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Studies on Mergers and Acquisitions: A Review

Dr. K. Kaur
Assistant Professor
Centre for Distance and Online Education, Kurukshetra University, Kurukshetra
Email: kkaur@kuk.ac.in

Abstract
Merger and acquisition (M&A) activities are an integral part of industrial sector worldwide. M&A transactions being a very popular corporate strategy, attract widespread attention of industrialists, managers, shareholders, academicians, governments, policymakers, and many other stakeholders related directly or indirectly to the business sector. With large number of changes occurring in the global corporate scene and increasing number of M&A transactions involving huge financial deals, M&A have been an important field of interest. M&A activities being as old as the industrial organizations, many research studies have been undertaken to analyze the motives behind these activities involving trusts, combinations, amalgamations, consolidations, conglomerates, and merger, acquisition and takeover deals etc. The present study attempts to review various research works conducted to analyze variety of reasons for M&A activities in last two decades.

Keywords: Mergers, Acquisitions, Growth of firm, Profitability, Size of firm

Introduction

All over the world, firms adopt merger and acquisition (M&As) strategy to strengthen their businesses. In a span of prolonged uncertainties, M&As have been considered as a favorite option for the companies to harness the multiple benefits of M&As as evident in previous scholarly research articles (Cristerna and Ventresca, 2020). M&As have been adopted as the fastest and the most effective mode to expand the businesses in new market by firms since the great merger in U.S. from 1895 to 1905. According to 2021 Global M&A Outlook, despite the uncertainties in the markets across the globe, year 2021 reported 28% hike in the volume of M&A across the globe than the previously recorded highest M&A volume in year 2007. The M&A activity at global level broke the previous records both in terms of volume as well as value. It has also been observed that in last few years there is considerable increase in number of projects at global level associated with M&A deals that are funded by private equity. The world market has identified M&As into three types; firstly, vertical integration referring to merger of two companies in different supply chain; secondly horizontal integration that refers to coupling of two similar firms from the same industrial sector and the third is diversification which refers to coming together of two companies from different industrial sectors (Morrison and Floyd, 2000). M&As are the predominant activities which facilitate the process of globalization due to their far-reaching effects not only on the firms involved but also on people belonging to variety of professions such as banking, non-banking, investment firms, capital markets, governments etc., hence affecting the society at large. Therefore, M&As has always been a key point of attention by researchers around the globe.

The concept of M&As dates to 1700's when Adam Smith could visualize the idea of coming together of companies for mutual benefits. He had then quoted Seldom do businessmen (companies) of the same trade get together but that it results in some detriment to the general public. Even though the prediction was made some 300 years ago but the initial studies in this field started around 1921 by Dewing, but post the great merger wave in 1980s, the research in M&As has taken many routes and paths. It has been observed that research in this topic was dominated by finance scholars in the initial times but after the publication of a book by Haspeslagh and Jemison in 1991, studies on M&As started covering four different perspectives of management viz. financial, organizational behavior, management, and process perspective (Larsson&Finkelstein, 1999; Birkinshaw *et al.*, 2000; Bauer & Matzler, 2014, Zhuozhu *et al.* 2021). Later research investigating the causes behind the successful or failed M&A transactions started to gain momentum as it was found that M&As often goes unexpected in terms of its impacts (Cartwright, 2006; Capasso & Meglio, 2005; Homburg & Bucerius, 2006 ; King *et al.* 2004). For this, many authors adapted to studies undertaking accounting measures and managerial surveys (Oler *et al.* 2008 ; Zollo & Meier, 2008). Apart from this, many researchers have studied to analyze economic effects of M&A transactions of firms worldwide focusing on different aspects like the reasons behind M&As, the consequent effects on shareholders' wealth, growth and profitability of the firms, market share, productivity, firm level employment etc., role of M&As in allocation and redistribution, assessment of corporate financial performance following M&As and comparison of financial performance of companies before and after the transaction involving corporate restructuring through mergers.

The present paper constitutes the review of research work already undertaken to study goals and consequences of M&A process on the overall outcome of firms particularly emphasizing on the economic impact of these activities under the following sections: 1) Studies on the rationale behind Merger and Acquisitions; 2) Studies on overall economic consequences of M&As; 3) Studies showing economic impact of M&As with special emphasis on microeconomic factors such as pattern of growth, size of firms, their profitability, market share etc. The paper also highlights the gaps in the contemporary research and stresses on extended research on the consolidation and acquisition of firms especially the analysis related to microeconomic variables and to provide insights into M&A transactions in Indian context, thereby suggesting some valuable recommendations for the same.

Review of Literature

A variety of studies has been undertaken by classifying these studies showing rationale behind the M&A transactions, economic impact followed by the studies based on micro-economic analysis.

Studies on the rationale behind Merger and Acquisition activities

M&A activities have always attracted enormous attention among industrialists, managers, shareholders, academicians, governments, policymakers, and many other stakeholders directly or indirectly related to the business sector. With large number of changes occurring in the global corporate scene and increasing number of M&A deals involving huge funds, M&A transactions have been considered very important developments in the corporate sector. M&A being as old as the industrial organizations, many research studies have been undertaken to analyze the motives behind these activities as trusts, combinations, conglomerates, and merger, acquisition and takeover deals etc. The present study attempts to review various research works conducted to analyze variety of reasons for M&A activities in last two decades. It is believed that one of the significant determinants of successful or failed M&A transactions is the motive with which the firms have come together. Several studies have examined the significance of identifying the reasons to undergo amalgamations and acquisitions so as to assess the impact on different financial indicators during post-merger time-period (Kumar & Rajib, 2007; Tripathi & Lamba, 2014; Hassan *et al.*, 2018, Dua, 2023). Hence, there exist many research articles that have undertaken in-depth theoretical and empirical work to classify various motives behind M&As. In the same notion Seth, Song & Pettit (2000) have studied the causes of cross-border acquisition deals taking in consideration 100 firms' acquisitions in USA by foreign companies from 1981 to 1990 and found synergy as the major motive behind such takeovers showing positive total gains. It has been observed that the reasons and movements in M&A activities of various sectors of industries even in India during the post-liberalization period from 1990-1991 to 2000-2001 has majorly been synergy. Kar and Soni (2010) has taken in consideration 1386 companies that have merged during this period and found that apart from synergy being the motive; Indian firms prefer to expand through horizontal and vertical mergers to achieve growth and expansion, maintain a strong brand presence, achieving better quality manpower resources and to establish global identity and leadership in local as well as world market. Besides this, Indian firms had been seen to move from lack of competitiveness, disjointed structure before merger times to more consolidated, operationally viable business practices, and efficient units after the merger which in turn increases the competitiveness and efficacy leading to optimum utilization of assets due to synergistic gains (Ramakrishnan, 2008). Similarly, apart from operative synergy being the major motive, it has been often observed that subsidiary companies merge with their parent company for consolidation and to face the changed regulatory business environments (Rani *et al.* 2012). Even in markets outside India, it has been seen that for both bidding firm and non-bidding firms, synergy is the common motive with hubris behavior being the dominant motive in case of the later one (Akhtar, 2014). Even though some authors have denied synergy while determining the key factors behind mergers and acquisitions(Mueller and Sirower, 2003) but the famous hypotheses namely the synergy, hubris, market for corporate control theory and agency theory holds good in every case of M&As in one way or the other.

Apart from the abovementioned factors, several studies have highlighted different rationales of firms across the world to undergo M&As. The most general findings report enhanced operating performance due to increased productivity, improved asset-management due to M&A activity (Ghosh, 2004; Tripathi & Lamba, 2014); efficient capital-structure (Kumar & Rajib, 2007); creating net worth, greater market share, achievement of marketing targets and planned goals (Tripathi & Lamba, 2014); winning ownership and control of natural recourses by adopting cross-border consolidation and acquisition activities, finding more and more international markets for goods and services and diversifying new products with technological advancement to access more markets (Deng and Yang, 2015; Poddar, 2019; Chernenko *et al.*, 2021; Kooli & Lock, 2021; Liu *et al.*, 2022).

Hence, the most common motive to undertake the consolidation and amalgamation activities by the firms as reported in literature is to harness the resultant synergies. But in recent times, as more and more countries have adopted the economic reforms to gain fast growth, for achieving higher capital investments, to lessen the cost of capital, increasing market share, for advanced technological benefits, improvement in human resource availability and to create more avenues for accessing natural resources and raw materials etc., the volume and value of M&A transactions has been ever expanding reaching the new horizons.

Studies on overall economic impact of M&As

Mcdougal (1995) has suggested that studies concerning M&As are broadly based on two approaches, viz. the financial approach and the industrial approach. The latter one examined and evaluated the movements in share prices of firms involved in merger or acquisition transactions and compared them to a reference group of business entities. Stock markets seem to consider the merger and acquisition as positive when returns to shareholders are greater after merger & acquisition activity, whereas the industrial organization approach is more focused on examining the financial and economic variables with respect to performance of any firm before and after merger and acquisition activity of firms.

The present review is oriented majorly towards economic consequences of M&A activities on Indian firms; hence the industrial organization approach has been followed to review the available literature.

In this perspective, the research could be dated back to 1996 when Gallet estimated the extent of market power from a set of equations employing New Empirical Industrial Organization approach to identify interrelationship between merger of US steel industries and the market power. The results revealed an interesting pattern of mergers which pointed out to the fact that mergers from 1968-1971 couldn't affect the market power significantly the steel industry whereas the consolidations during the period 1978-1983 enhanced the market power. Later on, various studies were conducted to analyze the effects of M&A activities of business entities on their economic indicators in terms of growth, profitability and size (Gupta & Ruhani, Pazarskis *et al.*, Kumar, Mishra & Chandra in 1999, 2006, 2009 and 2010 respectively); on their solvency (Ooghe *et al.*, and Ismail in 2005 & 2011 respectively); risk taking capability, liquidity indicators, and leverage (Appelbaum *et al.*, Pawaskar, Camerlynck *et al.*, Khurana and Warne during 2000, 2001, 2005 & 2014 respectively). The abovementioned research works did not find dominant effects that could be rated as significant and be generalized. In a study by Gupta & Ruhani, (1999) examined the acquiring firms in Malaysia from 1980 to 1993 and found positive effect on firms' size during post-acquisition time period whereas the transferee firms showed fall in profitability. On the other hand, Pawaskar (2001) analysed the Indian acquiring firms undergoing amalgamations from 1992 to 1995 and noted the opposite results i.e. positive effect on transferor firms and negative performance of transferee firms. A study on 143 acquiring firms in Belgium during 1992-1994, Camerlynck *et al.*, (2005) found increased growth of transferee firms whereas the transferor firms suffered declined adjusted liquidities, thereby increased leverage. Besides an increased average profitability during post-acquisition period, Ooghe *et al.* (2005) in their study reported decreased solvencies and liquidity of 143 acquiring firms during 1992-1994. The evaluation of 15 Greek amalgamations during year 1998 to 2002, Pazarskis *et al.* (2006) found decreased profitability during post-acquisitions years. Ismail *et al.*(2011) analyzed the operating performance of M&A activities of companies under study between 1996 to 2003 in Egypt. The outcome of the study depicts that out of many parameters of corporate performance, profitability showed significance in post M&As whereas liquidity, solvency and cash flow position were found to be statistically insignificant in long run whereas Leepsa & Mishra in 2012 analyzed amalgamation effects on 115 firms belonging to Indian service industry (except for banking and finance) and reported an overall improvement in the profitability and liquidity indicators of the firms. On a similar note, Khurana and Warne (2014) framed a study to investigate the economic consequences of cross-border M&A transactions taking the sample of 5 Tata group firms also depicted mixed impact with a positive effect on profitability and liquidity variables of Tata Communications Ltd. and Tata Power Company Ltd. but Tata Motors Ltd., Tata Steel Ltd. and Tata Chemicals Ltd. suffered a decrease in earnings after acquisition period. On other hand, Kumar (2009) on analyzing thirty companies that acquired other Indian business entities during 1999-2002 found no improvement in profitability, asset turnover and solvency as compared to pre- merger situation while Kaur (2002) found decline in profitability three years after amalgamation of 20 acquiring companies during 1997 and 2000. In many cases, it has been observed that greater profitability is experienced by firms with any one of the characteristics namely - bigger size, higher sales' promotion, larger market share at global level, dominating share of imported goods in their trade as compared to those firms whose have products with high demand or they are dominant firms in domestic market and thus M&A activities have no significant effect on profitability in the long run (Mishra & Chandra, 2010).

Apart from this, employee stress, corporate culture, change and managing strategies are other factors that are affected by M&As activities which could be improved by effective communication (Appelbaum *et al.* 2000). Many authors have analyzed amalgamations' effects on financial ratios of the firms. In this notion, Tambi (2005) studied 40 Indian companies selected from CMIE's PROWESS with respect to Profit before interest, taxes, depreciation and amortization (PBITDA), Profit After Tax (PAT) and return-on-capital-employed (ROCE) after the amalgamation time period and found these events to be a failure in contributing positively towards performance improvement during the period under study. Furthermore, on examination of risk-adjusted profitability of merger arbitrage in 193 M&As bids from Australia from January 1991 to April 2000 by Maheswaran & Yeoh (2005) depicted generation of statistically as well as economically significant returns before transaction costs from merger arbitrage. On similar grounds, Kar & Soni in 2010 evaluated the effect of M&A activity during post-reforms period from 1990-1991 to 2000-2001on performance of Indian corporate enterprises and reported no significant effect on RONW till 1999 which led to growth and attainment of better market share by increasing the turnover, PAT and book value of firms under study throughout the entire period after amalgamations. Interestingly after 1999 there was no significant change of M&As in these variables but the return on net worth was unaffected by M&As. On same note, no important change in the financial ratios was observed after the mergers by Ansari & Mustafa (2018) while analyzing the post-acquisition effects of consolidation activities of 6 Indian companies involved in M&As during 2012-17. Besides, the M&As have depicted higher abnormal returns created by diversifying acquisitions in comparison to those with focused acquisitions as found by Selcuk and Kiymaz, 2013 while investigating the acquisitions by Turkish enterprises during the period of 2000 to 2011.

Furthermore, many authors have also evaluated the impact of operating performances as a reason of M&As activities like evaluation of 54 domestic and cross-border amalgamations occurring from 2000-2007 on company performances by Saboo *et al.* (2009) showed an improvement of operating performance of transferor company for domestic mergers whereas no such improvement was seen with cross-border M&As activities. Liu *et al.* (2008) has also made an attempt to evaluate the operating performance of 60 companies between 1999-2000 and reported no increase in company's overall performance but betterment of internal growth lead to improvement in company's operating performance after M&As while Mantravadi & Reddy (2008) reported no major variation in terms of impact of M&AS activities on operating performance of firms registered on Indian stock exchanges undergoing amalgamations during 1991-2003.

Many authors have taken into consideration the M&As activity taking place in airline industries. In this reference, Ahmed &Mahfooz (2009) conducted a case study to analyze the M&As activity between Jet Airways and Kingfisher Airlines and found that the merger helped in elimination of competition by working on common grounds which ultimately reduces air fares and help in meeting up the losses faced by both the companies through code share agreements while Daddikar and Shaikh (2014) conducted a study for comparative analysis of Jet Airways before and after amalgamations in terms of financial performance and found no rise in their net profit margin, return on equity & interest coverage after amalgamations.

Other than this, authors have also reported underperformance in acquisitions involving cash both in short as well as in long time period (Yang *et al.* 2019) and have mentioned factors like target and bidder characteristics, liquidity of acquired firm; research and development expenditure; product market competition; share of acquisition; voluntary disclosure; market price & valuation; common & shared auditor between transferee & transferor firms; and auditor's size (Faff *et al.* 2019). Thus, from this section of the literature it can be concluded that the effect of M&A activities is dependent on variety of factors and their economic and financial impact also vary as per the pre-merger status of the companies under union.

Studies on the effect of M&As on microeconomic factors

Some researchers in past have made efforts to analyze the impact of M&As taking into factors micro-economic variables. As microeconomics has always been used for giving a vivid picture about the forces that affects various aspects of firms, thus examining the micro-economic factors with respect to M&As is an important aspect of research in this area. In this context, Ijiri & Simon (1974) empirically analyzed the firm-size distribution making comparison among big US firms experiencing M&A activities during 1956-1957 based on the measure of market concentration. He found no significant effects of the merger events in terms of slope of Pareto curve β thereby implying that Gibrat's law applies to all firms under study. Similarly, Muller (1976) analyzed the effect of mergers and acquisitions on market power in 11 West German industries that underwent M&As during 1958-71. On comparing minimal vs. actual concentration ratios, the authors found the level of concentration was quite high and did not decreased due to M&As. The authors also reported that external growth through mergers is closely related to changes in industrial concentration. This was also proved by Kandžija *et al.* (2014) that concentration ratio and company's performance after M&AS are both related after performing an empirical research taking in account 598 companies undergoing M&AS during 1998-2006. This fact was also validated by Zhang *et al.* (2009) who have reported an increase in concentration due to increase in multimarket contact after the M&AS process of two major Chinese airlines during the period 2002–2004. Thus, M&As are seen to be the biggest role player in terms of variance of the growth as well as concentration of firms. On studying populations of manufacturing companies, operating from the UK, Hannah & Kay (1977) found that the mergers affect the growth of firms strongly and also reported that faster growth might be possible for smaller firms in the absence of mergers. They also reported that absence of mergers might have led to lesser dispersion in growth rates due to high possibility of diversification by large entities, therefore likelihood of an acquisition in terms of size would be dependent on current size of acquiring firm. Cefis *et al.* 2008 has mentioned upwards expansion of firm size distribution due to M&As in which it became concentrated around mean with smaller skewness towards righthand side and scattered at the ends on whole. On analyzing the firm size distribution of 62,662 Holland's manufacturing firms from 1993-1999, the study found external growth of firms to be the major reason behind change in the size distribution. Besides, Burghardt *et al.* (2015) used Federal Business Census to analyze 5,389 business entities in Switzerland that were acquired in last 4 years till 2001 and found the amalgamated size of the newly acquired entities to be negatively related to their growth and concluded that internal growth of these entities' manpower was largely determined by relative size of the transaction. Lera & Sornette (2017) have provided a holistic and flexible approach towards distribution of firm-size due to amalgamations by analyzing their effect on the firm-size distribution using equations involving integrals and derivatives of variables providing an analytical and numerical view on the fact that amalgamations significantly affect the firm size distribution in long run. Similarly, other authors like Zhang *et al.*(2018) reported that growth, size and age of firms have a positive effect on firms' performance in the post M&As period whereas corporate governance, property rights, and solvency did not show any effect on firms' performance during post M&As period by analyzing the performance for 148 Chinese pharmaceutical firms involved in M&As from 2008 to 2016. In a recent study for estimating the impact of M&As taking into consideration more than 800 transferor and transferee firms, Méndez-Ortega &Teruel, (2020) observed heterogeneity in the impact of M&As indicated by significant rise in growth of sales of acquiring firms whereas the acquired firms showed rise in their productivity growth and the highest effect of M&As occurred in upper percentile of conditional growth distribution.

Other than growth size and concentration, authors have used profitability as the ultimate measure for the success of M&As. Gugler *et al.*(2003) conducted a multi-national assessment of impact of mergers on profitability of firms with OLS method for analyzing M&As data sample of 14269 M&As deals of various nations during 1981 to 1998 denoting that 56.7% of all mergers resulted in increase in profitability whereas the rest of the mergers showed lowered profitability, such differences in profitability was caused due to variation in market power. Similarly, Singh and Mogla (2008) has reported a significant decline in the profitability after the mergers 153 companies of Indian origin merged during the years of 1994 and 2002. Profitability posts M&As is not solely dependent on the M&As process but is also type of industries that are merged. In this regard, Conyon *et al.* (1999) conducted an organized empirical investigation to find the effects of M&A activities on profitability of various firms of UK. They constructed a database from 1979-1991 and evaluated that firms belonging to same industry showed greater rise in profitability and increased the wages of their workers as compared to firms involved in unrelated acquisitions. In Indian context, the introduction of New Economic Policy 1991 and the prominent amendments made to the Indian Patent Act (1970) in subsequent years led to increase in M&As activity during this period. On analyzing a group of 52 listed drug and pharmaceutical firms which had underwent M&As activity under the influence this policy during the period from 2005 to 2010 showed that even in India the impact on profitability due to M&As is accompanied by various other factors like marketing strategies, size and export & import intensities but negatively on their market share and demand for their products (Ghatak *et al.* 2012). Višić 2013 has also reported that it is possible to get significantly different impacts of M&As on profitability, using same sample and same period under study due to influence of segmentation of the companies on industrial classification basis and nationality of acquiring and acquired firms. Furthermore, to numerically validate the impact of M&As on profitability; Poornima & Subhashini in 2013 analysed 33 amalgamated Indian firms using paired sample t-test by taking into consideration their profitability, leverage, liquidity, and managerial efficiency ratios to empirically examine and make a comparison of performance of firms before and after the amalgamations. They did not find any noteworthy improvement in their profitability or any other financial ratio after the amalgamation. While studying a sample of 12 amalgamated firms of manufacturing industry during 2000-2009 in Pakistan, Ahmed & Ahmed (2014) analyzed three years before and after merger impact of M&A on factors like profitability, liquidity, efficiency performance, capital performance using paired sample test statistics and found the liquidity, profitability and capital position significantly improved in post-merger period in case of M&As in cement, electronics, motor vehicles and Sugar industries had but in case of textile industry M&As led to decline in profitability. Thus, it could be noted that M&As has impact on profitability but it is dependent on various other factors as well.

The above stated fact may be one of the reasons for the disparity of the impact of M&As on profitability. Some researchers have reported insignificant impact of M&As on profitability while others have mentioned positive impacts. Some of the such prominent studies are discussed here. Duggal (2015) conducted a study depicting the effect of M&As on operating and financial indicators of pharma companies listed on BSE for the period 2000-2006 by analyzing profitability at various periods post M&As which depicted an interesting trend of improved profitability up-to 1 year of M&As but the improvement could not sustain longer than one year which is indicative of the fact that the benefits accrued due to the consolidation did not prevail for long term. Pervan *et al.* 2015 analyzed the influence of M&A activity on 116 companies that were acquired between 2008 and 2011 in European area i.e. Croatia and did not find any statistically significant differences in profitability of firms before and after mergers while Al-Hroot, 2016 examined various economic variables during post-amalgamation years for 7 firms of Jordanian industrial companies undergoing M&As from 2000 to 2014 also found an insignificant improvement of post-merger profitability, liquidity and market prospect performance for these industries. On similar note, Sharma, 2016 also studied the effect of mergers on profitability, leverage & liquidity for nine BSE listed companies of metal industry that underwent M&As during the year 2009-10 analyzing post-amalgamation changes and found insignificant improvement of liquidity and leverage but RONW and ROA declined significantly and thus profitability showed decline too. Dhanalakshmi, (2017) has also reported no significant effect of M&As on various profitability ratios taking into consideration eight BSE-listed pharma firms engaged in M&A activities post great recession of 2007. Similar non-significant change in profitability ratios due M&As was also seen in the case of an empirical study conducted by Rashid & Naeem, (2017) taking into consideration 25 companies of Pakistan merged during 1995 to 2012. But in some cases, authors have reported a positive change due to M&As on the financial performance of acquirer firms. For instance, Gupta & Banerjee, 2017 reported such positive change in seven different Indian origin industries that had undergone M&As during 2006-2012. Similarly, Aggrawal & Garg (2019) also found positive impact of M&As on analyzing 68 amalgamations from time-period 2007-08 to 2011-12. The study also indicated that service sector firms have performed better than manufacturing firms.

Gaps in the literature

The above discussed research work indicates the shortcomings or gaps in the academic literature of M&As research with special emphasis on micro-economic factors**.** It is vivid from the literature review that despite the immense interest in this field since 1980s, there is a lack of consensus on the impact of M&As. A number of studies have analyzed and quantified the costs and beneficial effects of M&As considering many indicators (financial, economic etc.) but the conclusions so diversified that it is not possible to derive an unambiguous and clear-cut opinion. A lack of diversity in research in this stream for developing countries as compared markets of developed countries was also observed in the literature review. More precisely, the literature in these following subheadings in terms of the markets of underdeveloped countries seems silent and scattered and thus lacks specificity:

i. Research on the role of corporate innovation, culture aspects, and role of governance mechanisms on M&As.
ii. Research on growth of M&As connectedness with institutional and governmental arrangements, and domestic factors of countries has almost been untouched specifically for Asian markets.
iii. Research on impact of M&As on various microeconomics factors is also scarce.
iv. Research to investigate the motivations behind cross-border M&A transactions especially in the market of developing countries is still not robust enough to draw a concrete conclusion.

Another gap that could be identified from the literature is that research on impact of M&As for financial institutions is ample due to easy availability of data sets for analysis but research on M&As in non-financial organizations is very less. In the same notion on literature, comparative analysis of M&As activities for various industries in different sectors is also not prominent. Yet another important drawback that could be identified from the existing literature on M&As activity for non-financial organizations is that impact of M&As on macro-economic factors are prevalent but studies specifically dealing with micro-economic factors is scarce too. Besides the scarce literature in microeconomic factors, some attempts have been made to analyze the impact of M&As with reference to profitability but a very little effort has been made to understand the impact of M&As with reference to theory of firm including the factors such as growth, size, concentration etc. Furthermore, there is no such systematic theory to evaluate these effects using a single model. Lack of a sole theoretical model to investigate all the related issues could be the main reason which makes the analysis of M&A transactions difficult, thereby resulting in scarce research in this field.

Insights of M&As literature in Indian context & research recommendations

An analysis of the previous studies indicates that academic research with respect to Indian firms involved in M&A activity have studied various aspects like motivations for mergers, returns to stock holders on merger announcements, government policy and regulations, corporate governance, insider trading, foreign investments through acquisition route etc. but very few studies have analyzed the socio-economic impact of mergers or the effect of M&A activity on operating performance of firms. It has also been observed that the sample size taken for analyzing effect of amalgamations in Indian context is too small and is of short duration. Other than this, empirical testing of corporate performance after the merger for Indian companies & its comparison with the pre-merger times is very limited in Indian context. This opens up a new horizon of research in this field. Even though M&As has been one of the emerging topics which is gaining popularity in the current market but research work focusing on economic impacts of M&A activities, their kinds, period of these transactions, amalgamations in different industries, for different sizes of merging and merged firms has been paid least attention in Indian context.

Therefore, there is a huge scope of scholarly investigation on the topic of amalgamations with reference to Indian firms. The horizon of research in this field is not just limited to unidirectional approach but there is a need for multi-directional research with special emphasis to the changing market scenario. Given below are few recommendations in this regard:

- Evaluation regarding the effects of M&A on micro economic variables of a firm on a long-run basis and evaluation of the impact on society at large
- Research focused on competition policies in the country, government regulations, issues in corporate governance like effectiveness of SEBI's take-over code and its overall impact on M&As activities in the country
- Analysis of controlling foreign investments as the motive behind M&As of Indian companies by foreign corporate firms and its impact in the contribution of Foreign Direct Investments (FDI) in India
- Analytical research on rationale behind multiple mergers as observed in firms of developing countries like India in recent years

Conclusion

The present review is focused around curiosity to know the effect of amalgamations on various economic variables of a firm. The review first summarizes academic literature with research based on analyzing the motivations behind M&A activities. The second part of the literature gives an elaborative view towards literature on impact of M&As using the industrial organization approach as suggested by Mcdougal, 1995 which suggested that the effect of M&A transactions is dependent on many factors and their economic and financial impact is highly affected by the status before amalgamation, motive of M&As and transparency in the process between the firms. Furthermore, the third section of the literature review that focuses on the impact of M&As on various micro-economic factors giving special emphasis to growth, size, profitability, concentration etc. The paper has given an insight of research under this topic with respect to Indian firms and suggests recommendations for future research. The paper is a unique attempt to compile prominent studies in the field of M&As with special emphasis to the impact of M&A activities on micro economic factors of firms which is one of the least researched considerations under this topic.

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