Post-Merger Performance of Financial Institutions

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Abstract

Competition, changes in consumer behavior, changes in technology and market dynamics are dominant forces that are driving institutions to become more efficient and relevant to the environment within which they operate. Credit unions are no exception to these challenges and over the decades, they have engaged in mergers to sustain their financial growth and to improve services to their stakeholders. In this paper we examined the post-merger performance of credit unions with an emphasis on comparing the performance of merged credit unions with that of non-merged credit unions. Specifically, we identified 123 credit unions that were merged in 2019. These credit unions merged for the following reasons: to expand service, inability to obtain sponsors and officials, lack of growth and poor financial performance. Performance measures used include ROAA, Net-worth ratio, Loan to share ratio, Total growth, Total deposit growth, Total asset growth, Member growth and Net-worth growth. Non-merged credit unions at the end of the first quarter of 2023 were identified. We found that there were no significant differences in the performance measures based on the reasons for merger. The merged credit unions had significant differences in all the performance measures, excluding ROAA and Net-worth growth.

Keywords: competition, credit unions, mergers, merged credit unions, non-merged credit unions