

MERGER AND ACQUISITION:  
IMPACT ON SHAREHOLDER RETURNS

MADIHA A. MAJID  
93017588

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*To my family; Abak, Ma', Waki, Huda and Kim for the love that they gave. From you I know what love is, the true love, the greatest love of all. Thank you god, for this precious gift.*

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## *ABSTRACT*

Merger and takeover are popular strategy in order to expand or verified production or activities in the company. However, the study on the impact of takeover and merger in shareholder returns on the target and acquired companies are so little done by the local security industry.

This study observed daily share market returns with regard to the first announcement of merger and takeover activity, 50 days prior to and 50 days after the announcement of the merger and takeover proposal.

The sample of the study consist of 10 pairs of listed companies and market model was employed as a benchmark in order to derived the daily average returns to the shareholder. The average return depend whether shareholder earned positive (+) or negative (-) return or there was no changes at all.

The result of average return prior to the announcement of the merger and acquisition of both target and acquired company do not show any significant increase or decrease. On the day of the announcement of the proposal, average returns show an insignificant decrease. The insignificant of fluctuation of average return is also shown in the post-announcement average return t-test result.

The evidence of this study suggests that merger in Malaysia, do not create value for targets and acquirers company. Shareholder do not earn significant abnormal (+) returns from merger and share price does not rise substantially on the day a merger is announce.

It is recommended that during the acquisition attempt, buyers should be more careful in making their decision, due to the uncertainty arise from the process.

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