.

Acquisition and Profit After Tax

Profit after tax is one of the most reliable indices of profitability that may enhance profit after tax. Zhongming et al (2022) quoted the business dictionary by defining profit after tax as the net amount earned by a business after all taxation related expenses have been deducted. The profit after tax is often a better assessment of what a business is really earning and hence can be used in its operations than in its total revenues. It is a financial performance ratio, calculated by dividing net profit after taxes by revenue. A company’s after-tax profit margin is important because it tells investors the percentage of money a company actually earns per dollar of revenue. In other words, it is the quotient of net profit and total revenue. In general, when a company’s after-tax profit margin is declining over time, a myriad of problems could lead to blame, ranging from decreasing sales to poor customer experience to inadequate expense management (Gupta and Banerjee, 2017).

Concept of Profitability

Profitability is the ability of a business to earn a profit. A profit, according to Stringer (2020) is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue such as producing a product and other expenses related to the conduct of the business activities. Similarly, Yanan and Basit (2016) sees profitability as one of the four building blocks for analyzing financial statements and company performance apart from the other three which include efficiency, solvency and market prospects. Investors and managers use these

key concepts to analyze how well a company is doing and the future potential it could have if operations were managed properly.

The two key aspects of profitability are revenues and expenses. Revenues are the business income which is the amount of money earned from customers by selling products or providing services. Businesses must use their resources in order to produce these products and provide these services. Resources, like cash are used to pay for expenses like employee payroll, rent, utilities, and other necessities in the production process. Profitability looks at the relationship between the revenue and expenses to see how well a company is performing and the future potential growth a company might have (Campello, 2018).

A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. Increasing profitability is one of the most important tasks of the business managers. Managers constantly look for ways to change the business to improve profitability. These potential changes can be analyzed with a pro forma income statement or a partial budget. Partial budgeting allows one to access the impact on profitability of a small or incremental change in the business before it is implanted. A variety of profitability ratios can be used to assess the financial health of a business. These ratios, created from the income statement, can be compared with industry benchmarks. Also, income statement trends can be tracked over period of years to identify emerging problems (Sinha et al, 2019).

Theoretical Review

Theory of Synergy

In mergers and acquisition literature, synergy usually refers to financial synergy that is gained through the merging of conglomerates while in the industrial economics literature, synergy features in the context of economics of scale that lead to cost savings. Synergy comes from Greek word ‘synergos’ which means working together. Synergy is the ability of two or more business units or companies to generate greater value working together than when they work separately. It is expressed in this mathematical equation: (2+2=5) and sometimes it can also be expressed as(1+1=3). Synergy motives are widely seen as the most frequently mentioned motives when managers want to embark on M &A project. Thus, synergy is the increase in performance of the combined firm above what the two firms are already expected to accomplish as independent firms through gains in competitive advantage. Synergies are efficiencies that can only be achieved by merging, that is, they are merger specific. Synergy takes the form of revenue enhancement and cost savings. These therefore in form of enhancements and cost reductions. Financial synergy is achieved when the cost of capital are reduced through the combination of two companies.

Resource-Based Theory

Resource-Based Theory is a resource-based approach owned by a company in analyzing its

competitive advantage, a concept developed from management strategies that analyze and interpret organizational resources so that the organization achieves sustainable competitive advantage. The Resource-Based Theory view underlies the company getting good financial performance and competitive advantage by dominating and utilizing tangible and intangible assets (Wernerfelt, 1984). Resource-Based Theory considers mergers and acquisitions as a strategy used to access the resources of other companies for the purpose of creating competitive advantages and values that are not available in the company. Creating the highest value of existing resources and combining it with other people's resources, this combination can produce optimal returns .

Empirical Review

Rashid & Naeem (2017) studied merger and acquisition as growth strategies in business organization and collected data using primary and secondary sources. Data analysis was carried out using descriptive statistics and correlation analysis. The findings of the study show that mergers and acquisition are effective and efficient growth strategies in business organizations. It was concluded that organizations can achieve the desired growth rate by the adoption of merger and acquisition. The study recommended that organizations that were not doing well should adopt mergers and acquisitions as the strategy would help the management overcome developmental and environmental challenges in business especially in this era of economic crises.

Oloye and Osuma (2015) researched on impacts of mergers and acquisition on the performance of Nigeria bank: a case study of selected banks. Data was collected from academic journals, Nigeria stock exchange archive and companies' annual reports. The expost facto design was employed in the study. Time series with regression and correlation analysis was used to handle data analysis. It was found that mergers and acquisitions improved the performance of Nigerian Banks.

Methodology

The study employed the survey research design in investigating the acquisition and profitability of selected manufacturing firms in South-East, Nigeria. The instruments of questionnaire, observations and interviews were used for the workers in the study organizations except security men, cleaners and laborers who were not surveyed. They were not surveyed because based on the nature of their jobs, they were not in a better position to respond to the issues raised in the questionnaire. The population figures were obtained from the study organizations. Accordingly, Nigerian Breweries Plc, Aba had a study population of 140; Nigeria Bottling Company Plc, Owerri had 146; Nestle Nigeria Plc, Abakiliki had 125 and Suntory, Enugu had 120. With a total population of 531, a sample size of 398 was determined using the Taro Yamane formula as stated hereafter: $n=N/1+N_{(e)}^2$

NB Plc: n_1 = $140/1+140\ (0.05)^2$ = 104

NBC Plc: n_2 = $146/1+146\ (0.05)^2$ = 107

Nestle: n_3 = $125/1+125\ (0.05)^2$ = 95

Suntory: n_4 = $120/1+120(0.05)^2$ = 92

Sample size (n) = **398**

The purposive sampling method was adopted in the study since some subjects were fit for the research when compared to other individuals. Both primary and secondary sources of data were used in the study. The primary data included the survey tools especially the questionnaire while the secondary data included the financial statements of the study firms which were used to verify the findings made through survey. Others included journal publications and texts, periodicals among others.

The validity of the instrument was done by showing the instrument to the supervisors and other experts for their inputs. The items in the survey instrument were also based on the research questions designed for the study. The use of pilot study was adopted for determination of the reliability of the research instrument. The essence was to determine consistency in responses. Data obtained from pilot survey were committed to test of reliability using Cronbach Alpha statistic. The result reported a Cronbach alpha of 0.72 confirming the instrument to be 72% reliable. Correction analysis was used to test hypotheses with the aid SPSS version 21 at 95% confidence level.

The formula is:

$$\alpha = \frac{N.\ C}{V + (N-1).C}$$

N = The Number of items
C = C-bar = the average inter-item covariance among the items
V = V-bar = the average variance

The formula for correlation is:

$$r = \frac{n\sum xy - \sum x\ \sum y}{\sqrt{[n\sum_x 2\ -\ \sum_{(x)} 2]\ [n\sum_y 2 - \sum_{(y)}]2}}$$

The rejection of null hypothesis was based on $P<0.05$.

QUESTIONNAIRE ANALYSIS

Out of the 398 copies of the questionnaire distributed, only 330 copies were properly filled and returned in usable form at 82.9% return rate.

Research Question 1: What is the relationship between acquisition and earnings per share of selected manufacturing firms in South-East, Nigeria?

Table 1: Respondents' response on the relationship between acquisition and earnings per share

Q/No	Item	SA	A	UN	D	SD	N	MEAN	Std. Dev.
1	Acquisition is a major driver of earnings per share in the entrepreneurial organizations.	153	79	41	27	30	330	3.90	0.854
2	Earnings per share based on acquisition have greatly contributed to sustainable profitability over the years.	170	70	43	24	23	330	4.03	1.205

Field Survey (2024)

The table 1 above presents data from responses by the respondents under study. The result also disclosed a strong agreement by the respondents on their opinion on the relationship between acquisition and earnings per share. The results further show that the respondents agreed to the facts that acquisition is major driver of earnings per share in the manufacturing firms with a $\pi \pm S.D\ of\ 3.90 \pm 0.854$; earnings per share based on acquisitions have greatly contributed to profitability of the selected manufacturing firms over the years (with a $\pm S.D\ of\ 4.03 \pm 1.205$).

Research Question 2: What is the correlation between acquisition and price earnings ratio of selected manufacturing firms in South-East, Nigeria?

Table 2: Respondents' responses on the relationship between acquisition and price earnings ratio

Q/No	Item	SA	A	UN	D	SD	N	Mean	Std. Dev.
3	Acquisition has enabled the business to enhance its price-earnings ratio.	183	70	40	26	11	330	4.18	0.948

4	Enhanced price-earnings ratio makes customer to have greater value for business hence improved business profitability.	210	72	24	14	10	330	4.39	0.995

Field Survey (2024)

The table 2 above presents data from responses by respondents on the relationship between acquisition and price-earnings ratio in entrepreneurial organizations. There is a high level agreement by the respondents on the opinion that acquisition has enabled the business to enhance its price-earnings ratio as the result accounted for mean of 4.18 and a standard deviation of 0.948. The result has indicated that the majority of the respondents agreed to the item statement that: enhanced price-earnings ratio makes customers to have greater value for business hence improved business profitability (with a $\pi \pm S.D\ of\ 4.39 \pm 0.995$).

Research Question 3: What is the relationship between acquisition and return on equity of selected manufacturing firms in South-East, Nigeria?

Table 3: respondents' responses on the relationship between acquisition and return on equity

Q/No	Item	SA	A	UN	D	SD	N	Mean	Std. Dev.
5	Acquisition contributes substantially to return on equity in the organization.	183	70	40	26	11	330	4.42	1.1901
6	Based on the relevance of acquisition to return on equity in the organization.	210	72	24	14	10	330	4.43	0.986

Field Survey (2024)

The table 3 above presents data from responses by the respondents under study. The result also disclosed a good agreement by the respondents on their opinion on the relationship between acquisition and return on equity. The results further show that the respondents agreed to the facts that: acquisition contributes substantially to return on equity in the organization with a $\pi \pm S.D\ of\ 4.42 \pm\ 1.1901$; based on the relevance of acquisition to return on equity in the organization, management and other employees improve their efforts in acquiring other on-going concerns (with a $\pi \pm S.D\ of\ 4.43 \pm 0.0986$).

Research Question 4: What is the relationship between acquisition and profit after tax of selected manufacturing firms in South-East, Nigeria?

Table 4: Respondents' responses on the relationship between acquisition and profit after tax

Q/No	Item	SA	A	UN	D	SD	N	Mean	Std. Dev.
7	Acquisition has greatly helped business to achieve higher after-tax profit.	211	94	13	7	5	330	4.51	1.065
8	Achievement of after-tax profit as a result of acquisition has helped the business to fund other acquisition efforts.	207	86	17	11	9	330	4.43	0.986

Field Survey (2024)

The table 4 above presents data from responses from respondents on the relationship between acquisition and profit after tax. There is a high level agreement by the respondents on the opinion the acquisition has greatly helped business to achieve higher after tax profit as the result accounted for a mean of 4.51 and a standard deviation of 1.065. the result has indicated that the majority of the respondents agreed to the item statement that: achievement of after-tax profit as a result of acquisition as helped the business to fund other acquisition efforts (with a $\pi \pm S.D\ of\ 4.43 \pm 0.98$).

Testing of Hypotheses

Test of Hypotheses One

Hypotheses 1: There is no significant relationship between acquisition and earnings per share of selected manufacturing firms in South-East, Nigeria.

Table 5: Correlation analysis between acquisition and earnings per share

Item	Mean	Standard Deviation	Correlation Coefficient	P-value
Acquisition	3.90	0.854	0.95	0.001
Earnings per share	4.03	1.03		

SPSS Correlation Analysis Output (2024).

The result on table 5 presents the correlation analysis between acquisition and earning per share. The result shows a p-value of 0.001 and a correlation coefficient of 0.95. The result shows a p-value less than 0.05 level of significance; therefore, rejecting the null hypotheses and accepting the alternative hypotheses. Therefore, the correlation coefficient between acquisition and earning per share is statistically significant. Therefore, there is a significant relationship between acquisition and earning per share of selected manufacturing firms in South-East, Nigeria.

Hypothesis 2: Acquisition has no significant correlation with price earnings ratio of selected manufacturing firms in South-East, Nigeria.

Table 6: Correlation analysis between acquisition and price earnings ratio

Item	Mean	Standard Deviation	Correlation Coefficient	P-value
Acquisition	4.18	0.948	0.974	0.001
Earnings per share	4.39	0.972		

SPSS Correlation Analysis Output (2024).

The result on table 6 presents the correlation analysis between acquisition and price-earnings ratio. The result shows a p-value of 0.001 and correlation coefficient of 0.974. The result shows a p-value ≤ 0.05 level of significance, thereby rejecting the null hypothesis and accepting the alternative which states that acquisition has a significant correlation with price-earnings ratio of selected manufacturing firms in South-East, Nigeria.

Hypothesis 3: Acquisition has no significant relationship with return on equity of selected manufacturing firms in South-East, Nigeria.

Table 7: Correlation analysis between acquisition and return on equity

Item	Mean	Standard Deviation	Correlation Coefficient	P -value
Acquisition	4.42	1.19	0.913	0.001
Return on equity	4.56	1.11		

SPSS Correlation Analysis Output (2024).

The result on table 7 presents the correlation analysis between acquisition and return on equity. The result shows a p-value of 0.001 and correlation coefficient of 0.913. The result shows a p-value less ≤ 0.05 level of significance; therefore rejecting the null hypothesis and accepting

the alternative which states that acquisition has a significant positive relationship with return on equity equity of selected manufacturing firms in South-East, Nigeria.

Hypothesis 4: Acquisition has no significant relationship with profit after tax of selected manufacturing firms in South-East, Nigeria.

Table 8: Correlation analysis between acquisition and profit after tax

Item	Mean	Standard Deviation	Correlation Coefficient	P-value
Acquisition	4.51	1.065	0.999	0.001
Profit after tax	4.43	1.03		

SPSS Correlation Analysis Output (2024).

The result on table 8 presents the correlation between acquisition and profit after tax. The result shows a p-value of 0.001 and a correlation coefficient of 0.999. The result shows a p – value < 0.05 level of significance; thereby rejecting the null hypothesis and accepting alternative. Therefore, the correlation coefficient between acquisition and profit after tax is statically significant. This means a positive and a strong relationship acquisition and profit after tax.

Finding and Discussion of Results

The fact that acquisition is a major driver of earnings per share in organizations as shown on table 1 indicates that the acquisition enhanced net income and shareholders' value. This may have accounted for the reason why the same table 1 shows that earnings per share based on acquisition greatly contributed to sustainable profitability over the years. The result of the hypothesis one tested shows a p-value of 0.001 and a correlation coefficient of 0.95. The result shows a p-value less than 0.05 level of significance. Therefore, the correlation coefficient between acquisition and earning per share was statistically significant.

Also, the fact that acquisition has enabled businesses to enhance their price-earnings ratio as shown on table 3 means that the market value per share is really triggered by the study firms. The result shows a p-value of 0.001 ≤ 0.05 level of significance and correlation coefficient of 0.974 which led to the decision that acquisition has a significant correlation with price-earnings ratio of selected manufacturing firms in South-East, Nigeria.

Acquisition contributes substantially to return on equity in the organizations as shown on table 3 which is an indication that shareholders records benefits whenever acquisition takes place. The result shows a p-value of 0.001 ≤ 0.05 level of significance and correlation coefficient of 0.913. The shows that acquisition has a significant positive relationship with return on equity equity of selected manufacturing firms in South-East, Nigeria.

Also, the fact that acquisition that greatly helped businesses to achieve higher after-tax profit as shown in table 4 reveals that the use of acquisition energizes firms to remain on top after payout of their taxes. The result shows a p-value of 0.001 $\leq$ 0.05 level of significance and a correlation coefficient of 0.999 which revealed that the correlation coefficient between acquisition and profit after tax is statically significant.

The researcher therefore posits that this study contributes to knowledge by bridging the research gap identified earlier in the study. It provides an empirical literature on the relationship between acquisition and the following profitability indicator: earnings per share, price-earnings ratio, return on equity and profit after tax in business organizations. The findings shows that acquisition is a predicator of profitability in organizations.

Recommendations

1. Management of firms should engage in acquisitions that offers easier financing for future undertakings and immediate savings due to economies of scale.

2. When calculating Earnings Per Share,management of these firms should ensure they use a weighted average number of shares outstanding over the reporting term.

3. Management should employ more of those who possess business acquisition competences.

4. Employees should do all they can to improve their business acquisition skills so as to add value to the enterprises.

Conclusion

Acquisitions are forms of corporate restructuring. The company adopts other companies with certain motives. The main motives for acquisitions are company growth, synergy, risk reduction through diversification, internationalization, new business opportunities, etc.

The researcher concluded that acquisition improved the profitability of business organizations. It boosted both earnings per share and price-earnings ratio while enhancing return on equity and profit after tax.

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