

Review Article

**AN IMPACT OF MERGERS AND ACQUISITIONS (M&A) TO ACHIEVE INEXPENSIVE ADVANTAGE IN THE ECONOMY OF BAHRAIN
(A STUDY ON ISLAMIC BANKS IN THE KINGDOM OF BAHRAIN)**

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Abstract

The persistence of this paper is to assess the impact of Merger and Acquisition on the economy of Bahrain. The experiential research methodology is built on quantitative method by using online questionnaire and expressive statistics using the weighted average mean. The performance of an acquisition is measured by questionnaire distributed using selective sample technique to Head of Departments and executive management. The acquisitions were divided into three domains: Motives, Post-acquisition management and critical factors affecting the economy of Bahrain. The result of this research associates that the so-called planned and structural fit between companies complicated in M&A play an important role in refining the operative performance of the developed companies in the post-acquisition period. Effective acquirers have potential performance on the economy of the country, but they also had some skills and competencies to recover the performance of an acquired firm. The results of our study advocate the conclusion that success acquisition and mergers will lead to robust economy, particularly with regard to convinced aptitudes and skills worldwide.

Keywords: Acquisitions, Economy Performance, Merger and Motives.

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INTRODUCTION

In 21st century demonstrated exceedingly effective Bahrain economy. The GDP of the country quickly started with a yearly increment of 5% in 2000-2011. This ran as an inseparable unit with clear changes in Bahraini employment which increased by 46% over the period while genuine fares dramatically multiplied. (bahrainedb.com, 2013). "In 2014, Bahrain was named as the GCC's most developed Islamic finance market and second out of 92 countries worldwide, according to the ICD-Thomson Reuters Islamic Finance Development Indicator (IFDI)." (www.2030.bh, 2015).

Following the first era of solid economic recital, Bahrain's growth decelerated in 2009 and 2010. The go-slow was most noticeable in two sectors pretentious by the global financial disaster, mainly construction and finance. As stated in the annual Economic Review 2010: Bahrain Economic Development Board, that Bahrain's development watered-down, it avoided the subsiding practiced in Europe and North America and achieved superior to anything some of its neighbors in the Gulf Cooperation Council (GCC) (bahrainedb.com, 2013). In addition, beginning of mid-February 2011, Bahrain has been shocked by another unanticipated situation, but this time; it is political where campaigners in the streets were requesting political changes that dramatically imposes the economy of Bahrain to damage as usually occurs in such circumstances.

The Government of Bahrain effectively encourages savings in Bahrain in line with the Kingdom's Economic Vision 2030, a far-reaching financial vision for the improvement of the economy in the country. Acquisition continues to be one of the most popular corporate growth strategies (Mehra, 2011).

Merger, acquisitions and takeover are the most terminologies used in the banking sector when two or more banks unify together. In a merger situation, the panels of directors of the two

or more banks agree to syndicate and seek stockholder approval for the combination. While the agreement of share percentage has to be decided by both board of directors. In other words, a merger is a legal merging of two companies or more into one company. On the other hand, acquisition (sometimes called takeover) is the legal form of a company takes over another (purchase) and totally launches itself as the new owner. Business leaders see mergers and acquisitions as tactical options for preserving and cumulative their corporations' market and shareholder value and compete for a place in today's market (Nguyen & Kleiner, 2003).

Background of the study

The Merger and Acquisition (M&A) exercises have become essentially around the world in the course of the most recent two decades, the sum and capacity of mergers and acquisitions is coming to a record braking levels. As stated in Institute of Mergers, Acquisitions and Associations that more than 40,000 of total number of mergers and acquisitions transaction happened in 2014 worldwide in all industries as a recent example. Which is equal to more than \$4 trillion in that year (www.imaa-institute.org, 2015) as illustrated in Fig. 1.1. However, in Fig. 1.2, in the banking sector globally, the number of banks merged or went into acquisitions activity is more than 1,000 transactions only out of 40,000 (2.5%) which valued almost \$300 billion out of \$4 trillion (7.5%) in the same year. Mergers and Acquisitions activity has been improving progressively from the lower levels affected at the base of 2008 – 2009.



Figure 1.1: M&A occurred since 1985 – 2015 in all industries worldwide



Figure Error! No text of specified style in document.1: M&A occurred since 1985 - 2015 in banking industry worldwide

Moreover, in our study we will be focusing on Bahrain's mergers and acquisitions and that is illustrated in Fig1-3 below, which shows all the mergers and acquisitions occurred in Bahrain in all industries since 1999. As an example in 2014 the quantity of mergers and acquisitions was more than 20 transactions and worth more than \$400 million. We may clearly notice the lots of M&A occurred on 2008. This is more due to the financial crises, where mergers or acquisitions was considered a survival tool to be in the market.

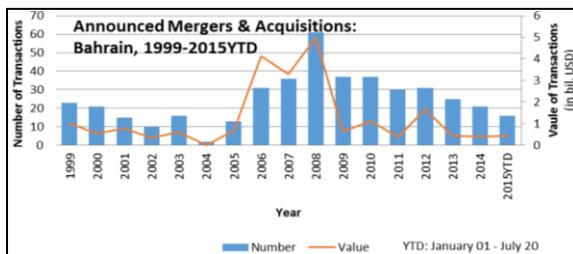


Figure Error! No text of specified style in document.2: M&A occurred since 1999 - 2015 in all industries in Bahrain

However, our study will be targeting Banking sector, where merger and acquisitions activities occurred in 2005-2015. Thus, Fig 1-4 is illustrating the number of acquisitions and mergers in the banking sector in Bahrain market. In 2014 the number of M&A in all industries were twenty-one transaction, and out of them, only two transactions were in the banking sector (9.5%) only. And the amount of is \$414 Million in all industries and only \$2 Million in the banking industry (almost 0.5%). As one year calculation is not much accurate, we will calculate the exact number of transactions in all industries based on Institute of Mergers, Acquisitions and Associations as illustrated in Fig 1-5 and comparing it to banking industry M&A. the total number of transactions in 2005-2015 for all industries is 338 M&A. Where, in Banking the total is 30 and that gave us a ratio of 9%. And the amount spent to during that period is \$18.2 Billion for all industries. Nevertheless, it is only \$2 Billion in the banking sector, thus; a ratio of 11%.

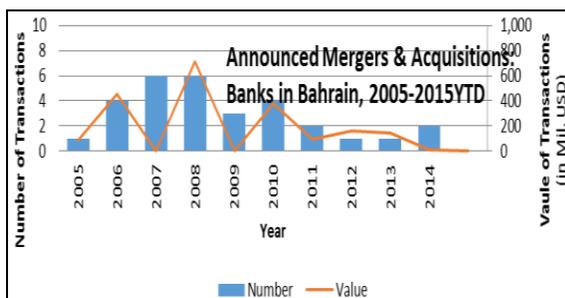


Figure Error! No text of specified style in document.3: M&A occurred since 2005 - 2015 in banking industry in Bahrain



Figure Error! No text of specified style in document.4: M&A occurred since 2005 - 2015 in all industries in Bahrain

Major factors underlying the procedure of Merger and Acquisition are credited to rise of globalization, low-slung cost finance and present financial condition, Therefore, the need to make large organizations to be talented to contend for making out financial growth and profits. Moreover, the increase in capitalization across national borders due to financial restructuring and open market in emerging countries. (K. Ravichandran, 2009). Another key component about developing M&A is the expanded globalization of investment looking for greater rates of returns and the chance to differentiate risk, and numerous organizations perceive the inflexible interest to wander abroad, or inside of their area. Many researchers is insisting that A&M is part of the economy behavior all over the globe. "If your company hasn't been involved in a merger or acquisition yet, then it's really just a matter of time before it will be" (Leonard, 1999).

Research problem

To assess the impact of Acquisitions and Mergers in Bahrain's economy by measuring the performance of Bahrain's economy with the focus on previous M&A already occurred on the past years since many banks were involved in either merge or acquisition process, especially Islamic banks.

1. Research Questions
2. Has the Mergers and Acquisitions process improved the total output and economy in Bahrain's Banks (post-merger)?
3. What are the internal and external factors that impact the total productivity in Bahrain's banks economy?
4. How Merger and Acquisitions in Bahrain is adding a competitive advantage to the economy of Bahrain?

Objective of the study

The purpose of the study is to verify that the impact of Mergers & Acquisitions in Bahrain's banks is adding a competitive advantage to the country's economy.

Significance of the study

Banking firms serve as the main player in the financial system in the Bahrain, thus, banks have big roles in economic development such as in serving as intermediaries between lenders and borrowers. For example, interest rates imposed by banks can easily affect entry and development of businesses in the country. Banking crises such as the 2008 worldwide financial crisis has attentive policymaker's consideration on making banking and monetary organizations safer and more strong to tremors. Where Bahrain's economy was affected by the crises and precautions actions and solid economy can resist such shocks in the future.

Furthermore, the General Banking Law of 2000 has advanced more noteworthy rivalry in the business and restricted of accomplishing this is the support of mergers and acquisitions. BSP accepts that merged and/or acquired banks could help one another and accomplish more efficiency through aggregate experience, skill, and technological information. Be that as it may, one drawback of empowering mergers and acquisitions is its consequences for rivalry or competition. To address this issue,

the Herfindahl-Hirschman Index (HHI), a factual measure of business sector focus that demonstrates the level of monopoly power. The Merger & Acquisition process in most of the countries should impact the economy positively or negatively depending on the status of the merger and acquisition itself. Regardless, the performance of the acquisition, one of the key factor about economies shock reactions is the merger processes.

Definition of terms

Merger: A merger is the joining or incorporation of two previously distinct entities (Ghobadian, James, Liu and Viney, 1999). It happens when two companies assimilate to form a new company with collective resources and commercial objectives.

Acquisition: Acquisition (sometimes called takeover) is the legal form of a company receipts over additional (purchase) and totally launches itself as the new possessor.

Frontier Analysis; involves estimation of an well-organized boundary and measurement of the normal deviations between observed banks and banks on the frontier.

Stochastic Frontier Approach (SFA): specifies a price, profit, or production function so as to regulate the efficiency frontier

Data Envelopment Analysis (DEA): is a non-parametric method which hypothesizes an envelope of outputs with respect to inputs using a linear programming model.

Distribution-Free Approach (DFA): specifies a cost, profit, or manufacture function so as to control the competence border. However, no assumption is made about the distribution of errors, hence called the distribution-free approach.

Irregular Stock Returns (ARs): A term cast-off to define the revenues molded by a given security or selection over a period of time that is dissimilar from the foreseeable rate of return. The foreseeable rate of return is the predictable return based on an asset pricing model, using a long run past average or numerous assessments.

Limitations of the study

The factors complicated in evaluating the success of merger and acquisition that affects the economy is wide. The purpose of the study, I chose to be country precise which is Bahrain and focus on mergers and acquisitions that have occupied place in the past 10 years in specific to Banks. Moreover, since the banks involved in this period are Islamic banks. Therefore, I applied the study on those banks only.

We focus upon the merger impact on the economy of the country that M&A is occurring on it. This due to the fact that literature shows pre-merge stage and transaction are being of fewer implication when seeing the factors lead to achievement and disappointment in mergers and acquisitions. In other words, we will focus upon the post-merger impact and its obligation to the economy.

LITERATURE REVIEW

What is Merger and Acquisition

Mergers occur when two establishments readily agree to cooperate with each other by joining their obtainable assets, liabilities, and enlightening values on a comparatively equivalent basis crossways dissimilar businesses and industries. In dissimilarity, attainments happen when one organization purchases and takes over the operations of another organization. The terms Mergers and Acquisitions are secondhand redeemable because the consequence is the same – one company takes control over another (Halperin& Bell, 1992), thus the firm's business is sometimes denoted to as Merger and Acquisition (M&A).

As stated by Cynthia J. Davies (2003), that "the term "merger" is used in the problem statement because that is what the two organizations have reliably used to describe this method of

merging the two business concerns into one organization". Regularly, in business publications the words "merger and acquisition" are used together and somewhat together. It would be more meaningful if it were stated as "acquisition and merger." The reality of this business deal described in the study is that a company purchased the other company.

Governments regularly bolster local buyers by giving backing to finish the acquisition. Straight guide from the government assigned budget, on the other hand, is once in a while utilized. Rather, open annuity trusts and government-possessed banks loan to the acquirer or put resources into the combined organization. There are ordinarily less limitations on these budgetary foundations' speculation decisions than the limitations set on separate governments by the EC Merger Guideline. Given the constrained adequacy and flawed legitimacy of different routines, this technique may be watched considerably all the more oftentimes later on, particularly if governments begin making sovereign riches finances that can be utilized to avoid the securing of household organizations by remote organizations, as addressed by previous French president Nicolas Sarkozy (Hall (2008)).

Theories and Hypothesis of Merger and Acquisition

In the subsequent section we will present models related to how can we measures the pre- and post-merger phases? However, for our study as we are focusing on the impact of A&M in Bahrain's economy. We will be looking at the post-merger and acquisition measures and how the banks in Bahrain assess the achievement of the merger. Experiential literature examining the effects of mergers and acquisitions on bank recital normally follows two approaches.

1. Pre-merger phase

Conferring to Marks and Mirvis (2001) in the pre-merger phase, a financial channel vision has been prevailing in the distinctive unsuccessful cases of mergers and acquisitions. There is high relationship and propensity for difficult standards to determination the simple substances in these cases. If the numbers look good, any other misgivings about cultural or organizational alterations could be neglected.

2. Study type methodology (Event Studies)

The first approach shadows the occurrence study type procedure, frequently based on changes in stock prices everywhere the period of the statement of the merger (Chen and Tan 2011; Hankir, Rauch, and Umber 2011; Hagendorff et al. 2012). These revisions usually attempt to regulate whether the statement of a bank merger generates shareholder value, usually in the form of cumulated irregular stock market returns for the stockholders of the acquisitioned, the purchaser or the joint entity. Wang and Moini (2012), this approach has been used dominantly since very long time and its clear impact is noticeable on banks measurements. It is intended to measure the "abnormal" stock price effect related with an surprising event (M&As), which grips that stock returns "reflect quick, unbiased, rational, and risk-adjusted expectations of the value of the firm" in approaching period based on the influx of new information.

Event Studies assumptions

The expectations for this practice are as follows: (1) "Market is efficient", which means that stock prices include all related data obtainable to market traders. Though, investors have a deficiency in essential evidence to assess the effect of the event. In M&A, it takes time for some information being exposed to the investors, for instance, the acquirers, and the pre-measurements techniques. Stock price after will be adjust as supplementary information announced or exposed. Also, the investors always react illogically. (2) "The event under study is unanticipated". Well, this doesn't have to be correct, particularly, M & As are usually part of the companies' plan, which can be detected earlier

statement or information may escape because of rumors. (3) "There were no confounding effects during the event window". Again, this is also hard to predict, which powerfully depends on the event window size. As stated by Wang and Moini (2012), if for any reasons the above assumptions are violated, then the event study outcome will be insufficient and weak. With these expectations, abnormal stock returns (ARs) from event study will be resolute by five factors:

- I. How new the data is exposed to the market?
- II. How much data is revealed in the study gap period?
- III. How extended it will take for the depositors to get the information?
- IV. How properly investors will read this data?
- V. How can the investors' response to the data of perplexing belongings be inaccessible?

This practice is the dimension of ARs. It is designed as the sum of the daily/monthly/yearly ARs within event gap period adventure from some days/months/years before and after the M&A event. $\text{Abnormal Stock Return} = \text{Actual Return} - \text{Expected Return}$ (standards) on the stock habituated that the event not yet in place. According to Cording et al. (2010), "Measures based on the event study method differ in terms of the length of the event window, the market portfolio benchmark used, allowance for stability of firm-specific betas and the method of calculating ARs". Event window is the most essential research design part in applying event study. It is concentrated the date of event. Therefore, it is important to define the event date. Mostly, event date is defined as the statement date.

Assess bank competence methodology

Bank competence or sometimes called accounting-based measures of presentation can take a long-standing period of acquisition presentation like the long-term event study but this has a post authentic, comprehended returns. This typically consists of a judgement of accounting measures prior and following to a M&A. The logic behind these studies is that the planned objectives of a business where is to earn a reasonable return on capital, and any benefit arising from M&A will be reflected in the firm's accounting statements. Accounting measures such as effectiveness, employing earning-based measures and cash flow performance measures, productivity, innovation indicators (Bertrand, 2009), growth rate of sales, or assets (Gugler et al., 2003).

The primary concern when estimating bank efficiency is the measurement of output to be used because of the lack of an unambiguous measure of the output of banks (Matthews and Thompson, 2008). In addition, bank output is not measured through physical quantities unlike other firms. Measuring improvements in quality is hard too. For example, the existence of automated teller machines (ATMs) improves service quality as they allow cash withdrawals anytime. Existence of ATMs also result to a reduction in operating cost per transaction but can also lead to an increase in total costs. This is in contrast with the case of manufacturing firms where outputs are measured in units. Matthews and Thompson (2008) identified the ways by which bank output can be slow:

- The number of financial records;
- The number of dealings;
- The average worth of accounts;
- Properties each employee;
- Middling employees each branch;
- Assets each branch;
- The total worth of deposits and/or loans; and
- The worth of income counting interest and non-interest income.

Though, the literature uses loans and deposits when measuring bank output. An extra issue that lies when estimating bank

efficiency is the choice of approach when measuring output. Matthews and Thompson (2008) identified two approaches when measuring output: the intermediation method and the production method. One difficulty that both approaches face is on how to weigh the various bank services in the measurement of output as different banks major differences in their structure of assets and liabilities have. The *intermediation approach* considers the bank as an intermediate so that its production is measured by the value of loans and savings together with off-balance-sheet income while its input is measured by the payments made to factors of manufacture, counting interest payments. Using this method, deposits can be either an input or an output. From the point of view of the bank, deposits are inputs because they can be used to earn profits through the purchase of receiving assets such as loans and investments. On the other hand, from the opinion of the customer, deposits are outputs which can create value for them in the form of payment, record-keeping, and security facilities. This method can also make use of income in which net curiosity income and non-interest income will be treated as output while net curiosity expense and non-interest expense will be defined as inputs. In summary, the intermediation approach claims that the main function of banking firms is to act as financial intermediaries. The production approach assumes that banks are firms that use factors of manufacture such as labour and capital to produce its products such as the different categories of loans and deposit accounts. Hence, it recognizes that banking firms are like ordinary firms in the product market. This method argues that all deposits should be treated as outputs since they are associated with liquidity and generate value added. However, one weakness of this method is that it ignores interest costs.

Measuring bank efficiency is usually used to assess the influence of mergers and acquisitions on bank competence, which is the second approach of literature uses the parametric and/or non-parametric border techniques. These studies typically scrutinize the productive efficacy indicators, such as cost, profit and/or practical efficacy as stated by Paradi, Vela, and Zhu (2010).

Parametric and non- Parametric approaches

The parametric technique is composed of three major methods namely the stochastic boundary approach (SFA), the distribution free approach (DFA) and the dense frontier approach (TFA), while data envelopment analysis (DEA) and free disposal hull (FDH) are non-parametric approaches (Sufian, Habibullah, 2014).

Distribution free Approach (DFA), it does not rely on assumptions that the data are came from a given probability distribution. Distribution-Free Approach - specifies a price, profit, or production function so as to regulate the efficiency border. However, no assumption is made about the distribution of errors, hence called the distribution -free approach.

The Thick-Frontier Approach (TFA) stipulates a useful form to determine the frontier based on the performance of the 'most efficient' firms. Though, disparate the preceding two non-parametric methods, it does not provide an efficiency score for each single firm but instead gave the efficiency level of the industry as complete.

The DEA method has been extensively implemented in the investigational estimation of financial institutions, health care, and education sectors' efficiency worldwide. Nevertheless, the technique has been chosen as the favored method to investigate the influence of mergers and acquisitions on bank efficiency, especially if the sample size is small (Sufian, Habibullah, 2009).

New theories (Neoclassical) see mergers as an competence response to numerous financial shocks and business shock, such as deregulation or antitrust policy (Mitchell and Mulherin, 1996; Jovanovic and Rousseau, 2002). This kind of theories will focus

on our analysis in Bahrain's economy, because Bahrain went into to kind of economic shock as previously stated; first, is the international financial crises that affected almost all over the world economy. Second, is the political shock where protesters started to demand on the streets. Andrade and Stafford claim that changes in the industry level business situation cause a need for asset restructuring within the industry and also affects the volume of merger activities. Although, the neoclassical theory also does not show whether liquidity or stock is used to pay acquisitioned shareholders, despite the fact there are different forms in the data on means of fee in mergers and acquisitions. On the other hand, behavioral theories illustrate that economic market inefficiency; agency problem as well as unequal information is the main drivers of combined mergers and acquisitions.

Based on the above theories, it leads to have several types of mergers. Which we will discuss them in details in the coming section.

Merger and Acquisitions Types (Waves)

As we just mentioned above that theories leads to several types of mergers and acquisitions. In general, mergers are secret as one of three types: *horizontal, vertical, or conglomerate*.

Horizontal Merger

A *plane* merger is when a company merges with business contestants in order to gain the modest advantages that come with a larger scale and scope. As such, straight mergers characteristically occur between two companies in similar business sectors. An example of a horizontal merger would be a bank procurement a competing bank company. Another example can be a merger between Coca-Cola and the Pepsi drink division, for instance, would be straight. The objective of a straight merger is to make another, bigger company with more market share. Since the merging companies' business operations may be essentially the same, there may be chances to join certain operations, for example, assembling, manufacturing and reduce costs. A horizontal merger creates interaction by "managing rivalry within an industry, reducing the risk of price warfare, lowering costs, and increasing a company's bargaining power over suppliers and buyers.

1. Perpendicular Merger

A merger between two establishments transporting goods or services for one particular finished item is the *perpendicular* type of mergers. A perpendicular merger occurs when two or more firms, working at distinctive levels inside of an industry's production network, consolidate operations. Frequently the rationale behind the merger is to expand cooperative energies made by blending firms that would be more productive working as one.

2. Conglomerate merger

The third kind is, *conglomerate* mergers, where it involves two irrelevant companies. An example of a conglomerate merger would be if an automobile company bought a hotel series. The most critical stimulus behind a mixture merger is commonly the divergence of capital investment. In addition, with regard to the relationship between a firm's unrelated diversification (i.e., conglomerate mergers) and firm presentation, the study of Palich, Cardinal, & Miller (2000) suggests that moderate levels of diversification contribute to higher levels of firm performance than either single or unrelated diversification (i.e., the curvilinear relationship).

Merger and Acquisition Motives

Several studies found the M&A is occurring with increasingly rate in all the fields and is a must especially, after the monetary crises. Merger and Acquisition of the domestic banking sector in many countries is an essential crucial accompanying of this

strategy. For example, the proposed major rearrangement plan for the Malaysian banking sector was announced by the central bank of Malaysia in July 1999 (Sufian, F, & Habibullah, 2014). In this example the central bank of Malaysia has forced the banks to form a merger process and reduce the number of banks. Believing on that plan, that this will empower the country's economy and increase the potential to compete in the international economy with bigger players (countries).

Brouthers, van Hastenburg and van den Ven (1998) stated that there are three mostly accepted groups of merger motives, which is economical, individual and tactical motives. In addition, the classification of economic motives has in exploration of substantial traded on an open market organization, ended up being the most regularly motives for merging or acquisition. Then again, since both quest for business sector power (strategic motive) and raised of offers (personal motive) positioned among the main five explanations behind converging in the same study, it shows up as though however organizations have different intentions in undertaking mergers. As shown in the table below (Table 2.1).

Table 2.1: Adapted from Brouthers, van Hastenburg and van den Ven (1998)

<u>Financial motives</u>	<u>Individual motives</u>	<u>Tactical motives</u>
- Marketing economies of scale	- Increase sales	- Pursuit of market power
- Increase profitability	- Managerial challenge	- Accessing a competitor's knowledge
- Risk-spreading	-Acquisition of inefficient mgmt.	- Accessing raw materials
- Cost reduction	- Enhance managerial prestige	- Creation of barriers to entry
- Technical economies of scale		
- Differential valuation of target		
- Defense mechanism		
- Respond to market failures		
- Create shareholder value		

1. Economic reasons

The position of *economic* causes for merging is furthermore highlighted by Ali-Yrkkö, who claims that mergers happen mostly because companies look for economic returns. The economic cause is hardly related to the neoclassical theory (before mentioned) where firm behavior is resulting from the supposition that a firm exploits its profit or shareholder value. However, the exploiting profit or shareholder value is a too general motive for a merger since it does not disclose how the merger or acquisition is going to maximize the profit or value.

Cost discounts:

The term interaction is often used as a substitute for cost advantages. According to this motive, mergers are undertaken in order to achieve cost investments. Possible cost advantages include both fixed costs and variable costs. By eradicating interconnecting costs such as administration costs and IT expenditure, financial performance can be improved.

2. Strategic motives

Market power

The marketplace power because firms merge in order to gain more control. If the merger is large enough, the secure gains a position in terms of more than the expected profit which is look like a control stage (Monopoly). Additionally, if big scale economies appear, such company could set prices above marginal cost but below the minimum as well. Thus; for instance,

large mergers and acquisitions grounds a fence for conceivable competitors.

Obtaining possessions

In addition to getting access to raw materials, provisional products, and circulation channels, the resource looking for motive for merging also covers getting access to know-how such as technical, topographical or decision-making information. Moreover, cross-border mergers offer a possible means to get access to corporeal know-how. Predominantly for companies with a limited international experience, cross-border merger is an beautiful mean to acquire country or continent exact know-how.

Personal motives (Decision-making motives):

The contextual of decision-making reasons can be found from the principal-agency theory where corporate managers are clarified to act as agents on behalf of the owners of the company (principal). Agency problems arise when possession and management of firm are detached. These problems exist because owners and managers have dissimilar interests and because

perfect contracts between owners and managers cannot be written.

Moreover, Badík (2007) on his paper on Finance & Banking: Future of the European elaborated in details about motives. Where he divided the motives into two categories. First is the firm level of motives and it aims to maximize the value of acquired firm shareholder values. the second motive as stated by Badik is the outside factors such as deregulation, globalization, technological progress, world wild economy and money market that significantly affected the structure of the banking sector, creating pressures for change in the banking industry, which explains the recent M&As activities. As illustrated below. In summary, for the most part, the fundamental reasons which lead directors to merge with or acquire another firm can be named with maximization value with the point of expanding the estimation of the procuring firm, which incorporates with synergy motives thought processes and non-esteeem expansion thought processes which emerges in circumstances where there is division of proprietorship and control in the middle of shareholders and management, and includes both organization and hubris thought processes.

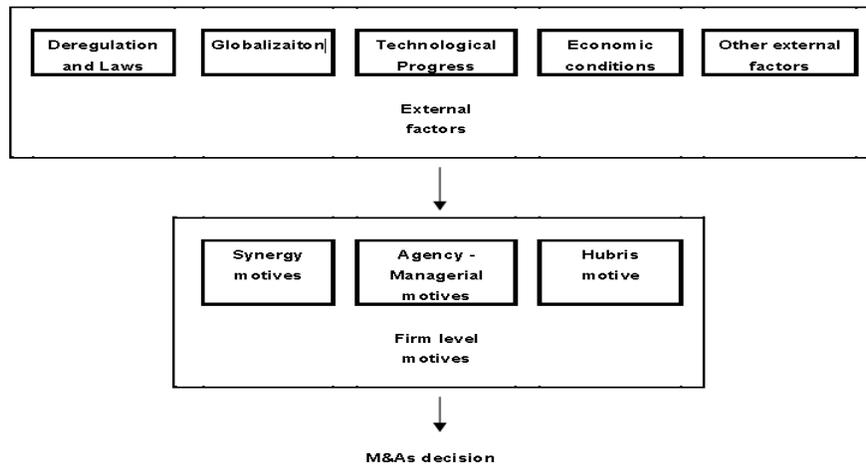


Figure Error! No text of specified style in document..5: Motives and Factors for M&As

As we can see above, motives are classified within the firm itself as follow:

Firm Level Motives

Synergy Motives:

Synergy is the most mentioned motive for the decision to merge or acquisitioned with another firm according to many thinkers. Synergy means that the joint entity is not just one larger company but two companies completing each other, and making new benefits that add to the whole worth of the novel organization. Others stated it is as 1 + 1 = 3. The efficiency theory differentiates three types of synergy. First is *operational*, second is *managerial* and third is *financial*.

There are many different ways of sharing or decreasing the costs of a merged company. Cost savings comprise; closing redundant branches, integrating information systems and back office operations like payments, clearing cheques, and card transactions, share the marketing budget, production and the reduction of general and administration costs. Or say, economies of possibility are adding value to acquired' s firm itself where it can utilize products or services provided by the merged company and increase the scope of the bank scale. For example, big banks have different products that small banks. And when those two banks merged together or acquisitioned by the bigger bank, still it can utilize the small Banks's products and services. Hence, cumulative sales and in significance the gross revenue.

Furthermore, risk diversification is one of the most useful reason for why banks need to go through a merger or acquisition process. Where, it can diversify the business by acquiring different type of business line or portfolios. Another kind of diversification is the geographical location of the merger or acquisition. Buckley and Ghauri (2002) studied the boarder merger and acquisition in details which can be applied in this section for the synergy motives. They illustrated the objectives in details in the below table.

Table Error! No text of specified style in document..2: Motives for Cross-border Mergers

Strategic objectives	National differences	Scale economies	Scope economies
Achieving efficiency in current operations	Benefiting from differences in factor costs-wages and cost of capital	Expanding and exploiting potential scale economies in each activity	Sharing of investments and costs across products, markets, and businesses
Managing risks	Managing different kinds of risks arising from market or policy-induced changes in comparative advantages of different countries	Balancing scale with strategic and operational flexibility	Portfolio diversification of risks and creation of options and side-bets
Innovation learning and adaptation	Learning from societal differences in organizational and managerial processes and systems	Benefiting from experience-cost reduction and innovation	Shared learning across organizational components in different products, markets or businesses

Non-value maximization motives

The experiential evidence of merger success rates points to the fact that many mergers and acquisitions do not achieve their

goals. The agency view assumes that instead of exploiting shareholders wealth, managers exploit their own wealth. Managers want to maximize their personal benefits such as compensation, power, wages and prestige. Managers bring about mistakes of overestimating the estimation of target firms. Hence, they can take part in mergers when there are no cooperative energies. The hubris speculation should not generally mean that chiefs managers against proprietors' hobbies. Nevertheless, when the enthusiasm of the managers is organized the securing may come up short and even cause riches misfortunes for the shareholders.

External Factors

Information systems rapid technology changes, has transformed the banking systems significantly. Supervisory requirements have been synchronized to reduce international fences and liberalize the domestic market. The process of financial schemes increased the level of competition in financial services. The motivation was that the removal of regulatory barriers would lead to the integration of banking markets, enhancing efficiency and promoting competition. Therefore, these positive changes resulted in an increase in the number of cross border Merger and Acquisition deals. M&A activity is motivated by technological developments, especially the decreased computing costs and progress in telecommunication services. Technology, which is regarded as a catalyst of the recent wave in the banking sector, shaped the structure of the financial industry by decreasing the cost of collecting, processing and using information. Globalization effects the expertise and deregulation. The challenges and benefits of globalization have increased the numbers of cross-border mergers and acquisitions which have become a key to achieving of banks.

RESEARCH METHODOLOGY

On past experience, numerous procedures of competence measures have been used for assessing performance of different industries for example banking, hospitals, and other industries. The same tools can also be applied in assessing performance developments of banks upon mergers and acquisitions and its impact on the economy. As an example, Capital market studies of bank mergers and acquisitions examine shareholder gains and losses; financial ratio analysis examines pre and post-merger performance variation.

Research Design

In order to deportment of the study, we have chosen a quantitative research method. The quantitative research conducts experiments or correlation tests. Quantitative research often involves the acceptance or the failure to reject a null hypothesis. Furthermore, this allows examination of important new issues and questions as they arise, and allows the investigators to drop unproductive areas of research from the original research plan. However, qualitative approach is used when investigating numerous variables from a few numbers of banks as we are having limited number of acquisitions and merger in the past decade in Bahrain. Thus, annoying to reach a better understanding of the data collected and the problem studied. A quantitative research approach is chosen since our purpose of this study is to assess the impact of Mergers and Acquisitions to achieve competitive advantage on the economy in Bahrain. Furthermore, since we have relied on data from limited number of banks that merged in the past decade, we argue that a quantitative research approach is the most appropriate in combinations with qualitative methods.

We collected the primary data through a survey which was carried out in the form of questionnaires as the main instrument of data gathering Data was acquired from books, previous studies, journals, articles and trustworthy website. The purpose of applying this technique was to measure the impact of mergers

and acquisitions on the economy of Bahrain. By taking into considerations the past ten years only as well as the motives behind the mergers and acquisitions occurred during that period. All that by utilizing the data collected, which is the responses of the questionnaire that was distributed through different medium. The questionnaire was designed by utilizing an online tool called (Survey Monkey) and was sent through emails or physically printed.

Population of the study

Study population

The study population contained of the managerial level in Bahrain banks targeting the people involved in the mergers or acquisitions during the last 10 years. As previously mentioned, number of banks were involved in such activities were almost eight banks (Appendix B). And if we look at the number of person's elaborate in the Merger and Acquisition activities, it will not exceed the top management and the Head of departments in each bank of the eight. Therefore, the population should be in the following positions: First, all Chief's levels like, CEO, COO, CRO, and CAO. Second, all Head of Departments; like, Head of Retail, Head of Finance, Head of Support units, Head of Legal, Head of Corporate Banking , Head of Risk, Head of Audit, Head of Sharia, Head of Compliance, Head of Investment and Head of Treasury. If we look at the number of Banks in the scope, we are having a total of eight banks. And by taking the average of ten for each bank as just mentioned. Then, the total of the population of the study is 80.

Study sample

Purposive sampling technique (non-probability method) was used to look for the views of the respondents on the impact of M&A activities on the performance of Bahrain's economy. Purposive sampling method was selected because the standard chosen allowed the study to concentrate on people who experience, have the knowledge on the impact of M&A activities on the performance of Bahrain's economy. A purposive sample is a researcher that tries to create a selected sample (not randomly chosen). In other words, it is targeting a particular group of people. The significance of purposive sampling is by selecting information cases, in-depth analysis related to the problem being studied. The sample of the study was selected based on the managerial level on those Banks that were involved in merger or acquisitions activities in the past ten years. The total number of participants was (30) which are 37.5% of the population previously calculated.

Descriptive Method

We distributed the questionnaire to the target respondents via emails or hard copies. The descriptive research method was involved. Descriptive method of research gathers information about the present prevailing condition. The purpose of applying this technique was to describe the nature of the situation, as it exists at the time of the study and to explore the particular working phenomenon. This method was selected in order to obtain first hand data from the respondents so as to formulate rational and sound conclusions and recommendations for the study.

When the targeted participants were randomly chosen from a defined population, confirming that the number of respondents is sufficient to make statistical inferences about the sampling population itself from which they were fair enough to quantify the size of its importance and significance.

Data Collection Instruments

To sufficiently discourse the research questions a variety of data collection methods and instruments will be used. These methods and instruments are not specific to any one question but deliver

data that when used in combinations will address the research questions. There are many potentials including: telephone surveys, paper and pencil surveys, web-based surveys, attitude surveys, opinion of corrections jobs being performed, subject-matter-expert meetings, literature reviews, and field tests with experimental designs, trend analyses and projections.

Questionnaire

Questionnaire is an information-gathering technique which is allowing to gather attitudes, beliefs, and characteristics from several key people in the organization who may be affected by the current and proposed system.

The method that has been used in conducting this study is the quantitative approach which involved questionnaire of management level only to generate number of data about Post-merger impact in Bahrain's economy. The questionnaire was chosen in this research in order to determine the relationship of one variable with another variable through about Post-merger impact in Bahrain's economy as it is the most appropriate method for dealing with the research questions in order to achieve research's objectives.

According to Mills, Questionnaires allow the researcher to collect large amounts of data over a relatively short period of time (Mills, 2003). Therefore, in this research the questionnaire is data collection method because it is an effective method of collecting large amounts of quantitative data quickly compared with other methods.

Observation

The research techniques for assembly data about the study. Sometimes convinced aspects of the project have to be experimental from a third person's point of view, to see the subject in its totality. This observation might help us in identifying certain flaws/limitations in the study, which might not have surfaced through questionnaires or through some other techniques. The observation is: "A systematic method of data collection that relies on a researcher's ability to gather data through his or her senses". Furthermore, "Observation can be used at different stages of a study and for different reasons. Used in the early stages of a study, it can be a useful way of understanding the context of the phenomenon under investigation and working out what the important questions to be asked are. This is particularly valuable where the researcher is unfamiliar with the phenomenon. This type of observation could precede a more structured phase of observation or other data collection methods" (Darlington and Scott, 2002 P.76).

Scale validity and reliability

Validity is measuring how healthy a survey measures what it sets out to measure, in this research, the validity of the data collected

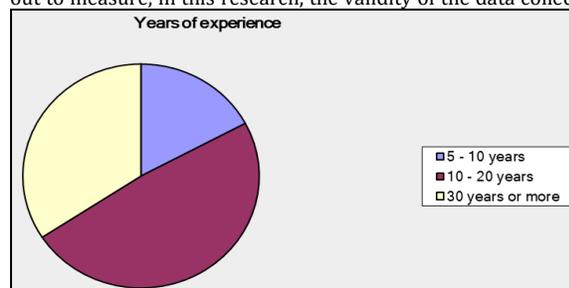


Figure Error! No text of specified style in document.-6: Respondents Years of Experience

The number of years for which the respondents had been exposed to their bank has a significant result. The majority of employees have been working for their bank for 10 to 20 years

will be targeted through the content validity where some of expert managers in the Baking sector will answer the survey questions. Therefore, they will make a subjective measure of how suitable the items seem to a set of reviewers who have information of the subject itself.

DATA ANALYSIS AND RESULTS

Introduction

The researcher will deals with the analysis of the results of the study, and that through the presentation of the responses of the study sample to the questions, and processed statistically, leading to the results, analysis and interpretation in the light of the theoretical frameworks for the study on the methods in assessing the impact of acquisitions and mergers (A&M) to achieve competitive advantage in the Economy of Bahrain.

It is concerned with the analysis, discussion and representation of results. It is structured into sub-headings: demographic characteristics of respondents, strategies and policies instituted by Banks after the M&A, and the impact of accounting reports and market valuations on the performance of Bahrain's economy after the M&A. Frequency tables, pie charts and bar graphs were presented first, followed by its discussion, and analysis.

Our primary research is based on our questionnaire survey conducted randomly among the private companies in the kingdom of Bahrain. These questionnaires were tabulated and their mean was calculated using Likert Scale for analysis. The reason to conduct the questionnaire was to analyze the status and the impact of Bahrain Islamic bank after the financial crisis in terms of corporate growth, performance and financial stability.

Demographics

This section presents the profile and demographics of the participants in this study.

Table Error! No text of specified style in document.3: Demographics Characteristics of the Participants

Years of experience		
Answer Options	Response Percent	Response Count
5 - 10 years	17.2%	6
10 - 20 years	48.6%	17
30 years or more	34.2%	12

only, which is 46% of the total sample. While the minority, which is only 10%, were working for 30 years and above years with the bank. The next percentage is 44% and this is for employees working for the bank for 5 to 10 years. The number of years of experience in the bank tells us about how the management employees perceive the bank in several ways.

Table Error! No text of specified style in document.-4: Position at work

Position at work		
Answer Options	Response Percent	Response Count
Managerial level (Head of Dept., senior managers)	71.5%	25
Top Management (Chief executives)	28.5%	10

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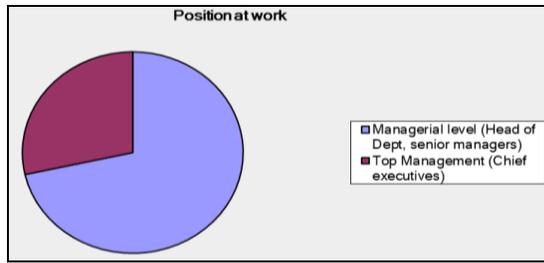


Figure Error! No text of specified style in document..7: Respondents position

This table shows the positions of respondents, this is an indication of their managerial level in the bank and its executives. The results came up with logical numbers representing the management and the executives involved in the activity of mergers and acquisitions. That tells us that the population sample has covered all managerial levels so the survey could give an indication of validity.

**Questionnaire analysis
Managerial Level Mean**

Table Error! No text of specified style in document..5: Managerial Level Mean

No.	Position	Questions																											MEAN	
		Q1							Q2											Q3					Q4					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27		
1	Managerial level	2	3	3	3	4	3	3	4	3	4	4	3	4	5	5	4	4	3	2	3	4	3	2	3	4	3	3	3	3.37
2	Managerial level	3	4	3	2	4	4	4	4	4	4	3	3	4	3	5	5	4	4	5	5	3	4	4	5	3	3	4	3.81	
3	Managerial level	3	4	4	5	5	4	3	4	4	4	3	3	4	3	5	4	5	4	4	5	4	5	5	4	3	5	5	4.11	
4	Managerial level	3	4	4	4	3	4	4	3	4	4	4	3	4	3	3	4	3	4	3	3	3	4	4	4	4	4	4	3.63	
5	Managerial level	3	4	4	2	5	4	5	4	4	3	4	3	4	3	4	4	3	4	4	4	4	5	5	4	3	5	5	3.93	
6	Managerial level	4	5	4	4	3	3	4	4	4	4	3	4	4	3	4	4	4	5	4	4	4	5	4	3	3	4	5	3.93	
7	Managerial level	3	4	4	4	3	4	4	3	4	4	3	3	3	4	4	5	4	5	3	4	4	4	5	4	4	4	4	3.85	
8	Managerial level	3	4	5	5	4	4	4	4	4	5	4	3	3	4	4	4	3	3	3	3	4	4	3	5	3	5	4	3.85	
9	Managerial level	3	4	4	5	3	4	4	5	4	4	3	3	4	3	3	5	4	5	5	5	4	4	3	4	5	4	4	4.00	
10	Managerial level	3	3	4	4	4	4	5	3	4	3	3	4	4	5	5	4	4	4	3	5	4	5	3	4	4	5	5	4.00	
11	Managerial level	4	3	4	4	4	5	5	4	3	5	5	5	4	4	5	5	4	4	4	3	4	2	4	2	4	3	2	3.89	
12	Managerial level	4	4	2	2	3	5	5	4	3	4	5	4	4	4	4	4	4	2	3	3	4	4	4	5	4	5	4	3.81	
13	Managerial level	4	4	4	4	4	4	4	4	3	4	4	3	4	4	4	4	4	4	4	4	3	3	3	3	3	4	3	3.70	
14	Managerial level	5	5	3	2	5	5	5	5	4	4	3	4	5	4	4	4	3	3	3	3	4	3	4	5	3	4	3	3.89	
15	Managerial level	4	4	3	3	4	4	4	3	3	4	3	3	3	3	4	4	5	4	3	4	3	4	4	4	3	4	3	3.59	
16	Managerial level	4	5	3	2	4	4	3	3	4	3	4	3	3	4	4	3	4	4	5	4	5	4	3	2	3	3	5	3.63	
17	Managerial level	4	3	4	4	4	4	3	3	5	3	5	4	4	4	3	3	4	4	3	4	5	4	3	2	4	3	3	3.6	

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happen to some other areas of the region, but not in our region, were the past mergers or acquisitions occurred due to different

motives like capital increase and liquidity enhancements which Basel III is enforcing.

Overall Weighted Mean Evaluation

Table Error! No text of specified style in document.:7: Overall Weighted Mean

No	Indicators	Mean		Weighted Mean	Qualitative Interpretation
		Managerial Level	Top Management		
Q1: Rate the below Motives					
1	To Accelerate growth of the acquiring or merging company	3.56	3.5	3.53	Agree
2	To Comply with Regulatory and international standards (Basel III)	3.32	3.2	3.26	Moderately Agree
3	To Utilize synergistic attributes of the acquired company (value and performance of two companies' combined will be greater than the sum)	3.92	3.7	3.81	Agree
4	To accomplish the personal goals, vision, and particular objectives of the acquiring company's chief executive	3.32	2.29	2.8	Disagree
5	To enlarge the acquiring company's customer base by extending products and services	4	4.3	4.15	Agree
Q2: Post-Acquisition Management					
6	Establishing a post-acquisition strategy early in the process	3.48	3.9	3.69	Agree
7	Develop a formal integration plan by top management teams of both banks	3.56	4	3.78	Agree
8	Move rapidly as planned	3.72	3.8	3.76	Agree
9	Linking the compensation to improve the cash flows	3.84	3.7	3.77	Agree
10	Immediate announcement of career plans (i.e., key roles)	3.16	3.5	3.33	Moderately Agree
11	Identify and retain key employees and managers of the target	3.6	3.6	3.6	Agree
12	Establishing new performance appraisal programs	3.48	4	3.74	Agree
13	Establishing an efficient resource allocation system	3.84	3.6	3.72	Agree
14	Establishing new procedures for building common tools, practices and processes.	3.92	3.9	3.91	Agree
15	Identify a new set of opportunities for enhancement of competitive position of the new bank.	3.76	4	3.88	Agree
16	Establishing a new set of competitive methods (i.e., portfolios of products/services) of the new bank	3.52	3.7	3.61	Agree
Q3: Post-Acquisition Performance Evaluation					
17	Accounting Profits (i.e., ROE, ROI, ROA, ROS)	3.4	4	3.7	Agree
18	Stock price changes surrounding the deal announcement dates	3.88	4.5	4.19	Strongly Agree
19	Stock price changes at 1 or more years after the deal is announced	3.72	4	3.86	Agree
20	Market share gains (or losses)	3.52	3.9	3.71	Agree
Critical factors on Bahrain's Economy in the ten past years?					
21	The global Financial crisis and the political unrest in 2011 took a heavy toll on Bahrain banks.	3.44	3.7	3.57	Agree
22	Bahrain's financial markets suffered from lack of liquidity.	3.4	4	3.7	Agree
23	The increased cost and reduced availability of financing have direct consequences for the commercial real estate market in Bahrain and secondary effects on banks and investors.	3.4	3.8	3.6	Agree
24	Financial crisis revealed important regulatory and supervisory challenges in the kingdom of Bahrain on banks especially Basel III.	4	4.1	4.05	Strongly Agree
25	Weaknesses in risk management practices in some Islamic banks led to a larger decline in profitability.	3.6	4.2	3.9	Agree
	Weighted Mean	3.6432	3.864	3.7536	Agree

As shown in Table 4-5, the overall weighted Mean is calculated for a better accurate calculation of both Management level and top executive management. It confirms the general statements with a rate of 3.75. Which means "Agree" to the purpose of the research objective? The table shows the agreement on the motives used in the past ten years for the merger and acquisitions occurred. However, the rate for question number four, there is a bit deviation between top management and managerial levels on the statement that personal goals of the chiefs are one of the motives to accomplish a merger or acquisition. Where, management level says that this may occur or may not with a rate of 3.3 in a "Agree" interpretation.

However, the executives clearly "Disagree" with that statement as other motives pushed for mergers or acquisition.

The Economy in Bahrain was gradually increasing with an increase of improvements until the financial crisis as well as the unrest political situation on 2011. As resulted from the above tables, the economy factors that affected Bahrain was the financial crises at the top factors. If we would analyze this statement, it makes a common sense to most bankers and economist in the world that the most financial crash in the past years was that credit financial crisis. Second top-rated weakness is the risk assessment of the Islamic banks and its weaknesses to assess the desire investments and projects.

In the post-evaluation performance measurements, the most performance clear tool was the "Stock price changes surrounding the deal announcement dates", which means that the deal is in a good shape in the evaluation process.

The most motive drives the acquisitions as stated in the table is the "To Utilize synergistic attributes of the acquired company (value and performance of two companies' combined will be greater than the sum) "which is 3.81. Thus, the combined new bank should have jumped several steps in the market completion instead of either one of the current banks positions.

Finally, in post-acquisition management factors is the "Establishing new procedures for building common tools, practices and processes." And "Identify a new set of opportunities for enhancement of competitive position of the new bank." Consequently, the focus on the organizational and strategic prospective that impacted the both banks and the new combined bank. In addition, creating new values and standards to compete in a competitive market that affecting the completely new strategy of the bank.

Challenges for Bahrain's Economy

The Budget Shortage

The decrease in oil values in the Q2 of 2014 for about \$80 a barrel makes it more problematic to attain a break-even point where there is not any surplus or shortage in the public budget. As stated by the International Monetary Fund, a break-even point needs an average oil price of \$120 per barrel, which is impossible in the current circumstances in the oil markets. Many possibilities were not available to improve the financial situation through the financial year of 2014, through the reduction of costs and increasing the public debt to deal with the deficit, which are difficult choices in all circumstances. However, still is a solution for the current situation?

Economic competitiveness

Bahrain was the most competitiveness economy in the gulf region, due to open market strategy in the past years.

The Bahrain government should start to increase the liquidity by attracting the investors in the local market. We can see Dubai as a good example by taking the advantage of its location and convert it to a paradise to investors which by end will impact with a comparative advantage to the country's economy. The World Economic Forum's Global Competitiveness Report positions Bahrain low in the economic competitive field, in contrast with the GCC countries, except Oman. Bahrain was ranked as number forty-four internationally comparing to twelve and sixteen, twenty-five and forty of UAE, Qatar, Saudi Arabia and Kuwait respectively. Bahrain has thrived eliminating all obstacles to entry of new competitors to the telecommunications sector, which underwritten to balance the difficulties tackled by other sectors in the national economy.

Augmented globalization of collections, variety in financial instruments and growth in offshore fund markets

Bahrain should provide inclusive, custom approaches that align the bank's business needs and result in augmented productivity, real-time processing, and synchronized processes.

Financial instruments are getting increasingly complex, transaction volumes are escalating exponentially, changing market conditions warrant flexible reconciliations operations, and reducing IT budget makes it difficult to manage a large workforce with significant overheads to process transactions at the desired service level.

Bahrain should provide customers eradicate limitations of their settlements and inquiries operation in the fastest possible time. It delivers a scalable, industry leading 'center of excellence' for the matching, investigation and reconciliation of core and client-specific financial transactions.

CONCLUSION

The continuous worldwide financial related emergency is established in a consolidation of components regular to past monetary emergencies and some new elements. The emergency has brought to light various insufficiencies in budgetary regulation and construction modelling, especially in the treatment of systemically essential monetary establishments, the appraisals of systemic dangers and vulnerabilities, and the determination of money related foundations.

The series of M&A taking place in the financial sector in Bahrain showed improved performance in the post-merger time period as compared to the evaluations performance techniques in either the stock prices or using the accounting profits calculations. It was found out that the qualitative impacts of post M&A activities on the performance of Banks must go beyond the impact of quantitative indicators (financial and economic indicators). It was found that there is a considerable disparity concerning the valuation of performance. While financial indicators have played a key role in assessing performance there are apparent limitations to these measures. Hence, the study accomplished the objectives set by assessing the impact of the mergers and acquisitions and its comparative advantages to the economy of Bahrain. This study highlighted that the strategies and policies used to conceptualize and assess performance are procedural, physical and socio-cultural elements. Procedural factors deal with the integration of systems and procedures, in order to harmonize and standardize work processes. Moreover, physical factors are concerned with the integration of product and manufacture lines, equipment and real estate.

Furthermore, the three main approaches used to conceptualize and assess the impacts of post M&A activities on performance are accounting reports, market valuations and key informant descriptions otherwise called qualitative indicators that are

widely used among strategy researchers like the weighted mean calculated earlier. The accounting reports usually makes use of profitability of growth measures; market valuations employ adjusted returns, unadjusted market value and abnormal returns; whereas key informant descriptions use operational, survival, overall performance and relative performance. However, the impact of post-acquisition activities on the performance of economy remains a debatable issue. This study has tried to give an understanding by proposing that the use procedural, physical, strategies and policies; and accounting reports, market valuations, and key informant descriptions as reliable tools or variations in assessing the impact of post-acquisition activities on the economy performance.

Recommendations

Based on the findings of the study, the following recommendations were made by the researcher:

- To improve Bahrain's economy, Central Bank of Bahrain should start exercise to encourage the banks for more capitalization and liquidity enhancements to secure their ability to compete the global world economy. Moreover, building a robust infrastructure that can handle challenges affecting the country like oil price degradation and the lack of other energy resources.
- The merging bank should take into considerations the risks of a fail merger or acquisition activity that indirect impacting the economy by losing the investors.
- Merging bank management must adopt a more comprehensive approach to integrated marketing communications in the promotion of its product so as to gain more market share.
- There is the need for the introduction of more products and added services to make the merging Bank more attractive and afford customers a variety in service
- Acquirers should build the acquisition strategy on their core competencies that can be defined as a combination of resources and capabilities that are unique to a specific organization and which are responsible for generating its competitive advantage.
- The country's financial policy and CBB should accelerate the merger and acquisition process in a small open economy because of the economies of scale and scope. Though, on the other hand it should develop effective supervisory instrument to stand modest business situation by avoiding those mergers and acquisitions that could have undesirable impact on the competition in the banking market as well as to the consumers.

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