ABSTRACT

In view of the liberalisation and globalisation of the banking sector, the consolidation of domestic banking institutions in 2000 is inevitable. A fragmented banking system will only increase the vulnerability of the financial system and indeed the vulnerability of the economy as a whole, according to Tan Sri Dato' Seri Ali Abul Hassan Bin Sulaiman, Governor of Bank Negara Malaysia on August 1999. There is a need for a strong and efficient banking system that is resilient in order to support the financing needs of the economy so that the nation can continue to achieve a strong and sustainable economy.

This paper investigates the effectiveness between pre and post merger effect of the domestic mergers in Malaysia banking institutions, which arguably is the precondition for sustainable industry growth, according to Tan Sri Dato' Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia on 20 August 2002.

This paper is organised as follows. Chapter 1 presents the introduction of the domestic bank mergers and the rationale behind these nationwide consolidation exercises. It reviews the theoretical framework of domestic bank merger exercise and merger theories. Chapter 2 reviews related literature. Chapter 3 discusses the recent bank mergers in Malaysia. Chapter 4 discusses the variables used in our research methodology to discuss the effect of domestic bank mergers on the performance of Malaysian banks. Chapter 5 argues the results and assesses the magnitude of the effect of the variables on the merger exercise. Chapter 6 concludes the paper.