

UNIVERSITI TEKNOLOGI MARA

**THE IMPACTS OF MERGERS
AND ACQUISITIONS
CHARACTERISTICS ON
SHAREHOLDERS' WEALTH IN
THREE MALAYSIAN SECTORS**

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ABSTRACT

Globalization has led the firms to become more aggressive and option for the transactions of M&As in order to fight with the competitive battle. The deals is said to perform a vital role in corporate governance as it enable the firms to achieve the varied objectives and financial strategies. Indeed, one of the most fundamental convictions of the company is the obligation to create and maximize the shareholders' wealth. Nevertheless, debate on whether the shareholders of the acquiring firms truly experience the increment in their wealth prior to the mergers and acquisitions still become major concern. Some of the merged firms were still unsuccessful in creating the shareholders' wealth even though they had undertaken the transactions. There is an urgent need for better understanding about characteristics of M&As which should be taken into consideration before the deals have been agreed upon. This study sought to comprehend the impacts of M&As characteristics on shareholders' wealth. The selected sectors are industrial, financial and consumer sector. Furthermore, the research is based on the data obtained from Annual Report of the firms which undertake the transactions within the period of 2012-2016. The data was analyzed for the purpose of determine the mergers characteristics and level of its influence on shareholders. Return on equity was used as the indicator in measuring the shareholders' wealth. Additionally, regulatory environment also has been analyzed in determining its mediating effect on the relationship of M&As characteristics and shareholders' wealth. It is hope that the study can provide the valuable guidance to the organizations.

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CHAPTER ONE

INTRODUCTION

1.1 PREAMBLE

The chapter theoretically provides the brief outline of the study. It covers the overall explanation of the purpose of this research, starting from the history of merger wave and how it became the global concern in the 21st century. The study is further exploring the potential effects of mergers and acquisitions deals towards the shareholders' wealth in three major sectors namely financial sector, consumer sector, and industrial sector. The issues that cause the research to be conducted or to be precise; problem statement, research objective, the scope of study, its significance as well as the definition of terms will be briefly explained in this chapter.

1.2 BACKGROUND OF THE STUDY

The deals of mergers and acquisitions (M&As) perform a vital role in the corporate finance for the purpose of enabling the potential firms to achieve the varied objectives and financial strategies. The phenomenon of mergers and acquisitions has occurred since 1890's where the transactions have been reported to occur between the companies which enjoyed the monopoly over the lines of productions. The deals continuously occurred over the years and 1990's was a decade of great economic prospect where the financial markets were booming due to the rapid globalization. Surprisingly, these deals became a serious global matter until today as the modern world has seen the formation of the firms as a common mechanism of integration in which individuals are able to develop an enterprise as it combines the capital and expertise with the different individuals or organization. The activity like mega-merger was said can lead the changes in the market structure. These transactions have the unparallel capability in transforming the firms as well as supplementing the corporate renewal (Bashir, Sajid, and Sheikh, 2011).

Furthermore, M&As often have been considered by most of the companies as the sources of external growth especially when the organic growth is not possible,