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Systematic Review on Financial Performance of Mergers and Acquisitions in India

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Abstract

The Mergers and Acquisitions (M&A) wave was triggered post-liberalization in 1991. The liberalized policies included removal of industrial licensing as well as lifting of Monopolistic and Restrictive Trade Practice (MRTP) Act. The strategies embarked the advent of new emerging scenario where the combining businesses became a well-opted measure to fight the cut-throat competition through better governance in India. The purpose of this article is to review literature already published pertaining to post-merger financial performance of acquirers. The review revealed that the research is mostly focused on the deals which took place in developed nations where M&A came into vogue as early as late nineteenth century. Further, most of them were announcement-related. The review brought out the gap in research undertaken in emerging nations. This article attempts to help the researchers to the understanding of the issues in M&A and recommends avenues for future research.

Key Words

Mergers, Acquisitions, Financial Performance, Review of Literature, Share Price Returns, Long-term Performance

Introduction

Business landscape is transformed through mergers and acquisitions and varied other business combinations such as mergers, consolidations and stock acquisitions. Substantial amount of research is done on mergers and acquisitions to understand the impact of such strategic decisions on the long-term profitability and shareholders' wealth. The M&A, which is as old as the latter part of the nineteenth century, was adopted as a strategic move for growth in the developed nations like USA and UK, and thus, varied amount of empirical research work was done in the context of these countries.

Merger indicates any kind of transaction that results in the formation of one entity from two or more units (Weston & Chung, 2000). India, as the fastest growing nation in the world, has witnessed substantial amount of deals post-liberalization in 1991 leading to global exposure (Basant, 2000). Systematic review (Petticrew & Roberts, 2006) of literature aims at understanding the precise nature of existing literature and explores avenues for future research. In order to advance any expanding discipline, a frequent re-examination of the current state of the research is required (Cooper, 2010). This article focuses on financial analysis of pre- and post-merger period. We address the following research question:

RQ: What kinds of areas are not covered in research on mergers and acquisitions in the emerging nations?

Our systematic review article has identified 124 publications addressing various issues on mergers and acquisitions. Among these, 94 publications have dealt with the major conceptual issues and methodological issues forming the basis of review in this article.

The conceptual issues are as follows:

1. Lack of new models to explore the financial research pertaining to M&A
2. Governance concept of M&A

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The methodological issues are as follows:

1. The dominance of quantitative approach with the same approach of exploring financials
2. The focus on single industries
3. The focus on developed nations

This systematic review contributes to the 'financial analysis of the deals' literature in the following ways:

1. It provides a systematic overview of the past research, widely opted research methods and perspectives in field of M&A.
2. This article identifies major research gaps and limitations in the current research to be taken forward in the future studies.

These issues are addressed with following approaches:

1. First approach is to use share price data to determine gains and losses to shareholders of acquirer and target firms in M&A deals.
2. The second approach is to use the accounting data to analyse long-run operating and financial performance of acquirers in a merger and acquisition transaction.

The studies falling under these approaches can be broadly classified into:

1. Announcement period studies
2. Studies on long-term performance of acquirers focusing on operating performance
3. Studies on long-term share price performance

The literature review is structured as follows:

1. First part includes the introduction of the research methodology and brief of search protocol.
2. Second part presents the overview of the selected publications.
3. Final part provides conclusion and states the avenues for future research.

Methodology

It is argued that a systematic review provides the most reliable, efficient and high-quality method for assessing extensive bases of literature (Denyer & Tranfield, 2006). This review is an attempt to provide an extensive base of literature in M&A area contrary to the subjective traditional approach for review of literature which failed to provide reliable base of knowledge (Tranfield, Denyer & Smart, 2003).

Scope of the Research

With the intention to give a wholesome perspective on M&A, the study illustrates the work on strategic intent, combination typologies, due diligence, organizational fit and post-merger integration. Further, the review covers the financial perspectives analysing the effects of M&A on the performance of the targets and the acquirers.

Search Strategy

Research is conducted for published articles in Elsevier, Emerald, EBSCO and ProQuest databases on mergers and acquisitions in order to cover wide range of publications.

The keywords were set as follows: Mergers, Acquisitions, Takeovers, Post mergers, Mergers on Stock Returns, Operating performance, Event Study and Financial Performance.

Scholarly journals were selected as the type of preferred document with no time frame and publications' outlet restrictions. The first phase of the database search was limited to abstracts, keywords and title. The search was commenced in June 2013. In 124 full-text articles, 94 literatures are briefed in this review. Initial search results are displayed in Table 1. The inclusion and exclusion criteria for selecting articles is enlisted in Table 2.

The year-wise research articles selected for the study are enlisted in Figure 1. The filtered result with focus on financial perspective of M&A is given in Table 3. The excluded articles are given in Table 4.

The search process is illustrated in Figure 2**.**

Research Methods

A large number of studies have focused on the returns to the shareholders surrounding the announcement period of

Table 1. Search Details

Database	Scope	Date of Search	Number of Papers
Elsevier	Title, Keyword, Abstract	25.06.2013	90
Emerald	Keyword, Abstract	13.08.2013	189
EBSCO	Keyword, Abstract	22.08.2013	252
ProQuest	Keyword, Abstract	10.10.2013	210
Total			741

Source: Compiled by authors'.

Table 2. Inclusion and Exclusion Criteria

Inclusion	Exclusion
Focus on M&A	Books, conference proceedings
Journal articles	Reviews, commentaries, editorials
Contribution directly related to M&A	Opinion pieces, viewpoints
Full-text available	No abstract available
Focus on financial analysis with short- and long-term perspective	Non-English articles

Source: Compiled by authors'.

Table 3. Articles on M&A Dealing with Financial Perspective

Relevant Journal Publications (Topics)	No. of Papers/Articles
M&A and Announcement Period Returns	22
M&A and Long Term Share Price Returns	30
Studies on Operating Performance	32
Total	94

Source: Compiled by authors'.

Table 4. Papers Excluded

Miscellaneous Studies	No. of Papers/Articles
Merger efficiency issues: emphasizing on announcement studies and accounting related studies	12
Mergers & Acquisition: Reference to Innovation, R&D, etc.	16
Others:	
a. Acquisition Program; Alliance Partners	2
b. Cross Border M&A; Global issues	4
c. Determinants of M&A	4
d. Acquisition Premiums & Private equity	2
Total	40

Source: Compiled by authors'.

the event using *event study methodology* based on 'efficient market hypothesis'.

Upon the announcement of a merger, the market receives new information about the deal which is incorporated into stock prices and reflects shareholders' perception (Rieck, 2002).

Theoretical Perspectives

The Process Perspective

Process of the deal plays a crucial role to make an acquisition successful in the long run (Jemison & Sitkin, 1986b). Strategic or an organizational fit is a must to render a successful outcome (Haspeslagh & Jemison, 1991). The integration part of the process is too important for the deal to be successful (Haspeslagh & Jemison, 1987; Marks, 1982; Shrivastava, 1986). Jemison and Sitkin (1986a) suggested that it is the process of the deal which affects the acquisitions' outcome. According to Walter (1985), it takes around 3 to 5 years for the target company to adjust to the new scenario post-acquisition.

Merger and Acquisition Phases

Marks (1982) described M&A phases into three combinations—pre, legal and post. The same phases were described by Graves (1981) as the planning stage, the anxiety stage, the merger and finally, the evaluation stage.

Haspeslagh and Jemison (1991) illustrated four major phases—pre-combination stage comprised of idea and acquisition justification, while post-combination stage comprised of acquisition integration and results. The seven combination phases described by Buono and Bowditch (1989) are pre-combination, combination planning, announced combination, initial combination, formal combination, combination aftermath and psychological combination. Lohrum (1992) divides the integration process into five different phases to give deeper insights into the details of integration phase.

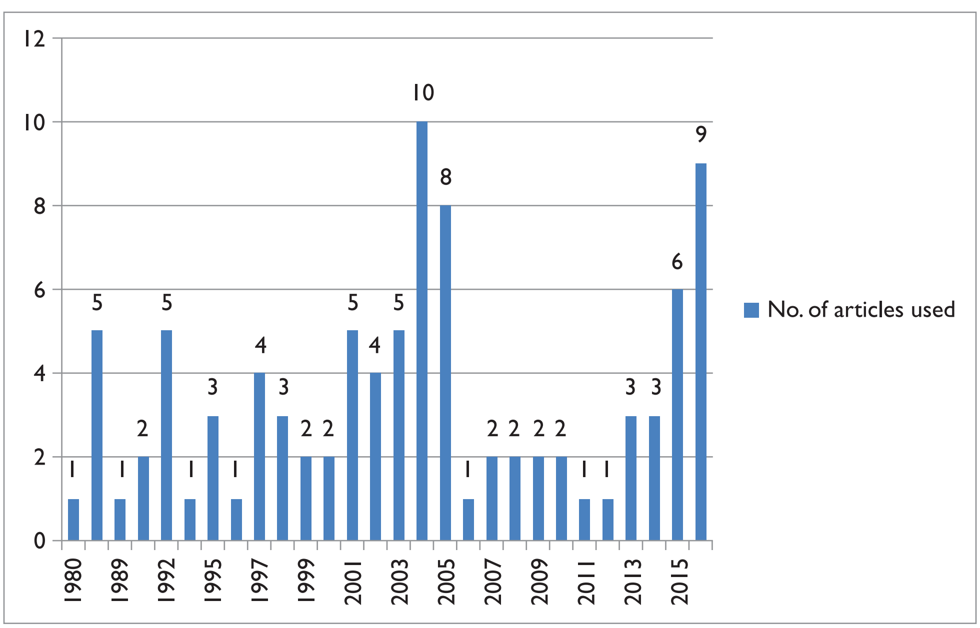

Figure 1. Number of Articles Used for Review (Y): Year-wise (X)

Source: Compiled by authors'.

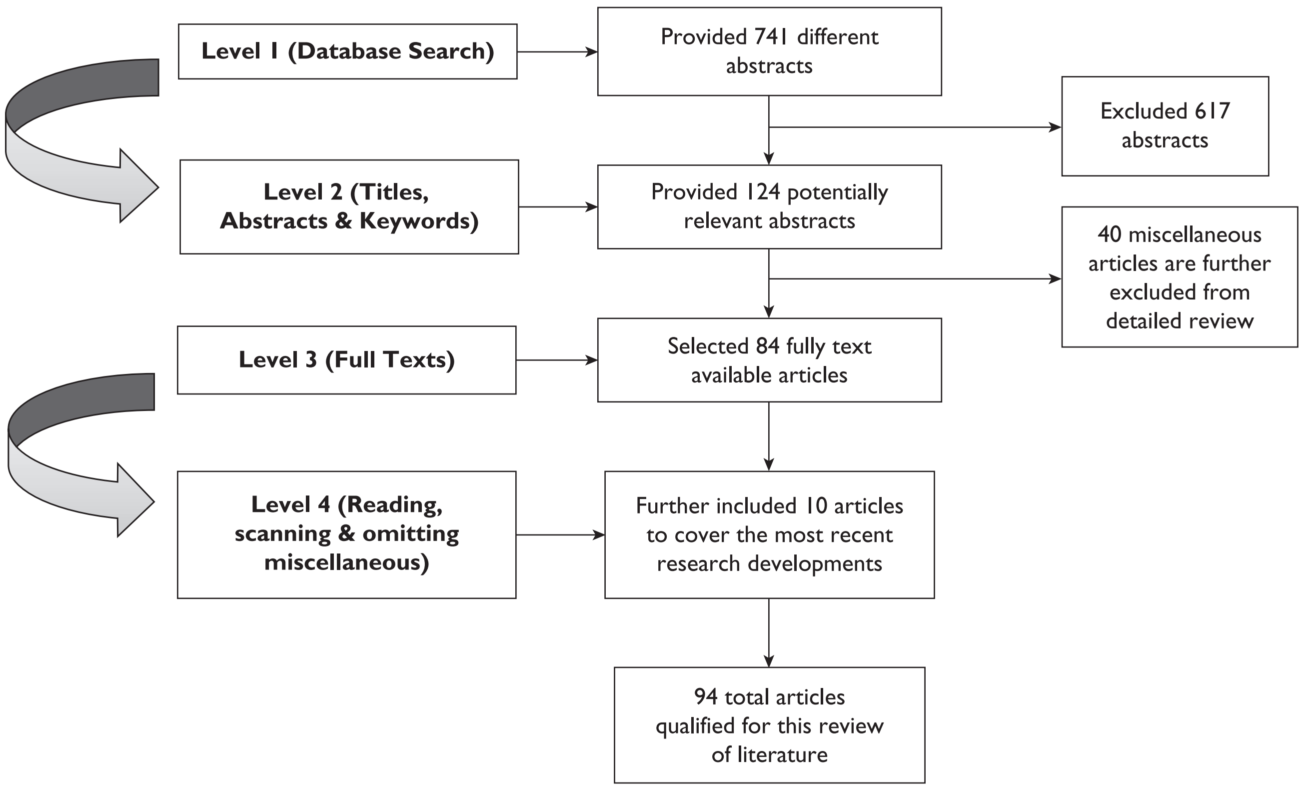

Figure 2. Summary of Systematic Review Process

Source: Compiled by authors'.

Combination Typologies

The literatures on combination typologies illustrate the selection of the partners understanding their strategic and organizational fit. Lubatkin (1983) studied the significance of past experience of the acquirer with acquisitions as this would contribute to make successful deals in future. Shelton (1988) supported the view that larger target firms assist in developing economies of scale.

Howell (1970) classified acquisition on the basis of growth strategies as financial, marketing and manufacturing. This is contrary to the other researchers (Salter & Weinhold, 1981) who differentiate with two basic types as related and unrelated. However, Martin (1992) stated that the strategic level of the process defines the homogeneity in the acquisition process.

Organizational Fit

The strategic and cultural fit of organizations plays a significant role in enhancing the shareholders' value (Chatterjee, Lubatkin, Schweiger, & Weber, 1992). Jemison and Sitkin (1986b) have suggested that the personnel characteristics of the combining firms immensely contribute towards the integration strategy.

Nahavandi and Malekzadeh (1988) have classified the acquisitions on anthropological concept of acculturation as implementation strategy (Sales & Mirvis, 1984) of acquirers. Berry (1980) has defined acculturation as the change of culture initiated by combining cultured organizations. The four identified modes of acculturation are integration, assimilation, separation and deculturation. Kleppestø (1993) suggested that an acquiring company would be too interested to buy the target and would also wish to keep itself unicultural with no compromise on its own culture, after the deal.

Integration Typologies

The objective of the integration process is to enhance synergies and magnify the existing capabilities (Datta, 1991). Schweiger and Weber (1989) observed that integration is a crucial process for synergies to be achieved else the unaddressed deal would destroy the value creation and may even lead to complete failure. The primary problem in the integration phase is to combine the firms into a single unit (Shrivastava, 1986).

Strategic Intent

Napier (1989) emphasized that motive of acquisition is a deciding factor for the integration process—extension, collaboration and redesign. 'Determinism' to adhere to the original justification without adjusting to the changed atmosphere for acquisition presents a big hurdle for successful integration process leading to value destruction (Haspeslagh & Jemison, 1991). It is pointed that the set plans and justifications are indeed important to implement the deal; however, flexibility is equally needed to address the changes successfully.

Description of Literature

M&A and Announcement Period Returns

According to Dodd (1980), shareholders of target firms earn large positive abnormal returns upon the announcement of the merger, while acquirers witness negative abnormal returns of 7.22 per cent and 5.50 per cent. Asquith, Bruner and Mullins (1983) observed that the shareholders of the bidding firms in USA (1975–1983) earn significantly during 21 days of the merger proposal. The returns to the bidders' shareholders are positively correlated to the relative size of the merging partners especially when the deal is financed with cash over equity.

Malatesta (1983) found an average increase of \$32.4 million (t=2.07) in the combined value of equity for the 30 observed deals after the month of announcement. Kiymaz (2004) studied the cross-border deals of 355 targets and 391 bidders of financial institutions in USA for the period 1989–1999 and concluded that the targets experienced 'significant' positive gains in wealth, while bidders experienced 'insignificant' wealth gains. Similarly, Datta, Pinches and Narayanan (1992) also observed insignificant gains with almost 20 per cent increase in value for the target firms after examining 75 bidders and 79 targets.

Contrary, Firth (1980) examined shareholder returns for the deals in UK and concluded that the acquiring firms gained in all aspects.

Davidson and Cheng (1997) used event study methodology to analyse abnormal returns and concluded that cash is not more valuable than equivalent amount of shares exchanged; rather, such transactions became more valuable as they received more funding from the bidders. Ocana, Pena and Robles (1997) used event study methodology to examine 71 targets and 32 bidders listed on Madrid Stock Exchange and stated that target firms observed significant abnormal returns. Similarly, Draper and Paudyal (1999) observed that the shareholders of the target companies benefit from the announcement of the bids for 581 firms. Cybo-Ottone and Murgia (2000) did the stock market valuations for the deals in European banking industry during 1988–1997 and observed that the combined performance of the bidder and the target was statistically significant and economically relevant. Cummins and Weiss (2004) used event study method in the European insurance industry during 1990–2002 and concluded that deals created small and insignificant cumulative abnormal returns for the acquirers (less than 1%).

Floreani and Silivia (2001) studied a sample of 56 deals between 1996 and 2000 in the insurance industry using event study window of (−2, +2), and the abnormal returns were noticed at 3.65 per cent for it was proved that the mergers in insurance companies enhance the value for the shareholders of the bidders. Penas and Unal (2001) concluded that acquirer and the target firms realize positively adjusted returns on maturity around the announcement of the deals. Komoto (2002) observed that there existed a positive divergence of 10 per cent at 40 days after the announcement of the deal.

Billett, King and Mauer (2004) validated that the target bond holders, for the deals observed between 1980s and 1990s, earned positively after the announcement. Da Silva Rosa, Limmack, Supriadi and Woodliff (2004) noted that the Australian takeovers for 155 bids earned significantly positive upon the announcement for the private companies with the cash offer bids and not for the public sector companies. Choi and Russell (2004) concluded that the performance of the firms indicated by equity markets was positive at an insignificant level with Cumulative Abnormal Returns (CAR). Lau, Proimos and Wright (2008) concluded that the Australian target firms earn greater than zero in a window of one and 11 days, while less for the bidder firms.

A different mode of study was opted by Ruud, Frederikslust, Wal and Westdijk (2005) who studied wealth creation and redistribution due to M&A on Dutch sample from 1954 to 1997 and noticed positive returns to 52 per cent acquirers and 82 per cent target companies upon the announcement of the deals. Ismail and Davidson (2005) found that the European market reacted more positively to the cross-border deals. Friesen (2005) used event study methodology to study the effect on shareholders' wealth upon the announcement of horizontal merger between Air France and KLM forming Europe's leading airline group. Shareholders of the target firm, KLM, experienced positive abnormal returns, while Air France, comparatively, earned little.

M&A and Long-term Share Price Returns

Malatesta (1983) measured the cumulative abnormal return over a period of time to find that the long-term wealth effect was negative for the acquirers and target companies but not significant. Schipper and Thompson (1983) concluded that the firms observed positive abnormal returns after 1 year of announcement using CAR and average standardized residuals (ASR). Gilbert and Lyn (1990) also tested the returns of the bidder firms on the stock returns of bidding firms during the announcement period and observed that the abnormal returns in the month of announcement were higher in friendly mergers as compared to hostile mergers with similar results in pre-announcement.

Agrawal, Jaffe and Mandelker (1992) examined long-term post-merger performance for an exhaustive sample of mergers between 1955 and 1987 from NYSE/AMEX and observed that shareholders earned significantly negative returns over long term.

Loderer and Martin (1992) concluded that the acquiring firms do not underperform in the first 5 years under the controlled portfolio with control of the effect of changes in risk-free rate and systematic risk. Parkinsons and Dobbins (1993) defended the hostile bid, which witnessed the improvement in the economic performance observed for 6 months to 24 months after the bid.

Sudarsanam (1995) analysed the effect of valuation of the large block acquisitions on the 228 listed target companies in UK for period between 1985 and 1992 and researched that partial acquisitions are more value enhancing. The study for the same sample was further extended by Sudarsanam, Holl and Salami (1996) to understand the wealth experience of the shareholders of target and acquirers in terms of synergy and agency factors wherein they controlled bid dynamics variable. Further, offers in cash lead to higher positive returns as studied by Loughran and Vijh (1997) with significant positive returns of 61.77 per cent. Gregory (1997) proved that the average normal return up to 2 years of the deal is ambiguous and significantly negative for equity financed deals. Barnes (1998) found that the bids across unrelated industry lead to 'no' wealth gains for the bidder stockholders.

Rau and Vermaelen (1998) and Slovin and Sushka (1998) explained that the acquirers loose value or underperform after 3 years of the deal, whereas in tender offers, the acquirers earn small returns but found it to be statistically significant with positive returns.

Powell (2001) examined whether abnormal gains can be earned by investing in the firms which can be potential takeover targets using binomial logit model on 471 targets for deals between 1986 and 1995 to witness the positive results. DeLong (2003) did cross-sectional analysis to analyse 54 bank mergers between the period 1991 and 1995 to identify the varied performance factors and understand the market reaction to the announcement of these deals and concluded that the markets react positively to the deals that focus on activities and geography. Similarly, Sudarsanam and Mahate (2003) analysed successful takeovers in UK using Price-Earnings Ratio (PER),, market-to-book value ratios and buy-and-hold abnormal returns (BHAR) and observed with varied benchmark models in the post-acquisition phase of 3 years. Markelevich (2004) used mean and median LTCARs to study the mergers of US public companies between 1981 and 1999 to understand the long-run performance of the firms based on their motives for the deal for 24 months before ,announcement indicating deteriorated performance. Wiggenhorn and Madura (2004) showed that acquisitions by new public firms elicit a positive and significant market response.

Dash (2004) concluded that on an average, the mergers result in the destruction of the value defying the fact that merger is a source to corporate salvation. The shareholders should not be investing for long terms in the firms which were active in M&A transactions (Corley, 2005) for examining 299 South African Johannesburg Stock Exchange (JSE) listed transactions for the period January 1989 and August 1998. Moeller, Schlingemann and Stultz (2005) researched about the performance of the US acquirers (1980–2001) and found that shareholders associated with the bidder firms lost $240 billion. Even the deals across the US banking industry did not lead to value creation for shareholders (Sharma, 2010).

Studies on Operating Performance

Ravenscraft and Scherer (1989) analysed 2,732 lines of business for more profits in the post-merger scenario and concluded that there was no improvement in the performance of the acquirers after the deal; in fact, there was negative profitability post-merger. Healy, Palepu and Ruback (1992) studied cash flows post-merger for 50 largest deals and observed that operating cash flow returns on the assets before tax increased by 2.8 per cent per year because of the increased productivity of assets after the merger. Cornett and Tehranian (1992) applied Healy et al. (1992) methodology and concluded that the industry-adjusted cash flow returns were −0.2 per cent before and 1 per cent after the merger.

Further, McGuckin, Nguyen and Reznek (1995) used regression analysis and method of productivity decomposition to understand the positive effects on food manufacturing firms of USA for the period 1977–1987. The contribution for decomposition was positive from the 'external component' (target firms) while negative for 'internal component' (acquirers). The targets which are acquired by foreign entities experience more capital investment, with no impact on short-term profitability (McDougall, 1995). For study on motives for Malaysian takeovers (Ali & Gupta, 1999), the acquirers achieved the larger size by compromising on the profits for both the acquirers and the targets. Tsung-Ming and Hoshino (2000) found the profitability of the Taiwanese acquirers did not improve after the merger displaying deteriorated value of profitability.

Cosh and Guest (2001) studied the hostile takeovers in UK between the period 1985 and 1996 using accounting study methodology and profit returns, relative to controlled firms matched with the industry and their size. The profitability and share price returns after the announcement were positive, but share price returns in the long run were significantly negative. The performance did not improve after the takeover for friendly deals (Pawaskar, 2001). In the type of acquisition and their financing mode (Sharma & Ho, 2002), efficiency of the management for returns on asset and equity (Komoto, 2002) did not have any effect on the performance; similarly, the premium payment left no effects.

Kaur (2002) analysed 20 acquirers between 1997 and 2000 using financial ratios for 3 years pre- and post-merger period with *t*-test and indicated that the profitability and efficiency of the targets declined insignificantly. The quality of earnings after the acquisition for agency-motivated deals was observed to be more closely associated with the future cash flows from operations (Barragato & Markelevich, 2003).

Kruse, Park, Park and Suzuki (2003) examined the cash flows for 5 years pre- and post-deal for the 56 Japanese mergers for their long-term operating performance between 1969 and 1997. Similarly, operating performance studies were taken by Rahman and Limmack (2004) for Malaysian acquisitions for 94 listed bidders and 115 target firms in the period 1998. Cash flows improved with enhanced productivity of the assets. Beena (2004) also observed improved performance after the merger as compared to pre-merger position using financial ratios and *t*-test.

Gerard and Michael (2005) observed operating and stock performance to conclude that the acquirers estimated sustainable growth and significant dividend payout ratio. The merger financed by equity leads to reduced profitability as compared to cash financing or some other financing arrangements among Australian mergers (Lau et al., 2008). Long-term profitability was also measured by Martynova, Oosting and Renneboog (2007) for the European takeovers and concluded that the performance exceeded the median of the industry, while the decrease in the profitability was experienced after the deal.

Pre- and post-merger analysis was done for Indian companies by Vanitha and Selvam (2007) for Indian manufacturing sector for period 2000–2002 with *t*-test and concluded that the overall performance was very different from the expected performance benchmarks. Mantravedi and Reddy (2008) studied the financial ratios and suggested that there were minor variations for the difference in operating performance. Mishra and Chandra (2010) used econometrics with one variable in regression analysis and found no significant influence on the profitability of the sample companies. Akhigbe, Madura and Whyte (2004) studied that the banks which are larger in size with lower returns on asset, increased level of capital, more non-performing loans, higher core deposit ratio and loan concentration showed higher probability of being acquired.

Findings

The detailed description of the search strategy of the review papers followed by the brief description of the literature is used by this systematic review. Based on the analysis and description of the retrieved research papers, we identify the major observations, gaps and limitations in research methods and settings which shall be helpful to future researchers.

Announcement Period Studies

All the announcement period studies reviewed in this article applied cumulative abnormal returns or cumulative excess returns methodology for the purpose of studying wealth creation effects of mergers and acquisitions. Majority of these studies provided the evidence that the shareholders of the acquirers do not earn any significant returns around the announcement period. This is true even if proposed merger/acquisition bids have subsequently been unsuccessful. Further, the changes in the stock market reactions in the smaller markets were quite similar to larger US and UK markets with positive returns for target firms. The abnormal returns were found to be negative or insignificant for stock-financed while positive and significant for cash-financed transactions. The developed markets reacted positively for cross-border deals rather than domestic deals. The returns were higher for private firms with variation dependent on the type of industry. Negative abnormal returns to acquirers have also been observed in bond market with the target bonds below the investment grade also earned significant positive returns.

Long-term Share Price Performance Studies

Mergers and acquisitions do not create significant wealth gains for the shareholders of the acquirers in the long run. Size of the firms and changes in the regulatory policies also impacted the abnormal rate of return, suggesting the firms with smaller size earned negative abnormal returns, subsequently showing negative returns with changes in the regulatory policies. The researchers suggested that more significant positive performance was observed in the case of hostile bidders as compared to friendly bidders after the announcement of the deal. Further, for conglomerate and non-conglomerate deals, long-run share prices were found to be negative with worse results for tender offers financed by equity rather than by cash. Researchers strongly suggested through the studies that benefactors have mainly been the target shareholders, even when less highly rated firms are acquired by highly rated acquirers. Average Abnormal Returns (AAR) was significantly negative and unambiguous for acquirers. Value is created for both the shareholders when deals take place between the firms which complement each other in terms of slack in liquidity and surplus investment opportunities. In terms of financing, takeover accomplished through single acquirers with equity financing exhibits negative performance with worse performance in case of diversifying acquirers than non-diversifying acquirers. Generally, it is caused due to poor performance experienced after the acquisition for 'low book to market glamour' performing worse than other stocks. The deals motivated by agency lead to reduced performance after the acquisition as compared to synergy-based deals. The acquisitions motivated by economies of scale exhibit positive and significant buy-and-hold returns, while the acquisitions motivated by economies of scope exhibit negative (but not significant) returns.

Operating Performance Studies

The uncertainty about choosing the accounting method (purchase versus pooling) to treat the changes in financial statements leads to the negative impact on the performance of the acquirers. Further, the studies suggest that the operating cash flows increase due to the increase in productivity of the assets after the deal. As for developed markets, research on acquisitions of the manufacturing firms in USA indicated the positive results on the productivity of the acquirers. This was significant only when 'firm level data on the multi-unit firms are included in regression analysis' (McGuckin et al., 1995). The values for leverage, debt and equity, did not experience significant differences. Moreover, the current ratio declined in the first year after the merger. Even on the basis of performance of the sales growth, acquirers experienced deteriorated performance. In the post-takeover period for UK firms, the performance of the combined firms improved after the hostile takeovers. For Australian firm, the performance after the acquisition is not affected by either the type of acquisition or the mode of financing for the deal. Similarly, the size of the deal or premium payment also does not have any effects on the performance. The adjusted long-term operating performance for Japanese acquirers was insignificantly positive with high correlation between pre- and post-performance. Minor variations were observed across different industrial sectors for different time intervals in India for the impact on operating performance.

Conclusions

Mergers and acquisitions have been widely adopted area for research in the domain of finance. Mergers and acquisitions usually aim to increase the value for the shareholders; the result of several empirical studies reveals that they have consistently benefited the shareholders of the acquired firms while for acquirers, they have either failed to gain any significant positive returns or have earned negative returns during post-merger period. The profitability of acquirers has also decreased after mergers and acquisitions. However, the studies undertaken in the domain of M&A have been more quantitative among 94 articles in the present study. Research works with qualitative method or with triangulation of the qualitative and quantitative methods are scarce.

By providing the systematic review of the mergers and acquisitions literature, the authors have attempted to provide the scholars the current and the past status of financial performance of acquiring firms. This review aims to develop more integrated, theoretically apt and well-designed explanations for the managers regarding the mergers and acquisitions with its emphasis on the emerging markets.

Limitations

The description of the research papers in this systematic review includes the data from peer-reviewed published articles. Although it was a comprehensive attempt to define a systematic procedure of collecting the relevant articles followed by their descriptions to understand the vacuum in the existing literature, we could not include authentic reports from M&A experts and consultants. The most significant limitation is the omission of the most recent articles for being 'non-published' in nature. This leads to limitations for defining the avenues for future research. Notwithstanding, the review has provided the transparent portrayal of facts and understanding of the same.

Avenues for Future Research

M&As have been extensively researched in developed countries such as USA and UK. In fact, several researchers have examined similar mergers in these countries by adopting different methodology or different research objectives. The literature on performance analysis of M&A is scant in developing countries like India. Most merger studies in Indian context have adopted either a case study approach or have focused on very limited sample size. Limited evidence is available on the performance of recent deals in India. This is also on account of the fact that empirical work in this area requires allowing for reasonable time period post-merger for examining the operating and financial implications of M&As. Very limited literature on event study across industrial sectors is available in Indian context.

Compared to the prevalence of short-run post-acquisition performance studies, relatively few long-run published studies could be located. Most of the studies only explicitly measure share price performance for a defined event window around the announcement date, never comparing the pre- and post-acquisition performance windows directly. Limited research has been done to investigate the impact of the mode of payment separately on the target firms to be absorbed or remain wholly owned subsidiary in post-M&A period. Moreover, only a few researches have observed the effect of announcement of M&A on trading volume for acquiring firm as well as target firms. Few studies on cross-border M&As in emerging countries and impact of cross-border M&As on target firm risk (especially in emerging markets) have been done. Partially acquired firms have not been researched. Further, deals can be studied with diversified business groups to have generalized results.

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