

**THE DETERMINANTS OF CROSS-BORDER MERGERS  
IN FOUR SELECTED ASEAN COUNTRIES**

**NANTHINI A/P ARUMUGHAM**

**MASTER OF ECONOMICS  
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**BY  
NANTHINI A/P ARUMUGHAM**

**Dissertation Submitted to  
Othman Yeop Abdullah, Graduate School of Business  
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in Fulfilment of the Requirement for the Master Degree of Economics**

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## ABSTRACT

One organization purchases a second organization and acquiring ownership rights over its assets, business lines, operations, stocks and products. Therefore, they need one act to secure what they purchase which is will call its merger and acquisitions (M&As). In this particular matter, our study attempts to investigate the role of financial development on cross-border M&As in 4 ASEAN countries, namely Indonesia, Malaysia, Singapore and Thailand. Based on period of thirteen years (2000-2012), the data were analyzed by using the panel data econometric technique; fixed-effects and random-effects models. The results of the study indicate that a number of variables such as GDP, trade costs, financial development indicators such as stock which is the market capitalization of equity market, the amount of money in circulation (M2), and the real exchange rate (RER) are significantly influential in determining cross-border M&As from the whole of selected ASEAN countries. The findings of the study reveal the importance of domestic financial markets in stimulating cross-border M&As. These results also indicate that policy makers should pay more attention to promote cross-border M&As in term of policies and emphasize towards a stable exchange rate and trade cost.

Keywords: merger and acquisitions (M&As), ASEAN, GDP, money in circulation (M2), real exchange rate (RER)

## ABSTRAK

Sebuah organisasi membeli sebuah organisasi yang lain dan hak pemilikan ke atas aset, barisan perniagaan, operasi, saham dan produk. Oleh itu, mereka memerlukan suatu perundangan untuk menjamin apa yang mereka beli di mana ini dikenali sebagai penggabungan dan pengambilalihan (M&As). Dalam perkara tertentu, kajian kami cuba untuk menyiasat peranan pembangunan kewangan merentas sempadan M&As dalam 4 buah negara ASEAN iaitu Indonesia, Malaysia, Singapura dan Thailand. Berdasarkan tempoh tiga belas tahun (2000-2012), data dianalisis dengan menggunakan teknik ekonometrik data panel; model kesan-tetap dan kesan-rawak. Hasil kajian menunjukkan bahawa beberapa pembolehubah seperti KDNK, kos perdagangan, petunjuk pembangunan kewangan seperti saham yang permodalan pasaran daripada pasaran ekuiti, jumlah wang dalam edaran (M2), dan kadar pertukaran benar (RER) adalah ketara berpengaruh dalam menentukan sempadan M&As dari semua negara-negara ASEAN yang dipilih. Hasil kajian yang mendedahkan kepentingan pasaran kewangan domestik dalam merangsang merentas sempadan M & A. Keputusan ini juga menunjukkan bahawa pembuat dasar perlu memberi perhatian yang lebih dengan menggalakkan rentas sempadan M&As dari segi dasar dan memberi penekanan terhadap kadar pertukaran dan perdagangan kos yang stabil.

Keywords: penggabungan dan pengambilalihan (M&As), ASEAN, KDNK, wang dalam edaran (M2), kadar pertukaran benar (RER)

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## **LIST OF ABBREVIATION**

M&As	=	Mergers and Acquisitions
FDI	=	Foreign Direct Investment
LDCs	=	Least Developed Countries
ASEAN	=	Association of Southeast Asian Nations
GDP	=	Gross Domestic Product
M2	=	Money Supply
TNCc	=	Transnational corporation
WIPS	=	World Investment Prospects Survey
OLI	=	Ownership-location-internalization

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter outlines the introduction of the thesis. The rationale of the study is presented in the form of problem statement, research hypotheses, research objectives as well as the importance and scope of the study. The chapter closes with the research organization.

### **1.1 Background of the Study**

Straub (2007) stated that Merger and Acquisitions (M&As) is a growing entity in a given industry meant to develop quickly instead of making another business aspect and entity of corporate finance, strategy and management handling through buying and selling, and the emergence of another company that can finance, help or aid it. It involves selection process of a targeted company in making an investment. Brealey et al. (2007) stated that the common rule in M&As is a company should move forward with the acquisition if by doing so it generates a net addition to shareholders' wealth after the getting the company.

In M&As, an organisation that is acquiring or purchasing a second organization, will acquire ownership right over its assets, operations, business lines, stocks and products. M&As also will alter the ownership of the targeted firm and may transform its financial goal, social mandate and regional focus (Angeli & Maarse, 2012).

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