MARKET EVALUATIONS AND STRATEGIC FACTORS: A COMPARISON FROM ASIAN BANKS' M&A AND ALLIANCES

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This paper covers Asian stock exchanges to empirically examine market responses to alliances, M&A announcements, and changes in management strategy made by listed banks. Based on Altunbas and Marques (2008) study, this study examines the relevant strategic management factors using regressions with the SCAR as its dependent variable and six strategic factors as independent variables.

The cross-sectional results suggest that a cross-border diversification strategy anticipates value creation and that investors are not interested in industry diversification. Investors evaluate banks having low loan ratios with a view to later increasing the loan book by acquiring business loans through a mutually complementary alliance or M&A. Investors value banks with low loan ratios as ways to purchase larger loans for business through mutually complementary alliances between acquirers and targets. The M&A tools deployed by Asian banks' appear to be relief methods for unsound banks.

The cross-border effect is dependent on the differences among countries' credit ratings, degree of economic freedom, and the nature of their legal and regulatory financial systems.

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