Chapter 7

SUMMARY OF FINDINGS, SUGGESTIONS, IMPLICATIONS, CONCLUSION AND SCOPE FOR FURTHER RESEARCH
## CHAPTER VII
### SUMMARY OF FINDINGS, SUGGESTIONS, IMPLICATIONS, CONCLUSION AND SCOPE FOR FURTHER RESEARCH

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CHAPTER VII  
SUMMARY OF FINDINGS, SUGGESTIONS, IMPLICATIONS, CONCLUSION  
AND SCOPE FOR FURTHER RESEARCH

This chapter highlights summary of key findings relating to effects of merger announcements on shareholders wealth, corporate performance and merger-based investment decisions of investors. This chapter also throws light on suggestions to shareholders, company and regulators based on results of the study, implications of the study, conclusion and scope for further research.

7.1 Summary of Findings

This section provides summary of key findings relating to effects of merger announcements on shareholders wealth, corporate performance and merger-based investment decisions of investors.

7.1.1 Impact of Mergers on Shareholders Wealth and Corporate Performance

Merger announcement is exerting impact on share prices. Share prices are increasing after merger announcements. In particular, share prices of electricity generation companies have increased rapidly after merger announcements. To the contrary, share prices of cement companies have slumped drastically.

Shareholders of companies belonging to automobile ancillaries, banking services, computer software, diversified, drugs & pharmaceuticals industries have gained abnormal returns in the short run when compared to long run. Further, the study finds that the impact of mergers on shareholders wealth is same for all industries. Corporate performance indicators such as profitability, liquidity and turnover of companies are influencing shareholders wealth in the short run. However, maturity level of company and global crisis are not swaying shareholders wealth.

Asset utilisation has been immensely influenced by mergers. During post mergers, the acquiring companies have not utilised their assets properly. As a result, profitability position of acquiring companies has declined after merger deals. Turnover position of acquiring companies has also declined during the post-merger period.
Furthermore, it has been assessed that the impact of mergers on corporate performance varies according to the industries.

### 7.1.2 Impact of Mergers on Shareholders Merger-Based Investment Decisions

1. **Personal profile of investors**

   Majority of investors who have invested in share market are males and belong to the young and middle age group; highly educated people and those employed in private companies and those who have retired show immense interest to venture into share market; people with larger family size and those with middle and average income concentrate more on making money by investing in capital market; a solitary member of family seem to be interested in making money by venturing into share market while investors are of the opinion that income from investment in shares shall outclass their income from savings; majority of investors have 3 dependents and fewer number of income earning members, warranting them to earn by investing in shares.

2. **Investment Profile of Investors**

   Apart from investment in shares, investors have opted for safer avenues of investment such as insurance, gold, fixed deposits, etc. Based on investment avenues opted by investors, they have been grouped into low financial maturity, medium financial maturity and high financial maturity; majority of investors are trading in share market for a period of more than five years and they concentrate largely on primary and secondary market for such trading; majority of investors are investing up to 40 percent of their income in equity market.

3. **Pattern of Return Expected By Investors**

   Investors are expecting consistent return from their share investment. They show least interest on daily returns. Based on their expectancy of returns, investors have been grouped into three groups of daily returns, short and consistent returns and all types of returns and two discriminant functions of $Z_1 = 0.962 \times \text{Daily returns}$ and $Z_2 = 0.918 \times \text{Short term returns} + 0.427 \times \text{Consistent returns}$ have been formed.

   Furthermore, there is significant relationship between pattern of returns expected by shareholders and their profile variables of age, occupation, monthly income, number of family members, number of dependents, number of income earning members, level of
savings, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity.

Table 7.1: Nature of Association between Pattern of Returns Expected By Investors and Their Personal and Investment-Related Profile

<table>
<thead>
<tr>
<th></th>
<th>Daily Returns</th>
<th>Short-term and Consistent Returns</th>
<th>All Types of Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>30-50 years</td>
<td>51-70 years</td>
<td>Less than 30 years</td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td>Employed in private sector</td>
<td>Retired</td>
<td>Self-employed</td>
</tr>
<tr>
<td><strong>Family Members</strong></td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Dependents</strong></td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td><strong>Savings</strong></td>
<td>10-15 percent</td>
<td>16-20 percent</td>
<td>Ten percent</td>
</tr>
<tr>
<td><strong>Investment Avenues</strong></td>
<td>Medium level of financial maturity</td>
<td>High financial maturity</td>
<td>Low financial maturity</td>
</tr>
<tr>
<td><strong>Period of Investment</strong></td>
<td>-</td>
<td>-</td>
<td>Less than five years’</td>
</tr>
<tr>
<td><strong>Equity Investment Avenues</strong></td>
<td>-</td>
<td>Equity, derivatives and mutual funds</td>
<td>-</td>
</tr>
</tbody>
</table>

The results of correspondence analysis have been compiled in Table 7.1. It can be inferred from the table that investors employed in private sector, those aged 30-50 years, those having five family members, those saving 10-15 percent of their income and those with medium level of financial maturity anticipate daily returns while those aged 51-70 years, those who have retired, those saving 16-20 percent of income, those with high financial maturity and those who have invested in equity, derivatives and mutual funds expect short term and consistent returns. To the contrary, investors with four dependents, those who are self-employed, those aged less than 30 years, those saving less than ten percent, those possessing low financial maturity and those having less than five years’ experience in share market are expecting all types of returns. Investors with high income and huge investments in equity market have different expectations towards daily returns. Number of income earning members in investors’ family is strongly influencing their expectations regarding pattern of returns.
4. Type of Investors

Investors prefer to sell their holdings in shorter duration though attaining immediate profit is not their goal. Based on their preference, investors have been grouped into three groups such as bulk purchase and quick sales, no specific criteria and immediate profit. Two discriminant functions of $Z_1 = 0.999 \times \text{Immediate profit}$ and $Z_2 = 0.893 \times \text{Bulk quantity of shares} + 0.435 \times \text{Quick sales}$ have been formed. Significant relationship has been noticed between type of investor and the profile variables such as age, educational qualification, occupation, monthly income, number of family members, number of dependents, number of income earning members, number of family members engaged in share market, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity. Period of investment is the most influencing variable on type of investment followed by investors.

5. Types of Analysis

The investors are giving importance to fundamental analysis before investing in shares while they give less weightage to technical analysis. Based on the importance given by investors to different types of analysis, they have been grouped into three clusters of technical analysis, no particular analysis and all type of analysis. Two discriminant functions of $Z_1 = 0.571 \times \text{Financial performance analysis} + 0.529 \times \text{Past trends analysis} + 0.350 \times \text{Company profile analysis}$ and $Z_2 = 0.800 \times \text{Economy analysis} + 0.450 \times \text{Industry analysis}$ have been developed. Presence of significant relationship between types of analysis and profile of investors such as gender, age, educational qualification, monthly income, number of family members, number of income earning members in family, savings, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity have been established.

Investors having more than five family members, those aged 51-70 years, those with income of Rs. 30,001-45,000 and Rs. 45,001-60,000 and those who have less than five years’ experience in share market are not making any type of analysis before making share investment. Investors aged less than 30 years, those saving less than ten percent of income, those having three and four family members, those having professional education and those investors with low financial maturity are interested in making all types of analysis before
deciding about investing in shares. Graduate investors, those having five family members, those having income of Rs. 15,001-30,000, those aged 30-50 years, those with 5-10 years’ experience in share market and those possessing medium financial maturity are interested in making technical analysis.

Investors having more than three income earning members in their family are analyzing economy before making investment in shares. Investors with three income earning members are having different option for economy analysis. Investors who have purely invested in secondary market strongly analyse the economy and financial performance of the company. Investors with investment of more than 80 percent of their investment in equity and those who invested purely in secondary market strongly analyse past trends before investing. Gender, number of family members and period of investment exercise the maximum influence on type of analysis made by investors, followed by investors.

Chi-square test reveals that there is significant association between type of analysis followed by investors and their type of investment.

Investors who are interested in immediate profit are analyzing both the technical and fundamental aspects of the company. Investors who are purchasing bulk quantity of shares and selling in shorter duration are analyzing only the technical aspects while investors who are not interested in any specific pattern of investment are not making any sort of analysis before investing in share market.

6. Analysis Model - A Model

Investors’ expectations towards pattern of returns is influencing their types of analysis followed before making investments in share market while investors’ length of experience in share market and types of investment are not influencing their types of analysis.

7. Most Influencing Corporate Restructuring

Investors are interested in investing on shares of companies selling their loss making business while they accord least interest on companies entering into joint venture with another company. Cluster analysis has grouped the investors into three groups of divestures and capital structure, both internal and external restructuring and organization and management restructuring. Two discriminant functions of $Z_1 = 0.627 \times \text{Capital structure} +$
0.617 * Divestures + 0.528 * Joint ventures and \( Z_2 = 0.652 \) * Organization and management have been developed. Existence of significant relationship between investors opinion about the most influencing corporate restructuring strategy and their profile characteristics of gender, age, monthly income, family members, number of dependents, number of income earning members in family, savings, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity has been affirmed.

Gender, number of family members and investment avenues cast the maximum influence on investment decisions of investors based on corporate restructuring announcement.

8. **Level of Awareness about Mergers**

    Majority of investors are aware of the motives behind mergers though a very few of them are aware about their implications.

    The results of ANOVA and ANCOVA reveal that investment avenues followed by the investors are influencing their awareness level about mergers and such influence has not been controlled by equity investment followed by investors.

9. **Selection of Companies for Making Merger-Based Investments**

    Though the investors prefer mergers, they are according paramount importance to management of the company before deciding about investing in the company. Investors accord least interest in merger deals of companies with shorter duration of existence. Factor analysis has grouped the importance given by investors while selecting the company for investment into four factors of big domestic target company, both acquirer and target, year of existence and small foreign target company. Investors have been grouped into three categories of no specific criteria, all types of company and big domestic target company. Two discriminant functions of \( Z_1 = 0.916 \) * Small foreign target company and \( Z_2 = 0.909 \) * Big domestic target company + 0.466 * Both acquirer and target + 0.242 * Year of existence have been developed. Existence of significant relationship between importance accorded by investors and their profile characteristics of age, occupation, monthly income, number of family members, number of dependents, number of income earning members in family, savings, investment avenues, equity investment avenues and proportion of money invested in equity has been established.
Proportion of money invested in equity is exerting the utmost influence on importance accorded by investors while selecting the company for investment.

10. Selection Model - S Model

Investors’ length of experience in share market is not influencing their expectations towards pattern of returns.

Investors’ expectations towards pattern of returns is influencing their types of analysis and equity investment avenues followed by investors is influencing their level of awareness about mergers while types of analysis followed by investors and awareness level of investors about mergers are influencing their preference towards selection of companies for making merger-based investments.

11. Timing of Investment Based on Merger Announcement

Investors are not investing in shares of companies immediately after merger announcements. They prefer to wait for some time so that initial fluctuations associated with the corporate event get settled. Cluster analysis has grouped the investors into three categories of purchase after initial fluctuations, immediate purchase and all time purchase. Two discriminant functions of Z1 = 0.840 * Purchase after initial fluctuations and Z2 = 0.753 * Immediate purchase have been developed. Existence of relationship between timing of merger-based investments of investors and their profile characteristics of occupation, number of family members in share market and equity investment avenues has been established.

Investors who have invested purely in secondary market are investing in shares after initial fluctuations while investors who have invested in primary and secondary market are investing in shares of companies immediately after merger announcements. Number of family members engaged in share market casts the maximum influence on timing of merger-based investments.

Correlation analysis reveals that there is a significant negative relationship between investors making merger-based investment immediately after merger announcement and after exhaustion of initial fluctuations.

12. Investors Preference towards Types of Merger

Investors prefer to invest in shares of companies striking merger deals with companies in unrelated industry while they accord least preference to merger deals with
target companies which have weak financial position. Based on their preference, the investors have been grouped into three groups of horizontal merger, conglomerate merger and vertical and downstream merger.

Existence of significant relationship between investors preference towards type of mergers and their profile characteristics of gender, age, education, monthly income, number of family members, number of dependents, number of income earning members, savings, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity has been established.

**Table 7.2: Nature of Association between Profile of Investors and Their Preference towards Types of Merger**

<table>
<thead>
<tr>
<th></th>
<th>Horizontal Mergers</th>
<th>Conglomerate Mergers</th>
<th>Vertical and Downstream Mergers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly income</td>
<td>-</td>
<td>Rs. 45,001-60,000</td>
<td>Rs. 30,001-45,000</td>
</tr>
<tr>
<td>Family members</td>
<td>-</td>
<td>-</td>
<td>Greater than 5</td>
</tr>
<tr>
<td>Savings</td>
<td>-</td>
<td>10-15 percent</td>
<td>-</td>
</tr>
<tr>
<td>Period of investment</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity investment avenues</td>
<td>-</td>
<td>Primary and secondary market</td>
<td>Equity and mutual funds</td>
</tr>
</tbody>
</table>

The results of correspondence analysis have been compiled in Table 7.2. It can be inferred from the table that investors with savings of 10-15 percent, those with income of Rs. 45,001-60,000 and those who have invested in primary and secondary market prefer conglomerate mergers, while those with income of Rs. 30,001-45,000, those having more than five family members and those who have invested in equity and mutual funds prefer vertical and downstream merger.

Investors with low degree of financial maturity have high level of preference towards horizontal merger and reverse merger while those with less educational background do not prefer horizontal merger. Investors with more than three income earning members prefer horizontal merger. Education, family members, savings and period of investments are the profile characteristics which cast the maximum influence on investors preference towards type of merger.
13. Preferred Industry for Investment on Merger Announcement

Investors prefer to invest in finance related companies while they are reluctant to invest in shares of information technology companies. Cluster analysis has segmented the investors into three groups such as influence of finance company, influence of consumer durables company and influence of all sector. Two discriminant functions of $Z1 = 0.923 *$ Banking, Insurance and other financial intermediaries and $Z2 = 0.512 *$ Automobiles + 0.468 * Information Technology + 0.439 * Consumer durables + 0.352 * Others + 0.264 * Electrical and electronics -0.041 * Infrastructure have been developed. Existence of significant relationship between investors’ preference towards industry and their profile characteristics of gender, age, educational qualification, occupation, monthly income, number of family members, number of dependents, number of income earning members, savings, investment avenues and period of investments has been affirmed.

Gender and age are the profile variables which cast maximum influence on investors’ preference towards industry selection.

The results of chi-square test reveal that there is a significant association between investors’ preference of industry and selection of companies for making merger-based investments.

Investors who prefer finance industry purchase shares of acquirer companies which strike merger deal with big domestic target company. Investors who prefer to invest in all sectors purchase all types of company shares while investors who prefer to invest in consumer durables sector are not following any specific criteria during making such investments.

14. Preferred Acquirer Company

Investor prefers to invest in shares of acquirer companies striking merger deals with profit making target companies. Cluster analysis has segmented the investors into three groups such as low influence of target performance, asset and solvency rich and cash rich and profit making. Two discriminant functions of $Z1 = 0.647 *$ Profit making target + 0.459 * Cash rich target + 0.108 * New venture target and $Z2 = 0.885 *$ Asset rich target + 0.398 * Solvency rich target have been developed. Existence of relationship between investors’ preference towards acquirer company and their profile characteristics of education,
occupation, number of family members, number of dependents, savings, investment avenues and period of investments has been affirmed. Number of members in family of investors is exerting paramount influence on their preference towards acquirer company.

Chi-square test reveals that there is a significant association between investors’ preference of industry for merger-based investment and selection of acquirer company. Investors preferring finance industry prefer to invest in shares of acquirer company striking merger deal with cash rich and profit making target company. Investors preferring consumer durables industry attach least importance to performance of target company while investors interested in all industries prefer to invest in shares of acquirer company striking merger deal with asset and solvency rich target company.

Results of path analysis reveal that investors expectation about pattern of return is influencing their preference towards acquirer company.

15. Frequency of Merger-Based Investments and Those Resulted In Losses

Investors are investing in shares based on merger announcements of corporates while investors have meagrely sustained loss due to merger announcements. The existence of significant association between frequency of merger-based investments and profile characteristics of age, occupation, monthly income, number of family members, number of dependents, number of family members engaged in share market, savings, investment avenues, period of investments, equity investment avenues and money in equity has been established.

The results of path analysis reveal that awareness level of investors about mergers is influencing their frequency of merger-based investments.

16. Investors Perception about Merger

Investors have expressed the strong perception that merger deals are absolutely necessary. Based on their perception about the importance of merger deals, Investors have been grouped into three groups of positive perception, negative perception and moderate. Two discriminant functions of Z1 = 0.675 * Frequent merger should be avoided + 0.110 * Same effect and Z2 = 0.612 * Hidden agenda - 0.394 * Motives should be disclosed + 0.390 * Merger - 0.338 * Merger should be avoided + 0.120 * Conglomerate merger have been developed. The existence of significant relationship between investors perception about
mergers and their profile characteristics of gender, age, educational qualification, occupation, monthly income, number of family members, number of dependents, number of family members engaged in share market, savings, investment avenues, equity investment avenues and money in equity has been established.

Table 7.3: Nature of Association between Profile of Investors and Their Perception about Merger

<table>
<thead>
<tr>
<th></th>
<th>Positive Perception</th>
<th>Moderate</th>
<th>Negative Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Members</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Savings</td>
<td>-</td>
<td>10-15 percent</td>
<td>-</td>
</tr>
<tr>
<td>Investment Avenues</td>
<td>-</td>
<td>-</td>
<td>Low financial maturity</td>
</tr>
<tr>
<td>Equity Investment Avenues</td>
<td>-</td>
<td>Equity, derivatives and mutual fund</td>
<td>Both cash segment and derivatives</td>
</tr>
</tbody>
</table>

The results of correspondence analysis have been compiled in Table 7.3. It can be inferred from the table that investors with three family members, low financial maturity and those who have invested in both cash segment and derivatives have negative perception about mergers. Investors with savings of 10-15 percent and who have invested in equity, derivatives and mutual fund have moderate view towards mergers.

Post hoc analysis reveals that investors with monthly income of Rs. 45,001-60,000 and those who have invested more money in equity have different perception about conglomerate merger while investors who have invested more money in equity also have different perception about mergers.

Results of canonical correlation reveal that number of family members who have invested in share market is the profile variable which exerts the most influence on investors’ perception about mergers.

17. Sources of Information about Merger Deals

A non-shareholder, endeavouring to invest in shares, acquire information about mergers through print and electronic media.
18. Investors Suggestions to Acquirer Company

Investors feel that striking merger deals with new venture companies is highly risky. Based on their suggestions to acquirer companies, investors have been grouped into three clusters of assets and solvency rich target, high influence of target performance and moderate influence of target performance. Two discriminant functions of \( Z_1 = 0.515 \times \text{Cash rich target} + 0.432 \times \text{New venture target} + 0.403 \times \text{Solvency rich target} + 0.387 \times \text{Synergetic effect} + 0.375 \times \text{Profit making target} \) and \( Z_2 = 0.416 \times \text{Asset rich target} \) have been developed. Existence of significant relationship between investors suggestions to acquirer company and their profile characteristics of gender, age, monthly income, number of family members, number of dependents, number of income earning members, savings, investment avenues, equity investment avenues and money in equity has been established.

Number of family members is strongly influencing investors’ suggestions to acquirer company.

19. Investors Suggestions to Shareholders about Acquirer Company

Investors feel that merger deal of acquirer company with profit making target company will result in maximisation of shareholders wealth. Cluster analysis has grouped investors into three categories of high influence of target performance, no influence of target performance and asset rich target. Two discriminant functions of \( Z_1 = 0.694 \times \text{Cash rich company} + 0.463 \times \text{Profit making company} + 0.353 \times \text{Solvency rich company} + 0.329 \times \text{New venture company} \) and \( Z_2 = 0.686 \times \text{Asset rich company} + 0.324 \times \text{Synergetic effect} \) have been developed. Existence of relationship between investors suggestions to shareholders about acquirer company and their profile characteristics of gender, age, number of family members, number of dependents, number of income earning members, savings, investment avenues, equity investment avenues and money in equity has been established.

Gender and number of family members are strongly influencing investors’ suggestions to shareholders about investing in acquirer company.

20. Awareness Model - K Model

Results of path analysis indicate that investors’ level of awareness about merger is influencing merger-based investment on shares while experience in share market has failed to
exert any such influence. Awareness about merger is significantly influencing merger-based investment and investors’ perception about mergers.

21. Target Performance Model - T Model

Investors experience in merger-based investments is not influencing their preference towards acquirer company based on target performance. Investors experience in merger-based investments is influencing their suggestions to acquirer company about target performance and suggestions to shareholders about acquirer company.

22. Most Influencing Corporate Action

Corporate announcements such as mergers, acquisitions, bonus and dividend influences investment decision of investors. Investors have accorded least preference to rights issue announcements. The most influencing corporate actions have been grouped into three factors of capital, expansion and payments while the investors have been grouped into three clusters of influence of payments, no influence of CA and influence of expansion. Two discriminant function of \( Z_1 = 0.782 \times \text{Payments} + 0.750 \times \text{Expansion} + 0.408 \times \text{Capital} \) have been developed. Presence of significant relationship between most influencing corporate action and the profile variables of age, education, occupation, monthly income, number of family members, number of dependents, number of income earning members in family, savings, investment avenues, period of investment, equity investment avenues and money invested in equity has been established. Profile of investors is not strongly influencing investment decision of investors based on strategic announcements of corporates.

The results of ANOVA reveal that investors investment decisions based on corporate restructuring influences their investment decisions based on corporate action.

Investors who are investing based on both the internal and external restructuring announcements are highly investing based on corporate action announcements.

23. Beneficial Corporate Action to Companies

Investors are of the opinion that mergers and acquisition is beneficial for companies while stock split and rights issue will yield lesser benefits. These suggestions have been grouped into factors of payments, expansion and capital. Cluster analysis has grouped investors into three groups of influence of CA, influence of expansion and no specific CA. Existence of significant relationship between investors perception about beneficial corporate
action to companies and their profile characteristics of gender, age, occupation, monthly income, number of family members, number of dependents, number of income earning members in family, proportion of savings, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity has been affirmed.

Age and proportion of money invested in equity are the two profile variables exercising strong influence on investors’ perception about beneficial corporate action to companies.

24. Beneficial Corporate Action to Shareholders

Investors are of the opinion that announcement of acquisition and bonus issue will enhance the value of shareholders. The investors’ opinion has been grouped into three factors of payments, expansion and capital. Cluster analysis has grouped the investors into three groups of no specific CA, influence of payments and capital and influence of expansion. Two discriminant functions of $Z1 = 0.802 \times \text{Expansion}$ and $Z2 = 0.625 \times \text{Capital} + 0.463 \times \text{Payments}$ have been developed. Significant relationship between suggestions to shareholders about corporate action and their profile variables of gender, age, education, occupation, monthly income, number of family members, number of dependents, number of family members engaged in share market, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity has been confirmed. Gender, educational qualification and number of family members of investors cast the maximum influence on their perception about beneficial corporate action to shareholders.

Chi-square test reveals that there is a significant association between investors’ perception about corporate action beneficial to company and shareholders.

Investors have identical perception about expansion activities yielding maximum as well as nil benefits to both company and shareholders. Investors who have the perception that all types of corporate action will yield maximum benefit to company are having the opinion that payment related activity will give maximum benefit to shareholders.

25. Corporate Action Model - C Model

Investors’ perception about beneficial corporate action to companies and shareholders are influencing their investment decisions based on corporate actions.
Investors’ perception towards beneficial corporate action to companies is influencing their suggestions to acquirer company and investors perception towards beneficial corporate action to shareholders is influencing their suggestion to shareholders about acquirer company.

26. Investors Perception towards Motives of Mergers

Investors feel that companies should strike merger deals for venturing into new markets and not for merely prestige reasons. Factor analysis has grouped investors perception about motives behind mergers into six factors of market advantage, revenue advantage, economic advantage, cost advantage, risk-free growth and new market. Investors are grouped into three clusters of no specific motive, all types of motive and new market. Two discriminant functions of $Z1 = 0.607 \times \text{Revenue advantage} + 0.466 \times \text{Risk-Free growth} + 0.460 \times \text{Economic advantage} + 0.446 \times \text{New Market} + 0.383 \times \text{Market advantage}$ and $Z2 = 0.835 \times \text{Cost advantage}$ have been developed. Existence of significant relationship between investors opinion about motives behind merger deals and their profile characteristics of age, educational qualification, monthly income, number of family members, number of dependents, number of income earning members in family, savings, investment avenues, period of investments, equity investment avenues and proportion of money invested in equity has been confirmed.

Educational qualification of investors is strongly influencing their perception about motive of mergers.

27. Investors Perception about Process of Mergers

Investors are of the opinion that SEBI is effectively controlling the process of M&A in India and that adequate investment managers are available to take care of merger process. Based on their perception about the process of mergers, Investors have been grouped into three categories of moderate, adequacy of control and rules and regulations. Two discriminant functions of $Z1 = 0.575 \times \text{Public announcements} + 0.569 \times \text{SEBI} + 0.376 \times \text{Investment managers} + 0.362 \times \text{Transparency}$ and $Z2 = -0.520 \times \text{Rules and regulations} + 0.424 \times \text{No insider trading}$ have been developed. Existence of significant relationship between investors perception about process of merger and the profile characteristics of age, educational qualification, occupation, monthly income, number of family members, number
of dependents, number of income earning members, savings, investment avenues, period of investments and equity investment avenues has been established.

Investors with monthly income of Rs. 45,001-60,000, employment in private sector, those having three income earning members in their family, medium level of financial maturity, those with 5-10 years of experience in share market and those who have invested in equity, derivatives and mutual funds hold the perception that there are adequate rules and regulations to regulate the process of mergers. Investors with school level education, those with self-employment, high degree of financial maturity, those having less than five years’ experience in share market and those who have invested in equity and mutual funds have moderate view about process of mergers.

Investors are having less than three family members, one income earning member, low degree of financial maturity and those who have invested purely in secondary market possess the perception that there is adequacy of control over the process of mergers. Investors with savings of 16-20 percent have moderate view about insider trading.

Profile of investors is not strongly influencing their perception about process of mergers.

28. Process Model - P Model

Investors experience in share market is influencing their frequency of merger-based investments and equity investment avenues followed by them.

Equity investment avenues followed by investors is not influencing their expectations towards pattern of returns and investors’ expectation towards pattern of returns is not influencing their frequency of merger-based investments. Investors experience in merger-based investments is influencing their perception about process of mergers.

29. Investors Perception about Impact of Mergers

Investors have perception that mergers will have positive impact on employee relationship and management. They feel production process is not enhanced through mergers. Based on their perception about impact of mergers, investors have been grouped into three categories of country club, middle road and positivist. Existence of significant relationship between investors’ perception about impact of mergers and their profile characteristics of gender, age, occupation, monthly income, number of family members, number of
dependents, number of income earning members, savings, investment avenues and equity investment avenues is affirmed.

Age, monthly income, number of family members and investment avenues strongly influence investors perception about impact of mergers.

Path analysis reveals that investors awareness about merger is influencing their perception about impact of mergers.

**30. Perception about Environment Related To M&A in India**

Investors have the perception that Indian companies are acquiring more number of foreign companies. Cluster analysis has segmented investors into three categories of normal environment, volume and conductive environment. Existence of relationship between investors perception about environment related to M&A in India and their profile characteristics of age, number of family members, number of dependents, number of income earning members, savings and equity investment avenues has been established.

Age of investors is exerting the maximum influence on investors perception about environment related to M&A in India.

**31. Investment Decision Model - M Model**

Results of path analysis have accepted the alternative hypothesis of H1, H2, H3, H5 and H6 while the solitary null hypothesis of H4 has been accepted. Motives behind mergers, environment related to M&A and process of mergers influences merger-based investment of investors; environment influences the process of mergers while motive influences impact; impact of mergers is not exerting any impact on merger-based investments.
7.2 SUGGESTIONS

Based on results of the study, researcher proposes to offer some suggestions to shareholders proposing to make merger-based investments and companies endeavouring to strike merger deals as well as to bodies regulating merger deals in India.

7.2.1 Suggestions to Shareholders

Shareholders are the owners of a company. The limited liability concept of a company makes shareholders not accountable for the debts and obligations of the company. However, they share the profits of their company through dividend. Similarly, they are vested with enormous powers of electing the company’s directors and approving decisions relating to various corporate actions such as striking merger and acquisition deals. Hence, shareholders should be well familiar with the concept of merger deals. Based on this outlook, important data pertaining to shareholders perception about merger deals have been collected in this study and based on these viewpoints, the researcher has proposed the following suggestions to investors regarding various aspects of merger-based investments such as considerations to be made while deciding about making such investments, ideal timing of such investments, choosing the merger deal which shall maximize their value and how they should react to various corporate actions such as mergers, acquisitions, bonus, stock split and so on.

This study has revealed that investors are investing in shares based on merger announcements of corporates while investors have meagrely sustained loss due to merger announcements. Furthermore, the study has revealed that motives behind mergers, environment related to M&A and process of mergers predominantly influence merger-based investments. Hence, investors proposing to make merger-based investments should carefully analyse the motives behind merger deals, prevailing environment relating to M&A in India and process of mergers. Such analysis will provide investors maximum benefits from their merger-based investments.

Corporate performance of companies enormously influences shareholders wealth. Hence, investors proposing to make merger-based investments should carefully scrutinize the financial performance of companies striking merger deals and convince themselves about the efficiency of the company’s operational and financial performance.
The study has revealed that wealth of shareholders upsurges immediately after companies announcing merger deals. Hence, investors should consider making merger-based investments immediately after merger announcements to take advantage of upswing of share prices in the immediate period.

Majority of investors who participated in this study have significant experience in share market, having invested sizeable portion of their money on equity shares. Opinion of these vastly experienced investors merits serious consideration. These investors are of the view that investors investing in companies striking merger deals with profit making target companies will be in a position to maximize their wealth. Hence, investors proposing to make merger-based investments should choose companies striking merger deals with profit making target companies.

These experienced investors are of the opinion that expansion related corporate action gives maximum benefit to shareholders. Hence, investors should proceed on with investing in shares of companies implementing corporate strategy of M&A.

7.2.2 Suggestions to Company

Every organization will have the motto of development in respect of its products, technologies, environmental issues, etc. this development endeavour of any organization will essentially depend on the level of satisfaction of its various stakeholders such as employees, customers, general public, shareholders, suppliers, government and the society. Employees of the organization are mainly concerned about their working environment while customers expect full value for their purchase. Shareholders are interested in maximizing their wealth while suppliers look for prompt payments from the company for their supplies. Companies can satisfy all its stakeholders only if its performance is at its peak and maximizes its value, consequently maximizing wealth of its shareholders. Corporate entities may resort to many strategies to accomplish this objective of enhancing their performance and thereby maximize their shareholders wealth and one such important strategy is merger and acquisition. However, finalization of merger deal is a complicated process and they might take the advice of big corporate bodies and investment advisers before finalization of merger deals. Based on the outcome of this study, the researcher proposes to make some fruitful suggestions to companies endeavouring to strike merger deals.
Investors have suggested companies to strike merger deals with the motive of entering new market, attaining market leadership, cost reduction, gaining market strength and never for prestige reasons. Hence, companies aspiring to strike merger deals should carry on with their deal for entering into a new market, for attaining market leadership, improving market strength and for gaining cost advantage. However, they should not strike merger deals for the mere sake of prestige reason.

Furthermore, this study has revealed that investors prefer companies striking merger deals with profit making target companies. Hence, companies can gain the confidence of investors if they strike merger deals with profit making target companies. Merger deals with new venture target companies involve high degree of entrepreneurial risk and such deals should be avoided.

The corporate strategies of acquisition, mergers and buy back will be highly beneficial to companies while stock split strategy will lead to negative consequences. Hence, companies can resort to corporate strategies of acquisition, mergers and buy back for development while they should be reluctant to go for stock splits.

7.2.3 Suggestions to Regulators

The process of merger and acquisition in India is regulated by various legislations such as The Companies Act, 1956, The Competition Act, 2002, The Foreign Exchange Management Act, 1999, The Income Tax Act, 1961 and The Securities and Exchange Board of India through SEBI (SAST) regulations. These regulatory frameworks aim at ensuring transparency in all M&A deals as well as to protect the interests of investors.

This study has revealed that though majority of investors are aware about the motives behind mergers, a few of them are actually aware about their implications. Hence, regulatory bodies should take up the responsibility of inculcating awareness about the entire process of mergers, including their implications, to investors.
7.3 IMPLICATIONS OF THE STUDY

This study has yielded several results which shall be of immense utility to academicians and researchers, shareholders and top level executives of companies venturing into merger deals.

This study has enriched the available literature concerning merger deals. The study has formulated a validated questionnaire for measuring perception of investors about investment decision in general and merger-based investment decisions in particular. The study has also formulated seven models of analysis model, target performance model, corporate action model, process model, investment decision model, awareness model and selection model. These conceptual models and validated instrument can be used by academicians and researchers for future research.

This study has yielded interesting results which will be of immense utility to investors aspiring to make merger-based investments. Investors making merger-based investments benefit immediately after the announcement of merger deals while corporate performance of companies striking merger deals vastly influences their shareholders wealth. Hence, this study shall encourage investors to invest in shares of acquiring companies immediately after the announcement of merger deals. Also, corporate performance of the acquirer company shall be the deciding criteria for investors to invest in such companies.

Similarly, investors prefer companies striking merger deals with profit making target companies will shine in the long run while those striking merger deals with new venture target companies will not be preferred by investors. Hence, top executives of companies deciding about striking merger deals should select only profit making companies as their target companies and use such deals for entering new markets.
7.4 CONCLUSION

Corporate announcements like mergers, acquisitions, sell-offs, takeovers, etc. have the power to influence shareholders wealth. This study has revealed that share prices of acquirer companies striking merger deals have been significantly influenced by such deals. Further, shareholders wealth of companies striking merger deals has significantly increased. These results are in consistent with the results of numerous studies conducted by Intrisano & Rossi (2012), Mann & Kohli (2012), Mann & Kohli (2011), Hui et al (2010), Ramakrishnan (2010), Tampakoudis (2010), Francis et al (2008), Lübers (2008), Kyriazis & Diacogiannis (2008), Hassan et al (2007), Kiymaz (2006), Ismail & Davidson (2005), Delaney & Wamuziri (2004), Scholtens & Wit (2004), Becher (2000), Cybo-Ottone & Murgia (2000) and Kwansa (1994).

Corporate performance indicators such as profitability, liquidity and turnover of companies are influencing shareholders wealth in the short-run. However, maturity level of company and global crisis are not influencing the shareholders wealth.

This study has revealed that asset utilisation has been immensely influenced by mergers. During post mergers, the acquiring companies have not utilised their assets properly. As a result, profitability position of acquiring companies has declined after merger deals. Turnover position of acquiring companies has also declined during the post-merger period. However, studies of Singh & Mogla during 2008 and 2010 have also revealed that financial position of acquirer companies is negatively influenced by merger announcements.

Investors feel that companies should strike merger deals for venturing into new markets and not for merely prestige reasons. Investors’ level of awareness about merger is significantly influencing their merger-based investment and perception about mergers while investors experience in merger-based investments is influencing their suggestions to acquirer company about target performance and suggestions to shareholders about acquirer company.

Merger-based investments of investors have been strongly influenced by process of merger, motives of merger and the environment prevalent in India. Further, the study has revealed that perception of investors about merger is significantly influenced by their demographic and investment profile.
7.5 SCOPE FOR FURTHER RESEARCH

This study has thrown light on the impact of merger announcements on investment decisions of investors, shareholders wealth and corporate performance of acquirer companies. This study has also made an attempt to assess the determinants of shareholders wealth during merger announcements. However, certain aspects have been excluded from the scope of this study, which shall be used for future research. The scope for future research has been given as under:

1. This study has focused on companies which have been listed in the NSE. A similar study may be conducted on BSE listed companies.

2. A comparative study may be conducted on impact of mergers on shareholders wealth and corporate performance of acquiring and acquired companies in every industry.

3. A study may be conducted on factors which determine investment pattern of investors based on acquisitions announcements.

4. A study may be conducted on perception of investment bankers towards mergers and acquisitions.

5. A study may be conducted on factors which determine the success of mergers and acquisitions.