Abstract

The finance companies in Malaysia seem to be able to withstand the current crisis better than those in the region. One should not overlook the negative impact on the asset quality of the finance companies resulting from lower economic growth, higher interest rates, and the depressed stock market on corporate financial position. The slump in the property and construction sectors have created difficulties for some developers who are highly geared to default on their finance companies loans. Difficulties in the corporate sector will raise the finance companies' non-performing loans as a percentage of total loans and may cause difficulties to weaker finance companies. Mergers are encouraged to consolidate the finance companies in order that they become strong, well-managed and well capitalised as well as more competitive internationally. Moreover, the banks and finance companies are the growth engine of economy of a nation, if any imbalance of the sector will create tension and inconfidence among the investors and the public. In order to sustain the confidence and strengthened the sector, the central bank encourages the finance companies mergers to enhance the liquidity of the finance companies. Hence, the objective of the research is to analyse the efficiency effects of mergers between finance companies in Malaysia. An overview of finance companies mergers, and consolidation process and control will be discussed. The causes and effects, and benefit of merging of local finance companies will also be highlighted in this project paper.