ABSTRACT

Business enterprises adopt merger and acquisition (M&A) strategies to expand their business portfolios. M&A exert a significant impact on internal and external stakeholders. Hence, shareholders consider corporate restructuring announcements before making their investment decisions. This study proposes to assess the impact of merger announcement on shareholders’ value, corporate performance and investment decisions of investors.

The proposed research is descriptive in nature, based on both primary and secondary data. Primary data has been collected by administering a well-structured interview schedule to 513 equity investors with the motive of collecting investors’ perception about merger-based investment decisions. Secondary data have been collected from CMIE data source, to assess the impact of merger on shareholders wealth on the basis of 154 merger deals struck by 76 NSE listed acquirer companies during the period of 1st April 2002 to 31st March 2012. Furthermore, this study has analysed the trend in corporate performance in respect of profitability, liquidity, turnover and asset utilization of 28 NSE listed acquirer companies which have announced merger deals during the period of 1st April 2007 to 31st March 2008. The collected data have been analysed using the software packages of Microsoft Excel, SPSS, STATA, AMOS and SmartPLS. The statistical tools of simple mean, paired samples t-test, ANOVA, ANCOVA, MANOVA, correlation analysis, multiple regression, chi-square test, correspondence analysis, independent samples t-test, factor analysis, cluster analysis, discriminant analysis, canonical correlation and structural equation modelling (SEM) have been used to analyse and interpret the data.

Major findings of the study reveal that share prices of acquirer companies are increasing after announcement of merger deals, which in turn positively influences shareholders wealth. However, corporate performance of acquirer companies has not increased during the post-merger announcement period. Analysis of primary data reveals that level of awareness about mergers among investors influences their perception about mergers and merger-based investment decisions. Furthermore, merger-based investment decisions of investors are significantly influenced by process of mergers, motives behind mergers and environment prevalent in India regarding M&A. Finally, this study has also found that perception of investors about merger is significantly influenced by their demographic and investment profile.