

The effect of mergers and acquisitions on employees Morales in banks in the littoral region of Cameroon

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Abstract---The performance of any institution depend on the employee morale. Employees are highly motivated to carry their activities if their Morale is high and their individual goal and objectives are in tune with organizational goal and objectives. Mergers and acquisitions as business strategies that allow institutions or companies to enter new potential markets or new business areas (Atul and Maryam, 2020) to increase their financial strength, lead to changes in the companies. Those changes such as modification of ownership structure during the process of Mergers and acquisitions, the psychological trauma of changing work environments, can affect the employees morale, that is why the purpose of this article is to evaluate the effects of mergers and acquisition on employees moral in Banks in the littoral region of Cameroon. The article was guided by the following objectives; to assess the effects of conglomerates Mergers and acquisitions on employees morals in banks in the Littoral region, to identify the effects of vertical Mergers and acquisitions on employees morals in banks in the Littoral region and to ascertain the effects of horizontal Mergers and

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acquisitions on employees moral in banks in the Littoral region of Cameroon. To achieve those objectives, the target population of the article were employees of the 20 banks of the Littoral region with a sample size of 444 employees. The article relied on primary data collected by use of structured questionnaires. The collected data were analysed using descriptive and inferential analysis. From the regression table, results showed that conglomerates, vertical and horizontal Mergers and Acquisitions have a positive and significant effect on employees moral in banks. It is therefore recommended that banks should lay more emphasis on employees moral when going in for Mergers and Acquisitions with respect to some theories reviewed in the research such as stake holders theory and Organization Justice theory.

Keywords---merger and acquisition, employee's moral in banks.

1. INTRODUCTION

The financial World has experienced the down side of financial innovation and deregulation in the recent global financial crisis which leads to massive bank failures in the developed economies. Moreover, at the age of the competitive business arena, financial enlargement, technological innovation, structural modification of the financial system and demands for the financial products, all financial institutions have to face numerous problems and need to change their business approach accordingly. With a view to keeping face with this changing trends, all financial institutions need to espouse strategy to survive in the competitive business world. Mergers and Acquisitions is one of the most renowned strategies to make adoption with those changing businesses. According to the efficiency theory, the bottom line and special alchemy of the M & A is for the purpose of synergy. Mergers and acquisitions are generally aimed for synergy or added value, not only in short term but also for the long term, while increasing economies of scales and economics of scope and financial strength (Mardianto et al., 2018). Even though the main bottom line of M&A is to have synergy, element of necessity is equally important for the target banks to be considered. In several cases for example infant bank, bank that is incapable to compete, facing financial distress and unable to maintain requirement of common equity of risk weighted asset, M & A could become necessity in the first place rather than to acquire synergy. Hence, it becomes necessary for the banks to be merged or acquired by other matured and stable financial institutions before reach the target of having synergy in the deal. As far as the M & A is concerned, today's business is not bound within the domestic arena; it has crossed the national boarder. Efficient and well-built financial institutions tend to broaden their market or manoeuvre beyond national boarder throughout foreign direct investment (FDI) in the form of cross border M&A. This strategy creates direct or indirect external or spillover effect on the performance of the banks as well. The latest literatures show that bank M&A activities has been growing rapidly on the backdrop of global financial crisis, financial deregulation, and market competition in the developed and

developing world. However, a recent comprehensive review on this vital issue is still not well documented.

Merger and acquisition is the joining and consolidation of companies or assets through various types of financial transactions including purchase of assets and management acquisitions. Merger and acquisition are used interchangeably. In acquisition, one organization purchase a part or the whole organization while in merger, two or more organizations constitute one organization (Alao 2010). Merger is the legal activity in which two or more organizations combine and only one firm survive as a legal entity (Horne and John 2004). This research area is firstly important since mergers and acquisitions affect shareholders, consumers and employees due to reduced productivity and performance (Rhoades, 1983) and secondly because the Stakeholders theory of R. Edward Freeman in 1984 states that a firm should create value for all stakeholders and not just shareholders. However, little has been done to analyze the effect mergers and acquisitions have on employees' morale. It is on the legal, strategic concerns and financials of the organizations involved that attention and emphasis is regularly placed at the time of mergers and acquisitions, but the effect of mergers and acquisitions on the morale of the employees (human capital) receives little or no attention. This means that most times, the human capital element in the organization is ignored. Financial Institutions don't focus on whether carrying the merging and acquisition will boost or reduce the performance of their employees but rather focalize on their returns. Since we are in a fast growing economy where the quality performance of financial Institutions can no more depend only on one or two factors, human capital plays a foundation role in any successful institution and hence an engine for an excellent return of merging and acquisition. The morale of an employee has the capacity to make or break a successful union; either a merger or an acquisition of the organizations involved. The psychological trauma of changing work environments, the stress to be undergone in learning/adapting to a new organizational climate, the fear of being laid off by the new Board of Directors etc., can lower employee morale. From the foregoing, there is thus a need to inquire the effect the recent merger may have had on the employees of the banking industry in Cameroon.

2. Conceptual Literature

2. 1 Mergers and Acquisition

Merger is a process when two or more companies join and emerge as new companies, while the acquisition is a process where one company takes over another company and runs its business right (Momodou et al., 2017). Mergers and acquisitions are business strategies that allow companies to enter new potential markets or new business areas (Atul and Maryam, 2020). In a merger, the firms involved still have a share/control in the operations of the new entity. Mergers are usually voluntarily and often resulting in the combination of the names of the merged firms to form a new organizational name. Then the purchase of smaller firm (the offeree/acquire) by a large firm (the offeror/acquirer) (Anyanwu and Agwor, 2015) is known as acquisition. In a merger, the primary motive is to enlarge business operations, profit is shared equally between the stakeholders of the merged firm; while acquisition largely occurs during economic recession and in organizations where there has been constant fall in the profits of the organization (Ross et al., 2003; Adhikari, 2014).

Mergers and acquisition is breakdown into Horizontal Mergers and Acquisition; Vertical Mergers and Acquisition and Conglomerate Mergers and Acquisition. Horizontal Mergers and Acquisition occurs mainly between companies that manufacture or sell similar products that are seen as substitutes by the buyers in different markets. Vertical Mergers and Acquisition; typically occurs between companies selling/manufacturing different but related products in the same market. The companies involved may have a buyer-seller relationship with each other before the occurrence of the merger or acquisition, and Conglomerate Mergers and Acquisition. Conglomerate Mergers and Acquisition; takes place between companies that have little or no common business areas; this type of merger and acquisition is neither vertical nor horizontal and occurs in an unrelated line of business of the merger/acquirer.

2.2 Employees Morale

Morale as fundamental psychological concept is the degree of enthusiasm and willingness with which the members of a group pull together to achieve group goal. It has been defined differently by different authors. Fippo has described morale "As a mental condition or attitude of individuals and groups which determines their willingness to co-operate. Good morale is evidenced by employee enthusiasm, voluntary conformance with regulations and orders, and a willingness to cooperate with others in the accomplishment of an organization's objectives. Morale is also defined as the extent to which the individual perceives satisfaction stemming from total job satisfaction". employee's morale can be high or low. High Morale lead to enthusiasm among the workers for better performance, Loyalty to the organization and its leadership. Low Morale indicates the presence of mental unrest. The mental unrest not only hampers production but also leads to ill health of the employees. Low Morale exists when doubt in suspicion are common and when individuals are depressed and discouraged

3. METHODOLOGY

3.1 Source and Methods of Data analysis

To achieve the objectives of this article, the researcher used primary sources of data. The primary data was collected by the researcher from first hand sources using methods like survey, interview through self-administered questionnaires to Banks. Questionnaires were been administered to employees. The questionnaire contained open and closed-ended questions to ease data collection.

The data collected were analysed using the multiple linear regression analysis due to the fact that there is one independent variable that is Mergers and Acquisitions broken down into three sub variables which are; Conglomerate, vertical and horizontal Mergers and Acquisitions and one dependent variable which is employee's morale. The information's obtained were grouped and sub grouped according to their classification as per objective of the article. The systematic analysis was done using statistical tool and the data presented on table in frequency and in percentage.

3.2 Model Specification

Model specification in statistics is part of the process of building a statistical model, specification consist of selecting an appropriate financial form for the

model and choosing which variables to include. The model was developed taking into consideration the dependent variables and independent variable and as well as the constant term. The model used in the article is the multiple linear regression model and takes the form of:

$$EM = \beta_0 + \beta_1 CMACQ + \beta_2 VMACQ + \beta_3 HMACQ + e$$

Where:-

EM= Employees morale (the dependent variable)

Mergers and Acquisitions is our independent variable breakdown into CMACQ, VMACQ and HMMACQ

CMACQ = Conglomerate Mergers and Acquisitions

VMACQ = Vertical Mergers and Acquisitions

HMACQ = Horizontal Mergers and Acquisitions

β_0 = Constant

β_1 , β_2 and β_3 =Coefficients of independent variables.

e =Error term of the model.

4. Results

4.1 Questionnaire

Table 4.1: Number of Questionnaire

		Frequency	Percent	Cumulative Percent
Valid	Returned Questionnaire	350	78.8	78.8
	Unreturned Questionnaire	94	21.2	100.0
	Total	444	100.0	

Source: Author (2024)

Table 4.1 shows, the number of questionnaires that were administered. Out of the 444 questionnaires that were issued, 350 questionnaires were returned given a percentage of 78.8%.

4.2 Presentation of Inferential statistics

*Correlation Matrix

Table 4.2: Correlation Matrix

	Conglomerate	Vertical Integration	Horizontal Integration	Employee Moral
CMACQ	1.000	.810	.078	-.135
VMACQ	.410	1.000	.052	-.086
HMACQ	.078	.052	1.000	.137
EM	-.135	-.086	.137	1.000

Source: Author (2024)

From the correlation matrix, all the correlation coefficients along the diagonal are unitary indicating that each variable has a perfect positive correlation with itself. The table reveals that many of the independent variables are positively correlated and has a low value. Hence, there is no strong correlation between the variables. Therefore, the variables can be subjected to other empirical testing.

Test of Reliability*Table 4.3: Test of Reliability**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha
CMACQ	12.6009	2.607	0.608	0.431	0.754
VMACQ	12.2456	2.401	0.333	0.164	0.771
HMACQ	12.3947	3.552	0.095	0.039	0.738
EM	12.4781	3.325	0.335	0.232	0.703

Source: Author (2024)

Results indicate good internal consistency given that the overall value of alpha (0.741) is > 0.7. So, these primary indicators have good internal consistency, thus was used to form or build our index of variable.

Test of Multicollinearity*Table 4.4: Test of Multicollinearity(VIF Test)**

Variable	VIF	1/VIF
CMACQ	2.242	0.446
VMACQ	2.02	0.495
HMACQ	1.11	0.900
Mean VIF	1.79	

Source: Author (2024)

The VIF results presented above reveals a mean VIF of 1.79 which is slightly below the bench mark VIF of greater than or equals to 2.5 which means that our analyses are void of multicollinearity which validates the findings of this study.

4.3 Model Summary**Table 4.5: Model Summary^b**

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	Durbin-Watson
1	0.431 ^a	0.586	0.527	0.62203	1.441

a. Predictors: (Constant), Conglomerate, Vertical Integration, Horizontal Integration

b. Dependent Variable: Employees Morale

The adjusted R² shows the degree of variation in employee morale that can be explained by variation in Mergers and acquisition. Inferring from the adjusted R² (Coefficient of multiple determination), 58.6% of variations in employees Morale is accounted for or explained by variations in mergers and acquisition (Conglomerate, Vertical and Horizontal). Also, 41.4% of variations in employees' morale is accounted for by variations in other variables different from facets of mergers and acquisition. This is known as the coefficient of non-determination.

4.4 Presentation of Results Coefficients^a

Model	Unstandardized Coefficients			Standardized Coefficients		Sig.
	B		Std. Error	Beta	t	
1	(Constant)	3.677	0.809		1.708	0.070
	CMACQ	0.160	0.254	0.154	3.899	0.001 ***
	VMACQ	0.041	0.181	0.092	4.378	0.001 ***
	HMACQ	0.145	0.187	0.155	2.159	0.000 ***

a. Dependent Variable: Employees Morale

Note: *, ** and * represents 10%, 5% and 1% level of significant respectively**

Source: Author (2024)

EM = 3.6777 + 0.160 CMACQ + 0.041 VMACQ + 0.145 HMACQ + e

4.5 Interpretation of results

Results showed a positive effect of conglomerate on the employee morale in banks in Douala. That is a unit increase in conglomerate will increase employee morale by 0.160 unit which is significant at 1%. This implies that conglomerate will increase employees morale in Banks in Douala. This result is similar to that of Atul and Maryam (2020) who studied the impacts of mergers and acquisitions on the value of shareholders in the Bahraini banking sector.

The results portrayed a Positive effect of vertical mergers and acquisition on employees morale in in banks in Douala. That is a unit increase in vertical mergers and acquisition will Increase employee morale by 0.041 unit which is significant at 1%. Our result is in conformity to that of Saxena et al., (2020) who carried out an empirical study to examine the impact of merger and acquisitions on the financial performance of Tata Steel and Corus post Covid-19. From our fundings we also discover that Horizontal integration has a positive effect on employee Morale. That is, when horizontal mergers and acquisition increases, employees morale increases significantly More specifically, a unit increase in horizontal inegration will increase employees morale by 0.145 unit. This indicates that an increase in horizontal mergers and acquisition will increase Employee morale which is statistically significant at 1 % level of significant. This result is similar to that of Momodou et al. (2017) conducted a study on the effect of merger and acquisitions on financial performance of firms in the United Kingdom.

5. Conclusion

The purpose of this article was to evaluate the effect of Mergers and Acquisitions on employees morale in banks in the Littoral region of Cameroon. The article was guided by the research objectives such as; to asses the effect of Conglomerates Mergers and Acquisitions on employees morale, to identify the effect of Vertical Mergers and Acquisitions on employees morale and to ascertain the effect of Horizontal Mergers and Acquisitions on employees morale. To be able to achieve our objectives the analysis was done based on the information gotten from respondents through questionnaires. Out of the 444 questionnaires that were issued, 350 questionnaires were returned given a percentage of 78.8%. index

was belt because our variables were bread down in to items and multivariate regression technique was used for estimation. Results firstly established that conglomerates significantly influence employees moral. This depicts that an increase in conglomerates leads to an increase in employees morals. secondly results showed that vertical Mergers and Acquisitions significantly influence employees moral. This depicts that an increase in vertical integration leads to an increase in employees moral. Thirdly The funding's established that horizontal mergers significantly influence employees moral. This depicts that an increase on horizontal mergers leads to an increase on employees moral. we can conclude that merger and acquisition has a positive significant effect on employees moral in banks in Douala. Based on the findings and the fact that the performance of each institution or organisation depend on employees moral, we can recommend that Banks of the littoral regions of Cameroon should pay more attention to employees moral or lay emphasis on employees' morals when going in for mergers and acquisition.

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