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A Bibilographic Study of Researchers and Analysts on Merger and Acquisitions

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Abstract:
An extensive review of literature has been carried out in order to get a good understanding in the topic of Mergers and Acquisitions. The literature review not only attempts to collect and categorize previous research, but also attempts to analyze and evaluate previous works leading to study's frame work. This study focuses on the discovery and examination of the determinants of successful acquisitions in the companies as well as Banking sector. Review of Literature has been done from books, Journals, published papers, websites etc. The review begins with an identification of previous acquisition research paradigms, and the evolution of corporate Acquisitions and its relationship to corporate strategies. The issues covered include Motives, share value creation, financial performance, operating performance. Literature review has been collected from both inside and outside India.

Key words: Mergers & Acquisitions, Review of Literature, Corporate performance, Motives, share value creation, financial performance, operating performance

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I. Introduction:

Merger and Acquisition (M&A) are being increasingly used, for improving competitiveness of companies. This have been an important phenomenon in the US and UK economics. In India, also they have become a matter of everyday occurrence. They are the subject of counting interest to different persons such as business executives, who are looking for potential merger partners / investment bankers who manage the mergers , lawyers who advise the parties , regulatory authorities concern with the operation of security , market and growing corporate concentration in the economy and academic researchers who want to understand these concepts better.

II. Review of Literature:

The following are the major efforts at research in the subject, which have been referred for the research purpose. These are presented as follows:

Kamini Kumari(2021) 1 in the paper titled Mergers and Acquisition of SBI with its others Associate Banks :An analysis opined that State Bank of India and its Associate Banks gained 3-13 percent on the back of approval from the cabinet for their merger. The merger will bring nearly a quarter of all outstanding loans in India's banking Sector to SBI's books. With this step SBI has entered in to the list of 50 global Banks.

Patil Jaya Lakshmi Reddy, Mahesh Chandra (2020) 2 in the paper titled Mergers of Banks in Economy – Indian Scenario measured the post-merger performance of Punjab National Bank, Canara Bank, Union Bank of India and Indian Bank and its impact on Indian economy. They opined that consolidation is a huge instrument in maintain liquidity, ensuring transparency in business and effective administration, but the fact that a single bank would be exposed to instable and unexpected system risk. They found that after the merger, the new banks net profit will be reduced and the stability of Banks is questionable.

Farman Ali, Anshul Sharma (2019) 3 in his paper titled 'Pre-Merger and Post-Merger Operating Performance of SBI' analyzed the financial position before merger and after merger of SBI and found that there was an increase in the profitability by few parameters in short run while it gives the hike in performance as well as in efficiency for long term basis because of low operating cost. It has been observed that after the merger, bad loan pile up, suddenly the profit of the bank come down, during this period when the entire economy of India was facing the pressure of demonetization and GST regime in India while SBI was thinking to be indexed in top 50 banks of the world. He also stated that for short period of time, after merger the SBI did not perform well but after two years it has not only increased its profitability but also increase the efficiency by minimizing the operating cost.

Ishwarya J (2019) 4 in his paper titled 'A Study on Mergers and Acquisition of Banks and a Case Study on SBI and its Associates' indicates that the pre and post- Mergers and Acquisitions of selected banks in India have no greater changes in profitability ratio; a few banks are satisfactory during the study period. Further mergers led to higher level of cost efficiencies for the merging banks. Merger between distressed and strong banks did not yield any significant efficiency gains to participating banks. However, the forced merger among these banks succeeded in protecting the interest of depositors of weak banks but stakeholders of these banks have not exhibited any gains from mergers.

Jai Bansal and Gurudatt Kakkar (2018)5 in the paper titled A Research on the Analysis of Merger of SBI with its 5 Associate Banks and Bhartiya Mahila Bank studied the important factors influencing companies to undergo merger and acquisition, challenges encountered by merged entities and the bank's performance in terms of profitability.

Kotnal Jaya Shree (2016) 6 examined the impact of acquisitions of SBI on its profitability and found that banks have been affected positively but the overall development and financial illness of the banks can't be solved through mergers and acquisitions. The financial parameters like gross profit margin, net profit margin, operating profit margin, and return on equity and debt equity ratio were used for the study.

Monika (2014) 7 concluded that the mergers & acquisitions expressed value mixed motives to attract the investors by way of corporate level strategy and use behavioral theories to understand the philosophy behind the decisions to adopt a form of consolidation.

Suresh Kumar (2013) 8 in his paper titled Impact of Bank Mergers on the Efficiency of Banks: A study of merger of Bharat Overseas Bank with Indian Overseas Bank analysed likely impact of mergers and size of the banks on the efficiency and profitability parameters of banks. He pointed out that with size; a bank is able to leverage economies of scale and economies of scope. This will also help them to expand the capital base and global competitiveness. The pre-merger and post- merger average values for different variables such as Business per employee, Profit per employee, Investment and Advances, Interest Income, Other income, Return on Advances and NPAs have recorded a positive change.

Goyal K.A. & Joshi Vijay (2011) 9 in their paper looked in to the need for M&A in Indian banking. And described the benefits gained by ICICI Bank Ltd. ICICI Bank used it as their expansion strategy in rural market to improve customer base and market share.

Kemal (2011)10 used the technique of ratio analysis to study the Post-merger profitability of Royal Bank of Scotland in Pakistan. Despite limitations, accounting ratios are still considered as a reliable analytical tool.

Azeem Ahmad Khan (2011),11 in his paper explored various motivations of Merger and Acquisitions in the Indian Banking Sector. This includes the various aspects of banking Industry's Merger and Acquisitions. It also compares pre and post-merger financial performance of merged banks with the help of financial parameters like Gross-profit Margin, Net-Profit Margin, Operating Profit margin, Return on Capital Employed (ROCE), Return on Equity (ROE) and Debt-Equity Ratio. Through Literature review it comes to know that most of the work done highlighted the impact of Merger and Acquisitions on different aspects of the companies. The data of Merger and Acquisition since economic liberalization are collected for a set of various financial parameters .This study also examines the changes occurring in the acquiring firms on the basis of financial ground and also the overall impact of Merger and Acquisitions (M&A's) on acquiring Banks. The Researcher used independent t-test for testing the statistical significance and this test is applied not only for the ratio analysis but also to test the effect of Merger .and Acquisitions on the performance of Banks. This performance is being tested on the basis of two grounds i.e. Pre-Merger and Post-Merger. The result of the study indicates that the banks have been positively affected by the event of Merger and Acquisitions (M&A's). These results suggest that merged banks can obtain efficiency and gain through Merger and Acquisition (M&A's) and passes the benefit to the equity share holder' in the form of dividend.

Sinha Pankaj & Gupta Sushant (2011) 12 studied a Pre and Post analysis of firm and concluded that it had positive effect as their profitability, in most of the cases deteriorated liquidity. After the period of few years of Merger and Acquisition (M&As)it came to the point that companies may have been able to leverage the synergies arising out of the Merger and Acquisition that have not been able to manage their liquidity. Study showed the comparison of Pre and Post analysis of the firms. It also indicated the positive effect on the basis of some financial parameter like Earnings before Interest and Tax (EBIT), Return on hare holder fund, Profit margin, Interest coverage, Current Ratio and Cost Efficiency etc.

Goyal K.A. & Joshi Vijay (2011) 13in their paper, gave an overview on Indian Banking industry and highlighted the changes occurred in the banking sector after post liberalization and defined the Merger and Acquisitions as per AS-14. The need of Merger and Acquisition in India has been examined under this study. It also gave the idea of changes that occurred after M&A's in the banking sector in terms of financial, human resource & legal aspects. It also described the benefits come out through M&A's and examined that M&As is a strategic tools for expanding their horizon and companies like the ICICI Bank has used merger as their expansion strategy in rural market to improve customers base and market share. The sample of 17 Merger of post liberalization and discussed about communication in M&A's, the study highlighted the role of media in M&A's.

Prompitak, Duangkamol, (2010) 14examines the impact of bank Mergers and Acquisitions (M&A's) on lending behavior by Commercial Banks. They use the data set of large European Commercial Banks from 1997 to 2005.Empirical models are formulated to explain the effects of Mergers on bank loan pricing behavior, interest margin setting, credit availability and lending objectives. The analysis provides evidence that mergers have statistically significant influence on reduced lending rates, interest margin and loan supply. In addition, lending objective for merged and non-merging banks are different, in that merge-involved banks tend to emphasize maximizing their utility, while non-merging bank focus on remaining safe. These results suggest that merged bank can obtain efficiency gains through merger and can pass these benefits to their customers in the form of lower lending rates and interest margins. In addition, diversification gains could arise from consolidations. This is because merged banks focus more on other business activities than traditional intermediary activities. As non–interest income increases in relation to interest income, bank can diversify their business activities and can reduce their non-interest costs. As a result, they can be exposed to lower risk and therefore be less risk averse than non-merging banks.

Kuriakose Sony & Gireesh Kumar G.S (2010) 15 in their paper, they assessed the strategic and financial similarities of merged Banks, and relevant financial variables of respective Banks were considered to assess their relatedness. The result of the study found that only private sector banks are in favor of the voluntary merger wave in the Indian Banking Sector and public Sector Banks are reluctant toward their type of restructuring. Target Banks are more leverage (dissimilarity) than bidder Banks, so the merger lead to attain optimum capital structure for the bidders and asset quality of target firms is very poor except the cases of the HDFC vs. the CBOP merger in 2007. The factor behind voluntary amalgamation are synergies, efficiency, cost saving, economies of scale. The merging partners strategically similarities and relatedness are very important in the synergy creation because the relatedness of the strategic variable have a significant impact on the Bank performance and the effect of merger on the stock market.

Ravichandran, Fauzias, and Rasidah (2010) 16 have analyzed the efficiency and performance using CRAMEL - type variables, before and after the merger for the selected public and private banks which are initiated by the market forces. The results suggest that the mergers did not seem to enhance the productive efficiency of the banks as they do not indicate any significant difference. The financial performance suggests that the banks are becoming more focused on their retail activities (intermediation) and the main reasons for their merger is to scale up their operations. However it is found that the total advances to Deposits and the Profitability are the two main parameters which are to be considered since they are very much affected by mergers. Also the profitability of the firm is significantly affected giving a negative impact on the returns.

Ruhani Ali and Gupta G (2010),17 "Motivation and Outcomes of Malaysian takeovers: An international perspective", they examine the potential motive and effects of corporate takeovers in Malaysia. The Muller's methodology, which involves the use accounting measures like size, growth, profitability, risk and leverage, is employed for the study to analyze the performance characteristics of take over firms in the pre and pot takeovers period.

Dr. Salma Ahmed & Yasser Mahfooz (2009),18 in "Consolidation in the Sky – A Case Study on the Quest for Supremacy between jet lite and Kingfisher Airlines", they made attempt to descriptively analyze the rationale for consolidation in the Indian Airline industry. The paper also valuates major changes in the business environment affecting the Airline industry.

R.Srivasan, Chatopadhyay Gaurav & Sharma Arvind (2009),19 gave the views on financial implications and problem occurring in Merger and Acquisitions (M&As) highlighted the cases for consolidation and discussed the synergy based merger which emphasized that merger is for making large size of the firm but no guarantee to maximize profitability on a sustained business and there is always the risk of improving performance after merger.

N. M. Leepsa & Chandrasekhar Mishra (2009), 20 "Post Merger Financial Performance: A study with Reference to select Manufacturing companies in India" there intend to study the trend in Merger and Acquisition (M&A's) particularly with reference to manufacturing companies. This study is an attempt to find out the difference in Post-Merger performance compared with Pre merger in terms of profitability, liquidity and solvency. The statistical tools used are descriptive statistics, paired sample t-test.

Ahmad Ismail, Ian Davidson & Regina Frank (2009) 21, have concentrated on European Banks and investigated post-merger operating performance and found that industry-adjusted mean cash flow return did not significantly change after merger but stayed positive. Also find that low profitability levels, conservative credit policies and good cost-efficiency status before merger are the main determinants of industry-adjusted cash flow returns and provide the source for improving these returns after merger.

David C. Cheng, (2009)22, "Financial determinants of Bank Takeovers", he found that several studies have examined the determinants of Bank Merger pricing. Those studies focus on the characteristics of the target and downplay the characteristics of acquirer. Their study found that the purchase price is a negative function of the target's capital to asset ratio. The only variable used in their model is the ratio of acquirer to target assets.

Bhaskar A Uday, Ratnam C.S, Kanika T (2009), 23found the study that Banking sector witness of Merger activities in India when banks are facing the problem of losing old customer and failed to attract the new customers. It described that the acquiring firms mainly focuses on the economies of scale, efficiency gain and address the need of communication and employee concern, and described the integration process was handled by professional and joint integration committee. Road map is prepared and HR integration is done as per schedule and they took a case of the Bank of Punjab acquired the Lord Krishna Bank and later on the Centurion Bank of Punjab acquired the HDFC Bank and gave the frame of integration. This study regulate the link between communication, HR integration, management action and consequent contribution of post-merger success by conducted interview in a recent bank Merger., in depth interviews work conducted in a recent mergers of a Indian Bank. It was inferred that proactive communication, change in organizational structure, and appropriate human resource integration would smoothen the journey toward successful integration.

Anand Manoj & Jagandeep Singh (2008), 24 studied the impact of Mergesr and Acquisitions of five banks in the Indian banking Sector on the Shareholder bank. These mergers were the Times bank merged with the HDFC Bank, the Bank of Madurai with the ICICI Bank, the ICICI Ltd with the ICICI Bank, the global trust bank merged with the Oriental Bank of Commerce and the Bank of Punjab merged with the Centurion Bank. The announcement of merger of Bank had positive and significant impact on shareholder's wealth. The effect on both the acquiring and the target Banks,, the result showed that the agreement with the European and the US Banks Merger and Acquisitions except for the facts the value of share holder of bidder banks have been destroyed in the US context, the market value of weighted Capita adequacy Ratio of the combined Bank portfolio as a result of merger announcement is 4.29 percent in a three day period (-1, 1) window aand 9.71 percent in a eleven days period (-5, 5) event window. The event study was used for proving the positive impact of merger on the bidder Banks.

Anthony F. (2008) 25**,** investigates the effect of Acquisition activity on the efficiency and total factor productivity of Greek Banks. Results show that total factor productivity for merger Banks for the period after merging can be attributed to an increase in technical inefficiency and the disappearance of economies of scale, while technical change remained unchanged compared o the pre-merging level.

Kumar.S., & Bansal, L.K. (2008) 26 explored the impact of M&A on corporate performance in India. They investigate that whether all the claims which are made about the mergers are achieved in India or not. This study used financial data, tables and different ratios to make analysis of correlation etc. and found that in most of the cases the company who acquire other through M&A got so many benefits and generate synergy in long run like increase in cash flow, larger business, competitive advantage , diversification and reduction in cost etc.

Mantravadi & Reddy (2008) 27 studied pre and post-merger performance in India and target the acquiring firms from diverse sectors and different industries but their major emphasis was on measurement of operating performance of the firms through financial ratios. They select the sample of all the mergers between public limited and trading firms during 1991-2003. It showed a positive effect of the merger on the profitability of firms in the banking and finance industry.

SU WU(2008)28 examined the efficiency consequences of bank mergers and acquisitions of Australian four major banks. The empirical results demonstrate that for the time being mergers among the four major banks may result in much poorer efficiency performance in the merging banks and the banking sector.

Elena Carletti, Philipp Hartmann & Giancarlo Spagnolo (2007)29 modeled the impact of bank mergers on loan competition, reserve holdings, and aggregate liquidity. The merger also affects loan market competition, which in turn modifies the distribution of bank sizes and aggregate liquidity needs. Mergers among large banks tend to increase aggregate liquidity needs and thus the public provision of liquidity through monetary operations of the central bank.

Murthy (2007)30 studied the case of five bank mergers in India viz. Punjab National Bank and New Bank of India, ICICI Bank and Bank of Madura, ICICI Ltd. And ICICI Bank, Global Trust Bank and Oriental Bank of Commerce and Centurion Bank with Bank of Punjab. It was concluded by the author that consolidation Is necessary due to stronger financial and operational structure, higher resources, wider branch network, huge customer base, technological advantage, focus on priority sector, and penetration in rural market. Further, Some issues as challenges in aforesaid mergers were identified as managing human resources, managing the client base, acculturation, and stress of bank employees.

Vanitha.S and Selvam.M (2007)31 "Financial Performance of Indian Manufacturing Companies during Pre and Post Merger", they analyzed the pre and post merger performance of Indian manufacturing sector during 2000-2002 by using a sample of 17 companies out of 58 (thirty percent of the total population). For financial performance analysis, they used ratio analusis, mean, standard deviation and 't' test. They found that the overall financial performance of merged companies in respect of 13 variables were not significantly different from the expectations.

Vanitha S (2007)32, "Mergers and Acquisition In Manufacturing Industry", she analyzed the financial performance of the merged companies, share price reaction to the announcement of merger and acquisition and the impact of Financial variables on the share price of merger companies. The author found that the merged company reacted positively to the merger announcement and also, few financial variables only influenced the share price of the merged companies.

Morris Knapp, Alan Gart & Mukesh Chaudhary (2006) 33 research study examines the tendency for serial correlation in bank holding company profitability, finding significant evidence of reversion to the industry mean in profitability. The paper then considers the impact of mean reversion on the evaluation of post-merger performance of bank holding companies. The research concludes that when an adjustment is made for the mean reversion, post-merger results significantly exceed those of the industry in the first 5 years after the merger.

Suchismita Mishra, Arun, Gordon and Manfred Peterson (2005)[34] Study examined the contribution of the acquired banks in only the non-conglomerate types of mergers (i.e., Banks with banks), and finds overwhelmingly statistically significant evidence that non conglomerate types of mergers definitely reduce the total as well as the unsystematic risk while having no statistically significant effect on systematic risk.

Mare J Epstein. (2005)[35] Study on merger failures and concludes that mergers and acquistions strategies (M&A) are always failed. However, his analysis on the causes of failure of mergers revealed that the causes of failure were predominantly dominating the measures of success which are very weak.

Joydeep Biswas (2004) 36,Recent trend of merger in the Indian private corporate sector", this research is about Corporate restructuring in the form M&A has become a natural and perhaps a desirable phenomenon in the current economic environment. In the tune with the worldwide trend, M&A have become an important conduit for FDI inflows in India in recent years. In this paper it is argued that the Greenfield FDI and cross-border M&As are not alternatives in developing countries like India.

Vijay Shrimali and Karunesh Saxena's (2004)[37]"Economic Advantages of Merger and Acquisition" due to the imminent implementation Of WTO Guidelines with effect from July 2005, it was become mandatory for business organization to strengthen their R&D base. Consequently, the size of the business organization matters most, merger and acquisition have, therefore, become order of the day, an attempt has been made in the paper to provide a theoretical framework of M&A, various examples of merger and acquisition in the world market and finally, the economic advantage of have been outlined

George E Halkos & Dimitrios (2004)[38] have applied non-parametric analytic technique (data envelopment analysis, DEA) in measuring the performance of the Greek banking sector. They proved that data envelopment analysis can be used as either an alternative or complement to ratio analysis for the evaluation of an organization's performance.

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Ya-Hui Peng & Kehluh Wang (2004)39 study addresses on the cost efficiency, economies of scale and scope of the Taiwanese banking industry specifically focusing on how bank mergers affect cost efficiency. Study reveals that bank merger activity is positively related to cost efficiency. Mergers can enhance cost efficiency, even though the number of bank employees does not decline. The banks involved in. mergers are generally small after the deregulation of banking sector.

Mansur A Mullah (2003)40, Forecasting the Viability and Operational Efficiency by use of Ratio Analysis - A Case Study", he assessed the financial performance of a textile unit by using ratio analysis. The study found that the financial health was never in the healthy zone during the entire study period and ratio analysis highlighted that managerial incompetence accounted for most of the problems. It also suggested toning up efficiency and effectiveness of all facets of management and put the company on a profitable footing.

Asquith, Bruner, Mullins(2003)[41] have studied the size effect and concluded that where the target's market value is greater than 10 per cent of the market value of the buyer company, the buyer company shareholders have gained significantly and wherever the target company's niafket value is less than 10 per cent of the market value of the buyer company they do not have any significant gains because of the fact that the size Of the buyer company is too large to actually make a material impact in value to shareholders.

Paul (2003)[42] studied the merger of Bank of Madura with ICICI Bank. The researcher evaluated the valuation of the swap ratio, the announcement of the swap ratio, share price fluctuations of the banks before the merger decision announcement and the impact of the merger decision On the share prices. He also attempted the suitability of the merger between the 57 year old Bank of Madura with its traditional focus on mass banking strategies based on social objectives, and ICICI Bank, a six year old 'new age' organization, which had been emphasizing parameters like profitability in the interests of shareholders. It was concluded that synergies generated by the merger would include increased financial capability, branch network, customer base, rural reach, añd better technology. However, managing human resources and rural branches may be a challenge given the differing work cultures in the two organizations.

Salama, Holland and Vinten (2003)[43] opined and explored the challenges and opportunities in integration process, studied the factors responsible for the success of cross-border acquisitions within related industries. They emphasized the corporate strategies the three partnered companies used to maximize synergies, and to minimize the negative effects of the unavoidable, but necessary and complex, acculturation process. They found in the case study that successful cooperation between the firms resulted from the learning process developed by the partners. Knowledge acquisition and the International subsequent organizational learning were the important desirable outcomes of the acquisition processes experienced by the organizations.

Beitel, Schiereck, and Wahrenburg (2002) [44]have studied deals of M&A of which relate to banks have found that target firm shareholders gain and the acquirers loose. A reason attributed to loss Of value to buyer company's shareholders is the size effect.

Ping-wen Lin (2002)[45] findings proves that there is a negative correlation and statistical significance exist between cost inefficiency index and bank mergers; meaning banks engaging in mergers tend to improve cost efficiency. However, the data envelopment analysis and empirical analysis found that bank mergers did not improve significantly cost efficiency of banks. In another study, he found that (l) generally; bank mergers tend to upgrade the technical efficiency, allocative efficiency, and cost efficiency of banks; however a yearly decline was noted in allocative efficiency and cost efficiency. (2) In terms of technical efficiency and allocative efficiency improvement, the effect of bank mergers was significant; however, in terms of cost efficiency improvement, the effect was insignificant.

In 'Merger and Acquisition unlocking value' Huzifa Husain, (2001)[46] explains that takeovers (hostile or non-hostile) may be beneficial to the shareholders if they unlock the hidden value of a company. They also help the existing management to the more receptive to shareholders. Economically takeovers make sense if the 'private market value' of a company is higher than the market capitalization of the company. Further if takeovers are used as a ploy to prevent competition, it becomes harmful to the economy. Therefore, proper checks and balances have to be put in place to ensure that takeover facilitation improves overall efficiency of the company.

Chitranandi A.K, (2001)[47] in "Trumps for M & A Information Technology Management in a merger and acquisition strategy" try to found the success of merger and acquisitions depends on proper integration of employees, organization culture, IT, products, operations and service of both the companies. Proper IT integration in merger plays a critical role in determining how effectively merged organizations are able to integrate business processes and people, and deliver products and services to both internal and external customers of the organization. The study suggests that to address the challenges, Chief Information Officers should be involved from the earliest phase.

Vardhana Pawaskar (2001)[48] studied the impact of mergers on corporate performance in "Effect of Mergers on Corporate Performance in India". It compared the pre- and post- merger operating performance of the corporations involved in merger between 1992 and 1995 to identify their financial characteristics. The study identified the profile of the profits. The regression analysis explained that there was no increase in the post-merger profits. The study of a sample of firms, restructured through mergers, showed that the merging firms were at the lower end in terms of growth, tax and liquidity of the industry. The merged firms performed better than industry in terms of profitability.

Ghosh (2001)[49] examined the question of whether operating cash flow performance improves following corporate acquisitions, using a design that accounted for superior pre-acquisition performance, and found that merging firms did not show evidence of improvements in the operating performance following acquisitions.

Canagavally R. (2000)[50] in "An Analysis of Mergers and Acquisitions" measures the performance in terms of size, growth, profitability and risk of the companies before and after merger. The dissertation also investigates the share prices of sample companies in response to the announcement of merger.

Beena P.L (2000) [51] in 'An analysis of merger in the private corporate sector in India' attempts to analyze the significance of merger and their characteristics. The paper establishes that acceleration of the merger movement in the early 1990s was accompanied by the dominance of merger between firms belonging to the same business group of houses with similar product line.

Beena's Study (2000)[52] was related to the nature of merger in terms of their management during the 1990-95 on a sample of 45 merger cases. The results showed that 31 cases were horizontal mergers and remaining divided equally among vertical and conglomerate merger. Further, it was found that merger was not a route to growth, but was predominantly financed through resources acquired from a buyout market share. The study presented that though the merger movements in early 1990s might have contributed to an increase in asset concentration at firm level (asset growth was not in more than 20 per cent of sample cases), it had not contributed to an increase in concentration in terms of relative shares of business groups.

Besides relative profitability, another significant issue analyzed was, whether mergers were a means by which profit-making firms absorbed lossmaking ones, either in order to expand at lower cost or to get tax benefits available from such mergers. The results showed that only 22 per cent of the total acquiring firms which were earning profits were involved in mergers with loss-making firms in order to reap tax benefits or expand at low cost.

On a sub-sample of 39 out of 45 sample cases, impact of profitability was assessed in terms of various variables. The results showed mixed evidence on profitability. However, the trend on average gearing ratio showed a decline significant in 69 per cent of cases and return on shareholders' equity showed an improvement in 69 per cent of acquiring firms. These trends suggested that desire to improve financial position of the firm through a viable capital structure could be one of the motives of merger.

Finally, an analysis of effects of mergers on shareholders' gains was carried out on a sub-sample of 20 acquiring firms out Of sample of 45 firms in terms of share price data. The results suggested that on an average, a majority of acquiring firms went through a period of share prices rises prior to merger, then experienced a fall in their share prices on the announcement of merger and this continued for two-three years after merger. This confirmed the earlier evidence that majority of merger cases were characterized by pre-merger buoyancy in share prices of acquiring firms. Once mergers occurred, their prices showed a bearish trend because of intervening phase of process of revamp and restructuring and consequentially share prices declined in post-merger period.

Saple V. (2000)53 "Diversification, Mergers and their Effect On Firm Performance: A Study of the Indian Corporate Sector", he finds that the target firms were better than industry averages while the acquiring firm shad lower than industry average profitability. Overall, acquirers were high growth firms which had improved the performance over the years prior to the merger and had a higher liquid

Anup Agraval Jeffrey F. Jaffe (1999)[54] "The Post-merger Performance Puzzle", they examines the literature on long-run abnormal returns following mergers. The paper also examines explanations for any findings of underperformance following mergers. We conclude that the evidence does not support the conjecture that underperformance is specifically due to a slow adjustment to merger news. We convincingly reject the EPS myopia hypothesis, i.e. the hypothesis that the market initially overvalues acquirers if the acquisition increases EPS, ultimately leading to long-run under-performance.

Yadav, Jain and Jain’s Study (1999)[55] measure the profitability of mergers by looking at the merger synergy, i.e. comparing sum of pre-merger values of various attributes like cost ratios, earnings and profit ratio, return on investment ratios, etc., of merged companies with post-merger value of combined companies. For the study they had taken four Indian companies, two of which had merged with Indian companies while the other two merged with multinationals. The performances of these companies were analyzed for a period of three years before merger and three years after the merger. The hypothesis tested was to see if mergers with multinationals were more successful than with Indian companies.

The cases analyzed in the study indicated that growth had been achieved by all the companies involved in the merger whether Indian or multinationals but it was more in case of latter.

Rhoades (1998) 56 researched on impact of the merger in the banking industry on efficiency profitability considering both domestic and global mergers. This research analysed the cost and profitability of 33 Bank-to-Bank mergers and showed that the domestic mergers favour cost efficiency whereas the global ones don’t. However,improvement in profitability is considered by both.

Resti(1998)57 concluded that the efficiency of merged banks has increased in years post-merger and it is especially true when the deal occurred between two banks operating on the same local market and when the size of the new entity was not too big.

Robert De Young (1997)[58] estimated pre and post-merger X-inefficiency in 348 mergers approved by the OCC in 1987/1988. Efficiency improved in only a small majority of mergers, and these gains were unrelated to the acquiring bank's efficiency advantage over its target. Efficiency gains were concentrated in mergers where acquiring banks made frequent acquisitions, suggesting the presence of experience effects.

Healy, Palepu and Ruback (1997)[59] studied 50 large mergers in the US using accounting based measures. They have reported that merged firms showed significantly abnormal improvement in asset turnover. However, there was no improvement in operating cash flow margins. They also looked at market returns to shareholders and concluded that the Net Present Value for the acquirer shareholders was zero as the cash flows did not improve. The target company shareholders gained significantly.

Chatterjee and Meeks (1996)[60]studied mergers in UK concluded that the acquiring companies did not show any significant increase in profitability though they reported better accounting profits, which could be because of accounting policy changes.

Mandal's Study (1995)[61] was related with relationship between types of mergers and the merger gain emerged from different types of merger. The study also quantified tax benefits arising out of corporate mergers to the acquiring company and the extent of such benefits towards the revival of a sick company. The study used 19 merger cases to investigate into the merger motives, means of payment, exchange ratio, success and failure of mergers and quantum of tax benefits. The results of findings concluded that exchange of equity was found in 90.01 per cent cases, in 5 per cent cases equity shareholders of targets were discharged by preference shares and in 4.99 per cent cases by debentures. Findings also indicated that merger was an easy route for corporate growth by way of acquisition of sick company. In relation to revival of sick industry with healthy unit, the findings indicated that revival of financial health of losing target was possible through merger although it was not an easy route. This supported the effectiveness of tax incentive scheme u/s 72A of Income Tax Act and justified the BIFR approach to merger of a sick company with a profitable one.

Singh and Kumar's Study (1994)[62] was related to revival of sick units through the medium of mergers. For the study purpose, they had taken three sick units namely; Kotthari General Food Corporation Ltd. Charlapalli Sugars Ltd. and Sewa Paper Ltd. Kothari General Food Corporation Ltd merged with Brooke Bond India Ltd., Charlapalli Sugars Ltd merged with KCP Ltd., and Sewa Paper Ltd merged with Ballarpur Industries Ltd. They concluded that rehabilitation of sick company by merging with the healthy company is the most effective way of their rehabilitation and BIFR seemed to have fulfilled its assured objective of revival of sick companies. Another conclusion drawn was that tax implications were singularly the most inviting feature for healthy company to merge with sick company.

In terms of accounting profitability, Hughes (1993) 63 summarizes evidence from a number of empirical studies to show that conglomerate mergers perform better than horizontal mergers. Poor corporate performance in post-merger period has been attributed to numerous reasons — manager's desire for position and influence, low productivity, poor quality, reduced commitment, voluntary turnover, and related hidden costs and untapped potential.

. Healy, Palepu & Ruback(1992) 64cited a research paper on the impact of mergers and amalgamation on the performance of companies. Theoretically, it is assumed that mergers increase market power, synergy impact, and other quantitative and qualitative factors. After analysing 40 Indian companies , this study shows that in India mergers failed to contribute positively to performance improvement.

Khemani (1991) 65 states that there are multiple reasons, motives, economic forces and institutional factors that can be taken together or in isolation, which influence corporate decisions to engage in M&As. It can be assumed that these reasons and motivations have enhanced corporate profitability as the ultimate, long-term objective. It seems reasonable to assume that, even if this is not always the case, the ultimate concern of corporate managers who make acquisitions, regardless of their motives at the outset, is increasing long-term profit. However, this is affected by so many other factors that it can become very difficult to make isolated statistical measurements Of the effect of M&As on profit.

Kaveri's Study (1986)66 was mainly related to revival of corporate sickness through mergers. She conducted an in-depth analysis of nine specific cases of mergers that took place during the years 1975-84 (in which seven mergers took place within the group and two outside the group). It attempted to measure the effectiveness of mergers by comparing actual performance of mergers vis-à-vis various expectations laid down in respect of mergers. The expectations are as follows:

1.Revival of sickness is possible through mergers.
2.Mergers provide sick companies to expand/diversify modernize business activities.
3.With mergers, sick companies contribute to aggregate strength of healthy companies.
4. Merger produces positive effect on the share values of merged companies.
5. During the post-merger period, bank borrowings should decline when the merged company becomes financially stronger.
6. Mergers are advantageous to healthy companies also.
7. Performance of sick companies during the post-merger period must be better than projected performance if there had not been a merger.

The results of the findings concluded that during the post-merger period, sick companies were able to raise sales but whether rise was significant or not was debatable. Healthy companies continued to be healthy after merger but degree of improvement in health varied from case-to-case. Revival measures of improvement in technology, diversification, expansion, changing market strategy, etc., were found satisfactory though varied in most of the cases. In five out of nine cases, actual performance was no way nearer to projected performance.Bank borrowings declined during the post-merger period due to better performance of merging and merged companies in eight out of nine cases.Hence banker’s interest was safeguarded in these cases.

III. CONCLUSION :

Although there is plenty of research literature available on merger and acquisitions , most of the studies have been done by the researchers for the efficient markets of the developed countries especially USA and UK. In India very limited research work has been carried out on this topic. Books are available in large numbers but are mostly theory based. None of the few studies conducted in India has explored the performance of mergers and acquisitions empirically in terms of their effect on performance of the company. The present study makes an attempt to fill these voids and aims at investigating the performance of pre-merger and post –merger / acquisitions that have taken place in India.

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