

MALAYSIAN BANKS COMPETITIVE ADVANTAGE THROUGH MERGER AND ACQUISITION

**A thesis submitted to the fulfillment of the requirements
for the degree of Master of Science (Banking)
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DECLARATION

I hereby declare that the project paper is based on my original work except for quotations and citations that have been duly acknowledge. I also declare it has not been previously or concurrently submitted for any other Master's programme at Universiti Utara Malaysia or other institutions.



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ABSTRAK

Kajian ini menganalisis faktor-faktor penentu kepada kelebihan persaingan sembilan bank perdagangan di Malaysia untuk tempoh lima tahun dari tahun 2005 hingga 2006.

Tujuan utama kajian ini adalah untuk menentukan sama ada penggabungan dan pengambilalihan meningkatkan kelebihan persaingan antara bank, untuk menguji hubungan antara kepimpinan kos, perbezaan, fokus dan modal pasaran dengan kelebihan persaingan antara bank dan untuk mendokumentasikan strategi yang di adaptasi oleh bank untuk terus kompetitif dan bertahan dalam industri.

Kajian ini telah memilih analisis kecenderungan, analisis deskriptif, analisis korelasi dan analisis regresi untuk mengenal pasti faktor-faktor penentu kelebihan persaingan antara bank-bank tempatan di Malaysia. Pembolehubah bersandar yang digunakan untuk kajian ini adalah untuk kelebihan persaingan (diukur dengan keuntungan sebelum cukai dan zakat), dimana untuk pembolehubah tidak bersandar adalah terdiri daripada kepemimpinan kos (diukur melalui nisbah keberuntungan dan keuntungan bersih terhadap jumlah pekerja), perbezaan (jumlah aset), fokus (keuntungan dari perbankan konvensional) dan penguasaan pasaran (diukur melalui modal pasaran dan nisbah pinjaman terhadap deposit).

Kesimpulan yang boleh dibuat daripada kajian ini adalah bank-bank tempatan di Malaysia mempunyai kelebihan persaingan selepas aktiviti penggabungan dan pengambilalihan. Apabila keuntungan dan penguasaan pasaran sesebuah bank meningkat, ia secara langsung meningkatkan kelebihan persaingan bank tersebut.

ABSTRACT

We analyze the determinants of Malaysian banks competitive advantage by using a sample of nine local commercial banks operating in Malaysia for the period of five years, from 2005 to 2009.

The main objective of this study is to determine whether merger and acquisition increase competitive advantage among banks, to explore the relationship between cost leadership, differentiation, focus and market capitalisation to the bank's competitive advantage and to document the strategies adopt by banks in order to stay competitive and survive.

This study has chosen trend analysis, descriptive analysis, correlation analysis and regression analysis to identify the determinants of the competitive advantage of local banks in Malaysia. The dependant variable is competitive advantage (measure by profit before tax and zakat), where for independent variables are cost leadership (measure by profit margin ratio and net income to total employee ratio), differentiation (measure by size of total assets), focus (measure by profit from conventional banking) and market share (measure by market capitalization and loan to deposit ratio).

By doing this research, we can conclude that local banks in Malaysia gain competitive advantage after merger and acquisition. As the profit and market share by each bank increase, it will help the bank to increase their competitive advantage.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter provides a brief discussion on bank's competitive advantage through merger and acquisition through in Malaysia. 1.1 highlights the background of merger and acquisition. Section 1.2 provides the problem statement and briefly explanation from where that problem generated from. Section 1.3 provides the specific statement of problems that will be concentrating for this study. Section 1.4 presents the research objectives of the study. The significance of the study is discussed in section 1.5.

1.1 Background of the study

A takeover is a general term referring to the transfer of control of a firm from one group of shareholders to another. Takeovers can occur by acquisition, proxy contests, and going-private transactions. For takeover achieve by acquisition, it will be by merger, tender offer for shares of stock, or purchase of assets.

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