Chapter 2
REVIEW OF LITERATURE
## CHAPTER II
### REVIEW OF LITERATURE

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CHAPTER II
REVIEW OF LITERATURE

This chapter highlights existing literatures related to impact of mergers on corporate performance and shareholders wealth and its determinants. Furthermore, literatures related to perception of investors towards M&A deals have also been discussed.

2.1 Literatures Related To Impact of Mergers on Shareholders Wealth and Its Determinants

In this section, the researcher has reviewed existing literature related to the effect of M&A on shareholders wealth and its determinants. Many authors have studied the impact of M&A on shareholders wealth while only few authors have concentrated on the determinants of shareholders wealth during M&A deals. Almost all authors have used the event study methodology to assess the extent of influence exerted by M&A deals. Shareholders wealth has been measured through calculation of abnormal returns (AR) and cumulative abnormal return (CAR). Abnormal returns can be estimated using three models of market model, market-adjusted model and mean-adjusted model.

Shareholders wealth due to M&A may be influenced by performance related indicators such as profitability, liquidity, turnover, etc, and deal related indicators. Different authors have used different indicators to assess the determinants of shareholders wealth. Details about such studies have been listed below.

Namvar & Phillips (2013) have examined the cross sectional variation determinants in the performance of mutual fund mergers and have found that mutual fund merger yields benefits.

Intrisano & Rossi (2012) have analyzed the effect of shareholders value due to M&A deals which were struck during 1994-2005. During this period, 640 M&A deals were registered, which included 438 mergers and 202 acquisitions (Bank of Italy’s Bollettini di Vigilanza). Based on 35 merger and 37 acquisition deals, the study estimated the combined AR and CAR of the target and bidder companies. Results revealed that M&A deals brought about value creation for target companies while shrunk in value for bidder companies.
Erel, Liao & Weisbach (2012) have studied the determinants of M&A deals by focusing on 56,978 cross-border merger deals struck during 1990-2007. Results reveal that bilateral trade and accounting disclosure enhances merger deals between corporates of two countries.

Vyas, Narayanan & Ramanathan (2012) have analyzed the determinants of M&A deals in Indian pharmaceutical industry, considering the variables of dummy “1-M&A activity; 0-otherwise;” (MA), firm age (AGE), net sales (Size), sales by assets (CU), borrowings by assets (LEV), GP by net sales (PROF), R&D expenditure by net sales (RDI), advertisement expense by net sales (ADV), Tobin’s Q (TQ) and dummy “1-foreign affiliation; 0-otherwise;” (MNEA). Results suggest that affiliated firms of large multinational companies engage in more M&A deals.

Phillips & Ahmadi-Esfahani (2012) have studied the determinants of inbound cross-border M&A deals by considering the variables of dummy “1-brand assets transfers; 0-otherwise;” (dum), dummy*relative taxes (dum*reltax), bilateral exchange rate (exrate), exchange rate volatility (vol), industry productivity (prod), relative tax rate (reltax), relative share price index (relshare), industry activity (indware), sector activity (totware), NZ deals dummy (NZ), US deals dummy (US) and UK deals dummy (UK). Results reveal that relative tax rate is the most significant variable.

Fakhfakh & Nasfi (2012) have analysed the determinants of earnings of 50 French companies which engaged in merger deals during 1998-2008 by considering the variables of size of operation (SO), board independence (Board I), ownership structure binary (Ownership S), financial structure (Financial S), dummy “1-usage of accounting criteria in determination of exchange rate; 0-otherwise;” (A CR) and dummy “1-big N M&A auditors; 0-otherwise;” (A Q). Results reveal that size, earnings management and accounting criteria of the acquiring firms are positively related.

Evripidou (2012) has studied the effect of mergers using market model. This study considered merger deals struck during 2005 to 2010 by Deutsche Lufthansa, Skywest Inc, Air France – KLM, Delta Airlines Inc and United Airlines. The study concentrated on merger deals in which airline companies are the acquirer and target companies. The study has found cost efficiency, economy of scales and market power as the three major motives behind
mergers in the aviation industry. The study also revealed that systematic risk decreases during the post-merger phase.

Mann & Kohli (2012) have examined the impact of brand acquisition on wealth of shareholders of Indian acquiring companies belonging to FMCG and pharmaceutical industry. Forty eight brand acquisitions which took place during the period of 1 April, 1997 to 31 December, 2008 were considered for this study and standard event study method has been used for measuring abnormal returns using the event period of -50 to +50 days. Results indicate that shareholders of acquiring company have gained because of brand acquisitions.

Peng & Isa (2012) have examined the long-term performance of Malaysian companies by analyzing the effects of target status, mode of payments, size of acquirer, deal value and book-to-market ratio on long-run performance. The study was conducted on all non-financial acquiring companies in the Malaysian stock exchange, striking acquisition deal during 1st January 2000 to 31st December 2004. The study has revealed that negative abnormal returns persist in the long-run. Factors such as acquirer size, target status and deal value influence the long-term performance while book-to-market ratio of acquirer and the mode of payments does not exert any such influence.

Feito-Ruiza & Menéndez-Requejo (2012) have analysed the value assigned by European shareholders of acquiring companies to diversification decisions by considering 447 M&A deals struck during 2000-07 and using event study methodology. The study has come out with two regression models, the first model dealing with factors influencing companies to strike diversified M&A deals, while the second model deals with determinants of CAR using legal & institutional characteristics, acquiring ownership characteristics, interactions and other firm & deal related variables as independent variables. The study divulges that legal & institutional characteristic influences companies to negotiate diversified deals. The study has also found that European firms prefer to diversify into unrelated business through diversification deals.

Wörtche & Nguyen (2011) have studied the impact of merger and acquisition deals on target companies in the countries of Austria and Switzerland by using event study methodology. This study has used the three models of market model, constant mean model and market-adjusted model and has found that the market reacts differently to two different investors.
Subeniotis, Tampakoudis, Kroustalis & Poulionos (2011) have studied the effect of merger deals on the wealth of shareholders of acquiring and acquired company in the US. The study has covered 125 companies which have struck merger deals during the first quarter of 2005 and used the market model for estimating AR and -90 to -11 as the estimation period. The study has revealed that acquiring companies’ market reaction to merger deals is insignificantly negative.

Mann & Kohli (2011) have studied the impact of bid-related factors on wealth creation of shareholders of Indian target companies, parties to domestic and cross-border acquisition. The study analysed 63 domestic and 43 cross-border acquisition deals struck during the period of 01/01/1997 to 31/03/2008. Cross sectional regression was applied to ascertain the influence of acquisition while shareholders wealth was measured using market model approach. Results reveal that both domestic and cross-border acquisition deals have created value for shareholders, though the former has created more value than the latter.

Kirchhoff & Schiereck (2011) have analysed the determinants of success of M&A deals in Pharmaceutical and Biotech industries during 1996-2006. The expected returns were calculated using market model while the variables used for the study are R&D intensity, liquidity, sales performance, profitability, individual cost efficiency, total assets growth, equity, valuation of capital market, M&A experience, strategic focus, geographical focus, transaction size, relative cost efficiency and payments. Results of the study suggest that target companies have benefited out of M&A deals.

Hyun & Kim (2010) have examined the determinants of cross-border M&A. The study has revealed that both internal and external factors determine the flow of M&A deals.

Kayo, Kimura, Patrocínio & Neto (2010) have analysed the factors influencing choice of growth strategies such as joint ventures, acquisitions and arm’s-length alliances, considering 460 announcements which included 81 joint ventures, 294 acquisitions and 85 arm’s-length alliances. The factors considered for this study were joint venture experience, acquisitions experience, intangibility, financial leverage, systematic risk and relatedness, of which firms experience influences the choice of company.

Hui, Yu & Lam (2010) have analysed the impact of announcements on the stock returns of the real estate firms in Hong Kong using event study methodology. The stock
returns were calculated using mean-adjusted model. The study has revealed that there is a positive abnormal return following acquisition deals.

Madura & Ngo (2010) have analysed the determinants of selecting appropriate payment mode for acquisition deals by considering tax rate (MAXTAX), deal size (RELSIZE), dummy “1-high tech target firm; 0-otherwise” (HITECH), dummy “1-takeovers after 30th July 2002; 0-otherwise” (SOX), No. of block holdings (NUMBLOCK), dummy “1-target owners retention in combined entity; 0-otherwise” (RETAIN), dummy “1-same 2-digit SIC code for both target and bidder” (RELATED), free cash flow (FCF) and LEVER as independent variables. Results suggest the prevalence of direct association between tax rate and payment mode. Higher the tax rate, the payment mode will be in stock.

Lau & Proimos (2010) have examined the impact of merger and acquisition deals on abnormal returns of shareholders of target and bidder companies using the risk-adjusted abnormal returns model on 170 target and 98 bidder Australian companies which were parties to such deals during 01/01/1999 to 30/06/2004. The study revealed that CAAR of the bidder company shareholders is negative.

Ismail & Krause (2010) have analysed the determinants of mode of payments in M&A deals of US companies struck during 01/01/1985 to 22/04/2004. The study has regressed target CAR, acquirer CAR and shares against the target characteristics, acquirer characteristics and deal characteristics and found that none of the factors are exerting any significant impact.

Ramakrishnan (2010) has examined the impact of merger deals on wealth of shareholders of target and acquirer companies engaged in such deals. The study was conducted on 34 pairs of acquirer and target companies of India which were parties to merger deals, executed during 1996 to 2002. The study used standard event study methodology (10 days before and after announcement of merger deals) and applied the market-adjusted model to calculate shareholders wealth. Results reveal that shareholders of acquiring companies are not amassing any wealth during the window period of 21 days while the case in respect of shareholders of acquired companies is exactly the opposite.

Croci & Petmezas (2010) have studied the relationship between returns of minority shareholders and stock market developments of companies which were parties to 1174 merger deals struck during January 1989 to December 2005. The study has regressed the
CAR against the proxies of stock market developments in univariate model, while CAR has been regressed against country level variables, country and firm level variables and ownership variables in the multivariate model. Results of the study has revealed that form variables cast an influence on CAR and the minority shareholders of target companies make immense gain in countries with high stock market developments. The study also found that an abnormal return of shareholders differs from country to country.

Bednarczyk, Schiereck & Walter (2010) have examined the impact of cross-border M&A deals on wealth of shareholders in Central and Eastern Europe by considering 37 deals struck during 1995-2005. Cross sectional model has been arrived at by considering CAR as dependent variable and Hungary, Poland, Slovak Republic, Time, Industry relatedness, Majority control, Frequent acquirer and Privatization as independent variables. The study has revealed that industrial relatedness influences value of shareholders and that horizontal mergers have performed better.

Tampakoudis (2010) have examined the impact of M&A deals on wealth of shareholders of 50 Greek target companies striking such deals during 1/1/2004 to 31/12/2005. Using event study methodology and estimating AR using market-adjusted model, the study has found that mergers exert positive impact on wealth of shareholders of target companies.

Uddin & Boateng (2009) have analysed the short-run gains resulting to shareholders of British acquirer companies acquiring foreign entities during 1994 to 2003 and the nature of impact exerted by factors such as deal size and other firm related factors on performance. The study has used the event study methodology (10 days before and after announcements) and market model to assess shareholders wealth. 337 acquisitions were covered in this study. The study has revealed that shareholders of acquiring companies do not gain in short-run.

Hamza (2009) made an attempt to study the effect of takeovers on returns of shareholders of bidder companies in France by considering 58 takeover bids during 1997-2005 and the variables of bidders book to market (BTMB), ownership structure (PROP), cross-border, relative size (TMR), targets book to market (BTMT), bidder toehold (BT) and method of payments (MOP). The study revealed that takeovers resulted in gain for the bidder companies. The study also established significant association between bidders growth profile and value creation.
Hagendorff, Collins & Keasey (2008) have compared the effects of merger announcements in Europe and US made during 1996 to 2004. Regression analysis performed using CAR as dependent variable and proxies of investor protection and some control variables as independent variables established inverse relationship between the variables.

Francis, Hasan & Sun (2008) have examined the gains made by acquirer companies through merger deals struck in US during 1990 to 2003 using event study methodology. The estimation period has been taken as -265 and -11 (265 and 11 days before merger announcements). The study has revealed that companies acquiring target companies from segmented market makes immense gain.

Rhe´aume & Bhabra (2008) have examined the impact of M&A deals on value creation of US companies by considering 2421 M&A announcements made during January 1993 to December 2005. Using the event study methodology and market model by considering the estimation period as -90 and -30 (90 and 30 days before M&A announcement), the study has revealed that related acquisition yields positive AR to shareholders of acquirer companies while unrelated acquisition results in no change to AR. The overall results suggest that acquisition deals results in zero or negative impact on AR of shareholders of acquiring companies.

Mangold & Lippok (2008) have examined the difference in value creation to German companies engaging in cross-border and domestic M&A deals. The study has considered 23 domestic and 34 cross-border deals struck during January 2000 to December 2007 and used the market model. Results of the study reveal that cross-border M&A deals have depleted value of shareholders of acquirers while domestic deals create value.

Kyriazis & Diacogiannis (2008) have analysed the determinants of excessive short-term stock returns due to M&A deals during 1993-2006 by using the market-adjusted model. Results indicate that M&A deals exert a positive impact on acquirer companies.

Lübbers (2008) have studied the effect of 88 takeovers effected during 1896-1913 by German acquiring companies in mining industry on wealth of their shareholders using the constant mean model, market model and cross sectional analysis. The study has resulted in three separate regression models in respect of bidder, target and all companies. The study has revealed that takeover announcements have enhanced shareholders value.
Yin & Shanley (2008) have discussed the factors which influence companies choosing either M&A or alliances for expansion. The authors have identified three dimensions which influence such a choice.

Neto, Brandão & Cerqueira (2008) have studied the determinants of cross-border M&A and green field investment as an extension to the work done by Globerman and Shapiro (2005). They have concentrated on M&A deals struck in 53 countries during the period of 1996-2006 and used the variables of FDI inflows (FDI), FDI outflows (FDO), inward M&A (IN-M&A), outward M&A (OUT-M&A), No. of green field projects realised by foreign firm (IN-GREEN), No. of project realised by domestic (OUT-GREEN), gross domestic product (GDP), annual growth rate of GDP (GDPGROWTH), governance index (GI), degree of openness (OPENNESS), human development index (HDI), CAP, investor protection index (INVPROT), cultural distance (CD) and uncertainty avoidance (UA). Results of the study revealed that investor protection and cultural variables explains M&A and green fields respectively.

Hernando, Nieto & Wall (2008) have studied in-depth the domestic and cross-border acquisition deals negotiated in the European Union (EU) banking industry during 1997-2004. The study covered 25 member nations of the EU. The study revealed that poorly performing companies and large banks were expected to be acquired by domestic banks.

Laabs & Schiereck (2008) have examined the short and long-term effect of horizontal M&A deals on wealth of shareholders. The study covers 230 takeover deals executed during 1981-2007, using deal and acquirer characteristics such as geographical diversification (cross-border, cross continent and national), product diversification (intra-industry and diversifying transactions), size of transactions (largest 20 transactions, smallest 20 transactions, largest 33%, middle 33%, smallest 33%, largest 50% and smallest 50%) and bidding experience (multi bidders, bidder champions and single bidder). The study revealed that such M&A deals resulted in positive returns for acquiring company.

Lanine & Vennet (2007) have examined the micro-economic determinants of acquisition deals in the light of many Eastern European banks being acquired by Western European banks since 1990. The study has concentrated on takeovers made during 1995-2002 using the variables of ROA, ROE, net interest margin (NIM), non-interest expenses (NIEXP), cost-to-income ratio (CI), capital adequacy ratio (CAP), net loans to assets (LTA),
deposit funding (DEP), SIZE, GDP per capita growth (GDP_CAP), EBRD index (EBRD), market share of total deposits (MS_TOTDEP), MS of demand and savings deposits (MS_DSDEP), MS of customer loans (MS_CLOANS), MS of net loans (MS_NLOANS), MS of customer deposits (MS_CDEP) and dummy “1-acquired bank; 0-banks in control group;” (D_takeover). Results of the study reveal that Eastern European banks negotiated acquisition deals with effective banks of Central and Eastern European countries (CEEC). However, the study has found no evidence to establish existence of any relationship between acquisition deals and motivation.

Ismail & Davidson (2007) have examined the factors which determine returns accruing to target companies by considering the variables of dummy “1-in market; 0-cross-product;” (D1), dummy “1-national; 0-cross-border;” (D2), dummy “1-acquisitionn; 0-merger;” (D3), dummy “1-cash payment; 0-otherwise;” (D4), dummy “1-mixed settlement; 0-otherwise;” (D5), return on average assets (ROAA), capital ratio (TOTCAP), loan loss reverse by gross loan (LLOSSRES), loan loss provision by net interest revenue (LOSSPROV), customer loans by total deposits (LOA/DEP), relative size (RELSIZE), relative cost to income (RELC/I), relative growth of profitability (RELPROFGTH), relative growth of assets (RELASSGTH), relative loan reserve by gross loan (RELLOSSRES) and relative capital ratio (RELCAP). The study has found that cross-border deals result in high returns and that profitability of target companies and relative growth of their assets influences returns.

Sufian & Majid (2007) have analysed the effect of M&A deals on the efficiency of domestic banks in Singapore. The variables used for this study were total loans (y1), non-interest income (y2), interest income (y3), total deposits (x1), interest expense (x2) and non-interest expense (x3) while the bank variables used include size of bank, profitability, capitalization, provisions/loans and overheads. The results indicate that merger increases efficiency of Singapore banks. Regression results reveal that profitability positively influences efficiency.

Adjei, Cyree & Walker (2007) have analysed the factors driving companies using reverse merger (RM) rather than IPO for going public. The study has analysed 2860 IPO and 286 RM deals struck during 1990-2002, using the variables of dummy “1-RM; 0-IPO;” (Y), total assets (TA), age of the firm (T), return on assets (ROA) and hot market dummy (DH). Results reveal that smaller and younger companies prefer RM techniques to IPO.
Marquette & Williams (2007) have studied the effect of takeover and divestures on value of US companies by applying market model. The study examined 70 acquisitions and 58 spinoffs announcements made during 1/1/1980 to 12/12/1992 by considering estimation period of 200 and 50 days before the takeover and divesture deals. The study has revealed that takeover yields negative wealth while spinoff yields positive wealth.

Hassan, Patro, Tuckman & Wang (2007) have studied the effect of M&A deals on shareholders wealth of US pharmaceutical industry. The study has analysed 405 M&A deals struck during 1981-2004 and applied market model to assess abnormal returns. The study has found that acquisition deals resulted in abnormal returns to shareholders.

Kiymaz (2006) has analysed the impact of sell-off announcements made by 205 divesting firms and 185 acquiring firms during 1989-2002. The study applied market model to estimate AR and cross sectional regression analysis to arrive at the determinants of CAR. Results reveal that both divesting and acquiring firms are earning wealth. Furthermore, CAR is influenced by motives behind merger deals.

Kirchhoff, Schiereck & Mentz (2006) have examined the impact of domestic and foreign M&A deals on value of listed real estate finance institutions by considering 69 deals struck during 1995-2002. The study utilized the event study methodology and estimated abnormal returns using market model approach. The study has revealed that M&A deals result in shareholders of target companies gaining significantly in value of their shares while the shareholders of bidder companies fail to do so.

Elango (2006) has analysed the impact of cross-border acquisition deals on shareholders wealth of US insurance companies striking such deals during 1997-2003. The research studied 52 international acquisition deals involving 24 countries by using market model for estimating abnormal returns and event study methodology. Results reveal that cross-border acquisition deals exerted no significant impact on market returns.

Chong, Liu & Tan (2006) have examined the effect of mergers on wealth of shareholders of Malaysian banks. The study has utilized market model to estimate abnormal returns and has regressed CAR against firm-related and other dummy variables. The study has revealed that focused merger depletes economic value.

Ismail & Davidson (2005) have studied the effect of merger on wealth of shareholders of European banks by analyzing 102 merger deals struck between January 1987
and December 1999. Applying the market model, this study has revealed that merger deals resulted in positive returns to shareholders of target companies.

Scholtens & Wit (2004) have investigated the effect of merger deals on US and European banks negotiated during 1990 to 2000. They have utilized the event study methodology and studied the movement of returns during the period of 31 days after and 3 days before merger announcement. The study has revealed that merger deals have provided higher abnormal returns for shareholders of target companies than for those of bidder companies.

Megginson, Morgan & Nail (2004) have analysed the determinants of long-term performance of companies engaging in merger deals. The study has covered 204 mergers struck during 1/1/1977 to 31/12/1996. The study revealed that focus exerts positive impact on long-term performance.

Delaney & Wamuziri (2004) have studied the impact of mergers and acquisitions on wealth of shareholders of UK construction companies. The study used event study methodology and applied the two models of mean-adjusted model and market-adjusted model for valuing abnormal returns. The study considered 46 bidding firms and 33 target firms involved in M&A deals during 1996-2001. The event period for this study is 20 days before and after the M&A announcements. This study has revealed that the wealth of shareholders of target companies have increased after the M&A announcements.


Yook (2003) has made an attempt to study whether cash offerings provide higher returns. The study has used the market model to ascertain abnormal returns and the event study methodology, covering 119 cash acquisitions and 112 stock acquisitions. The study has not revealed that cash offering is the best strategy.

Bae, Kang & Kim (2002) have examined the effect of acquisition on Korean business firms using event study methodology. This study has established that acquisition by the firms result in decline in stock price and loss for shareholders.

Bessler & Murtagh (2002) have investigated stock market reactions to cross-border acquisition announcements of Canadian financial services companies during January 1998 to
June 2001. The study applied event study methodology and market model for calculating AR. The study found that foreign acquisition deals in wealth management and retail banking sectors created value while exactly opposite was found in insurance sector.

Suárez (2002) has analysed stock market reaction towards global alliance in Spain by considering 72 global alliances during 1/1/1987 to 31/12/1997 negotiated in banking, telecommunications and electrical industries. The study used market model to estimate AR and the estimation period considered ranges from 130 days to 11 days before the date of such negotiations (-130 to -11 days). The study found that Spanish firms gained 0.2 percent of abnormal return on the day of announcement of alliance.

Jayaraman, Khorana & Nelling (2002) have studied the impact of mutual fund mergers on wealth of shareholders of both the acquirer and target companies by considering 742 mutual fund mergers. The study used the variables of net asset flow, average net asset flow (Objective flow), holding period returns (Performance), net assets for fund (Fund size), expense ratio, dummy variable “1-merger experience in the previous year; 0-otherwise;” (Merger dummy) and investment objectives. The study established that mergers exerted positive impact on wealth of shareholders of target companies and negative impact on wealth of shareholders of acquiring companies.

Shawver (2002) has examined the effect of financial ratios and acquiring and target bank characteristics on merger premiums by considering 178 merger deals during 1996 to 2001. The study used the variables of merger premiums (PREM), assets size of target bank (TASS), net income by total assets (TROA), net income by stockholders equity (TROE), asset size of bidders bank (AASS), cost savings (COSTSAVE), duplication of assets (RESTRUCT) and dummy variable “1-pooling of interest;0-purchase;” (POOL). The study found that majority of the variables exerts significant influence on merger premiums.

Tse & Soufani (2001) have studied the effect of M&A on wealth of shareholders of UK by analyzing 123 deals which were struck during 1990 to 1996. The study adopted event study methodology and event window period considered was 12 days before and 3 days after deal announcements (-12 and +3 days). The study found that there is a significant relationship between shareholders wealth and prevailing economic conditions.

Cybo-Ottone & Murgia (2000) have studied the effect of M&A deals struck during 1988 to 1997, on value of European companies. The study used event study methodology and
market model method to ascertain abnormal returns by considering 270 and 21 days before the date of announcement (-270 to -21 days) as the estimation period. The study has revealed that M&A announcements have resulted in positive increase in shareholders’ value.

Becher (2000) has examined the effect of merger deals on value of shareholders by considering 558 merger announcements negotiated during 1980 to 1997. The study has used the event study methodology and tried to ascertain the impact exerted by the variables of method of payments, No. of bids, geographic location and board structure on returns. The study found that the combined firm gained by 3 percent due to merger announcements.

Corhay & Rad (2000) have studied the impact of international acquisitions on wealth of shareholders by comparing acquisition deals by Dutch firms in the US, Western and Eastern Europe, struck during 1/1/1990 to 31/12/1996. The study applied market model and used 240 and 41 days before the date of announcement (-240 and -41) as the estimation period. Furthermore, the study endeavored to regress CAR against the variables of foreign, industry and size. This study has found weak evidence to the point that international acquisition deals create wealth for shareholders.

Leeth & Borg (2000) have studied the effect of merger announcements on portfolio of 466 acquiring and 72 target firms which were involved in merger deals during the period of 1919 to 1930. The study used the market and market-adjusted model to measure AR and gains of acquiring and target firms were regressed against relatedness of industry, mode and means of payments. The study found that shareholders of target firms gained in the 1920s due to mergers.

O’shaughnessy & Flanagan (1998) have examined 136 M&A deals during 1989 to 1993 to analyse the determinants of profitability associated with lay-off announcements by considering the variables of lay-off, related-SIC measure, related-rater measure, cross-border, target ROIC, target revenue per employee, SFB-borrowing, industry ROIC and industry sales per employee. The study revealed that related transaction increases lay-off announcement profitability.

Kwansa (1994) has studied the impact of acquisition deals on wealth of shareholders of lodging companies during the 1980s by applying event study methodology to assess shareholders wealth. The event window used for this study was 30 days before and after the
announcement of acquisition. This study has revealed that shareholders of target companies benefited out of acquisition announcements.

Palia (1993) has analyzed the determinants of US merger premium by studying the characteristics and regulatory environment of both acquirer and target firms. The study covered 137 pairs of acquirer and target banks which were involved in merger deals during 1984 to 1987. The study used the variables of merger premiums (PREM), return of assets of targets (TROA), growth in assets of targets (TGRASS), equity capital to assets of targets (TEQASS), charge offs to assets of targets (TCOASS), non-performing loans to assets of targets (TPERF), loan losses provision to assets of targets (TPROV), concentration ratio (TCONC), targets assets to acquirers assets (RELSIZE), dummy “1-interstate mergers; 0-otherwise” (I), dummy “1-restrictive laws in the state of targets bank; 0-otherwise;” (TB), dummy “1-expansion allowance in the state of targets bank; 0-otherwise;” (TC), stock owned by acquirer bank managers (M), stock owned by target bank managers (D) while the premiums were related to the regulatory environment and characteristics.

Benzing (1991) has examined the determinants of aggregate mergers before and after the 1950s by considering merger deals struck during 1919-1979 in the manufacturing and mining sectors. The study used the variables of No. of mergers (MERi), No. of mergers during previous year (MERi-1), No. of mergers ‘two years prior’ (MERi-1-2), stock prices (STOCK), interest rate (YIELD) and unemployment rate (UNEMP). The study revealed the prevalence of positive link between stock prices and merger activity. The YIELD is negatively related to mergers during the post-1950 era.

Fowler & Schmidt (1989) studied the link between acquisition factors and financial performance of 42 firms engaged in tender offer during 1975-1979. The study used the variables of return on common equity (ROCE), return to shareholders (RSH), relative size (RELSIZE), dummy variable “1-contested; 0-uncontested;” (HOSTILE), acquisition experience (ACQEXP), organizational age (AGE), percentage acquired (PERCENT) and dummy “1.same industry; 0-different industry;”(INDCOM). The study revealed that financial performance of the company increases for the firm which has acquisition experience, higher percent of acquisition and more age.
2.2 Literature Related To Impact of M&A Deals on Corporate Performance

Available literatures have assessed the impact of M&A deals on corporate performance by using the indicators of corporate performance such as profitability ratios, turnover ratios, assets utilization ratios, etc. This section shall highlight some of such research studies.

Rani, Yadav & Jain (2013) have examined the corporate performance of Indian acquiring firms during the post-M&A phase using operating efficiency, by considering M&A deals struck during January 2003 to December 2008. The study has used operating cash flow ratios (OCFR), total assets turnover ratio (TATR) and constituent ratios (Du Pont) during the pre and post-merger period. Results of the study reveal that profitability of acquiring companies is on the rise after M&A deals.

Akinbuli & Kelilume (2013) examined the influence of M&A on growth, profitability and efficiency of 10 Nigerian banks. This research has included the variables of corporate growth (No. of banks, No. of bank branches, assets base, capital and reserves, avg. capital and reserves, liquidity ratio and loan to deposit ratio), profitability (net profit margin, return on total assets, return on equity, net interest margin, interest loan by loans & advances, interest cost by total deposits and operating cost margin) and operating efficiency (percent of classified loans and loan loss reserve by classified loans). The research reveals that corporate restructuring strategy works well for boosting profitability and growth of some banks. However, operational efficiency of the banks suffers in the short-run.

Leepsa & Mishra (2012) have examined the effect of merger on financial performance of Indian manufacturing companies by studying 115 merger announcements made during 2003-04 to 2006-07. The study used profitability parameters such as return on capital employed (ROCE) and return on net worth (RONW), liquidity parameters such as current ratio, quick ratio and net working capital by sales and leverage parameters such as total debt ratio and interest coverage ratio. The study revealed that return on net worth has decreased while ROCE, current ratio and quick ratio has increased during the post-merger scenario.

Kao, Lin & Xu (2012) studied the performance of financial holding companies (FHCs) in Taiwan using DEA technique. The study has used operating expenses (I1), interest expenses (I2), non-interest expenses (I3) and fixed assets (I4) as input variables while interest
incomes (O1), non-interest incomes (O2) and investments (O3) have been taken as output variables. The study has revealed that the technical efficiency of companies have not improved after merger deals.

Fung & Tsai (2012) have analysed the performance by considering the variables of institutional ownership (total institutional ownerships, investment advisor, bank & insurance company, hedge fund and pension fund), fundamental characteristics of the firm (capital expenditure, No. of analysis, cash flows, dividends to book, leverage ratio, market capitalization and firm size), firm performance (Tobin’s Q, residual earnings by lagged assets and ROA) and internal corporate governance (CEO’s long-term incentive, executive severance agreements, CEO as director, cumulative voting, confidential voting, staggered board and No. of board members). The study has revealed that capital expenditure and institutional ownership explains performance.

Dhinaiya (2012) has attempted to assess the impact of M&A deals struck during 2007, on performance of 35 companies belonging to 6 industries of cement, computer software, textile & textiles product, construction, entertainment and steel. The study has used paired samples t-test to compare the operational performance of companies during two years before and after merger deals. The study has used the variables of operating profit ratio, gross profit ratio, net profit ratio, debt equity ratio, current ratio, return on capital employed and return on net worth. The study has established that performance indicators have marginally changed during the post-merger phase, though the change is not statistically significant.

Saini & Singla (2012) have analysed the impact of merger deals on corporate performance of Indian textile companies by considering 13 textile companies which negotiated merger deals during 2001-08. The study has used the variables of current ratio, debtor turnover ratio, inventory turnover ratio, cash profit margins, ROCE, RONW, interest coverage ratio, debt equity ratio and fixed asset turnover ratio. The study has found a significant decline in the shareholders wealth and profitability position of corporates following merger deals.

Ferrer (2012) investigated the impact of M&A deals on payables turnover ratio and asset turnover ratio of companies. Results of the study establish negative relationship between M&A and firms activity ratios.
Sun (2012) analysed the impact of divestures on corporate performance of listed firms in Taiwan by considering 266 divestures announcements during 1995 to 2005. The corporate performance variables used were cash flow by current debts, return on assets and excess value. The study revealed that divestures resulted in a positive growth in shareholders' wealth. A significant development in firm’s performance has also been established after divestures.

Zhu & Jog (2012) examined the link between risk-return characteristics of target firms and domestic & cross-border M&A deals by considering 18 such deals struck during 1990-2007. The study found that acquisition reduces risk of target firms. Further, acquisition leads to value creation.

Riewsathirathorn, Jumroenvong & Jiraporn (2011) explored the impact of ownership concentration on performance and risk taking capacity of banks. The study used the variables of ownership concentration, ROA, operating costs, bank size, loans, deposits, capital, loan loss and GDP growth. The study revealed that ownership concentration is strongly associated with lower performance and risk taking. Further, higher ownership concentration leads to higher operating cost. The variable of ownership concentration significantly explains performance, risk taking and operating costs.

Kouser & Saba (2011) have analysed financial performance of 10 Pakistani banks after striking M&A deals during 1999 to 2010. The study used the variables of operating profit margin (V1), gross profit margin (V2), net profit margin (V3), return on net worth (V4), return on capital employed (V5) and debt to equity ratio (V6). Results indicate a decline in all the indicators after the M&A deals. Hence, the study has concluded that M&A deals deplete the performance of banks.


Qureshi, Sharif, Butt & Bilal (2011) analysed the impact of M&A deals on financial performance of four Pakistani banks by using profitability ratios of ROA and ROE, capital adequacy ratios of shareholders’ equity by total assets and shareholders’ equity by total deposits and solvency ratio of liabilities to assets. Results of the study reveal that performance of Pakistani banks improves after M&A deals.
Pazarskis, Alexandrakis, Notopoulos & Kydros (2011) examined the influence of M&A on operating performance of Greek companies using the variables of current ratio (V01), acid test ratio (V02), sales in receivables ratio (V03), inventory turnover ratio (V04), accounts payable turnover ratio (V05), total debt ratio (V06), short-term liabilities turnover ratio (V07), assets turnover ratio (V08), gross profit margin (V09), EBIT margin (V10) and EBITDA margin (V11). The study reveals effective transfer of knowledge.

Degryse, Masschelein & Mitchell (2010) examined the impact of mergers on small firms by considering the variables of age of the firm (AGEF), book value of assets (ASSETF), EBIT over assets (ROAF), debt over assets (LEVERAGE), dummy “1-firm with negative equity; 0-otherwise;” (NEGEQ), dummy “1-credit granted; 0-otherwise;” (RECBALANC), dummy “1-firms younger than 3 years; 0-otherwise;” and bank debt by total debt (PROP'BANKDEBT). The study revealed that the dropped borrowers of target bank have been harmed by merger deals.

Lin & Lee (2010) investigated the corporate performance of 14 financial holding companies in Taiwan by considering the 8 factors of profitability (EAIT by sales, EBIT by sales, operating income by sales, ROA, gross incomes by sales and financial specialized expenses by sales), financial structure (current ratio, sales by shares, turnover on total assets, turnover on equity, debt by equity and expenses by sales), capital return (EPS and operating incomes by capitals), shareholders revenue (dividends yield rate and cash dividends), equity performance (equity by shares and ROE), non-operating management (net operating income by sales), business performance (sales by employees and NPL rate) and asset quality (NPL reserve by loan). The study reveals that there is no significant evidence to establish any improvement in performance.

Sufian (2010) has investigated the influence of forced M&A on cost efficiency of Malaysian banks by employing the statistical tools of DEA, univariate tests and Tobit regression analysis. The study used total deposits (X1), capital (X2) and labour (X3) as input variables while total loans (Y1), investments (Y2) and non-interest income (Y3) have been considered as output variables and price of deposits (P1), price of labour (P2) and price of capital (P3) have been considered as cost and allocative efficiency input variables. Furthermore, the study considered the bank characteristics variables of total deposits (LNDEPO), loans by total assets (LOANS/TAT), total assets (LNTA), loan loss provision
(LLP/TL), non-interest income by total assets (NII/TA), non-interest expenses by total assets (NIE/TA), shareholders equity over assets (EQASS), dummy “1-acquiring bank; 0-otherwise;” (DUMACQ) and dummy “1-no mergers during the year; 0-otherwise;” (CON_GRP) and the economic related variables of gross domestic product (LNGDP), concentration (CR_3), dummy “1-pre-merger years; 0-otherwise;” (PRE_MER) and dummy “1-post-merger years; 0-otherwise;” (POST_MER). The study revealed that cost efficiency has improved during the post-merger phase and that some key variables influence the cost efficiency of banks.

Shukla & Gekara (2010) studied the effect of multinational M&A deals on shareholders wealth and corporate performance by considering the acquisition deal of Tata steel with Corus steel. The study has estimated that the M&A deals have led to an increase in EPS by 17.83 percent while the shareholders have also benefited significantly.

Singh & Mogla (2010) have examined the profitability performance of 153 acquiring companies since the acquisition process was completed. The study has used the variables of operating profit margin (OPM), net profit margin (NPM), return on net capital employed (ROCE), return on net worth (RONW) and assets turnover ratio (ATR) to denote financial performance of the companies. The study reveals that 55 percent of the company’s profitability position has declined during the post-acquisition phase.

Mishra & Chandra (2010) have attempted to assess the relationship between M&A and financial performance of Indian pharmaceutical companies by considering 52 drugs and pharmaceutical companies. The study used the variables of profitability (PROF_t), current size (FSZ_t), market size (MSZ_t), market share (SHARE_t), M&A (MA_{t-1}), selling intensity (SELL_{t-1}), R&D intensity (RD_{t-1}), foreign technology purchase intensity (FTECH_{t-1}), export intensity (EXP_t) and import intensity (IMP_t). The study found that M&A has no impact on profitability.

Kaur & Kaur (2010) focused on the impact of mergers on cost efficiency of commercial banks using DEA technique. The study considered labour, loanable funds and physical capital as input variables while advances, non-interest income and spread have been considered as output variables. Using the price of inputs as price of labour, price of loanable funds and price of physical capital, the study has revealed that cost efficiency of private and
public sector banks are 76.3 and 73.4 percent respectively. The study has further revealed that the banks have benefited out of merger deals.

Ismail, Davidson & Frank (2009) focused on operating performance of European banks during post-merger period by considering M&A deals during January 1992 to December 1997. The study used the variables of return on average assets (ROAA), return on average equity (ROAE), total capital ratio, equity by deposits, equity by total customer loans, capital by assets ratio, loan loss reserve by gross loans, loan loss provision by net interest revenue, non-performing loans by gross loans, total customer loans by deposits, non-interest expenses by average assets, interest expenses by average assets, non-interest expenses by interest expenses, other operating income by average assets, other operating income by interest income, personnel expenses by average assets, other administrative expenses by average assets, cost by income ratio, net interest revenue by earning assets, cash and due from banks by total assets, net loans by total assets and liquid assets by total deposits and borrowings. The study revealed that profitability and capitalization of the banks have fallen while cost efficiency has improved during the post-merger phase.

Kumar (2009) examined the operating performance of acquiring companies during three years before and after the striking of domestic merger deals by 30 private sector undertakings during 1999-2002. The study used the variables of ROCE, assets turnover ratio and debt-equity ratio. The study revealed that mergers have not cast any influence on operating performance of the companies.

Carline, Linn & Yadav (2009) have studied the effect of acquiring firm CG characteristics on post-merger operating performance of companies striking merger deals. Considering the domestic merger deals struck in UK during 1985 to 1994, the study has revealed that CG characteristics cast significant influence on operating performance of companies which have negotiated merger deals.

Kumar & Bansal (2008) examined the performance of corporates during the post-M&A phase by analysing 74 M&A deals which was effected during 2003. The study considered Pre-merger phase as 2000-02 and the post-merger phase as 2004-06. The study has assessed the liquidity position (working capital), operating efficiency (operating profit), overall efficiency (profit before tax), return to equity shareholders (return on net worth and earnings per share) and financial composition (debt to equity ratio) of the companies during
the pre and post merger phase and concluded that financial performance of acquiring firms increases in the long-run.

Singh & Mogla (2008) have analysed the impact of merger deals on profitability of acquiring firms by considering 56 merger deals struck during 1994-2002. The study used the variables of return on capital employed, profit before depreciation, interest and taxes, net assets by net capital employed, return on net worth, profit after tax, net worth, profit margin, net sales, interest coverage, net capital employed and No. of years. The study has found that profitability of the companies have declined after merger deals while the group firms’ performance has been better than the non-group companies.

Lau, Proimos & Wright (2008) analysed the corporate level success of merger deals by considering 72 Australian deals struck during 1999-2004. The study has compared the operating performance of companies during 2 years before and 3 years after merger deals. The study has assessed operating performance using profitability measures, cash flow measures, efficiency measures, leverage measures and growth measures. The study has revealed that operating performance of companies in the post-merger phase is on the rise.

Siegel & Simons (2007) focused on the influence exerted by M&A deals on workers, plant productivity and firm performance. The study has found that productivity of plant has increased while firm performance has not declined due to the corporate restructuring strategy. However, change in ownership has led to optimum utilization of workers and plant capacity.

2.3 Literature Related To Perception about M&A

Many research studies have been conducted to explore the perception of various stakeholders towards M&A process of companies such as employees, employers, CEO, etc. Some studies have concentrated on success and failure of companies effecting M&A deals by collecting relevant data from the CEOs of such companies.

Edwards & Edwards (2013) have examined the response of workforce towards change in employer brand due to multinational acquisition deals. The study was administered on 251 employees of both acquired and acquiring companies in two time periods (ie. two months and 12 months after the acquisition deal). The study has revealed that the perception related to prestige predicts identification.
Kyei-Poku & Miller (2013) have examined the satisfaction of employees and their organizational commitment and turnover intentions in post-merger period. 70 employees of Canadian financial institutions were surveyed 7 months after merger. The study used SEM to establish the relationship between the four constructs of satisfaction, affective commitment, normative commitment, continuance commitment and turnover intention. The study has established that satisfaction influences effective and normative commitment.

Jain (2012) has examined the “Competition Commission of India” (CCI) jurisdictional power related to combinations. From the existing case laws, the research has established that CCI has the power to control combinations which take place outside India. The CCI jurisdiction powers have been supported by “Effect Doctrine” and “Doctrine of Minimum Contact”. The research has suggested that CCI should have jurisdiction over combinations that are taking place outside India but having an impact on India.

Banga & Gupta (2012) have examined the motives of merger and takeover deals in the Indian mutual fund industry by considering merger and takeover announcements made during 1/1/2000 to 31/12/2007. Responses about the announcements were collected from 65 fund managers. The study used principal component analysis to arrive at six motives behind such announcements. These motives were attractive price, fund group, enhancement of asset size, expansion of marketing and management capabilities, benefits of diversification and increase in market share.

Weber & Drori (2011) have presented the framework for examining the performance of M&A. This study has proposed an integrative M&A model with the elements of cultural clash, autonomy removal, “stress, negative attitude, cooperation, commitment”, turnover and M&A performance. This study has discussed the managerial practices and implications of the work.

Lahovnik (2011) has examined the performance of horizontal acquisition deals struck by some 43 companies belonging to different industries. The study analyses the post-acquisition strategic fit of business strategies between the acquiring and acquired companies using full structured interview. The respondents were investigated with different sets of motives. Results of the study revealed that transfer of skills and sharing of activities are considered as vital elements in the case of strategic fit.
Ghobadian & O’Regan (2011) have documented a semi structured interview with the CEO of WPP (Sir Martin Sorrell) to explore the success story of the company’s acquisition deal. The major limitation of this study is that findings regarding one company cannot be generalized.

Liu, Low & Niu (2011) have investigated the motives behind and impediments suffered by Chinese construction enterprises striking cross-border acquisition deals. A survey questionnaire was administered to 82 managers while only 33 questionnaires were taken for analysis. The managers have considered “create new market space” as the important objective of acquisition while perception of the respondents have impeded by the lack of experience, knowledge and issues related to post acquisitions.

Lahovnik & Malenković (2011) examined the factors that influence the performance of acquisition deals in Slovenia. The study established the presence of relationship between motives of mergers and realization in post-merger phase. Further, the organizational and strategic fit between organizations influences the performance of acquisition deals. The study concludes that related deals will bring success to organizations.

Morris (2011) has examined the implications of law for charity mergers based on 13 such mergers. The research discusses the problems related to employment law and concerns of staff related to their job security during post-merger scenario. Results reveal that process of mergers will expose the weaknesses of charity. The study has recommended the charities to undertake “legal health-check” once every five years.

Meier, Missonier & Soparnot (2011) have endeavored to analyse the evolution of corporate governance model following strategic mergers. The factors which guide decision makers’ views on selection of models have also been discussed. The study has considered strategic alliances in ICT sector. The research has collected data through passive observation for 153 days, participant observation, 70 interviews and analysis of memorandum of understanding. Based on references of standard and strategic approaches, the study elaborates how the top executives of newly created company has opted the CG model.

Lee & Lee (2011) have examined the impact of country-of-origin on purchase behavior of consumers during post-acquisition period. The survey was conducted by administering a questionnaire through online in China. 325 responses were analyzed and results established the cause and effect relationship between consumer perception of country-
of-origin and five brands. The country-of-origin and product attributes exerts positive influence on purchase intention while product attributes mediates such a relationship. The study has suggested companies engaging in M&A to look into strategies of brand deployment, country and product attributes.

Reddy, Nangia & Agarawal (2011) have investigated the Indian takeover code and open offers market. The study found increasing trend in open offers market.

Anagnoste & Dumitru (2011) have analysed the relationship between transformational leadership and acquisition strategies by considering acquisition case of the beer industry. Based on survey conducted on 148 executives, the study found that leaders create leaders.

Weber & Tarba (2011) have studied the case of acquisition deal struck between FAST, a German company, and Aladdin, an Israeli firm using qualitative research technique. The study elaborates the influence of process on M&A performance.

O’Regan & Ghobadian (2010) conducted an interview with Paul Walsh, CEO of Diageo plc to explore strategic issues which influences competitiveness of the organization. The study has thrown light on key attributes relating to the success of mergers.

Shibayama, Tanikawa & Kimura (2010) have discussed new perspectives related to effective management of M&A deals based on experiences with Japanese pharmacy company “Astellas Pharma” which was formed as an outcome of the largest Japanese M&A deal. The study has found that merger process is facilitated by both top level and bottom level executives.

Shook & Roth (2010) have examined the perception of 13 HR practitioners on M&A and downsizing strategies. The study reveals that HR practitioners are in no way related with M&A and downsizing decisions.

Holland & Salama (2010) have explored the association between learning process and IM&A based on interviews conducted with top management officials who deals with integration strategies. The study concluded that suitable strategies related to integration can facilitate learning process in an organization. This research has made a significant contribution by providing a model to deal with cultural learning process in an organization.

Grotenhuis (2010) has sketched a framework for cross-border merger and acquisition deals based on an investigation into American-Dutch Mergers. The study has given a
modified version of balance score card (Kaplan and Norton, 1996) for M&A using the constructs of customers, financial, internal business and learning & growth.

North & Oliver (2010) have investigated the influence of consolidation on the UK independent television production (ITP) industry. Based on in-depth interview with 8 respondents, the study has revealed five themes.

Lu (2010) has considered the case of an US acquisition deal involving HSBC and MMBI. The study focused largely on assessing the effect of US Government regulations on this acquisition deal. The study found that US Government regulations resulted in political hazard which consequently influenced structure of the acquisition deal.

Chun (2009) explored the views of 128 employees of Googen-Maris, of which 40 have worked for Gooden during the pre-merger period while 64 have worked for Maris. The study revealed that employees of acquiring company have negative feeling about the merged organization.

Moffat & McLean (2009) have discussed about the formation of new culture during the post-merger period by considering web based technologies and social networking for conversation processes. The study reveals that social networking boosts participation possibilities.

Park, Whitelock & Giroud (2009) examines marketing knowledge acquisition in international joint ventures (IJVs). Based on responses obtained from 128 CEOs, the study has found that firm size has exerted no influence on knowledge acquisitions.

Raukko (2009) has surveyed key employees of acquired organizations to assess their commitment towards the acquiring organization during the post-acquisition period. Based on data obtained from key employees after a period of two years from the acquisition deal, this study has found no change in commitment level of such employees towards the acquiring company during the post-acquisition period.

Vuţ, Shi & Hanby (2009) have formulated a strategic framework for integrating the brands in M&A deals by laying specific emphasis on horizontal merger deals.

O’Regan & Ghobadian (2009) conducted a semi-structured interview with Mr Todd Stitzer, the CEO of Cadbury, to demonstrate a successful strategic re-orientation programme. This interview throws light on some key elements for the successful implementation of M&A deals.
Madsen & Vance (2009) conducted an interview with the former vice president of Enron to explore the contribution of management and organizational culture to the company’s downfall. The study has outlined 6 unethical behaviors of individuals leading to the company’s demise.

Chovwen & Ivensor (2009) have examined the motivation level and feeling of job insecurity among female employees of eight Nigerian banks which were involved in M&A deals. Based on the response of 283 female employees of both the merged and acquired banks, the study revealed that organizational justice and job characteristics significantly influence the employees’ perception about motivation and feeling of job insecurity.

Choi & Brommels (2009) have analysed the logics behind pre-merger decisions of Karolinska University Hospital by analyzing key documents relating to the period of 2004-06 and interview of 35 key persons. Applying neo institutional theory for interpretation, the study has identified some critical factors behind the logic of M&A decisions making.

Wickramasinghe & Karunaratne (2009) have investigated perception of bank employees towards people management in the event of extension and collaborative merger deals. Based on survey of 109 employees, the study has found that perception of employees is influenced by type of mergers and their age. The employees are not satisfied with collaborative mergers.

Bhal, Bhaskar & Ratnam (2009) have assessed reaction of 225 managers towards M&A deals, focusing on behavioral, cognitive and affective reactions. Results of the study reveal that an effective reaction facilitates the relationship between behavioral and cognitive reactions.

Wang & Han (2008) have analysed the reasons behind failure of M&A deals in China. The study has identified alienation of local government as the chief cause for such failures.

Galpin (2008) has itemized the do’s and don’ts for companies engaging in M&A deals.

Syrja’la¨ & Takala (2008) have observed the ethical aspects involved in Electro-business merger deals by analyzing the opinion of 35 employees during the initial stage, four years following the initial stage and one year prior to the final stage of the deal. The study
reveals that there is a change in the moral attitude of employees during the process of mergers.

Kipp & Leiding (2008) have investigated 80 medical practitioners in Germany to analyze the impact of M&A on their level of job satisfaction. The study has exposed significant changes in the practice of prescription and image perception of doctors during the M&A process. The study has also briefed upon the consequences of M&A deals on day to day life of practitioners.

Vasilaki & O’Regan (2008) have addressed the relationship between the top management team effectiveness and organizational performance during the post-acquisition period. The study concludes that post-acquisition performance has been influenced by the effectiveness of top management team.

Salama, Holland & Vinten (2008) have analysed the opportunities and challenges involved in M&A process and the factors which guides the success of cross-border acquisition deals. The study discusses international case studies of Deutsche Bank-Bankers Trust, BP-Amoco and Ford-Volvo. Based on semi-structured interviews conducted with the top executives of these organizations, the study has demonstrated that successful cooperation of the firms result from the process of learning.

Klendauer & Deller (2008) have examined the relationship between justice dimensions and commitments by surveying 128 German middle and senior level managers after one year following domestic merger deals. The study reveals strong correlation between dimensions and commitments while evaluation and trust acts as mediator variables.

Konstantopoulos, Sakas & Triantafyllopolos (2008) have studied the role of HR and its influence in negotiations & implementations of M&A in Greek banking. The study has considered one company engaged in M&A negotiations in public and private sector. The study has revealed that change fear, stress, job insecurities and morale loss are significant factors.

Williams, Michael & Waller (2008) have reviewed and classified research into activities of mergers, managerial incentives and performance. The study has identified that size and performance are associated with the managerial compensation while pay and performance have strong association.
Phillips, Runnicles & Schwartz (2007) have studied the differences in customs and practices, including legal consideration, related to M&A deals prevalent among UK and US firms. The study reveals that there is an increase in Trans-Atlantic M&A transactions.

Wood & Wrigley (2007) have examined the effects of mergers on competitive state of 2 large US departmental stores by conducting semi-structured interviews with executives of the departmental stores. The study outlines that the merger deal has raised anti-trust issues.

Chatterjee (2007) considered the difficulties in the related business mergers by interviewing CEOs of companies which have struck successful merger deals. The study has suggested acquiring companies to go for repeated acquisition deals to gain success.

Nikandrou & Papalexandris (2007) have examined the factors which influence the course of action resorted to by the employees and managerial staff of acquired company by administering two different questionnaires. Based on data collected from 135 employees, the research has revealed that cost, attractiveness of the concern and effectiveness of the behavior affects the course of action of employees of acquired firms.

Antila & Kakkonen (2007) have analysed six different factors which determine the participation of HR managers in international M&A (IM&A) deals based on interview with 12 corporate managers. The study has revealed that top management always seeks the involvement of HR managers in the process of IM&A while the HR managers’ activity and capability contributes to their participation in IM&A.

Tanure & Gonzalez-Duarte (2007) have discussed the strategic role of HRM in the process of M&A by considering the case of ABN AMRO bank. The study has exposed the attitude of top management consisting of the president of the acquiring company, considering people in the company as key assets.

Hagendorff, Collins & Keasey (2007) have focused on bank acquisition deals and deregulations in USA, Italy and Germany. The study has highlighted the role of regulators relating to volume of bank M&A deals.

Trach & Everett (2006) have examined the practical implications of decisions related to brand management by concentrating on mass-market and luxury brand combinations. The study has tried to expand the brand theory by considering the integrated cases of Mercedes-Benz, Jaguar and Saab. The study has revealed that a perfect blend of mass-market and luxury brand in automobile industry engages the scale and scope of the economy.
Christensen (2006) has analyzed the effect of large company acquisition on creativity and innovativeness of smaller companies by surveying employees, functional managers and the employees of research section. The study has found that the driving force of smaller companies gets influenced by acquisition deals of larger companies.

Björkman & Söderberg (2006) have interviewed 60 executives of HR and top level management in Nordea to explore the process of M&A deals behind the creation of corporation. Further, the research endeavors to explore the role of HR managers during the post-merger phase and the important issues influencing such roles. The research has exposed the important problems relating to managing and organizing HR issues.

Lodorfos & Boateng (2006) have analyzed the role of culture in the process of M&A. Based on 32 interviews conducted with senior level managers of companies who were involved in M&A deals in the European countries of UK, Switzerland, Netherlands, Germany, France, Belgium, Sweden and Spain, the research suggests that cultural difference plays a key role in influencing effectiveness of merger deals. The research has also suggested four different approaches to deal with cultural differences.

Homburg & Bucerius (2006) have argued about the success of M&A deals in connection with speed of integration. The study presents that speed results in both success and failure of M&A deals which are determined by the relatedness between the participant firms. Based on survey of 232 horizontal mergers, the study has revealed that higher the internal relatedness, the speed of integration gives success.

Bijlsma-Frankema (2004) has explored the factors which influence the success and failure of acquisition deals by analyzing performance during the post-acquisition period. The study has interviewed 9 managers of Dutch MNCs and their clear insight about the management of human resource factors during the process of acquisition.

Lazardis (2003) has analyzed the impact of M&A in the banking sector of Greece by conducting a survey on bank executives. The study has revealed that M&A deals have led to the creation of bigger banks in Greece. Further, the banks which have engaged in M&A deals prefer to retain their original names.

Park (2003) has interviewed 11 CEOs of companies which have struck large merger deals during 1993-2000. The study has unveiled 3 motives of mergers as management structure, strategic direction and cultural aspects.
Schraeder & Self (2003) have studied the various determinants of successful M&A deals and have found that organizational culture is the key factor determining the success of M&A deals.

Nguyen & Kleiner (2003) have examined the negative impact of organizational factors, arrived at on the basis of existing literature, cases and empirical findings, on M&A deals. The study reveals that success of integration depends on leadership style, staff involvement, customer focus and communication with the workforce.

Bryson (2002) has reviewed existing literatures related to risk associated with human resource management during mergers. The study has revealed that maintenance of workforce stability is an important human resource management risk factor.

Granlund (2002) has conducted a longitudinal case study on the problems of management control during M&A deals by analyzing the post-acquisition process of two companies which are equal in size but different in culture and management accounting system. The study unearths changes in management accounting system during the post-acquisition phase.

Appelbaum & Gandell (2002) have suggested organizations ways to reverse the negative effects. This study has evolved an effective HR model for the successful and proper implementation of M&A deals on the basis of a case study of newly merged organization in the health care industry.

Thach & Nyman (2001) have discussed the role of leaders during the announcement of M&A deals. The study has identified 6 categories of skills to be followed by the leaders during the execution of M&A deals.

Couturler & Kumbat (2000) have concentrated on the merger case of Tampa Electric and Peoples Gas System by giving an insight into developments in costing methodology for the combined entity.

Urban & Pratt (2000) have studied the correlation between consumer perception about service quality and banks which were involved in merger deals. Based on telephonic survey of 801 consumers, the study finds a significant link between consumer perception about service quality and banks engaged in merger deals. Further, the study has revealed that such perception differ based on demographic characteristics of the consumers.
Deusen & Mueller (1999) have studied the relationship between exploration, exploitation and acquisition performance of companies in the hospitality industry. The study has exposed that pervasive performance and turnover affects exploration and exploitation.

Sisaye (1998) has analysed the influence of contingency model on acquisition effectiveness strategies. This study has discussed both the decision making models of rational and political model. Based on a careful analysis of the International Telephone and Telegraph Company (ITT) case, the study has revealed that senior level managers uses rational decision model for absorption while political model is used for diversification.

Rigsby, Siegel & Spiceland (1998) have examined the case of two accounting firms to reveal the mentoring role during organizational change. Based on interview with both lower level and higher level managerial staff, it was found that the two firms use the system of formal mentoring.

Lowe (1998) has analysed the bank relationship remodeling in post-merger phase. Based on interview with 12 board members and employees of the banks which were involved in merger deals very recently, the study has revealed that banks redesign their model in the post-merger phase.

Taylor & Kleiner (1998) have discussed about legal consolidations effected in the health care industry by considering the cases of SmithKline Beckman – Beecham plc, FHP Health Care – TakeCare Health Plans and PacifiCare’s – FHP Healthcare. The study has revealed that M&A deals will result in loss of jobs as the health care industry follow two strategies to reduce their man power requirements.

Risberg (1997) has developed an effective framework for effective communication in the process of acquisitions, cultural differences and ambiguities. This will give a better insight into the unfulfilled causes of international M&A deals, thus living up to the expectations of management.

Marks (1997) has examined the influence of human, cultural and organizational dynamics on post-merger scenario. The study has described the effective consultation approach. This literature also described various methods which are required to reduce stress level of employees, crisis in the management and cultural clash.

Trautwein (1990) has discussed seven theories related to merger motives namely Efficiency theory, Monopoly theory, Raider theory, Valuation theory, Empire-building
theory, Process theory and Disturbance theory. The study have grouped these theories into three groups, the first group comprising of valuation, empire-building and process while the second group encompassing efficiency and monopoly while the final group encompasses raider and disturbance theories.

2.4 Research Gap

It can be inferred from the above discussion that authors in the past have accorded more importance to corporate actions. Corporate actions were announced by corporate entities to bring about materialistic changes in their business. As a result, research studies have largely concentrated on whether such corporate actions have succeeded in effecting materialistic changes in company’s financial performance and the stake holders of that company.

Existing literature in India and abroad have measured the impact of M&A deals on shareholders wealth and corporate performance. However, such studies have covered only deals of specific industry struck during a particular time period. However, studies concentrating on assessing the impact of merger deals on shareholders wealth and corporate performance in an industry-wise manner are not available.

A very few authors have studied the determinants of shareholders wealth during M&A deals. Many studies have been conducted on assessing the perception of executives, senior level employees, top management team, etc. about different corporate actions such as dividend, buy back, etc. However, studies pertaining to assessment of perception of investors on mergers are not available. Similarly, very few studies have concentrated on assessing the motives of M&A deals.

The proposed study shall concentrate on assessing the industry-wise impact of merger deals on shareholders wealth and corporate performance. In addition, it shall also throw light on the determinants of shareholders wealth during merger announcements. Furthermore, the study will explore the perception of equity investors about merger-based investments and major motives behind negotiating merger deals.