MERGERS, ACQUISITIONS AND ALLIANCES
A NEW TREND IN THE BANKING SECTOR

A PAPER SUBMITTED TO THE MARA INSTITUTE OF TECHNOLOGY
IN PARTIAL FULFILLMENT OF THE REQUIREMENT
OF ADVANCED DIPLOMA IN ACCOUNTANCY

BY

NAME : MOHD FADILAH BIN HALIM

ITM I/C : 90003509

ADVISOR : MRS. JAGJIT KAUR

DATE : AUGUST 5th, 1992.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

The author would like to express his deepest thanks to a number of people for their help in preparing this research. First and foremost is to my advisor Mrs. Jagjit Kaur for her constant guidance and to reviewed this research paper at various stages in its development.

I would also like to thank Er. Hisham Mohd KLSE Librarian and Mrs. Joyce Lim ECC Communication and Personnel Department for their help in assisting the author to gathered relevant and useful materials.

I am also most grateful to those people who spared their valuable time to be interviewed. Their opinions and views meant a lot for the completion of this research paper.

My appreciation also goes to Jai, Rosli, Zilan and others who assisted me in the preparation and typing of this research paper.

Lastly to my Mom and Ling for their constant support and love.

As is customary, I will accept blame for any errors and hope that any errors that are discovered will be brought to my attention so that they may be corrected.

Mohd Fadilah Halim

CHAPTER ONE

INTRODUCTION

INTRODUCTION

The mergers and acquisitions arena has been described as a marketplace in which competing managements vie for the right to manage scarce resources by offering alternative corporate strategies. The essence of strategy is competition, which requires the creation and identification of competitive advantage. (Brendon Young: In the studies made in the recent increase in acquisition and merger ; Management Accounting Sept, 1989)

All over the world mergers, acquisitions and alliances among business organizations has become a phenomenon, particularly in North America. America is still the leader in mergers and acquisitions where the eighties was described as a period of ." Takeover Madness " in the American corporate history. Although they have receded somewhat from the height and intensity of the sixties, nevertheless mergers and acquisitions have not been completely dried up. The recent current development is bank mergers, a merger between

Bank America Corporation and Security Pacific Corporation. It was described as the largest banking merger in the US corporate history. It promises to create the 2nd biggest US Banking Company behind Citicorp with assets in excess of US$ 190 billion.

Whereas in Europe the merger and acquisition scene is not as dramatic or as intense as in the US. In anticipation of the single European market in 1992 concentration is more on the cross-border acquisitions and mergers where alliances are being made by the cross-holding in each other's equity. However the British are pretty developed in acquisition and merger activity. Acquisition and merger activity in Britain has grown rapidly since the mid 80's and the average size of the deals also increase significantly (please refer to appendix 1).

As for the Japanese they have been aggressively acquiring and making large investments abroad though domestic mergers and acquisitions has not become a phenomenon yet. Common aims of Japanese merger motives were to reduced excess capacity, avoid potentially destructive price competition, and built domestic firms of a scale capable of competing with major foreign competitors in home markets. The tendency has been to combine weaker firms with stronger ones and to alter the structure and the performance of the industries. Major domestic Japanese mergers typically have not been attempts to