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Research Paper

Mergers and Acquisitions as Catalysts of Globalisation: A Review of the Literature

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In this paper, past research studies on Mergers and Acquisitions' (M&As) are reviewed around the world. This paper contains two parts viz., Financial performance of firms and mergers effect on shareholders wealth has been summed up by identifying the gap in the literature to be fulfilled it by this study.

Introduction

In the past 20 years, scholars studying mergers and acquisitions (M&As) in India and elsewhere have put forth and tested a number of ideas for empirical confirmation. They have researched the post-merger performance of acquirer firms, shareholder returns following M&As, and the economic impact of M&As on the industry. The question of whether the company performs as predicted following the merger is one that most researchers have looked into. As a result, a number of methods for analyzing the short-term and long-term effects of mergers are proposed. Following merger announcements, it also has an impact on shareholders' wealth (SW).

Numerous studies have been conducted worldwide to understand the reasons behind mergers as well as other aspects of them. In her research, **Meena (2014)** examined the growing tendency of mergers for a variety business factors. M&As, however, are unable to offer solid proof of whether they increase productivity or reduce the company's value. Similarly, **Kanika and Nancy's (2013)** study, Cross-Border Mergers and Acquisitions by Indian businesses: An Analysis of Pre and Post-Merger Performance, found that certain firms' financial performance has not changed much as a result of cross-border M&As.

However, according to the findings of **Garg and Satish (2011)** and **Alam, Khan & Zafar (2014)**, two companies are more valuable and profitable than individual companies. The fundamental idea is synergy between the two companies. Taking into account the cross-border effects, **Xie, Reddy & Liang (2016)** examined differential effects on the inward and outward capital flow and further discovered that the institutional dichotomous has a negative influence on the publicly announced acquisition transactions. On the other hand, according to **Nicholson and Salaber's (2013)** analysis of cross-border acquirers' performance and motivations through a comparison between China and India, M&As are an excellent way for EM companies to internationalize and gain a significant competitive advantage in the market. According to the study of **Duncan and Mtar (2006)**, its effectiveness is also dependent on criteria such as the size of the industry, the type of industrial sector, and other relevant factors.

According to **Beena's (2008)** analysis of the Indian pharmaceutical sector, the sector underwent further consolidation through partnerships and mergers in line with worldwide trends. According to **Ghatak's (2012)** research, mergers and acquisitions have no discernible effect on businesses' long-term profitability. This could be due to X-inefficiency and the entry of new businesses into the market. In contrast, **Vyas, Narayanan, and Ramanathan (2012)** discovered that M&A was a quicker and more methodical strategy to increase a company's asset base and productive capability.

In their study "The impact of the acquisition on acquirer companies' financial performance," **Syukur and Fitri (2016)** examined a negligible difference between all performances before and after the acquisition, just at the 5% significance level. It also discovered that there is very little difference in liquidity before and after the acquisition.

The market eventually reflects the financial health of the companies, which explains market performance and merger and acquisition phenomena, according to Gautam's (2009) study on the ten-year trend in the pharmaceutical industry.

Review of Literature

There have been a plethora of studies have been done all around the world on the evaluation of corporate financial performance following mergers.

The study "The Effect of M&As on Financial Performance of Banks (A Survey of Commercial Banks in Kenya)" was conducted by **Joash and Njangiru** in 2015. They examined the results of numerous research that looked into how M&As affect profitability and shareholders' value in connection to financial performance, either directly or indirectly. It demonstrates how the Kenyan banking sector merges and/or buys out others in order to grow their market share and boost profitability. In order to increase their profitability, two or more banks might collaborate and pool their resources—such as personnel, machinery, management systems, processes, and procedures—with a single goal. The M&As further aims of accelerating their productivity. The study further revealed that the M&As raised the shareholders' value of the merged/acquiring banks in Kenya.

In a research titled M&As: "Effect on Financial Performance of Manufacturing Companies of Pakistan," **Ahmed and Ahmed (2014)** highlight the parallels between Pakistani businesses and businesses worldwide. According to the investigation, the purchasing manufacturing company's post-merger financial performance barely improved. While the efficiency declined following the merger, the liquidity, profitability, and capital position also did not considerably improve. Finally, it is found that different manufacturing industries are affected differently by mergers.

In a study titled "Corporate mergers and financial performance: A new assessment of Indian cases," **Reddy, Nangia, and Agrawal (2012)** examined whether mergers in India improve long-term financial performance as well as the abnormal returns that resulted from the merger at the time of the announcement. According to the analysis, both the industrial and services sectors performed better following the merger. The main conclusions are that acquiring companies perform better in both sectors after the merger and exhibit long-term balance sheet improvement. In addition, it said that OR, NPM, ROE, and ROA were significantly improved. However, both in the short and long term, AAR has decreased since the merger announcement.

In contrast to the aforementioned research, **Gupta and Banerjee's (2017)** study, "Impact of M&As on financial performance: Evidence from selected companies in India," found no improvement in the acquirer companies' financial performance following the merger,

and the post-merger profitability and liquidity indicators declined. The analysis of the current study used the established financial ratios for evaluating the firm's performance in order to determine the outcome related to the implication of the merged business on the acquirer companies' financial health. In contrast to the previously mentioned research, **Gupta and Banerjee's (2017)** study, "Impact of M&As on financial performance: Evidence from selected companies in India," discovered that the post-merger profitability and liquidity indicators decreased and that the acquirer companies' financial performance did not improve after the merger. In order to ascertain the outcome regarding the impact of the combined business on the financial health of the acquiring firms, the analysis of the current study employed the established financial ratios for assessing the firm's performance.

In a study titled "Impact of M&As on Operating Performance: Evidence from Manufacturing Firms in India," **Azhagaiah and Sathishkumar (2014)** examined the impact of M&A regarding the characteristics of acquiring Indian manufacturing companies in terms of operating performance vs gross earnings, financial risk (financial leverage), liquidity, growth, turnover, cost of utilization, and operating leverage. In order to examine the improvement in the operating performance of acquiring companies in India during the post-merger period, 39 manufacturing enterprises were taken into consideration. The data is analyzed using a regression equation. **Azhagaiah and Sathishkumar (2014)** conducted a study titled "Impact of M&As on Operating Performance: Evidence from Manufacturing Firms in India," which looked at how M&As affected the features of acquiring Indian manufacturing companies with regard to operating performance versus gross earnings, financial risk (financial leverage), liquidity, growth, turnover, cost of utilization, and operating leverage. 39 manufacturing businesses were examined in order to assess how acquiring companies' operating performance improved in India during the post-merger period. A regression equation is used to analyze the data.

The beneficial effects of M&As in the post-merger phase were determined by **Ugwuanyi and Boniface's (2015)** study, "Relevance of Mergers and Acquisitions on Financial Performance of Deposit Money Banks: Evidence from Nigerian Banking Industry." The majority of the study's conclusions indicate that there was no discernible effect on Profit

after Tax, which shows how the performance of a few chosen banks improved after the merger in comparison to their pre-merger performance. The outcome shows enhanced financial efficiency as a result of higher financial performance. The study "Relevance of Mergers and Acquisitions on Financial Performance of Deposit Money Banks: Evidence from Nigerian Banking Industry" by **Ugwuanyi and Boniface (2015)** determined the positive benefits of M&As in the post-merger period. Profit after Tax, which demonstrates how the performance of a few selected banks improved after the merger in comparison to their pre-merger performance, was mostly unaffected, according to the study's findings. The result demonstrates improved financial performance leading to increased financial efficiency.

In support of the aforementioned research, Singh (2013) examined the profitability of combined businesses in a study titled "The impact of M&As on Corporate Financial Performance in India" by contrasting important financial ratios from the year before and after the merger as well as the changes in financial leverage brought about by M&As. The operational profit margin, net profit margin ratios, return on net worth, and return on capital employed all significantly increased after the merger, according to the examination of operating performance ratios for the complete sample set before and after the merger. These findings generally corroborate some of the research findings on post-merger operating performance in other nations, which suggested that the acquiring firms should see an increase following the merger.

According to **Tang and Alger's (2015)** research on M&As and its Effects on Firm Performance: A New Look, M&As are also "pushed off due to the motivations other than profit maximization." It determined how M&As affected a company's financial performance. The financial performance of acquiring companies both before and after the purchase has been examined by the researcher. Return on assets and irregular (or unexpected) return on assets are used to measure it. M&As are also "pushed off due to the motivations other than profit maximization," according to **Tang and Alger's (2015)** study, M&As and its Effects on Firm Performance: A New Look. It ascertained the impact of M&As on the financial performance of a business. The researcher has looked at the purchasing companies' financial performance before and after the acquisition. It is measured using return on assets and irregular (or unexpected) return on assets.

In Post-Merger Profitability: A Case of Royal Bank of Scotland (RBS), **Kemal (2011)** conducted a study to determine whether bank mergers increase profitability. Using several accounting ratios, it also investigates how the merger has affected the bank's profitability. Financial statements have been used to calculate a total of twenty ratios. The averages have been compared here. The analysis's conclusions are that in order to increase the profits in Pakistan's banking industry, RBS must adhere to the same policies and incentive schemes as the central bank.

The M&A situation in the Indian financial services sector is examined by **Sinha and Gupta (2011)** in a report titled "Mergers and Acquisitions: A pre-post analysis for the Indian Financial Services sector." Data for eighty M&A instances between March 1993 and February 2010 is gathered for ten financial metrics that reflect different aspects of a company. To determine the overall impact of M&A in the industry, the cases have been examined both individually and collectively. In most cases, M&A activity in the Indian financial services sector between March 1993 and February 2010 had a beneficial impact on profitability; but, three years following the merger, the liquidity situation declined. This demonstrates that even while businesses were able to take advantage of the synergies that resulted from the merger or acquisition, they were unable to manage their capital structure to increase their liquidity. Although Interest Cover (EBIT/Interest) has continued to be a significant factor contributing to the return on shareholder funds both before and after the merger, a comparison of these companies' pre- and post-merger performance shows that Profit Margin has a significant positive effect on the return only after the merger. Therefore, whether or not a company is involved in a merger, its ability to pay down debt is a significant element influencing its return. In order to defend the management's merger choice to the shareholders, it becomes increasingly crucial to produce greater profits after the merger. Finally, the researcher was able to emphasize the significance of M&A as a strategy for risk reduction through diversification by examining the three particular situations. In addition to lowering non-systematic risk as a component of overall risk, diversification also affects systematic risk, which lowers the firm's overall risk.

Kumara and Satyanarayana (2013) discovered notable advancements in the work named "Comparative Study of Pre and Post Corporate Integration through Mergers and

Acquisition," which runs counter to some of the reports. The liquidity and solvency parameters were further examined. Liquidity ratio, current ratio; Leverage metrics: total debt to long-term funds, debt equity ratio; Return on assets, return on net worth, and return on capital employed are the profitability parameters. In terms of return on assets, return on long-term funds, and return on capital used, the companies' profitability position has improved; nevertheless, return on net worth has decreased. Nevertheless, following the merger, the companies' financial performance improved.

In a study titled "A Study on Mergers & Acquisitions in Oil & Gas Sector in India and their Impact on the Operating Performance and Shareholders' Wealth," **Desai and Joshi (2015)** examined whether M&As affect the acquiring company's operating performance and whether they increase shareholder wealth. The merging of acquiring companies, namely RIL and IOCL, was examined. After the acquisition, RIL was able to generate a high level of EPS for the shareholders, but it was unsuccessful in other areas. After the merger, its Return on Net Worth, Return on Capital Employed, Gross Margin, and Net Margin all drastically decreased. IOCL was likewise unable to demonstrate strength on the financial aspects. After the merger, IOCL's EPS fell by half. It is evident that mergers have failed to generate sufficient value for the acquiring company's stockholders under specific conditions. In conclusion, M&As do not immediately increase shareholder wealth or the acquiring company's margins. Longer term, meanwhile, a combined corporation would be better equipped to handle competition, heightened demand to reduce expenses, and expansion in the evolving business landscape.

IOCL's EPS dropped by half following the merger. Under certain circumstances, it is clear that mergers have not produced enough value for the stockholders of the acquiring company. In conclusion, neither the acquiring company's profits nor shareholder wealth are immediately increased by M&As. In the long run, however, a merged company would be more capable of managing competition, increased desire to cut costs, and growth in the changing business environment.

In their study "Stakeholder Theory, Value, and Firm Performance," **Harrison and Wicks (2013)** discovered that there are human costs involved in mergers and acquisitions (M&As). However, during an acquisition, what tactics can a company employ to lower

these costs and potentially even increase the value created for suppliers, employees, communities, and so on? This study emphasizes the necessity of putting in real effort to construct new metrics for measuring a company's performance that are based on the value it generates for its stakeholders.

In the study "Post-Merger Performance of Acquiring Firms across Industries in India: A Case Study," **Duggal (2015)** examined various financial ratios of a sample of companies listed on the BSE between 2000 and 2010 to determine the effect of mergers on the financial performance of Indian corporate entities from various sectors, including banking, pharmaceuticals, and steel. The findings revealed that profitability has improved as indicated by ratios like ROA, EPS, and Net profit margin, however, the improvement in the performance is observed only upto 1 year of the merger. Further, not all the profitability variables indicated the improvement. Likewise, the sustainability of post-merger performance is conspicuously absent in this regard in the post-merger (+3,+5) period exception to this is banking mergers that have been studied. This improvement has not sustained in post-merger announcement period. Hence, the results reported in the study, the positive impact of merger announcement on the financial performance majorly in short run (+1 yr.).

In a study titled "Impact of Acquisition on Corporate Performance in Indian Manufacturing Sector," **Dhiman and Parrray (2011)** examined how acquisitions affected the financial performance of acquiring companies by closely examining their pre-acquisition and post-acquisition financial ratios as well as by comparing the pre-acquisition and post-acquisition ratios of the companies that made the acquisition. The study's findings and analysis clearly demonstrate that there was no statistically significant difference in the profitability of a company that completed an acquisition between the pre-acquisition and post-acquisition periods.

In a study titled "Impact of Acquisition on Corporate Performance in Indian Manufacturing Sector," **Dhiman and Parrray (2011)** compared the pre-acquisition and post-acquisition financial ratios of the companies that made the acquisition and closely examined how acquisitions affected the financial performance of acquiring companies. The results and analysis of the study unequivocally show that the profitability of a

company that completed an acquisition did not differ statistically significantly between the pre-acquisition and post-acquisition periods.

Dewan in a study "Effect of M&As on Operating Performance: A Study of Acquiring Firms in India" evaluates the post-merger financial performance of the acquirer companies in India. The results from the analysis of pre and post-merger operating performance ratios for the acquiring firms in the sample showed a differential impact of mergers for different industrial sectors in India. The outcome of the research proves that the type of industry makes a difference to the post-merger operating performance of acquiring firms. This study suggests that the aforementioned factor should not be taken for granted by the management as the synergy will be generated and profits will increase simply by going for M&As.

In their 2013 study, "Shareholders wealth effects of Mergers & Acquisitions in different deal activity periods in India," **Kashiramka and Rao** examined the typical event approach. It was employed to calculate the anomalous returns for the target and acquiring companies. Parametric tests were used to evaluate and compare the outcomes. The market views acquisitions more favorably than mergers in the Indian IT sector, according to the M&A data.

The study "Post-M&A Operating Performance of Indian Acquiring Firms: A Du Pont Analysis" by **Rani, Yadav, and Jain (2013)** attempts to analyze the operating performance of corporations engaged in M&A in India. According to Du Pont's analysis, acquiring companies in India seem to have done better following M&As than they did prior to them, mainly as a result of lower costs, economies of scale, and operational synergies.

In their study "M&As: A Comparative Review of Literature," **Ghosh and Dutta (2016)** examined academic research on the impact of M&As on firm performance and provided a comparison of Indian M&As with those taking place in other countries using accounting metrics, stock market performance metrics, and qualitative metrics. This essay aids in comprehending the effects of M&As from several angles.

In a study titled "An Examination of Success of M&As in Manufacturing Sector in India Using Index Score," **Leepsa and Mishra (2014)** determined the factors influencing the post-merger acquisition performance of Indian manufacturing companies using a composite score that offers reliable indicators of the underlying capabilities of financial ratios. This study uses Principal Components Analysis to create a composite index score for the pre and post M&A periods independently, accounting for various financial ratios.

In "Effect of M&As on Financial Performance: A Study of Select TATA Group of Companies in India," **Kanahalli and Jayaram (2014)** assessed the acquirer companies' post-merger financial performance in India. There is no discernible impact on the firms' profitability following acquisitions, according to the results and analysis of the acquiring firms' main financial ratios.

In "A Study of Impact of M&As on Selected Sectors in India," **Smita (2011)** looked at the financial performance of a few particular companies following M&A. According to the samples taken into consideration, it demonstrates that mergers and acquisitions have not improved the company's performance.

The study "Measuring Post Merger and Acquisition Performance: An Investigation of Select Financial Sector Organizations in India" by **Sinha, Kaushik, and Chaudhary (2010)** revealed a number of intriguing conclusions. According to the report, in the majority of M&A transactions, the acquiring companies may eventually produce value addition in one way or another, such as increased cash flows, reduced costs, and increased market dominance. Despite an improvement in financial performance, the debt to equity ratio was higher in 64% of cases. It is important to highlight that both financial sector organizations have demonstrated a favorable trend in profit before tax in all merger cases.

In a study titled "Financial Performance Analysis of Selected Paper Industry in India," **Subramanian and Venkatachalam (2014)** looked at the financial performance of a few chosen Indian paper industries. The outcome highlights the industry's favorable financial situation, but it also calls for other areas to be improved. It is crucial to appropriately arrange the necessary finances at the appropriate moment, period, and source in order to have a trade-off between liquidity and profitability.

In a study titled "Impact of M&As on Firms Financial Performance: A study in the United States of America," **Yanan, Hamza, and Basit (2016)** examined how mergers and acquisitions affected net profit margin, return on equity, and earnings per share. According to the report, the mergers and acquisitions increased the company's profitability and market share. Additionally, by increasing demand and, consequently, dividends in the market stock, it increased the value of the stockholders. Through the use of various theoretical approaches and empirical data in the United States of America, an efficient framework has been constructed to assess the influence of the rising phenomenon on the financial performance of the companies.

In their paper "Impact of M&A on Performance of Acquirer: A Study of Selected Firms of Manufacturing Industry in India," **Sing and Gupta (2014)** examined how domestic mergers affected the general performance of the chosen Indian manufacturing industry firms. The following are shown by the acquiring firms' overall performance in the sample: First, most of the time after mergers, a company's liquidity position does not improve. Second, following the merger, companies' profitability showed decreasing trends. The profitability ratio declined after the merger in the majority of the cases. Third, efficiency ratios have demonstrated inconsistent outcomes following mergers. Finally, the debt-to-equity ratio does not exhibit any favorable outcomes based on the leverage parameter. Therefore, based on the t-test results, it can be said that the change in the majority of the parameters as a result of the merger is not statistically significant.

In an analysis titled "Performance Evaluation of UK Acquiring Companies in the Pre and Post-Acquisitions Periods," **Ali, Khan, Alsubaie, Subhan, and Kanadil (2016)** look at the financial performance of twenty UK-based acquiring companies over a five-year period (2009-2013) using financial ratios of liquidity, profitability, and solvency to examine the significant financial performance variation in the operation of the underlying companies as a result of acquisitions. By examining stock returns across a 58-day window, or 29 days before an acquisition is announced, it also investigated whether shareholders benefit in the short term from acquisitions. To put it another way, the financial performance of the UK acquiring corporations did not significantly increase either the pre-acquisition or post-acquisition periods. Furthermore, no anomalous average return

throughout the course of the 58-day event window is found in the examination of the acquiring corporations following the purchase. It also verified that the underlying acquisitions activity resulted in a negligible advantage for the UK shareholders. Furthermore, throughout the 58-day timeframe before and after the acquisition announcement, the acquiring companies' cumulative average abnormal return (CAAR) consistently displayed a negative return. It may be determined, at least in the context of AAR analysis, that the shareholders had a small gain during the short-term period prior to and post acquisitions, even if the AAR result showed a positive trend before the acquisition announcement and after the acquisition period that did not persist long.

In a research titled "Financial Performance of M&As of Select Banks in India," **Aruna and Nirmala (2013)** assess the banks' pre- and post-merger net profitability, return on equity, debt-to-equity ratio, and return on capital used. The findings indicate that while gross profit, return on equity, net profit margin, and operational profit have changed, the performance of banks has not improved in terms of Return on Capital Employed and Debt Equity Ratio. It is possible to make money in the future. Lastly, the Indian banking sector has used mergers and acquisitions (M&As) to grow market share, develop infrastructure, expand branch networks, reach rural areas, and ensure the survival of sick banks following mergers.

In their paper "Financial Performance Analysis in Banking Sector – A Pre & Post Merger Perspective," **Sai and Sultana (2013)** assess the performance of the chosen two banks using financial measures from both the pre-merger and post-merger perspectives. The analysis of Indian overseas bank data revealed significant differences in the net profit margin, operating profit margin, return on capital employed, return on equity, and debt-to-equity ratio; however, the gross profit margin showed only slight variation. According to the data of HDFC bank, it has been found out that there is no potential difference in these ratios before and after merger in Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio. However, there has been found a potential difference in the Gross profit margin.

In a study titled "A Study on Financial Performance of Selected Companies during Pre-Post Merger Acquisition," **Menapara and Pithadia (2010)** assessed how M&As affected

the financial performance of Indian corporate sectors. Additionally, it examined how M&As affected the specified companies' profitability, liquidity, and return on investment. From a financial evaluation standpoint, it may be concluded that corporations with reputable and competent management took over the merging companies. As a result, the combined businesses might eventually succeed.

In "Mergers & Acquisition and Firm Performance: Evidence from the Ghana Stock Exchange," **Agyei (2013)** examines how M&As affected the financial performance of companies in the Ghanaian Stock Market between 1999 and 2010. All of the companies' profitability decreased following the merger, according to the univariate analysis, and the t-test indicated possible differences in profitability before and after the merger. The panel methodology's findings shows that M&A has a detrimental effect on businesses' profitability. Therefore, the idea that mergers and acquisitions create value is not supported by the study. In actuality, it would be incorrect to believe that merger operations are wholly harmful to businesses. Additionally, it indicates that risk and firm size have a negative relationship with firm profitability while debt capital and firm growth enhances firm profitability.

In his work "Impact of Acquisition on Operating Performance in Indian Pharmaceutical Industry," **Jayakumar (2013)** examines the effects of mergers and acquisitions (M&As) on the operating performance of the Indian pharmaceutical industry. The acquiring firms' key financial ratios do not indicate any potential impact on the firm's post-acquisition operating performance, and Sun Pharmaceutical's operating performance has not been deemed satisfactory in comparison to Ranbaxy Laboratories Ltd.

In an article titled "A Wave of M&As: Are Indian Banks Going Up a Blind Alley?" **Kalra, Gupta, and Bagga (2013)** investigate the impact of mergers on businesses' financial performance in the Indian banking sector. Using the event study methodology, they look at the declaration effects of mergers during the post-reforms period, which is 2000–2011. The aggregate findings indicated that there were minimal differences in the effect of mergers on the financial performance of the Indian banking industry. It indicates that following the bank's merger, market value to book value of equity and EPS may have improved. The paired sample t-test result shows that the total financial performance before

and after the merger differed very little. The entire study shows no significant impact on the financial position of Indian banks nor resulted in value addition to the shareholders at large. In short, Indian Banks can be said are leading to nowhere.

In a paper titled "Explaining M&A performance: a review of empirical research," **Das and Kapil (2012)** offered several theories for M&A performance in M&A research. The researchers have carried out a systematic review of empirical M&A studies on explaining M&A performance. Different perspectives on what defines M&A performance and organizational performance lead to a variety of M&A performance metrics. They fall under the categories of Market Measures, Accounting Measures, and Other Measures, which include subjective evaluations.

In "The Impact of M&As on Acquirer Performance: Evidence from Turkey," **Akben-Selcuk and Altiok-Yilmaz (2011)** examine how M&A transactions affect performance. For 10-day and 7-day event windows, it discovered negative abnormal returns and is statistically different from zero. Additionally, pre-event leakage is shown by the very negative CAR (-5,-1) and CAR (-3,-1) values. As a result, they could conclude that the stock returns of Turkish companies engaged in acquisitions exceeded the industry average. Nevertheless, the outcomes are not verified when shorter event windows were employed. Accounting data and the usage of the change model confirm the study's hypothesis that M&A has an impact on acquirer firm performance. The t-test revealed that ROA and ROS values were significantly lower after acquisition than before acquisition. Nevertheless, using the intercept model or the ROE measure of performance did not validate the final outcome.

In a study titled "Post-Merger Performance of Acquiring Firms from Different Industries in India," **Mantravadi and Reddy (2008)** looked at several pre-merger and post-merger financial ratios to determine how mergers affected the operating performance of acquiring corporations in various industries. The sample's outcome demonstrates that mergers have varying effects on India's various industries and sectors. It is crucial to remember that the type of industry greatly affects the acquiring firms' post-merger operating performance.

In their analysis "The impact of M&As on corporate performance in India," **Kumar and Bansal (2008)** look at the recent rise in M&A transactions in India. It examined how M&As affected the long-term financial success of the results. In comparison to the pre-merger period of the same company, the financial performance has improved in over half of all merger cases. Over 60% of the 52 acquisition deals demonstrated improved financial performance throughout the post-acquisition period. About 15% of cases with both M&A. However, working capital and debt-to-equity ratios were found to be rising concurrently with improved financial performance. Since current assets are seen as non-earning assets and long-term funds are treated as having fixed explicit costs, which are financing current assets above current obligations, this can be viewed as a severe financial strain on the company.

In "Post Merger Performance of Acquiring Firms: A Case Study on Indian Pharmaceutical Industry," **Duggal (2015)** investigates how mergers affect the financial and operational performance of Indian pharmaceutical companies by looking at a variety of financial ratios of a sample of BSE-listed companies between 2000 and 2006. The results showed that profitability has increased as measured by ratios such as PBIT, Cash Profit Margin, and Net Profit Margin; however, this improvement in performance was only noticeable for the first year following the merger. As far as operating performance of firms are concerned, the short term positive impact can be observed but again it lasts upto 1 year only. Likewise, the sustainability of post-merger performance is conspicuously absent in this regard too in the post-merger (+3, +5) period. This improvement has not sustained in post-merger announcement (+3, +5) period. Therefore the results reported in the study points to the positive impact of merger announcement on the operating and financial performance in short run (+1 yr.).

In a study titled "Impact of M&As on Financial Risk and Operating Risk: Evidence from Manufacturing Industry in India," **Azhagaiah and Sathishkumar (2014)** used paired samples tests based on specific financial ratios based on the financial data to examine the effects of M&As on both FR (financial risk) and OR (operating risk) of manufacturing firms in India. For 24 out of 39 manufacturing enterprises, their M&A activity has a major impact on their FR (financial leverage) in terms of depending on borrowing funds for

accelerating assets. Furthermore, by lowering the total liabilities in relation to their net worth, 22 out of 39 acquiring industrial companies reduced their OL following the merger.

In an empirical study titled "A Study on the Short-Run Profitability of Acquirer Firms in India," **Azhagaiah and Kumar (2011)** examined the effects of corporate restructuring on profitability, paying particular attention to the Indian chemical industry. According to the study's findings, merging companies in India's chemical industry generally seem to have done better financially after the merger than they did before. Higher operating cash flows seem to have resulted from the combined companies' more effective use of their assets. The fragmented character of Indian chemical enterprises and their transformation result in synergistic benefits for the amalgamated entities. Hence, the study indicates that in the short run, M&As appear to have been financially and operationally beneficial for firms of Chemical Industry in India. The profitability of Chemical Industry in India has increased after the merger and this is supported by t- test. Hence, we concluded that the OP, GP, and NP are improved in short run post-merger during the study period.

In a study titled "Effect of M&As on Financial Performance: A Study of Select TATA Group of Companies in India," **Kanahalli and Jayaram (2014)** examined the acquirer's liquidity performance both before and after the merger. The analysis's findings reveal the acquiring companies' operating performance ratios both before and after the merger. The sample demonstrated that mergers have varying effects on India's corporate sectors. Additionally, it appears that the type of business has an impact on acquiring firms' post-merger operating performance. There is no discernible impact on the firms' profitability after acquisitions, according to the results and analysis of the acquiring firms' main financial ratios.

Overview of Literature

One of the most significant developments in the business world following deregulation is corporate restructuring. Because of this, many businesses are attempting to undergo corporate restructuring through mergers, amalgamations, and absorptions. M&As typically benefit both the acquiring and target companies in ways such as operational synergy, financial synergy, economies of scale, increased revenue or market share, tax benefits, resource transfer, expense synergy, empire-building, marketing synergy, managerial

synergy, cost of capital synergy, revenues synergy, etc. However, the topic of whether all companies that are acquired or merged see an increase in shareholders' wealth (SW) and financial performance (FP) frequently comes up. After M&As, FP and SW have detrimental effects on certain companies.

An overview of FP, SW, and other valuation methods related to the assessment of M&A impact is provided by the literature mentioned above. Most of the earlier research focused on the immediate effects of the three years prior to and following the merger. Additionally, significant earlier research used nearly identical techniques to assess FP and SW prior to and during mergers. An attempt has been made to quantify the influence of M&As on the globalization process on the FP and SW in the five years before and five years after the year of merger in light of this evidence and support.

Conclusion

The importance of mergers and acquisitions (M&As) as important globalization catalysts has been explored in this literature review, emphasizing their contribution to the growing integration of markets, businesses, and economies across national borders. The examined studies repeatedly show that mergers and acquisitions (M&As), especially cross-border transactions, are strategic ways for businesses to grow globally, get access to new markets, acquire cutting-edge technologies, and realize economies of scale. By facilitating the spread of capital, expertise, and managerial techniques, M&As strengthen the interdependence that characterizes the globalized economy.

The research also shows that M&As are active forces behind globalization rather than just its results. M&As drive market convergence and promote global value chain integration by changing industry structures and escalating international competitiveness. The results, however, also show that the effects of M&As vary by location and industry, with institutional quality, legal frameworks, and cultural fit all being important factors in determining success. Although worries about market concentration, loss of domestic control, and socioeconomic inequality persist, M&As can boost economic development and productivity growth in emerging and developing economies.

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