Bank mergers and acquisitions in emerging markets: evidence from the Middle East & North Africa region

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Research Highlights

This study examined the short-term effects of bank mergers and acquisitions on acquirer banks in the Middle East & North Africa region (MENA). The results indicate that mergers and acquisitions have not caused significant positive or negative abnormal return in the short-term to acquirer banks in the MENA region.

Research Objectives

While a variety of research exists in banks mergers and acquisitions in developed countries, limited studies discussed the effects of banks mergers and acquisitions in developing countries. This study intends to investigate in the short-term effects of mergers and acquisitions on acquirer banks in the MENA region.

Methodology

This study includes 35 listed acquirer banks which involved in mergers and acquisitions deals in the MENA region from 2000 to 2012. The acquirer banks are from different countries in the MENA region: Bahrain, Egypt, Kuwait, United Arab Emirates, Saudi Arabia, Oman, Qatar, Jordan, Tunisia, Lebanon. This study uses the event study method with, three different event windows 3 days, 5 days and 11 days to examine the short-term effects of mergers and acquisitions on acquirer banks in MENA region.

Results

Based on our analysis and results related to individual abnormal return, this study observes that some banks experienced positive abnormal returns during the mergers and acquisitions announcements (similar findings were observed by Bhagat et al., 2011; Kolaric & Schiereck, 2014). While other banks experienced negative abnormal returns during the mergers and acquisitions announcements (similar findings were observed by Campa & Hernando., 2006, Al-sharkas & Hassan., 2010, Nnadi & Tanna., 2013, Varmaz & Laibner., 2016).

According to the results of the parametric test (t-test), this study finds that only three banks experienced statistically significant negative abnormal return during the announcement of mergers and acquisitions in 3 days event window. In addition, only five banks experienced statistically significant positive and negative abnormal return during the announcement of mergers and acquisitions in 5 days event window. Also, the results indicated that only four banks experienced statistically significant positive and negative abnormal return during the announcement of mergers and acquisitions in 11 days event window.

Based on the analysis and results related to cumulative abnormal returns (CAR), this study observes that there are positive cumulative abnormal returns CAR in 3 days, 5 days and 11 days event windows. However, the p-values of t-test for the regression models indicate that the positive cumulative abnormal return for all the event windows are not statistically significantly.

Findings

The results indicate that mergers and acquisitions have not caused significant positive or negative effects in the short-term to acquirer banks in MENA region. Therefore, this study indicates that there is no significant abnormal return can be achieved during the event windows as a result of the mergers and acquisitions announcements by acquirer banks in the MENA region.

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