ABSTRACT
In this paper it is treated the theme of mergers and acquisitions of businesses. Taking in consideration the numerous mergers and acquisitions carried out in Albania, we think that it is important to study them. These two processes have involved almost every sector of our country. It is worth mentioning here the banking sector, private insurance sector, energy sector, telecommunications etc. In this paper, we are focused on the private insurance sector. The private insurance sector is of a great importance as in general it is a privatised sector with a considerable number of purchases and also has attracted a lot of foreign and domestic investors. In this material it is treated the case of acquisition of shares of Sigal company by the company Uniqa Group Austria. In March 2007 SIGAL signed a cooperation agreement with one of the most famous financial groups in Central and Eastern Europe, UNIQA GROUP AUSTRIA; this agreement was followed by acquisition of company shares. This group owns actually 68.7% of stocks of Sigal. Evaluating the importance of this acquisition, we have analysed some of the most important financial reports of this institution in Albania and have compared financial situation before acquisition (2007) with those after acquisition for the period 2007-2011. From the analysis we have noticed that the value of Sigal Company after the acquisition has significantly increased. As a result this cooperation was accompanied also with the following advantages: Financial support, Managerial support, New insurance products in the market, Expanding markets in Albania, Kosovo and Macedonia, Exchange of best practices and experiences between member companies of UNIQA

KEYWORDS: Mergers, Acquisitions of Companies, Insurance Sector, Financial Analysis, Sigal Company

INTRODUCTION
Mergers and acquisitions of companies are an important part of business in Albania. A considerable number of companies in our country are established as a result of mergers and acquisition. It is noticed the participation of foreign investors who are part of the Albanian
business and foreign investments are found in every sector of the economy. If we take a look at the banking sector, we will notice that the entire sector is privatized and that a part of the bank's shareholders are foreigners. The same thing we can say for the private insurance sector, where a part of insurance companies that operate in our country are with foreign capital. A large number of insurance companies have realized collaboration with foreign investors. Such a solution is found not only as a result of globalization, but also as a result of many advantages that come from merger and acquisition of companies. It is worth mentioning the fact that the union and cooperation with foreign investors through acquisition was seen as a way of facing the financial economic crisis, because it brings liquidity, capital and foreign experience in dealing with the crisis, as well as experience in efficient management of company.

On the other hand, mergers and acquisitions of companies bring new products and services at the market, through which it is intended the fulfilment of customer requirements as well as a more competitive market.

Aim of the study
The main aims of this study are:
1- To bring to light the importance of mergers and acquisitions of companies in different sectors of economy. In this framework we have treated theoretically in details the importance of this process, the advantages and disadvantages of mergers and acquisition of companies as well as the effects of these processes.
2- The analytical treatment of a case study, in the sector of insurance by using different financial reports to determine the financial and managerial situation of the company at the moment of purchase and to compare it with the financial situation some years after. In this way we can evaluate the impact that this process has in different economic sectors and especially in the sector of insurance.

Methodology of research
The focus of this study is the use of secondary data taken from books, articles, and different internet websites. The used methodology is a combination of descriptive, analytical and comparative methods. At the same time it is realized also a detailed interpretation of the data to conclude in the special importance that mergers and acquisitions of companies have for the increase of value of companies in all aspects.
1. Merger and acquisition of businesses

1.1. Merge of businesses

Combination of businesses means grouping separate business units in one economic unit which is realised through the merge of one company with one or more others, or by taking control by one company. Some of the main reasons that lead to the companies merging are:

- Providing a greater profit
- Expanding market
- Increasing production
- Performing other economic operations etc.

We can say that merge of businesses arises as a need for their development, which can be: internal development (vertical) and external development (horizontal). In some cases merging businesses can lead to the creation of new business units.

The question arises: What are the motives that lead to merging businesses?

First: Lee and Penning (1996) in their study on the impact that mergers and acquisitions have in the bank and insurance sector, determine that the main motive for many mergers is the increase in value of the enterprise arising from this combination, so in this case the idea is that if companies A and B join together to form the company C, the value of the company C must be greater than the sum of companies A and B taken separately, \( C > A + B \). Such a merger must be profitable for shareholders of both companies. The effects of such a union are created by four sources:

1. From economies of scale in management, production and distribution
2. Financial economies which include a higher ratio \( P / E \), lower debt cost or higher dept capacity.
3. From the efficiency in management
4. From increased market power resulting from the reduction of competition

Secondly: Diversification – managers often claim that diversification helps stabilize the firm's profits and reduces risk, this often is taken as a reason for merging business.

Third: Tax Considerations - have stimulated a number of mergers. The idea is that after the merge the company has a better tax position. For example, a very profitable business positioned in a region with high tax tariffs, can possesses a company that has accumulated great tax loss and uses this loss to flatten its profits.
Fourth: Keeping control - managers of the fully acquired company, lose their work and autonomy. Therefore managers who have less than 50% of the shares in these companies require a way that will reduce the chance for their firm to be acquired by another. Merging with another company can be a good solution in this case.

1.2. Acquisition of businesses

The cost of acquisition of company A for company B is the price that would be paid for the value of B, according to the value that has been agreed in the act of purchase. Payment of the purchase price can be made:

- By cash
- With an offer of X stocks in exchange for Y stocks
- With a combination of the two preceding cases

Cash purchase gives to shareholders of B an amount of safe money which can be invested wherever they wish. In the case of payment in shares, shareholders of company A, gives to the shareholders of company B a certain number of shares in exchange of a certain number of shares of company B. The most important term in negotiation of a purchase agreement is the price that a company will pay for the other. Quantitative factors that have a significant influence on the terms of the purchase agreement are:

- Current earnings
- Current market prices of the shares
- Accounting values
- Net working capital

While risks arising from acquisitions and mergers can be divided in:

- In risks that exist before purchase and which are mainly related to the price of the company which is being purchased, in order that the value of the purchase must be balanced with the amount of revenues projected to come later.
- In those risks that exist after purchase,

At the same time, operational and strategic risks can be very important, the management of the company that has been acquired, the regulatory framework and standards cannot be followed strictly by the company that was bought etc. Also, in acquisitions and mergers of two financial companies operating in the same country, with approximately the same production line, problems can arise from:
- Unification of information technology systems
- Hiring of new personnel in the new company
- Daily monitoring of accounting systems
- New way of communication with clients etc.

1.2.2. Some examples of acquisitions in Albania

Sigma Insurance Company

SIGMA part of Vienna Insurance Group is a private insurance company in Albania. The most important time for this company was considered the year 2007, when Sigma became a part of VIG (Vienna Insurance Group), the largest insurance group of Austria and countries of Central and Eastern Europe, which currently occupies 87% of Sigma shares.

Privatization of Savings Bank

Raiffeisen Bank is one of the largest banks in Albania. Its total assets are approximately 2 milliard Euro. Raiffeisen Bank International bought the Albanian Savings Bank in 2004.

The privatization of Albtelecom

In accordance with the instructions of tender, dated May 6, 2005 marked the ending fase of the tender through the submission of offers for the purchase of shares of the company Albtelecom. In the process of submission of offers, it was presented only one company Calik Enerji Telekomünikasyon-Turkey, whose financial offer amounted to 120 million euro.

On June 9, 2005 the negotiations with "Telekomünijasyon Calik Enerji AS" company began and on June 23, 2005 it was signed the contract for the sale of shares with this company. This company became the owner of 76 per cent of stocks of the fixed-phone company, Albtelecom.

National Commercial Bank

National Commercial Bank was founded in January 1993 by the merger of the Albanian Commercial Bank (ACB) and the National Bank of Albania (NBA). National Commercial Bank was established as a joint stock company in June 1997 with a capital of 2.7 billion.

NCB completed the privatization process in 2000. Albanian Parliament approved on 6 July 2000 the sales contract between the Ministry of Finance on the one hand and International Investors Consortium (60% share), the International Finance Corporation (20%) and European Bank for Reconstruction and Development (20%) on the other. Transfer of ownership became effective on 17 October 2000. New shareholders invested $ 10 million, resulting in a strong capitalization of the bank.
On June 9, 2006 it was approved the transfer of shares which consisted of over 60% plus 2 shares of NCB in favour of Calik-Seker Konsorsiyum Yatirim AS. On June 30, 2009, the Financial Services Çalik buys the part of stock of the International Finance Corporation (IFC) and European Bank for Reconstruction and Development, becoming in this way the only shareholder of NCB with 100% of the shares.

2. Comparative analysis of the economic situation of the Sigal insurance company before and after the acquisition by Uniqa Group Austria

2.1. Sigal and its cooperation with Uniqa Group Austria

SIGAL was founded in 22 of February 1999. This company grew rapidly, and was ranked as the biggest company in the insurance market in Albania from 2002 and on. SIGAL is the first company that attracted foreign capital in the Albanian insurance market. In 2003, the Albanian-American Fund of Enterprises, established by the State Department of U.S.A, became one of the shareholders of SIGAL occupying 13.3% of the shares.

In March 2007 SIGAL signed a cooperation agreement with one of the most powerful financial groups in Central and Eastern Europe, UNIQA GROUP AUSTRIA; the agreement was followed in 2009 with the purchase of further shares in the company. With branches in over 20 countries in Central and Eastern Europe, this group actually owns 68.7% of the shares of Sigal. In this way over 80% of the shares of Sigal UNIQA Group are foreign owned and the rest belongs to domestic shareholders.

2.1.1 Shareholders structure of Sigal Uniqa Group Austria

*Albanian American Enterprise Fund*

The Albanian-American Enterprise Fund bought 13.3% of stocks of SIGAL in October 2003, becoming the first foreign investor in the Albanian insurance market.

*Uniqa Group Austria*

UNIQA Group AUSTRIA is the largest shareholder of SIGAL UNICA and owns 68.7% of the shares of the Group.

UNIQA Group AUSTRIA signed a cooperation agreement with SIGAL in March 2007 for the purchase of 45.64% of company stocks. Taking in consideration the success of this collaboration, in November 2009 the partnership was strengthened with the acquisition of other 23% of shares. UNIQA Group AUSTRIA was founded in 1860 and is ranked among the most powerful financial groups in Central and Eastern Europe as it operates in 21
European countries through 40 insurance companies. With approximately 22,000 employees, 16.5 million contracts and 24 million euro of assets under management, UNIQA Group is ranked among the most powerful companies in terms of finance and is evaluated by 'Standard & Poor's' as one of the most energetic companies in Europe.

2.2 Comparative analysis of the financial situation of Sigal insurance company in Albania.

During 2008, despite the global crisis, SIGAL UNIQA GROUP AUSTRIA had an increase in overall premium volume for 2008 which was 17%, reaching a value of Euro 27,751,720. SIGAL UNIQA GROUP AUSTRIA continued to lead the Albanian insurance market owing 27.2% for non-life activity while SIGAL UNIQA GROUP AUSTRIA controlled 40% of the market for Life Insurance products.

Table 2.2.1 Sigal main indicators during 2007-2011 (in thousand ALL)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net incomes</td>
<td>1670046</td>
<td>3074868</td>
<td>3532202</td>
<td>3805446</td>
<td>4449002</td>
</tr>
<tr>
<td>Total assets</td>
<td>3973128</td>
<td>4669688</td>
<td>5781990</td>
<td>7520372</td>
<td>8527309</td>
</tr>
<tr>
<td>Total capital</td>
<td>2115900</td>
<td>2285066</td>
<td>2271111</td>
<td>3283944</td>
<td>3335589</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1857228</td>
<td>2384622</td>
<td>1510579</td>
<td>4236428</td>
<td>5191720</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>(1314018)</td>
<td>(2727900)</td>
<td>(3439478)</td>
<td>(3720516)</td>
<td>(4329416)</td>
</tr>
<tr>
<td>Net incomes from Premiums</td>
<td>1670046</td>
<td>2928605</td>
<td>3343073</td>
<td>3575331</td>
<td>4182946</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>290982</td>
<td>378490</td>
<td>225677</td>
<td>144679</td>
<td>123193</td>
</tr>
</tbody>
</table>

Source: SIGAL

Financial indicators in 2008 compared with those in 2007

- Net incomes 3074868ALL, has increased with 84% (in 2007 they were 1670046ALL)
- Total capital 2205066 ALL, has increased with 8% (2007; 2115900 ALL)
- Net incomes from premiums 2928605 ALL, has increased with 75% (2007; 1670046 ALL)
- Total of assets 4669688 ALL, has increased with 17% (2007; 3973128 ALL)
- Profit after tax 378490 ALL, is increased with 30% (2007; 290982 ALL)

Financial indicators in 2009 compared with those in 2008

- Net incomes 3532202 ALL, has increased with 15% (2008; 3074868 ALL)
Total capital 2271111 ALL, has decreased with 0.6% (2008; 2285066 ALL)
Net incomes from premiums 3343073 ALL, has increased with 14% (2008; 2928605 ALL)
Total of assets 5781990 ALL, has increased with 24%, (2008; 4669688 ALL)
Profit after tax 225677 ALL, has decreased with 40% (2008; 378490 ALL)

Financial indicators in 2010 compared with those in 2009
Net incomes 3805446 ALL, has increased 7.7% (2009; 3532202 ALL)
Total capital 3283944 ALL, has increased 44.5% (2009; 2271111 ALL)
Net incomes from premiums 3575331 ALL, has increased 6.9% (2009; 3343073 ALL)
Total of assets 7520372 ALL has increased 30% (2009; 5781990 ALL)
Profit after tax 144679 ALL has decreased 35% (2009; 225677 ALL)

Financial indicators in 2011 compared with those in 2010
Net incomes 4449002 ALL, has increased with 16.9% (2010; 3805446 ALL)
Total capital 3335589 ALL, has increased with 1.5% (2010; 3283944 ALL)
Net incomes from premiums 4182946 ALL, has increased with 17% (2010; 3575331 ALL)
Total of assets 8527309 ALL, has increased with 13.3% (2010; 7520372 ALL)
Profit after tax 123193 ALL, has decreased with 14.8% (2010; 144679 ALL)

The year 2008 marks a significant increase in the revenues of this company, an increase of 84%. Such an increase has been realized as a result of additional products offered by this company, as the cooperation with Uniqa Group Austria, led to extension of products. Such a thing is best demonstrated by the increase of revenues from premiums, which have also a considerable increase in 2008, with about 75%. Some of the additional products in 2008 have been Private Health Insurance or Life insurance through Savings. Designed in such a way that it can be adapted to the interests and opportunities of everyone, these products are designed in close cooperation with UNIQA GROUP AUSTRIA. In this context, UNIQA GROUP AUSTRIA has launched these products for the first time in the Albanian insurance market and is considered as "New Generation Insurance". It is also worth mentioning the fact that the net incomes and revenues from premiums has continue to increase in the years 2009, 2010 and 2011. Even during these years the growth has come as a result of additional services and introduction of new products as private pensions.
If we continue with the analysis of other financial data, we will also see that in the years 2008, 2009, 2010 and 2011 there was an increase of total assets and capital. Growth of total assets was due to the growth of property, equipment and inventory, growth in financial assets and mostly by increased reinsurance contracts. (Table2.2.2). From the assessment of the company's financial statements, we notice that the company haven’t had lack of liquidity, as it has happened with other businesses in 2008, a difficult financial year with an increase in liquid assets. Also it is worth mentioning the fact that the increase with about 52577000 ALL of reinsurance contracts in 2008, has come as a result of the increase of customer loyalty to the company Sigal, a trust which is strengthened even more by cooperation with Uniqqa Group Austria. There has also been an increase in total capital due to increase of basic shares, other capital reserves, retained earnings etc. This shows that the company has met all its needs for capital during 2008, a year which has been difficult for many other companies that are faced with lack of capital and liquidity. We notice that a significant capital increase has been during 2010, exactly 44.5%, while in the total capital and its voices there have been no increase at all in 2011 or this increase has a very small value. This is explained by the fact that during this year the firm has realized investments in securities and assets so that a small amount of money is used for dividends (the firm has distributed these dividends which have increased with a small amount) and for capital reserves because most of it is invested.
Table 2.2.2 Other financial data of Sigal Uniqa Group Austria, 2007 – 2011

<table>
<thead>
<tr>
<th>Assets and capital</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment</td>
<td>737576</td>
<td>810568</td>
<td>920561</td>
<td>958116</td>
<td>1015057</td>
</tr>
<tr>
<td>Inventory</td>
<td>4736</td>
<td>17781</td>
<td>7117</td>
<td>6789</td>
<td>7262</td>
</tr>
<tr>
<td>Reinsurance Contracts</td>
<td>29786</td>
<td>82363</td>
<td>157757</td>
<td>67904</td>
<td>205478</td>
</tr>
<tr>
<td>Other assets</td>
<td>18510</td>
<td>24830</td>
<td>51512</td>
<td>53257</td>
<td>87599</td>
</tr>
</tbody>
</table>

Source: SIGAL

Graphic 2.2.2 Assets and capital of insurance company Sigal, 2007 – 2011

Source: SIGAL

Total liabilities increased in 2008, decreased in 2009 and then this total is associated with growth in the years 2010 and 2011. The increase of obligations in 2008 came as a result of the growth of insurance contracts for 2008, the actual increase of long-term obligations and mainly the increase of income tax. While in 2009 there has been a reduction of insurance contracts and there has been no actual percentage of long-term obligations and income tax, which has led to the reduction of obligations this year. The increase in liabilities in the years 2010 and 2011 was due to increased paid accounts for insurance and reinsurance and as a result of pension funds created by the company.
If we refer to the ratio of return from assets, we have to mention the fact that the company has used its assets in the best way, which have been influenced by the cooperation with Uniqa Group Austria. This report has been significantly increased in 2008; in 2009 it has a slight decline, which has continued also in 2010 and 2011.

The ratio of return from assets (ROA) = net incomes / total assets

ROA (2007) = 1759052 / 3973128 = 44% 
ROA (2008) = 3074868 / 4669688 = 65% 
ROA (2009) = 3532202 / 5781990 = 61% 
ROA (2010) = 3805446 / 7520372 = 50% 
ROA (2011) = 4449002 / 8527309 = 52%

Also the ratio of return from capital has increased in the years 2008 and 2009, which shows the effectiveness of capital invested by the company. While in 2010 and 2011 there has been reduction, but it is small in value and again we can say that the invested capital by the company has proved to be effective.

The reports of profitability of the company in these years have been good to realize a satisfactory return on assets and invested capital. We have to mention here the fact that this insurance company has good reports of profitability in a period which has been financially difficult as a result of the financial crisis and this demonstrates an efficient management of the company.
Reports of the capital structure (or debt reports) (Table 2.2.1)

1. Ratio of total liabilities / total capital + total liabilities
   Ratio (2007) = 1857228/2115900 +1857228 = 46%
   Ratio (2008) = 2384622 / 2285066 + 2384622 = 51%
   Ratio (2009) = 1510579 / 2271111 + 1510579 = 40%
   Ratio (2010) = 4236428 / 3283944 +4236428 = 56%
   Ratio (2011) = 5191720 / 3335589 + 5191720 = 60.8%

Capital structure ratios are used as a tool for solvency analysis. The report calculated above shows that in 2007 the obligations have occupied 46% of the company's liabilities, in 2008 have occupied 51% and in 2009 have occupied 40%. This means that in these three years obligations have not been more than 50% of the liability, so somehow they are almost half of the liability and the rest consists of its equity. We notice that there is an increase in liabilities in the years 2010 and 2011 as mentioned above in the analysis of total liabilities.

Debt – equity ratio/ equity = Total liabilities / total capital

   Ratio (2007) =1857228 / 2115900 = 0.87     Ratio (2008) = 2384622/2285066 = 1.043
   Ratio (2009) = 1510579 / 2271111 = 0.66    Ratio (2010) = 4236428/ 3283944 = 1.29
   Ratio (2011) = 5191720 / 3335589 = 1.55

This ratio shows that in 2007 total liabilities was 0.87 times higher than the share capital, in 2008 it was 1,043 times higher and in 2009 it was 0.66 times higher than the share capital. This generally means that the level of liabilities has not exceeded equity, which means that liabilities have not been increased greatly during these three years. While during 2010 and 2011 there is an increase in liabilities.

Also this analysis can be seen in the perspective of the company's premium during the period 2007-2009. These premiums have increased during 2008 and 2009, ranking the company as one of the best in the market. Increased number of premiums has come as a result of the new insurance contracts of this company, which are the result of the new additional products. This demonstrates the fact that the cooperation with Uniqa Group has been successful. From the data of Table 2.2.3, we notice that the increase of premiums is mostly for non-life insurance.
Table 2. 2. 3. Premiums during the period 2007-2009 for Sigal Uniqa Group Austria

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property insurance</td>
<td>2791620</td>
<td>4033484</td>
<td>4280000</td>
</tr>
<tr>
<td>Motor insurance</td>
<td>6418384</td>
<td>6587586</td>
<td>7282000</td>
</tr>
<tr>
<td>Green card and health</td>
<td>2647692</td>
<td>3000096</td>
<td>3510000</td>
</tr>
<tr>
<td>Marine and aviation</td>
<td>461647</td>
<td>673465</td>
<td>756000</td>
</tr>
<tr>
<td>Premiums from reinsurance</td>
<td>175925</td>
<td>251954</td>
<td>300000</td>
</tr>
<tr>
<td>Total of Sigal non-life</td>
<td>12495268</td>
<td>14546585</td>
<td>16128000</td>
</tr>
<tr>
<td>insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total life insurance</td>
<td>1296522</td>
<td>1703329</td>
<td>6000000</td>
</tr>
</tbody>
</table>

Source: SIGAL

The development of Sigal after purchased by Uniqa Group Austria shows that it is one of the most successful companies in the regional insurance market. Finance Central Europe has awarded the company as “The best insurance company in Albania for 2008”. Sigal Uniqa Group Austria has also been evaluated as:

- The best company in Albania for “Return on Assets”
- The best company in Albania for “The volume of Premiums”
- The best company in Albania for “Investment efficiency”
- The best company in Albania for “Realised Profit”

2.3. The effects of cooperation between Sigal and Uniqa Group Austria

From the review of financial statements it results that the cooperation between the Sigal Company and Uniqa Group Austria has been very successful. This collaboration has helped Sigal company to be ranked as one of the best insurance companies in the market. Year 2013 marked the sixth year of this collaboration. The purchase of shares by Uniqa Group Austria is associated with advantages for Sigal Company, here we can mention:

- Financial support

Sigal Company has been financially supported by Uniqa Group Austria. This support can be noticed in some aspect as:

- Sigal Company has opened two new branches in Kosovo and Macedonia.
- Different investments that Uniqa Group Austria has realised in the company offices by making these environments comfortable for their employees.
Managerial support
Sigal insurance company has benefited directly from the several years of experience of Uniqa Group Austria in the field of insurance. Also in collaboration with this group there are conducted a number of staff training by providing the best management practices. Good management practices of this company are also noticed in the successful management of financial crises by realising sustainable financial levels. In this regard it was noted that financial indicators of Sigal company during 2007 - 2011, have been in a sustainable line not accompanied by immediate increase (fictitious growth), which are then accompanied by a considerable decrease.

Launch in market of new insurance products
Sigal insurance company has consistently launches new products on the market to meet the needs of existing customers and attract new customers, a fact that is noticed in the increased number of insurance contracts. New products are designed in collaboration with Uniqa Group Austria.

Expanding markets in Albania, Kosovo and Macedonia
Cooperation with Uniqa Group Austria and better positioning in the market has led Sigal Company to market expanding in Kosovo and Macedonia. This expansion has brought customers growth, an increased number of insurance contracts, an increase in total incomes etc.

Exchange of best practices and experiences between members of the UNIQA that operate in countries that have a very long history in insurance sector.

2. Conclusions and Recommendations

- One of the main reasons for most mergers is to increase the business value that comes from the combination of the best businesses values.
- Also, tax considerations have stimulated a number of mergers. The idea is that the new merged company has a more appropriate tax position.
- Diversification also leads to merge, as managers often claim that diversification helps stabilize the firm's profits and reduces risk.
- Also the whole banking system in Albania is now privatized and most of the capital is owned by foreign entities.
• The country that holds most of the capital is Greece with 25%, and then comes Italy with 12%, while domestic source capital occupies 11.4%.

• Banking system does not present concentration in a certain place, and this can be considered as a positive element because of diversification effects.

• If we take in consideration sales, we can say that they bring the following advantages:
  - Financial support. The purchasing company offers financial support to the other company.
  - Managerial support. Managerial support is provided for a more efficient management.
  - Expanding markets. The financial support is accompanied by the expanding of markets.
  - Exchange of best practices and experiences between companies.
  - The transaction, where on one part is the state (privatization), brings reduction of budget deficit and public debt.

• Disadvantages of mergers of companies as well as acquisitions are:
  - The staff of merged companies faces difficulties in working with new employees, new policies and procedures.
  - Reduction of personnel and equipment as a result of the merger may be incorrect.
  - In some cases the merging and acquisition of companies requires a new logo, new materials, new forms of writing or publications, etc., and these have additional costs.
  - Uncertainty regarding approval of the merger or purchase, by the appropriate authorities, e.g. in the case of a bank merger it is needed approval by the Bank of Albania.
  - Considerable difficulties can arise from adaptation such as: unification of different cultures of merged companies, changes in wages, subsidies and benefits as well as different ways of promotions. Purchase can also be followed by difficulties in adoption between companies.
  - Problems of branches and other objects that are not needed after the merger and cannot be leased or sold.
  - High social cost because after the merger, but even after the purchase, there is a reduction in personnel.

• Some of the problems associated with acquisitions and mergers of companies are:
  - Who will be the executive director of the new company, which will be the hierarchical order of leaders and what will be their salary.
- Who will be members of the Board of Directors of the merged or purchased company?
- If policies of merged or purchased companies are not identical or similar, what policies will be followed?
- How will be divided additional profits etc?
- In the process of merging and purchasing of companies it is recommended:
  - A very strict definition of percentage of profit for each shareholder, at the time of the merger or acquisition, in order to avoid later problems.
  - A very good study of the market and company's own performance before the merger or acquisition.

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