

## Banking Merger, Challenges & Its Impact on the Financial Performance of Sudanese Banks: Empirical Study- Blue Nile Mashreq Bank (2015-2020)

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**Abstract:** The study has focused on Banking Merger in Sudan to reform Bank Sector as an objective, challenges, and its impact on Banking Performance. It has selected the experience of the Banks Merger between Blue Nile Bank and Mashreq Bank in October 2003 to understand the impacts and the results of this process on the Financial Performance (2015-2020). The main objective of the study is to analysis the impact of merger on the financial performance of commercial banks in Sudan and to know the concept of the banking merger in Sudan, the challenges and problems facing the banking merger in Sudan and Highlighting the impact of the experience of the Blue Nile Bank as a study of the situation of the merger of banking in Sudan on the level of financial performance.

It has many findings like merger has led to implementing a good Capital Adequacy ratio also We find that the banking merger has succeeded in a great way in the Mashreq Blue Nile Bank, through the ability of the new bank to increase the capital, its assets, and annual profits after the merger until now and its impact on the financial performance of Sudanese banks.

This study methodology follows the historical descriptive method to clarify the aspects related to banking mergers and to follow previous studies and the analytical method by taking the experience of the Blue Nile Mashreq Bank

It has some recommendations like, the most important those Sudanese banks to take banking merger as a strategic option to create banking entities capable of global competition also it is necessary to activate the banking merger process more among Sudanese banks to avoid problems and obstacles facing the banking business.

**Keywords:** (Banking Performance, Challenges, Banking Merger, Banking Sector Reform, Banking Entities)

### الدمج المصرفي، التحديات وتأثيره على الأداء المصرفي في البنوك السودانية: دراسة تطبيقية على بنك النيل الأزرق المشرق (2015 - 2020)

د. عمر علي بابكر الطاهر

قسم إدارة الأعمال | كلية الدرب الجامعة | جامعة جازان | المملكة العربية السعودية

المستخلص: تناولت الدراسة الدمج المصرفي في السودان بهدف إصلاح القطاع المصرفي في السودان، وتكمن مشكلة الدراسة بمعرفة أثر الاندماج المصرفي على الأداء المصرفي والربحية، وذلك بدراسة تجربة الدمج المصرفي التي تمت بين بنك النيل الأزرق وبنك المشرق في أكتوبر 2003 بهدف التعرف على الآثار والنتائج التي ترتبت عن عملية الدمج على الأداء المالي.

وهدف للتعرف على مفهوم الدمج المصرفي وأهميته وأنواعه وأهدافه ودوافعه، ونماذج الدمج المصرفي في السودان والتحديات والمشاكل التي واجهت الدمج المصرفي في السودان، وإبراز تجربة بنك النيل الأزرق المشرق للدمج المصرفي في السودان.

وقد توصلت لعدة نتائج منها تقوية القاعدة الرأسمالية للبنك، وأن الدمج أدى لزيادة رأس مال البنك ولتحقيق معدل جيد لكفاية رأس المال وزيادة الأرباح للبنك. وبعض التوصيات من أهمها أن على البنوك السودانية أن تتخذ الدمج المصرفي خياراً استراتيجياً لها لخلق كيانات مصرفية قادرة على المنافسة.

الكلمة المفتاحية: (الأداء المصرفي، التحديات، الدمج المصرفي، إصلاح القطاع المصرفي، كيانات مصرفية)

## 1. Introduction

The current era is known as the era of major economic entities, making the merger one of the most significant changes experienced by the financial and banking sectors globally. It is also one of the challenges facing the banking sector because it would increase competitiveness and support the ability to use more cutting-edge technology and the innovative financial and banking products that would result from it.

Not just at the moment, but also since the 1980s in general and the 1990s in particular, the topic of bank mergers and acquisitions has emerged as one of the most contentious problems in the international and regional banking sphere.

The beginnings of this century witnessed unprecedented mergers and acquisitions, both in terms of quantity and size, and it has become difficult to go a week without hearing about a merger or acquisition of a bank or financial institution.

The phenomenon of bank mergers and acquisitions began on a large scale in the United States of America and was then followed by the developed countries in Europe and Japan. There are also similar cases in some developing countries, especially those that faced financial crises, considering that the merger and acquisition of banks is one of the means of restructuring.

As Merger transactions occur, buyers and sellers need to have talent retention and attraction strategies in place, such as fostering a positive culture, competitive compensation, strong benefit plans, bonus potential, and career advancement opportunities.

The issue of banking mergers has emerged as one of the means to address the banking crisis, especially for troubled banks and the problem of internal and external indebtedness, and the belief has increased among the monetary authorities and commercial banks that banking mergers are an effective treatment for many banking problems such as the low profitability of banks, the diminishing of their capital bases, and their weakness in facing competition.

The phenomenon of banking mergers is regarded as one of the most significant issues in the economic arena. International economic relations in the third millennium are defined by several characteristics that, when combined, create substantial challenges for all countries of the world.

**The problem in this study** is that Sudanese banks have recently faced great challenges, difficulties, and many problems, as evidenced by the failure of some of their customers to fulfill their obligations towards them, the weakness of their capital, their weak competitiveness, and their low level of profitability. This study is designed to fill the knowledge gap by answering the research question, **What is the impact of Mergers on the overall financial performance of commercial banks in Sudan and its challenge?.**

This study tries to answer the following questions.

- What are the reasons and motives behind banking mergers in Sudan?
- Why do Sudanese banks suffer from the problems and challenges, difficulties of low profitability rates?
- Based on the reality of the experience of the Blue Nile Mashreq Bank, does a banking merger have an impact on the financial performance of Sudanese banks?

The extent of the **importance** of studying and researching the issue in Sudan and collecting the necessary information to find out the truth of the matter and study the case, especially since the banking sector is the main pillar and main driver of the economic development process in the country, and that the strength of the financial position of the bank and its competitiveness and the provision of banking services Modern and distinguished come from the big banks. The small size of banks in Sudan and their need to meet international standards for capital requirements all make the study of banking mergers of great importance.

**The main objective of the study is to analysis the impact of merger on the financial performance of commercial banks in Sudan.**

**The study's objectives** include the following:

- Know the concept of banking mergers, their importance, types, and objectives, as well as the challenges and problems that faced banking mergers in Sudan.
- Highlighting the impact of the Blue Nile Mashreq Bank's experience of banking mergers in Sudan on the level of financial performance.

**Research methodology:** the choice of data collection methods for this study includes secondary data from websites, reports, books, newspapers, and journals. Exploratory research has been done and for this secondary data has been used.

This study follows the historical descriptive method to clarify the aspects related to banking mergers and to follow previous studies and the analytical method by taking the experience of the Blue Nile Mashreq Bank and knowing the impact of the merger on

the financial performance of Sudanese banks. The study relies on primary and secondary sources of references and annual reports of the Blue Nile Mashreq Bank.

## 2. Literature Review

(Candida Bussoli et al.(2023) discuss in their research that the FinTech phenomenon has recently had a significant impact on the financial sector, opening new potential for cost-saving measures and providing increasingly sophisticated financial services. On the other hand, FinTech has helped new players—typically technology companies—enter the financial sector and financial intermediation. Financial institutions have started cooperative and merging operations. As a result, to incorporate the new technology created in the market into their business model. This study aims to determine whether banks engaged in a FinTech merger experience improved financial performance. The research hypothesis is tested using an international sample composed of 106 financial intermediaries that implemented FinTech mergers from 2010 to 2018. The methodology employed is the Propensity-Score-Matching (PSM) technique which provides empirical results. The results demonstrate how a FinTech merger enhances intermediaries' financial performance. This evidence highlights the strategic value of FinTech fusion in the modern financial system. This study offers important insights for future research on the topic, as it contributes to combining two distinct outfits of literature, FinTech and M&A, into one that has been little addressed in the financial sector.

Munshi et al. (2023) in their study said that banking is one of the fastest growing sectors and is considered as the lifeline of any economy. Throughout the decades, the Indian economy has undergone numerous changes. In this competitive modern era, mergers and acquisitions are becoming a highly admirable trend in the banking industry. The government of India announced India's biggest and largest mega banks merger on August 30, 2019. The study attempts to understand the motives, objectives as well as pros and cons of public sector bank's merger along with a few indicators. The Impact of merger on different stakeholders is also discussed.

(Ayu Dwi Utami, et al, (2022) in this paper provide a case study of the Bank Syariah Indonesia (BSI) that has been formally created on the 1st of February 2021 through mergers of three State-owned Islamic banks in Indonesia. This paper is a descriptive case study focusing on why the merger was initiated, what happens to the Indonesian Islamic banking industry after mergers, and its implication on market competition and stock prices. We use data of total assets of 34 Islamic banks in Indonesia and the weekly stock price of 4 listed Islamic banks for 18 months. By computing concentration ratio and Herfindahl index, we find that the Indonesian Islamic banking market competition decreases substantially after the merger. We also find that although the merger of BSI previously brings a positive reaction in the stock markets, the stock price of BSI consistently decreased after mergers.

(Pitri Raj Adhikari,(2022) study: Purpose- attempts to evaluate the synergistic effect of the merger on financial performance, market share, and the wealth of the shareholders of the selected BFs. This study can become a foundation for future studies in the Nepalese context of the merger of BFs.

Methodology- Two cases of mergers of commercial banks have been taken as samples for the study. To analyse the mentioned variables of the selected BFs, pre-merger (2011–2015) and post-merger (2016–2020) data have been compared using a t-test and regression analysis. Findings-The result of the study reveals that there is a significant relationship between financial performance and shareholder value and the merger, whereas there is no relationship between the market share of the BFs and the merger.

(Mutmainah, et al, (2022) In this study analyzes the INDONESIA ISLAMIC BANK (BSI) merger's stages, challenges, and strategies. The research method used is the Literature review method. The results showed that the stages during the Indonesia Islamic Bank (BSI) merger process started from the approval of the BRIS, BNIS, and BSM Board of Commissioners on the Merger Plan on October 20, 2020, until it officially started operating on February 1, 2021. In addition, the challenge for the Indonesia Islamic Bank (BSI) merger is the market share of the Islamic finance industry, which is still small or lagging compared to conventional banks.(Hassan, M, and E Giouvriv. (2021)

Purpose – The purpose of this study is to examine the effects of bank mergers on systemic and systematic risks on the relative merits of product and market diversification strategies. Design/methodology/approach – This study examines the impact and association between merger announcements and regulatory reforms at bank and system levels by investigating the impact of various bank consolidation strategies on firms' risks.

Findings – Large acquiring banks decrease systemic risk contribution in cross-border M&As with a nonbank financial institution, and witness profitability (ROA) gains, supporting geographic diversification stability. Capital requirements, activity restrictions and bank concentration increase systemic risk contribution in national mergers.

(Senger et al, (2021) focused their study on the post-merger performance analysis of banks and provided a model that exhibits proper merger and acquisition analysis.

The model can be used for the analysis of future mergers and acquisitions of Indian banks. Qualitative research methodology is used in this study using SWOT analysis. Based on the qualitative analyses, this study concludes that bank mergers are successful and beneficial for the new amalgamated entity as well as to the shareholders and customers. The trend analysis results show a consistent growth of all the key financial indicators post-merger.

(Rizal Rizal, et al (2021) in this study aims to determine the opportunities and challenges with the merger of 3 BUMN Sharia Banks into Indonesian Sharia Banks (BSI). This study uses the BOCR (Benefit, Opportunity, Cost, and Risk) approach, part of the Analytical Network Process (ANP) approach. Through this approach, the priority value for each aspect (BOCR) will be obtained. The results of the study show that the Cost aspect has a priority value of 0.261. The benefits aspect (0.257), the risk aspect (0.244), and the lowest priority is the Opportunity aspect with a value of (0.236). Meanwhile, the priority strategy for the merger of these 3 BUMN Islamic Banks is professional Human Resources (HR).

By evaluating the performance indicators of the banking system, (Ibrahim, (2020) analyzed the experience of restructuring and reforming the Sudanese banking system. One of the findings of the study is that banking mergers and financial and administrative reform programs are among the most crucial ways to address the issues with the Sudanese banking system. This information can be used to understand the impact of banking reform policies as one of the ways to address issues, challenges, and weaknesses in the institutions of the banking system.

The purpose of this study by Imad Suleiman et al. (2018) was to shed light on the effect of banking mergers on the banking performance of Sudanese banks. The main challenge is determining the degree of merger success among Sudanese banks, particularly when assessing the experience of the Commercial Farms Bank. The study also sought to build powerful banking organizations that are both internationally and locally competitive. According to the study's findings, capital expanded significantly because of the merger, and profits and deposits also rose.

(Al-Sharif, (2015) represented the need of the banking sector in Sudan to provide large capital and high cash liquidity as the research problem, and the research aims to study the impact of the integration of banks in Sudan on their activity, profitability, and growth rates. One of the most important results of the research is that the process of the merger in the Sudanese banks under study led to an improvement in the capacity of the merged bank, as well as an increase in growth rates and improved the activity of the merged bank. One of the most important recommendations is the expansion of voluntary mergers of banks to achieve the advantages of economies of scale and maximize profitability.

By using the Blue Nile-Mashreq Bank as a case study, Abdullah (2013) sought to examine the merger and its effects on the performance of the banking industry in Sudan. As a result, the study attempts to understand how banking mergers affect performance as well as how much the merger has impacted Blue Nile Mashreq Bank's performance. It also intends to understand how the merger has affected the bank's economic evaluation. The study's most significant conclusions were that the merger enhanced profitability to a higher level, improved liquidity from before the merger, and raised bank deposits, the number of its currencies has also increased, the bank's capital has increased, short-term investments have increased, expenses have decreased, and revenues have been increased in an estimated manner. Introducing modern technology to work is the most important recommendation of the study was the following: Increasing the ratio of the adequacy of money opinion to comply with the specified percentage of the Bank of Sudan and increasing the number of bank branches in the different states. The central bank should also increase the awareness and culture of mergers between banks and pay more attention to developing preventive methods to protect against risks.

According to (Kishkoush, (2008) the issue with the research is that banks are increasingly turning to merge as a means of acquiring substantial financial resources and cutting-edge technological capabilities enhancing the amalgamated bank's financial situation and, as a result, its competitiveness. The research's most significant findings are that as a result of the merger and the creation of the Farmers Commercial Bank, bank deposits significantly increased following the merger and the bank's assets continued to expand after the merger at a high level.

Musnad, (2002) in his thesis said that the research problem lies in the presence of a large number of commercial banks and specialized banks all over the country. The Central Bank has asked the public sector banks to merge to strengthen them and create strong banking institutions from the financial, human, and regulatory aspects to play their developmental role. If the merger takes place for one of these banks that he deals with, he may lose his confidence in dealing with this merged group and then escape from the banking system with its impact. How can the merger take place while spreading banking awareness to the largest sector of citizens?

#### **Research gap.**

After reviewing the past article and thesis, impact on merger on financial performance of commercial banks. This study is mainly differed than the previous studies due to its focus on both measuring comparative financial performance and effect of merger on Performance of banks in Sudan and its challenge. The sample used in the study is the Blue Nile-Mashreq Bank from (2015-2020).

### **3. Bank Merger: Theoretical Review**

A banking merger is one of the basic means to confront the effects of global changes, and it has increased dramatically as a result of two basic variables of globalization. The first is the agreement to liberalize banking services, which led to an increase in competition in the global banking market and the emergence of large banking entities. The second variable and what made banking merger an inevitable necessity is related to the capital adequacy standard of no less than 8% as a minimum, which may reach 12% according to the decisions of the Basel Committee, which prompted small banks to merge to manage the required increase of their capital to continue in the global banking market. The banking merger was also a product of the spread of regional economic blocs, the communications and information revolution, and other globalization variables.

#### **3.1 Banking merger Concept**

A banking merger expresses the union between two or more banking institutions under one management and the emergence of a new bank that has an independent legal status or the legal demise of a bank and it's joining to the merging bank (Munshi et al, (2023), which owns all the rights of the merged bank and abides by all its obligations towards others, and the merger may be Partially through a bank owning influential shares of another bank's shares, and mergers can take place within the borders of the state or outside the borders.

The concept of a banking merger is not different from the concept of a merger in any of the other economic sectors. It means the inclusion of a bank or several similar banks in a bank or the formation of a new legal institution.

#### **3.2 Banking Merger in Sudan**

##### **3.2.1 History of Banking Merger in Sudan**

From the reality of the available banking literature on cases of bank mergers in Sudan, we find that the beginnings of bank mergers in Sudan date back to the seventies of the last century and that the mergers that were completed were very limited and did not exceed six cases, and the forms of merger that took place varied between voluntary merger and merger Compulsory and reformative merging. And we will show each of them their type and motives or goals.

The cases of bank mergers that have been completed in Sudan so far:

1. Merging Juba Commercial Bank into Omdurman Bank

Based on the Banking and Savings Organization Law 1973, the first banking merger took place, resulting in Juba Omdurman Bank, and its name was changed to Al Wahda Bank in 1975.

2. Merging the People's Cooperative Bank into the Bank of Khartoum

That banking merger took place in 1982 by a decision issued by the Central Bank of Sudan (compulsory merger) after the People's Cooperative Bank faltered as a result of the weakness and erosion of its capital and the accumulation of its bad and doubtful debts that lacked guarantees because the People's Cooperative Bank was expanding in His industrial loans and the financing of the textile industry in particular, which faced structural difficulties and the difficulties of working conditions, which necessitated the process of merging all its branches, employees, assets and liabilities with the Bank of Khartoum, which was characterized by high liquidity. (Eltahir, 2006)

3. Merger of the Unity Bank and the National Bank for Import and Export in the Bank of Khartoum

Some state-owned commercial and development banks were merged within the framework of the banking reform program included in the liberalization and economic reform policies pursued in 1992. This merger took place in 1993 (reform merger) and the merger strategy was to strengthen government banks in preparation for their privatization following the Banking Regulation Law for the year 1991.

The new bank was called the Bank of Khartoum Group, but this process was accompanied by some distortions because it was a process of merging more than merging and because it was not applied in the optimal scientific way, and it lacked a careful study that leads to the success of the merger and the achievement of the objective required of it. To address this situation, the Bank has implemented a policy of financial, administrative, and structural reform, one of the most important objectives of which is restructuring the Bank administratively and functionally, reconciling the conditions of its workers, implementing financial reform programs, monetizing fixed assets to increase capital, and applying electronic and information technology in banking services and keeping pace with the policies and programs of the Central Bank to reform the banking system.

The results of the financial, administrative, and structural reform policy were an increase in the volume of deposits and investment, and the bank became a strong financial center with economic strength, and capital increased. The privatization program was completed in 2006 when Dubai Islamic Bank entered as a strategic partner by purchasing 60% of the shares, and the Bank of Khartoum exited from the local and regional framework to the global one.

4. Merging the Sudanese Industrial Bank into the Nile Bank

Within the framework of the banking reform program included in the policies of liberalization and economic reform, in March 1993 the Industrial Bank of Sudan was merged into El Nilein Bank. The main objective of the merger was to strengthen capital and create a banking institution capable of financial, human, and organizational aspects to play its role in the comprehensive development process. The merger decision determined the identity of the new bank to be specialized in the field of industrial development to help create industrial development. Indeed, in Sudan, after the failure of the Sudanese Industrial Bank, which was owned by the state at the time, and its loans faltered due to changes in the exchange rate and the prices of machinery and raw materials accordingly. The new bank establishes industrial establishments and contributes to the expansion of existing activities by granting the necessary funding for them, especially the operating capital, and giving advice and advice to industrial establishments in Sudan administratively and technically, assisting them to obtain the necessary services and facilities, and cooperating with government agencies. (Ahmed, 2003).

5. Merger of the Sudanese Commercial Bank with the Farmer's Bank

This merger took place in 1998 within the framework of the Banking Reconciliation Program approved by the Central Bank of Sudan during the period (1994-1997), whose main objectives were to create strong banking institutions characterized by adequate capital following the decisions of the Basel Committee and with administrative rules that can compete locally and internationally. The merger took place after the approval of the two banks' boards of directors, their general assemblies, and the Central Bank of Sudan (voluntary merger), and to implement the merger process, a joint committee of the two banks was formed under the supervision of the Central Bank of Sudan. (Hashem, 2010)

6. Merging Blue Nile Bank into Mashreq Bank

In 2003, the Blue Nile Bank and Mashreq Bank were merged after the approval of the board of directors of each of them, as well as the general assembly of each of them and the approval of the Central Bank of Sudan (voluntary merger), and the main motive or objective behind the merger process is to strengthen the financial and liquidity position For the fledgling institution, the Blue Nile Mashreq Bank, and to work on reducing costs, increasing profits, and exchanging administrative and technical experiences between them while making use of modern technologies.

### 3.2.2 Problems and challenges facing Banking Mergers in Sudan

Sudan's experience in the field of bank merging is limited, and the responsible authorities have recently paid great attention to developing the banking sector. The issue of merging and acquiring banks comes to the fore in the development and restructuring of the banking sector, given the small size of the capital and assets of most Sudanese banks, as well as because the Sudanese economy is open to the outside world and international financial markets, and Sudan is considered one of the first developing countries that signed

the agreement to liberalize trade in the field of financial services And the process of merging the financial institutions operating in the country to provide large capital in addition to improving the investment environment.

The merger of banks, whether governmental, private, or specialized, is a feature of this era in which the economy competes. The merger is a step and part of restoring confidence in the Sudanese banking system, and mergers generate large economies that contribute to supporting the local economy and have positives, including future expansion, achieving operational efficiency, raising profitability, maximizing ownership, and the ability to face future financial changes. (Nasr, et al, 2016)

However, despite this, we find that Sudanese banks face several challenges in many aspects, the most important of which are:

- ✓ The weakness of the boards of directors and their lack of commitment to planning, follow-up, institutional control, and capital adequacy,
- ✓ The inadequacy of the senior executive management and the lack of optimal exploitation of resources, and
- ✓ The existence of problems in the capital in terms of the lack of reserves Sufficient,
- ✓ Lack of integration of capital contributions with the bank's activities, high market value,
- ✓ The weak qualified human element, lack of effective organizational structure,
- ✓ Lack of deposits, weak investment aspect, scarcity of foreign exchange, lack of branches, failure to keep pace with banking technology, and lack of corporate culture, smart partnerships. (Imad, et al, 2018)

**We find that one of the most important challenges facing Sudanese banks is the weakness of their capital compared to their regional and global counterparts, in addition to the scarcity of liquidity, as well as external challenges represented in the failure of the flow of foreign financial and banking transfers to these banks, due to the presence of the name of Sudan in the list of countries sponsoring terrorism, where America used to impose huge financial fines on international banks that deal with Sudan, and therefore international banks and banks cannot violate these procedures, considering America a large economic market that is difficult to dispense with, so the Sudanese government must intensify its efforts to remove the country's name from this list so that it can benefit from supporting global financial institutions to the Sudanese economy to the stage of recovery.” (Bob, 2011)**

The banking mergers that took place in Sudan faced some problems and challenges, as follows:

- The high costs are required by the technological linkage process between the spread branches of the new bank.
- The low relative efficiency of some workers in the face of developments in the banking business in the new bank requires more necessary expenditures to retrain and rehabilitate them.
- The banking merger legislation did not absorb the encouraging procedures for the merger process, the institutions supporting the merger policies, and the specialized evaluation institutions.
- Problems of reducing the number of branches and restructuring some branches administratively and organizationally due to the similarity in geographical distribution, and indirect political interventions to achieve political balances.

The trend towards centralization in banking decisions and the loss of customers for this, as well as the decrease in customer satisfaction due to the change of employees and the closure of some branches and the transfer of accounts to other branches, and then the loss of the element of personal interaction between the customer and employees, which is one of the important elements in maintaining customer loyalty. (Abd Allah, 2013)

Obstacles also include preventing government units and companies from opening accounts with commercial banks, the high cost and poor productivity of export commodities, the expansion of smuggling operations, and foreign price manipulation. As well as a lack of transparency and credibility in some official documents such as budgets, lease contracts, etc., and changes in government policies and the policy of the Bank of Sudan, in addition to the high percentage of waste in the country in terms of time, money, wealth and precious opportunities. (Ali, The Independent Arabic, 2020)

### 3.3 Blue Nile Bank

Blue Nile Bank Limited was established as a public limited company in 1983 under the Companies Law of 1925 as a partnership with Sudanese businessmen with a capital of 82% owned by the Korean Daewoo Company and continued to develop and the paid-up capital is 1.5 billion dinars, and the authorized capital is 3 billion dinars plus 10,000,000 dollars.

### 3.3.1 Blue Nile Mashreq Bank (Experience)

Blue Nile Bank Limited was established as a public limited company in 1983 according to the Companies Law of 1925 as a partnership with Sudanese businessmen with a capital of 82% owned by the Korean Daewoo Company and the Korean Daewoo Company sold its share in Blue Nile Bank Limited to a group of Sudanese businessmen.

The Mashreq Bank branch is one of the foreign branches of the Bank in Sudan. The head office of Mashreq Bank (Dubai, United Arab Emirates) was opened in 1994, and in the past, it was the branch of Bank of Oman Limited, which was opened in 1979, and it was working on implementing the financing policy issued by the Central Bank (Bank of Sudan).

In October 2003, the Blue Nile Bank and Mashreq Bank were merged after the approval of the board of directors of each of them, as well as the general assembly of each of them and the approval of the Central Bank of Sudan (voluntary merger). The main motive or objective behind the merger is to strengthen the financial position and liquidity position of the fledgling institution, the Blue Nile Mashreq Bank, and work on reducing costs, increasing profits, and exchanging administrative and technical experiences between them while making use of modern technologies.

The current Blue Nile Mashreq Bank is privately owned and it is one of the medium-sized Sudanese banks that works to provide financial and banking services to its clients of individuals, businessmen, and companies, including major institutions, international oil companies, NGOs, diplomatic missions, United Nations agencies, and Multinational companies.(www.bluemashreq.com)

This study examines the impact of merger on financial performance of commercial bank. For this purpose, secondary data are used, data are collected from the only the financial statement of the case study Blue Nile Mashreq Bank.

### 3.3.2 Balance Sheet and Income Statement for Blue Nile Mashreq Bank

First: Statement of Financial Position

Statement of Financial Position consists of the assets and liabilities of the Blue Nile Mashreq Bank.

#### Assets

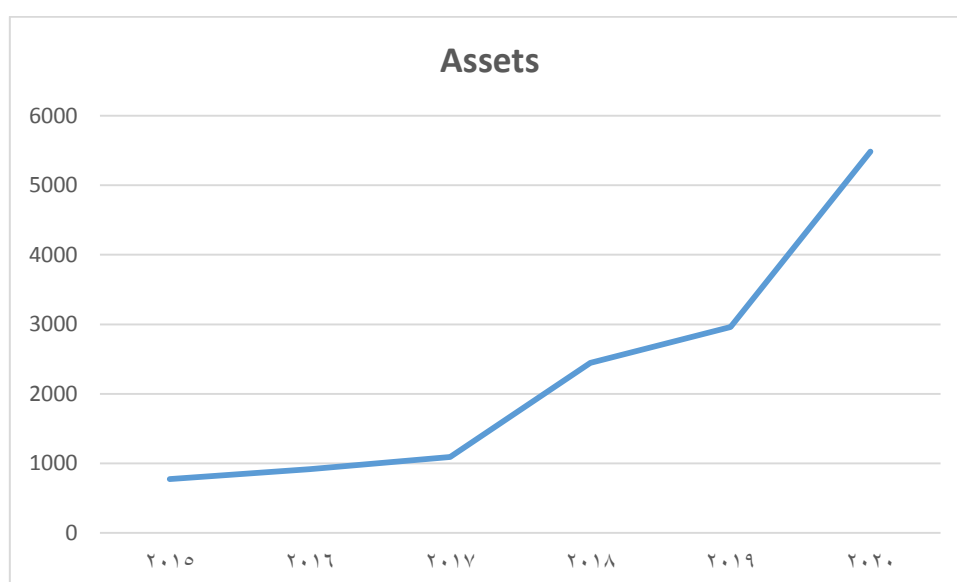
Bank Assets consist of cash and cash equivalents deferred sales receivables and investments, and it is evident from the table below that the total assets in 2015 amounted to about 2.581 billion Sudanese pounds, and the total assets in 2016 amounted to about 2.744 billion Sudanese pounds, with a growth rate of 6.31% from total assets, the total assets in the year 2017 amounted to about 3.483 billion Sudanese pounds, with a growth rate of 26.9% of the total assets. In 2018, the total assets amounted to about 8.108 billion Sudanese pounds, with a growth rate of 132.7% of the total assets. The total assets in 2019 amounted to about 10,308 billion Sudanese pounds, with a growth rate of 27.1% of the total assets, but in the year 2020, the total assets amounted to about 20.368 billion Sudanese pounds, with a growth rate of 97.5% of the total assets. The Return on Asset Ratio (ROA) on 2015 was 12.45. on 2018 was 20.06, on 2019 was 8.48, on 2020 was 14.39 and on 2021 was 12.97.

Table (1) Assets (2015-2020)

Amount (Billion SDG)	Year
2.581	2015
2.744	2016
3.483	2017
8.108	2018
10.308	2019
20.368	2020

Source: Blue Nile Mashreq Bank Annual Reports





### Return on Assets

For year 2015 ROA was **12.45%**, 2018 was **20.06%**, 2019 was **8.48%**, 2020 was **14.39%**.

### Liabilities

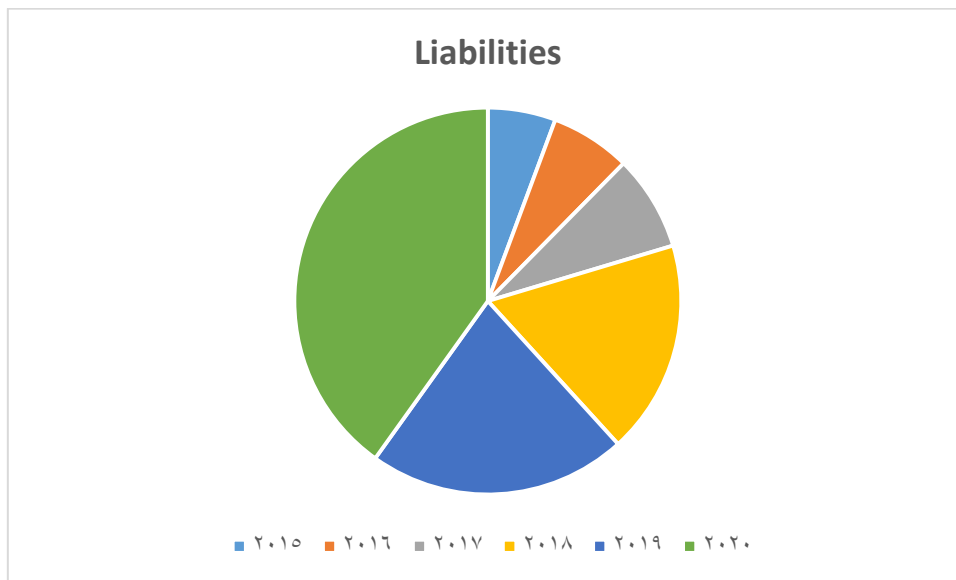
The liabilities of the Blue Nile Mashreq Bank consist of investment deposits and owners' equity.

In the table below, we find that in 2015 the total liabilities amounted to 1.414 billion Sudanese pounds, compared to 2014, when the bank achieved 1.086 billion Sudanese pounds, with a growth rate of 30.2% of the total liabilities. In 2016, the total liabilities reached 1.290 billion Sudanese pounds, with a negative growth rate of 8.7% from The total liabilities of the bank also in the year 2017, the bank achieved an increase in the total liabilities amounting to 1.765 billion Sudanese pounds, with a growth rate of 36.8% of the total liabilities. The bank continued to increase the volume of liabilities, reaching 4.396 billion pounds in 2018, and the increase was very large, with a growth rate of 149 percent in total liabilities. Then, in 2019, the bank achieved an increase in total liabilities, which reached 6.078 billion Sudanese pounds, with a growth rate of 38.2% of the total liabilities. And the bank continued to increase the volume of liabilities in a very large way, reaching the year 2020 to 13.324 billion Sudanese pounds, with a growth rate of 119.2% in total liabilities.

**Table (2) Liabilities (2015-2020)**

Amount (Billion SDG)	Year
1.414	2015
1.290	2016
1.765	2017
4.396	2018
6.078	2019
13.324	2020

Source: Blue Nile Mashreq Bank Annual Reports



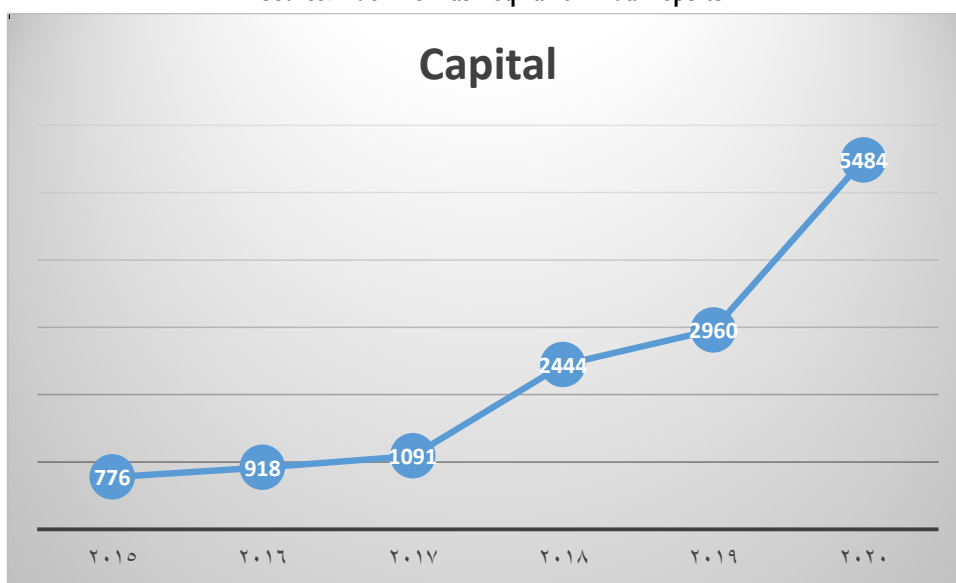
**Capital**

The table below shows that the Blue Nile Mashreq Bank started its activities in the year 2015 with a capital of 776 million Sudanese pounds. In 2016, the capital amounted to 918 million Sudanese pounds. In 2017, the capital amounted to 1.091 billion Sudanese pounds. In the year 2018, it amounted to about 2.444 billion Sudanese pounds. The year 2019 amounted to about 2.960 billion Sudanese pounds, but in the year 2020, it increased to about 5.484 billion Sudanese pounds.

**Table (3) Capital (2015-2020)**

Amount (Million SDG)	Year
776	2015
918	2016
1091	2017
2444	2018
2960	2019
5484	2020

Source: Blue Nile Mashreq Bank Annual Reports



## Second: Income Statement

The income statement of the Blue Nile Mashreq Bank consists of the revenues, expenses, and profits achieved during the year through the banking operations in force in the bank.

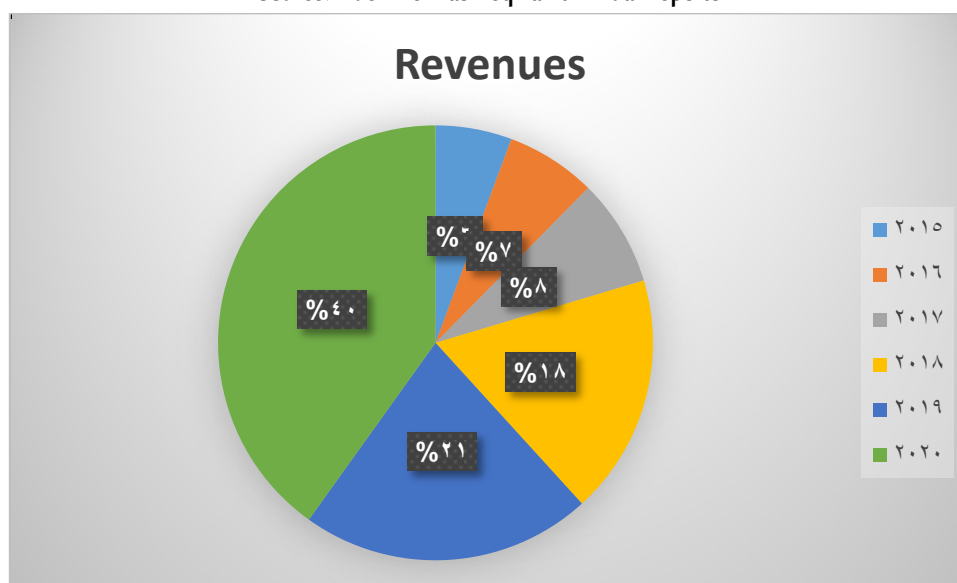
### Revenues

The bank's revenues in 2015 amounted to 503 million pounds, compared to 2014, with a growth rate of 36.3%, through investment revenues, banking services revenues, and other revenues of the bank. In 2017, the increase in total revenues amounted to 614 million Sudanese pounds, with a growth rate of 10.8%, due to the increase in investments, banking services, and other revenues. In 2018, the increase was significant, as total revenues reached 2.037 billion Sudanese pounds, with a growth rate of 231.7%. In the year 2019, the total revenues from investment, banking services, and other revenues decreased to 1.454 billion Sudanese pounds, but in the year 2020, the increase was significant, as the total revenues reached 4.552 billion, with a growth rate of 213.1% distributed among the revenues as shown in the table below.

Table (4) Revenues (2015-2020)

Amount (Million SDG)	Year
503	2015
554	2016
614	2017
2037	2018
1454	2019
4552	2020

Source: Blue Nile Mashreq Bank Annual Reports



### Expenses

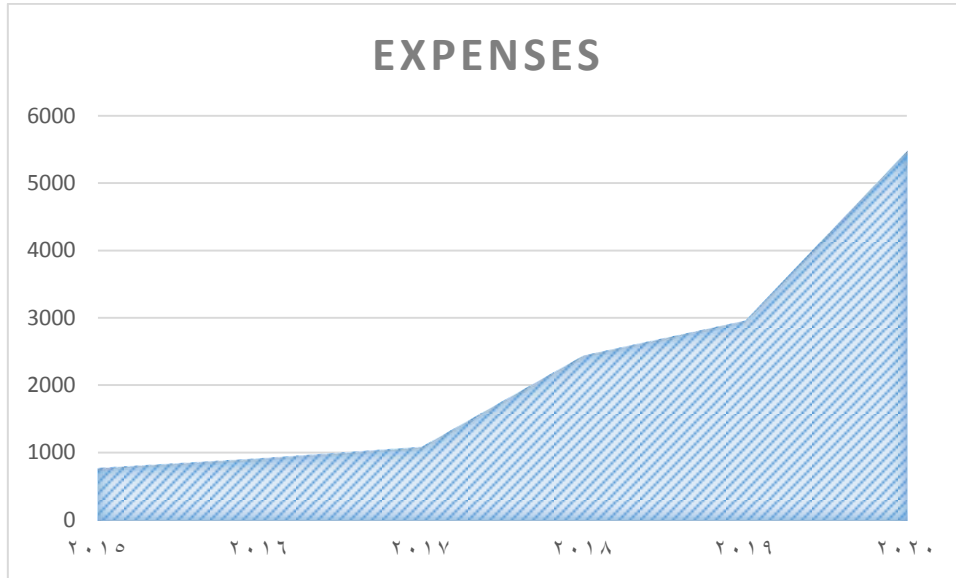
In Table no (5), the total expenses of the Blue Nile Mashreq Bank for the year 2015 came to about 77.8 million Sudanese pounds, compared to the year 2014, which totaled 69.2 million Sudanese pounds, with a growth rate of 12.4% of total expenses in the bank, and in 2016 the total expenses amounted to 81.3 million Sudanese pounds. In 2017, the total expenses reached 98.1 million Sudanese pounds, with a growth rate of 4.5% of the total expenses. In 2018, the increase in expenses in the bank continued and reached 223.9 million Sudanese pounds, with a growth rate of 128.2% of total expenses, but in the year 2019 it was Expenses are 206.2 million Sudanese pounds, and in the year 2020, the total number of deaths reached 472.9 million Sudanese pounds.

Table (5) Expenses (2015-2020)

Amount (Million SDG)	Year
77.8	2015

Amount (Million SDG)	Year
81.3	2016
98.1	2017
223.9	2018
206.2	2019
472.9	2020

Source: Blue Nile Mashreq Bank Annual Reports



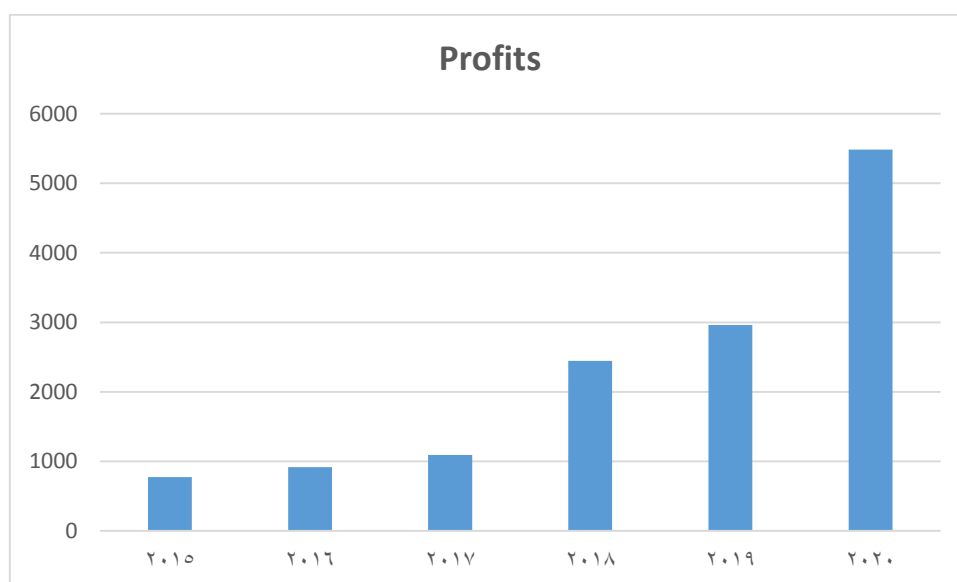
**Profits**

The Blue Nile Mashreq Bank achieved total profits for the year 2015 of about 321.2 million Sudanese pounds, and in 2016 the total profits amounted to about 353.4 million Sudanese pounds, an increase of 32.2 million Sudanese pounds, and in the year 2017, the bank achieved total profits of 409.4 million Sudanese pounds, an increase of 56 million Sudanese pounds, and in the year 2018 about 1.626 billion Sudanese pounds, an increase of 1.217 billion Sudanese pounds, and in the year 2019 the bank achieved a total profit of 853.6 million Sudanese pounds, and in the year 2020, the bank achieved great total profits of 2.931 billion Sudanese pounds, an increase of 2.077 billion Sudanese pounds, as shown in Table No. (6).

Table (6) Profit (2015-2020)

Amount (Million SDG)	Year
321.2	2015
353.4	2016
409.4	2017
1626	2018
853.6	2019
2931	2020

Source: Blue Nile Mashreq Bank Annual Reports

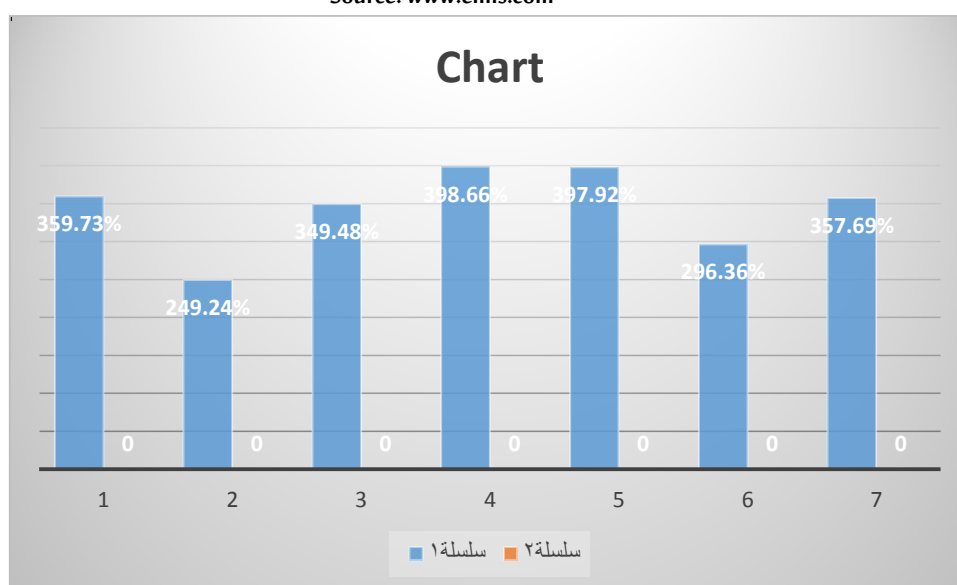


- ❖ Financial instruments for the bank are financial assets and liabilities, including financial assets, cash balances and current accounts and deposits with banks and financial investments and loans to customers include financial liabilities. In table (7) below we find the annual growth of the financial data about the assets, equity Income and the profit. The bank distributes monthly profits to owners' equity and owners of unrestricted investment accounts, the payments will be in advance for both the restricted & unrestricted accounts (70% for owners of investment accounts, 30% for the bank).

Table (7) Key Financial Highlights for the last Two Years in Local Currency (SDG)

Financial Data	Annual Growth in Percentage
Net Interest Income	359.73%
Operating Profit (EBIT)	249.24%
Net Profit (Loss) for the Period	349.48%
Total Assets	398.66%
Total Equity	397.92%
Total Assets Trend	296.36%
Net Income interest Trend	357.69%

Source: www.emis.com



## Results

1. Merger is considered one of the ways to develop and reform the banking system, and this is clear from the identification of the process that took place between Blue Nile Bank Ltd and Mashreq Bank.
2. We find that the banking merger has succeeded in a great way in the Mashreq Blue Nile Bank, through the ability of the new bank to increase the capital, its assets, and annual profits after the merger until now.
3. The banking merger that took place at the Mashreq Blue Nile Bank is a voluntary horizontal merger between the two banks.
4. Increasing the capital of the Blue Nile Mashreq Bank means that the banking merger works to increase capital and increase liquidity to achieve the highest rates of profits, and this means that the banking merger in Sudan here has achieved the first objective of this study, which is to strengthen capital, as well. And that the rest of the objectives were achieved by meeting the investment needs, and the bank became stronger and more able to compete.

## Recommendations

- For banks, one message is coming through clearly: Scale is good.
- Many of Sudanese banks still would prefer to keep direct customer ties, but doing so is increasingly tech intensive. Cost and talent issues can be obstacles to recruiting tech-employees nor has engaging customers digitally been a historic banking strength. We expect to see more stratification of strategy as banks figure out what roles make sense for their own futures.
- It is necessary to activate the banking merger process more among Sudanese banks to avoid problems and obstacles facing the banking business. This can be done by forming a special department concerned with the process of evaluating the conditions of Sudanese banks and scientifically studying the merger process.
- Sudanese banks should take the path of integration as a strategic choice for them to create banking entities capable of global competition, increase the capital of Sudanese banks in response to Basel requirements and raise the level of capital adequacy for banks to support their abilities to meet the needs of the local market and positive interaction with international banks. The next stage is a stage of challenges and strong entities, and there are no weak entities whose capitals are being eroded in light of open international activity.
- The need to shift from the administrative culture based on centralization in decision-making in many banks, which has prevailed for a long time, the need to study the experiences of banking mergers carefully to identify their negatives and positives, and the need to benefit from the experiences of neighboring countries and the central bank playing a greater role in addressing the sector private bank owners about bank merger order.

## Conclusion

At the global level, merger of banks is for the purpose of consolidation, increasing size and increasing the very scope of the bank. In Sudan most of the merger's purpose are varied between voluntary merger and merger Compulsory and reformative merging.

This study examines the impact of bank mergers on the performance and profitability of Sudanese banks and the "experience" of Blue Nile Mashreq Bank.

The study dealt with the financial situation of the bank in the period (2015-2020) by analyzing the financial statements after the merger.

Hence, all mergers and acquisitions in Sudan need monitoring and evaluation in the post-merger or acquisition period.

The bank's performance was measured by liquidity indicators, profitability indicators, and capital adequacy indicators. In terms of liquidity, our findings showed that the merger increased the bank's liquidity and the bank's profitability. Thus, the merger of Blue Nile and Mashreq banks meets the expectations of policymakers. Considering "profitability" as the ultimate measure of success, the findings show that the bank's profitability has been increasing over the period under study.

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#### **CONFLICTS OF INTEREST**

The authors declare no conflict of interest.