M&A PERFORMANCE: A COMPARATIVE STUDY OF EMERGING AND DEVELOPED MARKETS

A Thesis Submitted
In Partial Fulfillment of the Requirements
for the Degree of

DOCTOR OF PHILOSOPHY

by

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2K17/PHDDSM/03

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September, 2024

Candidate's Declaration

I, hereby certify that the thesis titled **"M&A Performance: A Comparative Study of Emerging and Developed Markets "** submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy is an authentic record of my research work carried out under the guidance of Prof. (Dr.) Girish Chandra Maheshwari and Dr. Archana Singh. Any material borrowed, or referred to and all assistance received has been duly acknowledged.

The matter presented in this thesis has not been submitted elsewhere in part or fully to any other University or Institute for the award of any degree.

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CERTIFICATE

Certified that **Sakshi Kukreja (**2k17/PHDDSM/03) has carried out her research work presented in this thesis entitled **"M&A Performance: A Comparative Study of Emerging and Developed Markets"** for the award of **Doctor of Philosophy** from Delhi School of Management, Delhi Technological University, Delhi, under our supervision. The thesis embodies results of original work, and studies are carried out by the student herself and the contents of the thesis do not form the basis for the award of any other degree to the candidate or to anybody else from this or any other University/Institution.

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Sakshi Kukreja

M&A PERFORMANCE: A COMPARATIVE STUDY OF EMERGING AND DEVELOPED MARKETS

SAKSHI KUKREJA

ABSTRACT

The study commenced with a view to enquire into the performance puzzle syndrome and the influence of institutional distance on M&A outcomes. Towards this, it examines the performance for a large sample of deals. The study sample covers a period ranging over a period of two-decades for deals originating from five emerging and seven developed markets including the BRICS countries, United Kingdom, Germany, France Netherlands, Spain, Canada and Japan. The stock market reactions on and around the deal announcement are examined using the event study methodology. The market reactions on deal reactions are analysed for each of the sample nations. Following this, an overall comparative analysis is conducted for emerging and developed market deal performance. Dwelling deeper, the deals are then further bifurcated and analysed based on the target location, i.e., domestic and cross-border deals for an enhanced understanding. Finally, the impact of institutional distance on deal performance is examined for understanding the simultaneous and individual impact of different distance dimensions.

The first objective of the study relates to examining the emerging market M&A performance. Towards this objective, the acquirer stock returns on deal announcement are analysed for understanding the market perception towards deal performance and its effect on shareholder's wealth. While the results found a positive zero-day returns for all the five emerging markets, country-wise distinctions are observed in the pattern of information absorption highlighting individual market peculiarities. Further towards the second objective of the study, announcement period returns for the deals originating from the sample of seven developed nations are calculated and analysed. All the seven developed nations observed a statistically significant and positive returns on the day of announcement as well as consistently positive cumulative returns are recorded across all select event windows. Comparing the performance for emerging and developed markets, the results reveal higher wealth gains for emerging market acquirers around the deal announcement as against the developed market acquirers, indicated by both zero-day returns and the cumulative return values around deal announcement. Towards the

third objective of the study, total sample of M&A deals were split into domestic and cross-border deals for each of the sample country to compare and contrast the differences in their performance. The reported results highlight a distinct country-wise behavioural pattern on the cross-border versus domestic deal performance.

Finally, working towards the fourth objective of the study, the study elucidated the relationship between the multiple institutional distance dimensions and M&A performance highlighting the variations in their significance and direction of effect. The result confirms statistically significant and distinct impacts of financial, political, cultural and global-connectedness distance on the deal performance. A notable contribution of the study lies in recognising and explaining the distinctive impacts of institutional distance dimensions on the M&A, warranting against any generalisations based on aggregated distance measures.

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List Of Abbreviations

AD	Administrative Distance
AR	Average Return
BRICS	Brazil, Russia, India, China and South Africa
CAAR	Cumulative Average Abnormal Returns
CAR	Cumulative Average Returns
CBMA	Cross-border mergers and acquisitions
CD	Cultural Distance
DD	Demographic Distance
ED	Economic Distance
EME	Emerging market enterprises
EMF	Emerging market firms
FD	Financial Distance
FDI	Foreign Direct Investments
GCD	Global Connectedness Distance
GD	Geographic Distance
GDP	Gross Domestic Product
ID	Institutional Distance
KD	Knowledge Distance
M&A	Mergers and Acquisitions
MNE	Multinational enterprises
MSCI	Morgan Stanley Capital International
PD	Political Distance
UNCTAD	United Nations Conference on Trade and Development

CHAPTER -1
INTRODUCTION

1.1 Introduction

Mergers and acquisitions (herein after referred to as M&A) presents as one of the most important strategic decisions for a firm encompassing structural changes, significant resource involvements, long ranging implications. Over the years, the market for corporate control has witnessed heightened vibrancy leading to an increasing number of deals being transacted worldwide through the years. Such deals also involve high opportunity costs as the finances and managerial attention are diverted from other investment avenues. These also involve a significant impact on the shareholders wealth through market reacting to deal announcements causing either shareholder wealth creations or destruction. Careful evaluation, diligent attention and optimal decision making is needed at each stage of the deal beginning from target selection to the stage of integration. It is only in the interest of the firm to evaluate the costs and benefits associated with a deal as an effort towards ensuring synergy realisations. In this direction, the shareholder wealth effect as a measure of M&A deal performance has long been investigated. Yet, there still exist a debate in the literature on the synergy realisation capabilities of such deals. In the literature of finance, it is a puzzle as to why people indulge in changing the management if future performance is uncertain.

Traditionally a feature of developed markets, now M&A is relished by corporates worldwide. Not just limiting to national borders, it also provides as a means of accessing resources, leveraging differential efficiencies, market expansion, sharpening competitive edge, overcoming home-country limitations and growth across the national boundaries. Following the home-market growth, opening of economies and increased competition in recent decades, emerging market multinationals have come up as key

players in the global landscape. Since the beginning of this century emerging markets have been playing a fundamental role in fuelling the global economic growth. As per the World Investment Report 2014, more than one third of the global outward FDI flows were constituted by emerging market firms. China has been leading with the highest levels of outward FDI flows among emerging markets and third highest globally [UNCTAD 2014] (Deng and Yang, 2015). This study makes an effort to examine and compare performance of companies involved in M&A deals spanning across a sample of emerging and developed countries including the BRICS countries, United Kingdom, Germany, France Netherlands, Spain, Canada and Japan.

Cross-border mergers and acquisitions bring with it a pack of peculiarities owing to home-host country differences and are conceivably more exposed to challenges vis-à-vis their domestic counterparts. Yet, among all the modes of FDI, cross-border mergers and acquisitions (herein after CBMA) have often been the most popular. Dealing with cross-border targets requires coordination across home-host differences, over a spectrum of dimensions, including but beyond the traditionally utilised geographic and cultural measures. Unfamiliarity with target environment or the lack of requisite skills to manage those may prove to be hazardous. Concerns over establishing legitimacy also increases with the increase in home-host distances, driving the "liability of foreignness" and hence causing performance difficulties and adding to costs (Eden and Miller, 2004; Kostova and Zaheer, 1999; Wan *et al.*, 2020; Zaheer, 1995). As a strategic response to the external institutional risks and deal peculiarities, a firm may accordingly adjust its level of ownership acquired in the target firm, balancing with the desired level of control, resource commitment and risks (Pinto *et al.*, 2017). Linked with survival, performance and stability, the choice of ownership level to be acquired represents a crucial decision and does warrant a special attention. Not just limiting to comparing the

domestic and cross-border M&A performance, the study further deeper investigates in to the impact of home-host country distance on the cross-border M&A performance. The extant research in the area has majorly relied on the unidimensional traditional measures of geographic or cultural distance. The present study aims to provide a more relevant emerging market evidence, utilising multidimensional cross-country institutional distance measures.

1.2 M&A Trajectory – Emerging and Developed Markets

The research on M&A have made strides in the developed nations, especially in the U.S. The pioneering research in this area has been majorly lead and based on U.S. samples, which was also in line with its leadership in the global M&A landscape. Over the centuries, other economies have also emerged as key acquirers and attained a significant role in defining the global M&A statistics. The contemporary times have witnessed a change in the global dynamics with the rise of emerging economies and a dilution of developed market acquirers' domination in the global aggregates. The following section analysis the country-wise yearly M&A activity for the sample of emerging and developed markets.

Figures 1.1 to 1.14 presents the M&A deals trajectory through their aggregated values and counts for the two previous decades. The aggregated analysis of M&A trends is based on the M&A deal data from the Institute for Mergers, Acquisitions and Alliances and the country-wise deal trends are analysed based on data extracted from Refinitiv SDC Platinum database. The period of 2000-2008 represented as a merger wave fuelled by the globalisation as a key determinant of M&A accompanied with an increasing share of emerging market deals. In the last two decade, emerging economies have rapidly shifted from an export-based internationalisation strategy to CBMAs increasing their share in the global M&A aggregates (Popli and Sinha, 2014). At the start of this

century, BRICS constituted 7.15% of the world-wide deals as evident from Figure 1.2 as against a share of almost 23% by the year 2015.

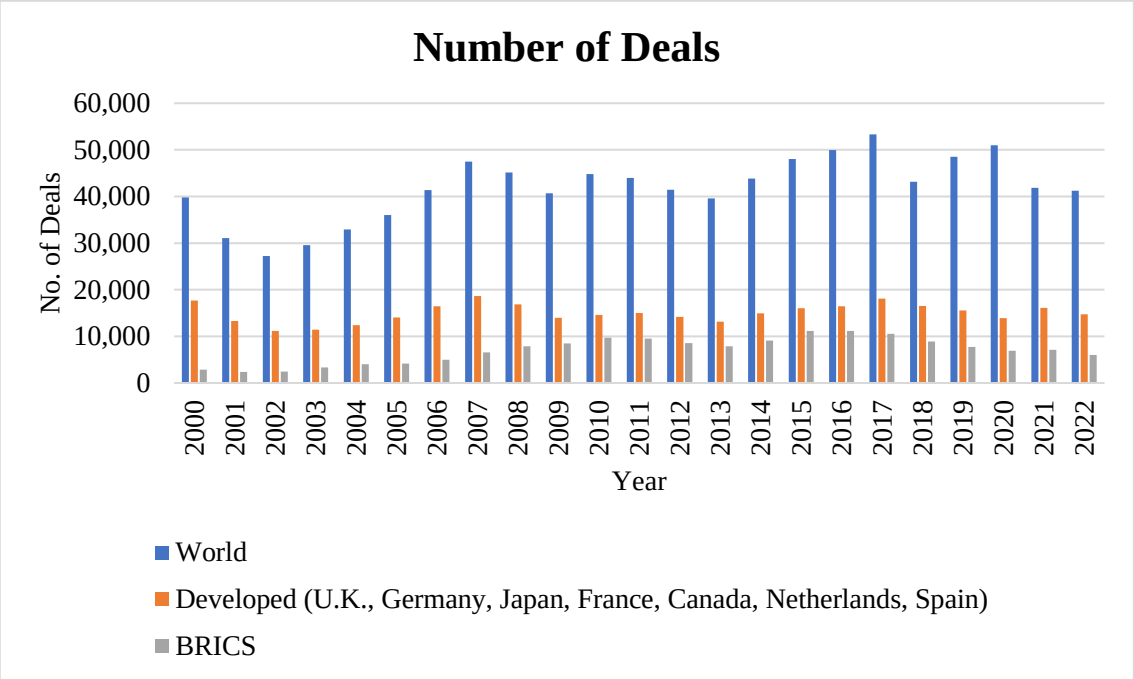

Figure 1.1 Number of M&A Deals for the World and Sample of Developed Nations
Source: Institute for Mergers, Acquisitions and Alliances

The 2007-2008 global financial crisis marked a period of world-wide economic slow-down. Its impact can also be observed on the global M&A deals. After attaining their peaks, a fall in both the count and value of M&A deals before the global financial crisis can be observed for all the developed markets. Simultaneously, in case of BRICS markets the number of deals can be observed to continue increasing during the period of global financial crisis while being accompanied with a fall in the aggregate value of such deals. This pattern indicates towards an increase in smaller valued emerging market deals in this period. The year 2008-2009 witnessed an increase in cross-border

deals fuelled by the strong acquiring firms aiming for low stock valuations targets (Chernenko *et al.*, 2021).

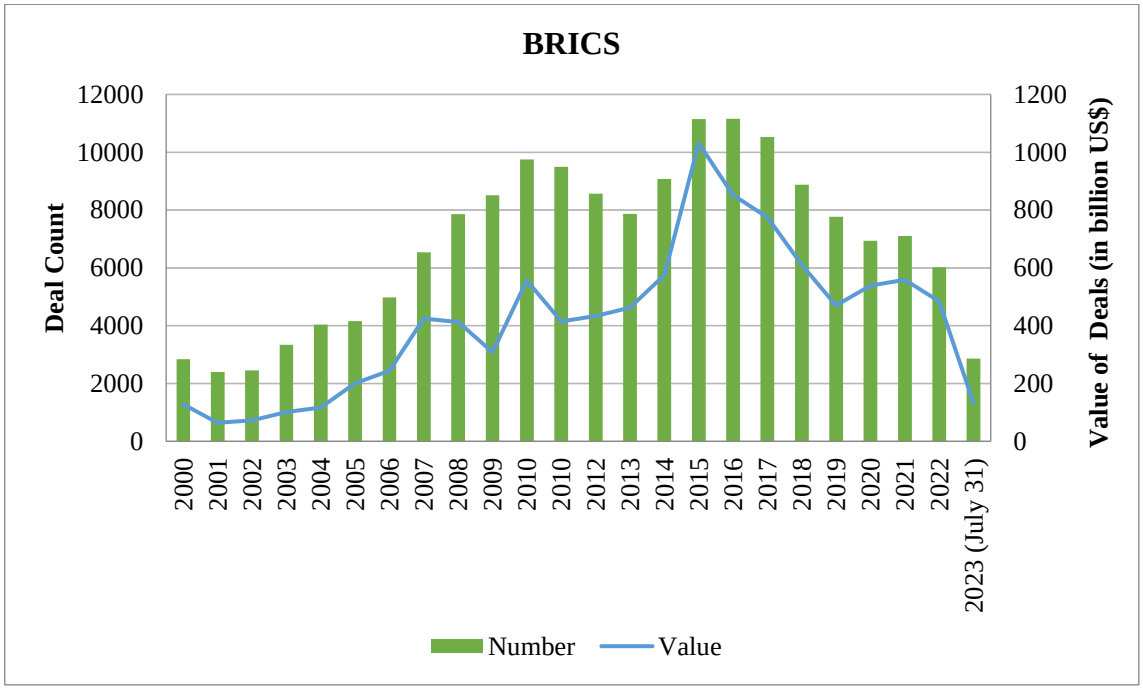

Figure 1.2 BRICS Count and Value of M&A Deals
Source: Institute for Mergers, Acquisitions and Alliances

1.2.1 Emerging Markets – Country Wise Analysis

Brazil

In Figure 1.3, an increasing trend in the Brazilian M&A market can be observed from the year 2003 onwards. The peak in terms of value can be observed in the year 2010 followed by the highest cumulative count of deals achieved in the year 2011. The Brazilian M&A market does not appear to be largely affected by the global financial crisis with an increase in the deal statistics reported for the year 2007 and 2008. It is in the year 2009 that a decline in the count of deals is reported along with a

proportionately smaller decline in aggregate deal value. The trend in the count of cross-border deals appear to be quite stable throughout the two decades. The Brazilian market is largely dominated by domestic deals in terms of both count and value of deals. The period of 2004-06 mark some high valued cross-border deals given the proportionately quite lower share of cross-border deal count as against their share of deal values.

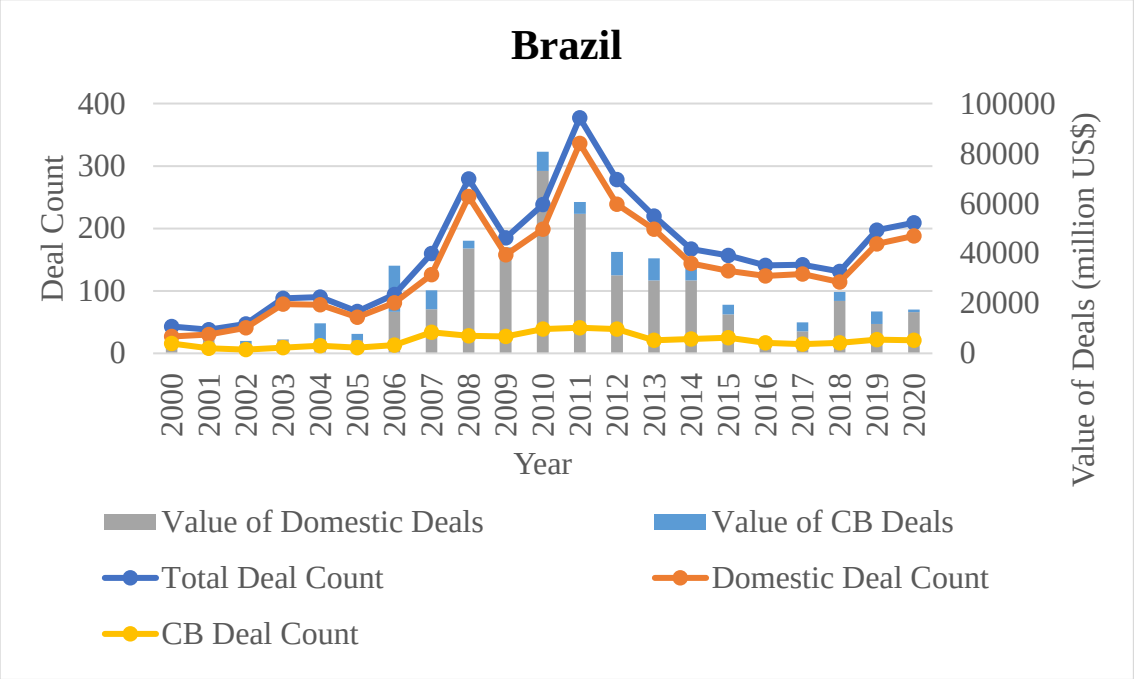

Figure 1.3 Brazilian M&A Deal Count and Values
Source: Refinitiv SDC Platinum

The Brazilian M&A market is highly concentrated by consumer non-cyclical and cyclical sectors (constituting an aggregate of over 30% of deals) followed by the financial sector (28% of the deals). Domestic deals constitute over 85% of the total completed deals announced between 2000-2020. U.S. Argentina and Spain present as the top three most popular host-nations in the given order.

Russia

A rise in the value of Russian deals can be observed starting year 2003 from Figure 1.4. The number and value of aggregate domestic is consistently higher than the cross-border deals for the Russian market. The Russian M&A market can be observed to be peaking just before the global financial crisis fuelled by the rise in domestic deals, followed by a fall in the years of crisis. Thus, global financial crisis does appear to have an impact on the Russian M&A market. Another peak is observed in the year 2013 again fuelled by the domestic deals.

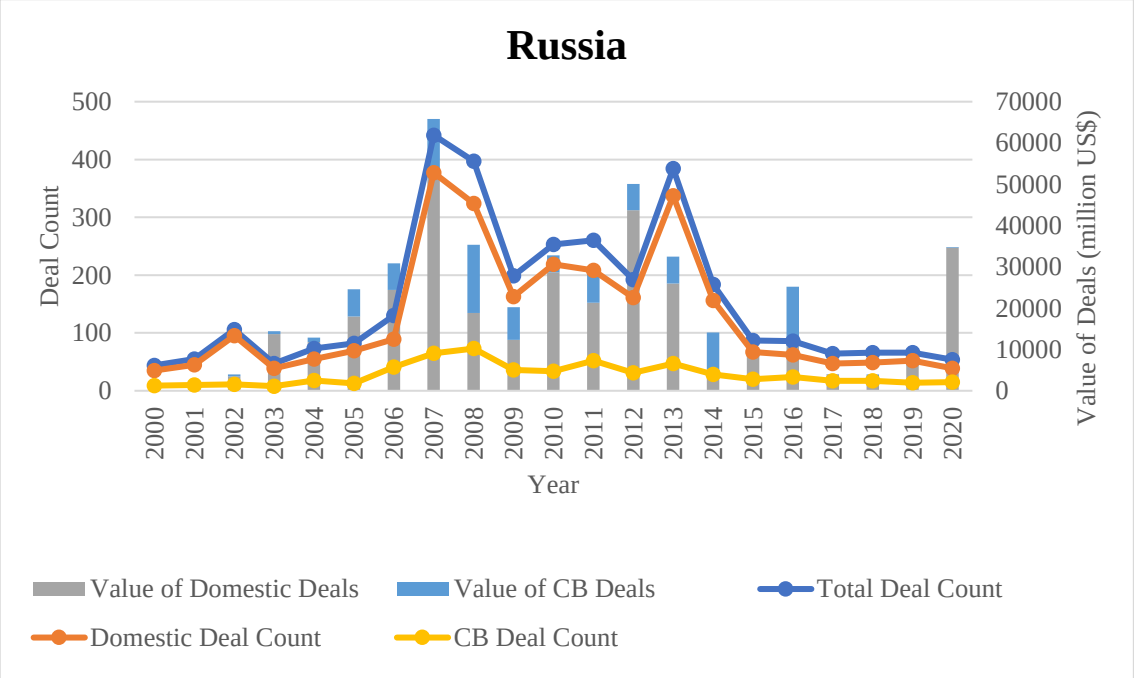

Figure 1.4 Russian M&A Deal Count and Values
Source: Refinitiv SDC Platinum

The energy sector occupies the highest proportion of value in the Russian deal market, occupying 35% share of total M&A deal value through the period 2000-20. This is

followed by the financial sector constituting around 13% of the total deal value. In terms of the deal count, the energy sector stands at third position with the financial and communications sector at the first and sector position respectively. Domestic deals constitute over 80% of the total completed outbound Russian M&A deals announced between 2000-2020. U.S., U.K. and Ukraine constitute as the top three host destinations for Russian acquirers.

India

The Indian M&A activity clearly picked up post 2003, after a decade after the major liberalisation, privatisation and globalisation reforms implemented in the year 1994. A sharp increase in both the count and value of Indian outbound deals can be observed, in Figure 1.5, from the year 2003 onwards with an increasing share of cross-border deals. The year 2006-07 witnessed around 75% share of cross-border deals in the total Indian outbound deal value while constituting under 50% of the total deal count signifying the presence of big-ticket deals. A drop in the deal statistics can be observed in the year 2008, marking the period of global financial crisis, especially for the deals involving foreign targets. As a share of total deal count and value, cross-border count observes a fairly stable trend in the last decade with an average of 30% of deal count. Whereas the share of cross-border deal value has been fluctuating. The period of 2005-10 witnessed a heightened popularity of cross-border deals. For the period of 2014 onwards, the increasing pace of aggregate Indian M&A deals is fuelled by the domestic deals.

Aggregating the deals over the period 2000-20, domestic deals constituted over 65% of the total deal count. Of the remaining 34% of deals, have been U.S., U.K. and Germany have been the top three preferred target locations for Indian outbound deals. The consumer and financial sector have witnessed the highest number of deals. The

consumer non-cyclical industry and financial sector constituted over 18% and 15% of the deals respectively over the period 2000-20.

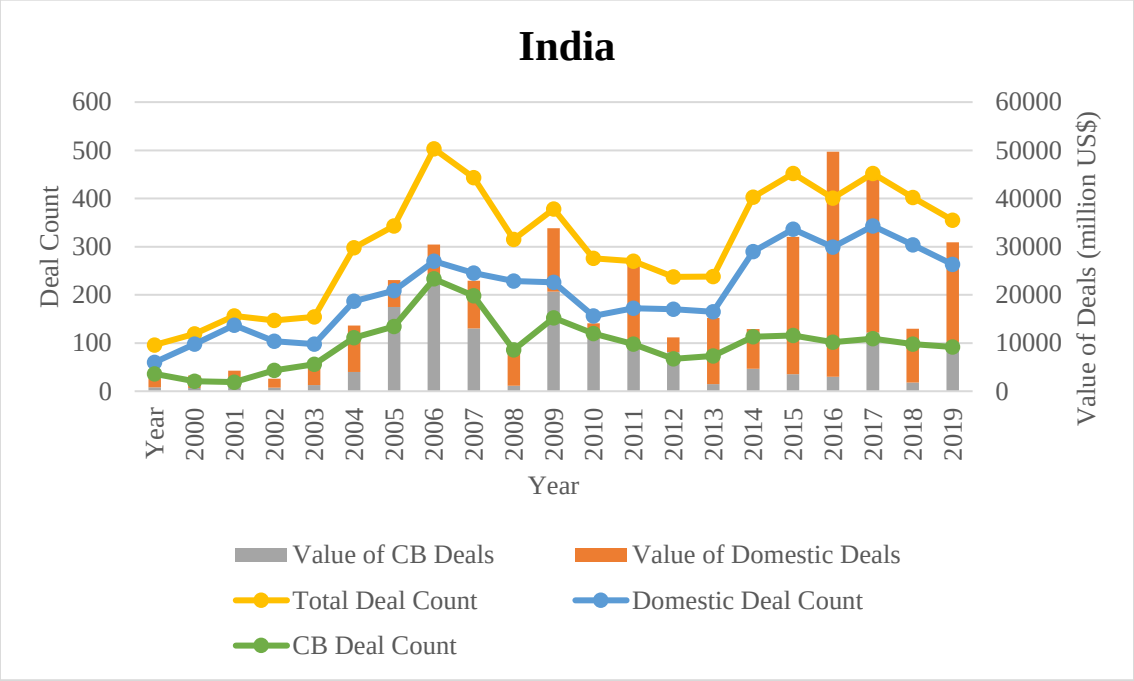

Figure 1.5 Indian M&A: Yearly Counts and Values

Source: Refinitiv SDC Platinum

China

The year 1993 marked the beginning of M&A in China but these started to gain popularity only in the late 1990s (Chi *et al.*, 2011). From Figure 1.6 a sharp rise in the number of domestic deals can be observed in the year 2002 again followed by a fall in the succeeding year. Overall, a rising trend can be observed in the Chinese deal count throughout the previous two decades. The global financial crisis does not appear to have any dramatic impact on the activity of Chinese acquirers. In the year 2016, the cross-border deal count and aggregate value witnessed an increase accompanied with a simultaneous fall in the numbers of domestic deals. This increase resulted in an overall

increase in the aggregate deal value of the Chinese deals in the year 2016 as compared to the previous year. This pattern can be observed to be reversed in the succeeding year with an increase in the domestic deal count accompanied with a fall in the number of cross-border deal.

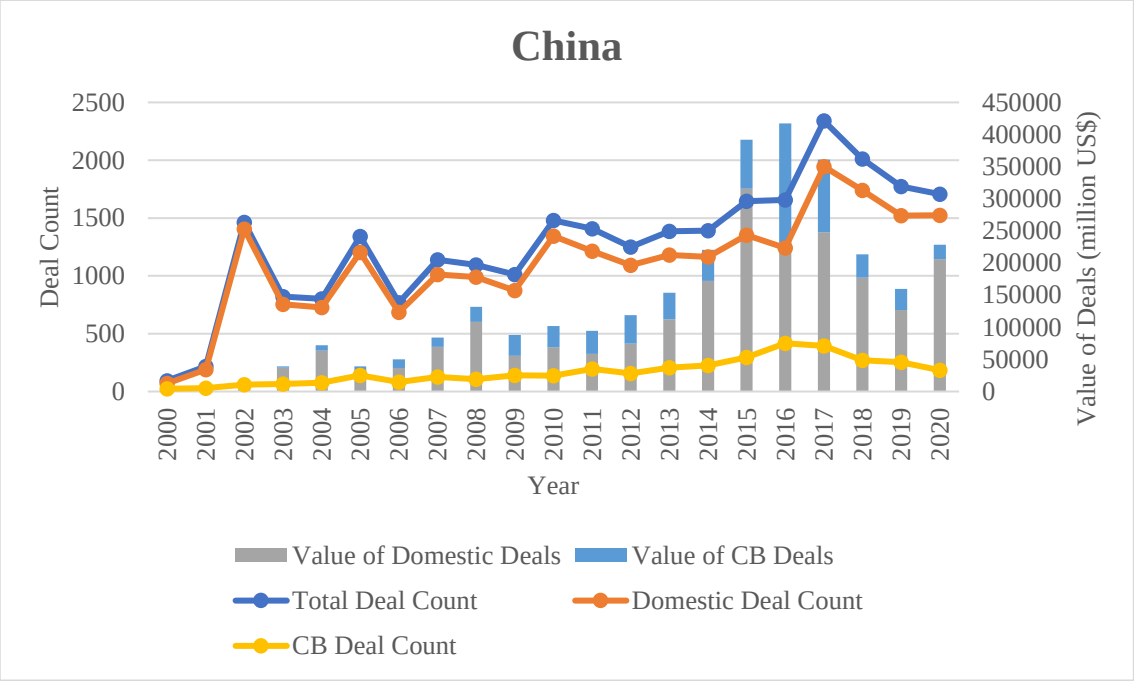

Figure 1.6 Chinese M&A Deal Count and Values

Source: Refinitiv SDC Platinum

Domestic deals constitute more than 85% of the aggregate deal count of Chinese M&A deals. While, it occupies a share of around 70% of the total Chinese M&A deal value. U.S. and Hongkong serve as the most prevalent target locations. U.S. served as a target location for 598 Chinese M&A deals in the period of 2000-2020 constituting a total of 4.2% of the total Chinese M&A deal value. Whereas, 707 and 193 deals were completed in the Hongkong and German market. Industrial, financial and consumer sectors witnessed the highest M&A deal counts and volume in the Chinese market.

South Africa

Broadly a downward trend can be observed for the South African outbound M&A market over the period 2000-2020 from Figure 1.7. The count of cross-border deals has remained comparatively stable as against the domestic deals for South African acquirers. The year 2006, just begin the beginning of global financial crisis, marked a steep increase in the aggregate value of cross-border deals signifying the presence of some big-ticket deals in that year. The year 2007-08 again saw an increase in the number of South African deals involving foreign targets whereas such for the domestic deals such pattern wasn't observed. Post the crisis, both the domestic and cross-border deals witnessed a fall in the year 2009. This fall was then again followed by a gradual increase in the succeeding years.

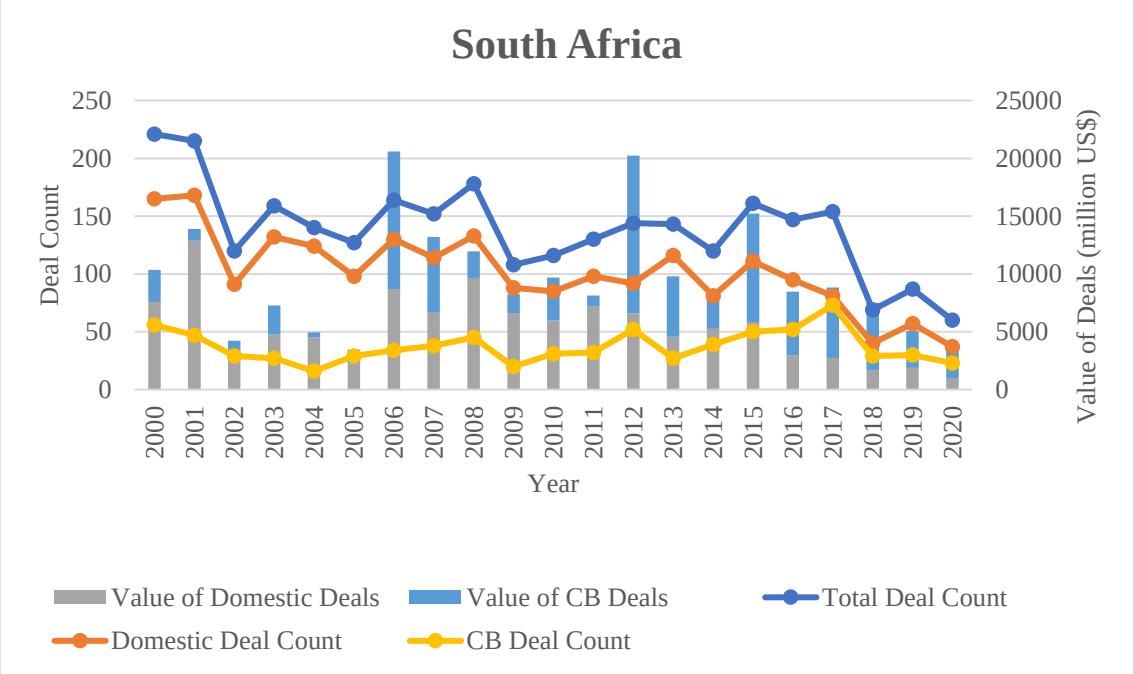

Figure 1.7 South African M&A Deal Count and Values

Source: Refinitiv SDC Platinum

In South Africa, the highest number of deals are announced by the financial sector acquirers. This is followed by the consumer and basic materials industry. In terms of deal value, communications sector stands at the third position superseded by the financial and basic materials industry and closely followed by the consumer non-cyclical industry. Domestic deals constitute over 70% of the total South African completed M&A deals in the examined period. In terms of the deal value, domestic deals occupy around 55% of the aggregate South African deals. U.K., Brazil and Australia attract the maximum M&A from South Africa in terms of deal value. Whereas, in terms of deal count U.K., U.S. and Australia form the top three destinations for South African outbound M&A deals.

1.2.2 Developed Markets: Country Wise Analysis

Spain

Over the period of two decades, sharp fluctuations can be observed in the yearly deal count for Spanish firms from Figure 1.8. Cross-border deal counts can be observed to be more consistent as against the domestic deal counts. The Eurozone crisis had begun around the year 2008 and peaked between 2010 and 2012. Stark contrast can be observed in its effect on the M&A deals, with U.K. and German M&A being relatively unaffected, France slightly affected, whereas Spain appears to be evidently affected by it. The volatility and uncertainty in the Eurozone had significantly impacted the Spanish deal statistics evident from the falling deal counts post 2009. The domestic deal count can be observed to be consistently surpassing that of the cross-border deals, the count being the closest in the year 2004.

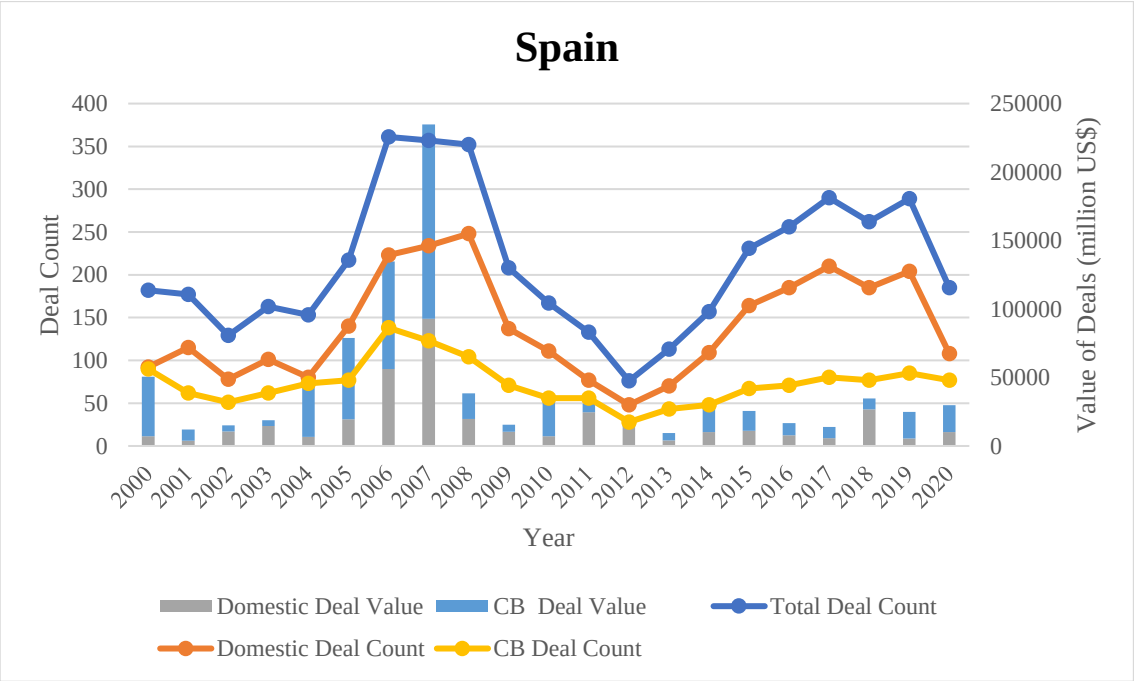

Figure 1.8 Spanish M&A Deal Count and Values

Source: Refinitiv SDC Platinum

Financial, consumer non-cyclical and industrial sectors form the top three sectors accounting for the highest deal counts, followed by consumer cyclicals and communications. Whereas, in terms of the total deal value financial, communications and utilities constitute as the top three sectors capturing over 60% of the aggregate Spanish M&A deal value. Industrial and consumer non-cyclical sectors stand at the fourth and fifth positions. In terms of target location, domestic deals constitute over 60% of the deal count while accounting for only 40% of the aggregate Spanish M&A deal value. Of the overseas target locations, U.S., U.K. and Portugal attract the highest Spanish M&A deals. Whereas, in terms of deal value, U.K., Netherlands and U.S. respectively attract the highest aggregate value of deals.

Netherlands

Observing Figure 1.9, an increase in the number of M&A deal count can be seen starting the year 2005 and peaking in the year 2007, which also marked the beginning of global financial crisis. Following this peak in 2007, domestic and cross-border deal numbers can be observed to be falling. The years 2008-09 also witnessed the Euro-zone debt crisis. From the year 2009 onwards a fairly constant trend can be observed in the number of deals with only slight recorded fluctuations. Though higher fluctuations can be observed in the annual aggregated value of deals signifying the presence of some big-ticket deals in years like 2015.

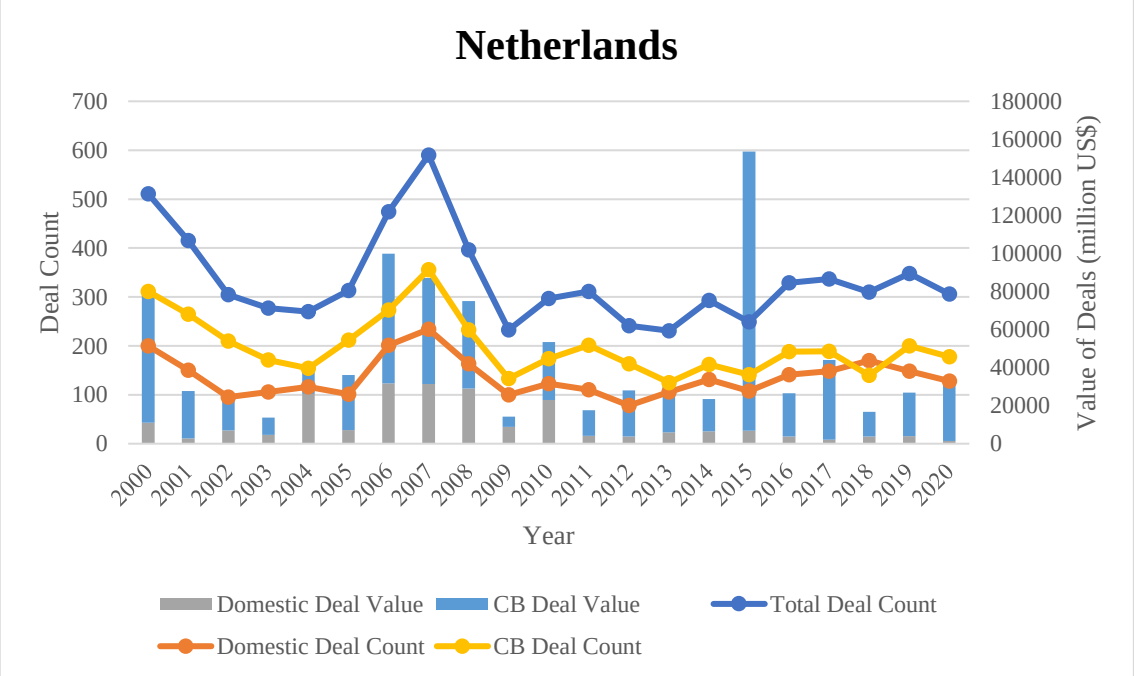

Figure 1.9 Netherlands M&A Deal Count and Values

Source: Refinitiv SDC Platinum

U.S., U.K. and Luxembourg serve as the top three target locations in terms of deal value. The value of M&A deals with targets located in U.S. even exceeds the sum of the domestic deal value. In terms of the deal count, domestic deals record the highest share of total deal count, constituting around 40% of the it. The highest cross-border deal counts are observed for U.S., Germany and U.K. together accounting for around a quarter of all deals. In terms of the sectoral distribution, financial, consumer non-cyclical and industrial sector constitute the top three sectors with the highest deal counts. In terms of deal value, financial, consumer non-cyclical and energy sector occupy the top three positions together accounting for around 40% of the total deal value.

United Kingdom

The M&A activity in United Kingdom can be seen to be peaking in the year 2007, followed by a fall in the succeeding two years as can be observed from Figure 1.10. The global financial crisis can be seen to take a toll on the number of deals in United Kingdom. Following the year 2010 the M&A activity in the U.K. again began to revive with increasing deal counts of both the domestic and cross-border deals.

The highest number of deal count can be observed in the financial, consumer non-cyclical, communications and industrial sectors respectively, aggregating to over 80% of the total deal count. In terms of deal value, financial, consumer non-cyclical, communications followed by consumer cyclical and industrial constitute the top sectors. Domestic deals constitute over 60% of the total deal count and 40% of the aggregate deal value. For cross-border deals, U.S. constitutes as the target nation in terms of both deal count and value. Further, in terms of the deal count, U.S. is followed by Germany, France, Netherlands and Australia. In terms of deal value, U.S., Germany, Netherlands, France and Spain serve as the top target locations.

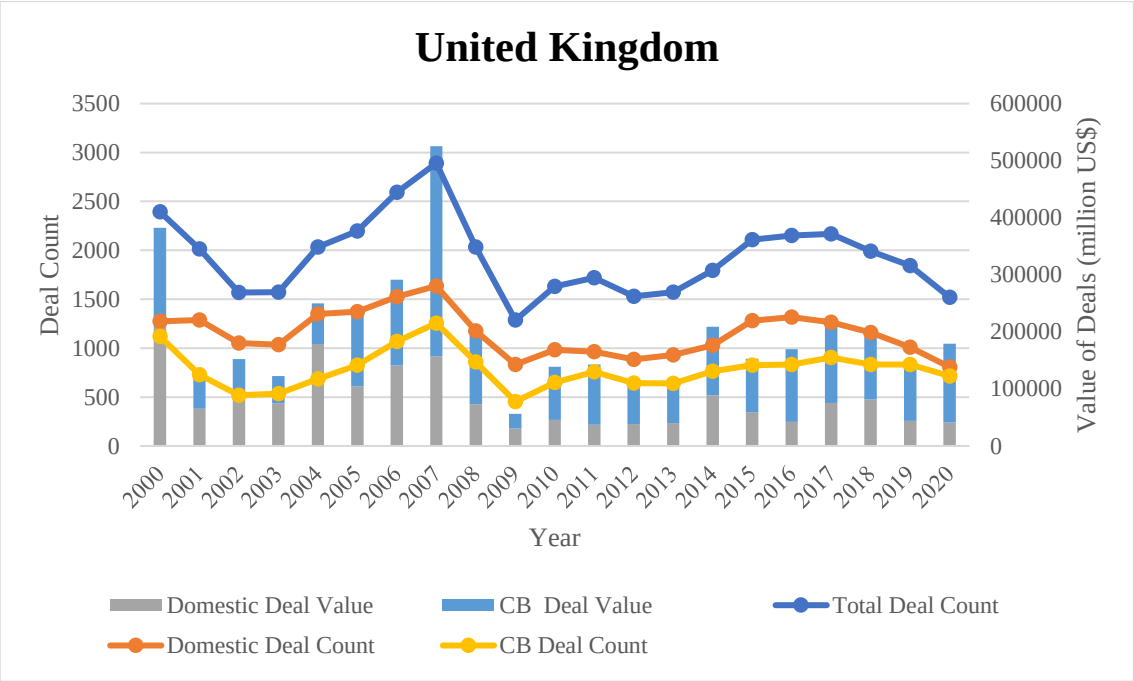

Figure 1.10 United Kingdom M&A Deal Count and Values

Source: Refinitiv SDC Platinum

Germany

The year 2000 witnessed a record number of M&A deals announced in Germany followed by a fall in the number and value of such deals in the succeeding years as evident from Figure 1.11. This peak was fuelled by the expansion and consolidation in the industries like telecom [https://www.bloomberg.com/press-releases/2000-07-25/first-half-2000-cross-border-m-a-shatters-records-european]. In the year 1999, German Chancellor Schröde has declared that selling direct holdings in other firms would not attract corporate tax liabilities resulting in a large scale selling of banks and insurance firms holdings in the German industrial firms. Also, the government held golden shares were declared illegal in court proceedings promoting large transactions in national telecom and utility firms. Further, in the year 2002, the takeover Code was replaced by Takeover Act promoting and explicitly allowing for defensive measures.

The M&A activity remained fairly constant through the year 2002-06 and 2009-13. The number and value of deals rose in the year 2007 but that increase could not be sustained.

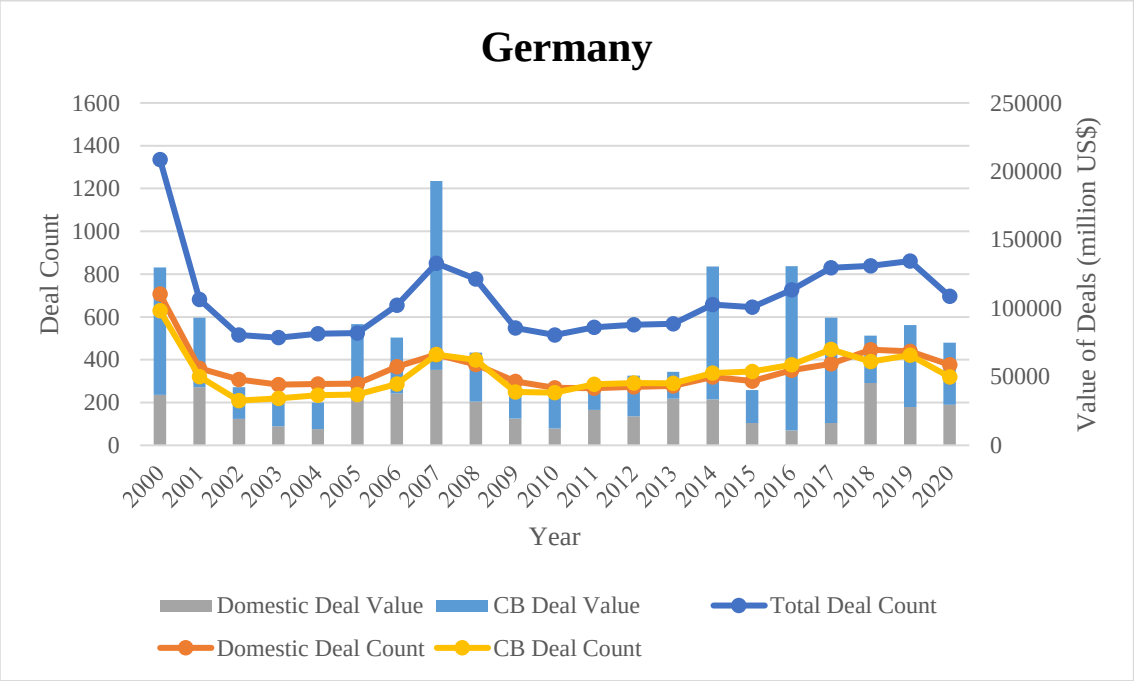

Figure 1.11 German M&A Deal Count and Values
Source: Refinitiv SDC Platinum

Domestic deals constitute over half of the total deal count and almost 36% of the aggregated deal value. The highest number of deals are completed in U.S., U.K. and France, followed by Netherlands as the host-nations. Whereas, in terms of deal value U.S., U.K., Spain and France tops the list of host-nations.

Financial, industrial and consumer sector tops the German M&A market constituting for more than half of the total deal count. Consumer non-cyclical sector surpassed the industrial sector M&A in terms of aggregate deal value through the period 2000-2020.

Canada

From Figure 1.12, Canadian M&A activity can be observed to peak in the year 2000 and then fall sharply in the succeeding two year before again reviving. The impact of global financial crisis can also be observed in the Canadian M&A market with the fall in the number and value of deals in the year 2008. Since then, the Canadian market has observed a fairly stable trend. In contrast of the deal value, the domestic deal count can be consistently observed to surpass that of the cross-border deals.

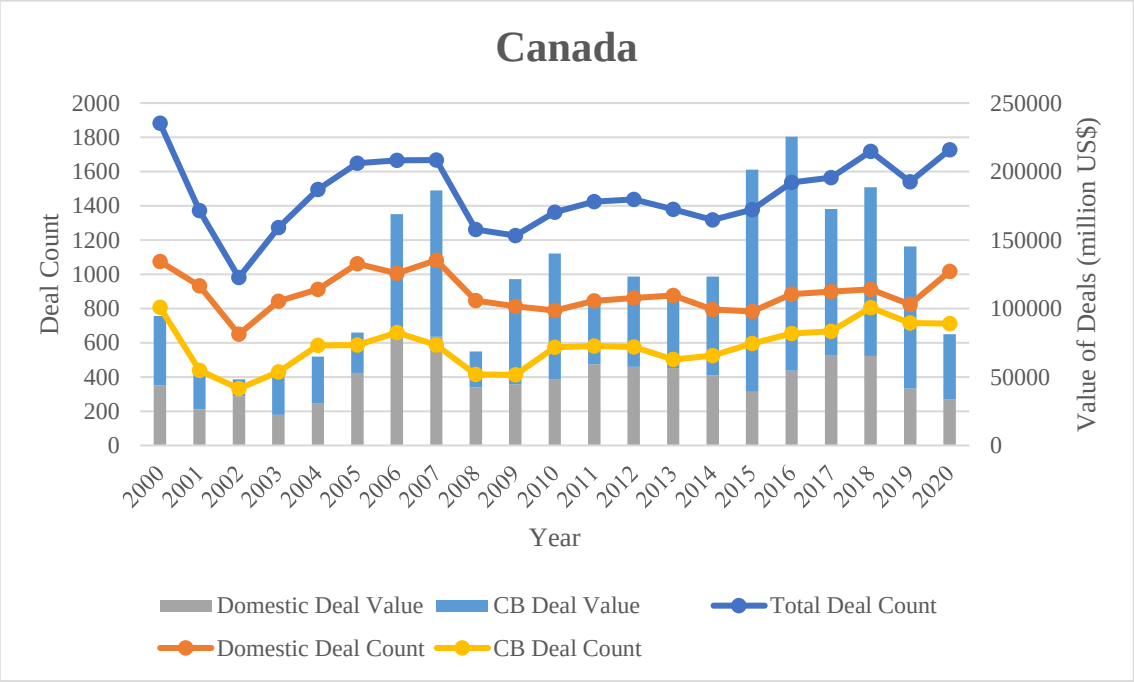

Figure 1.12 Canadian M&A Deal Count and Values
Source: Refinitiv SDC Platinum

Financial, basic materials, consumer non-cyclical and energy sectors have initiated the highest number of deals in Canada constituting around 50% of the total deal count. In terms of the deal value, financial, energy, basic materials and communications form the

top sectors covering around three-fourth of the aggregate Canadian deal value. The Canadian M&A market is dominated by the domestic deals constituting over 60% of the total deal count and 40% of the aggregate deal value. Whereas, for cross-border deals U.S. serves as the top most preferred target location attracting over 23% of total Canadian deals and covering 35% of the aggregate deal value. This is then followed by U.K. and Australia.

Japan

The pace of Japanese M&A started to pick up in the late 1990s and later expanded with the start of the new century (Hanamura *et al.*, 2011). From Figure 1.13, the rapid growth in the Japanese M&A market can be observed to continue till the onset of global financial crisis. Through the previous two-decades M&A remained as a popular means of corporate restructuring in Japan fuelled by rapidly rising domestic deal count, reaching its initial peak in the year 2007. The number of domestic deals fell in the subsequent year following 2007 causing the aggregate deal count to fall. Local targets appear to be more lucrative for the Japanese firms with the domestic deal count has consistently surpassed that of the cross-border deals for Japanese firms. The growth of cross-border deal count has been gradual and fairly stable as opposed to the cross-border aggregate deal value which display higher fluctuations reflecting the underlying deal sizes.

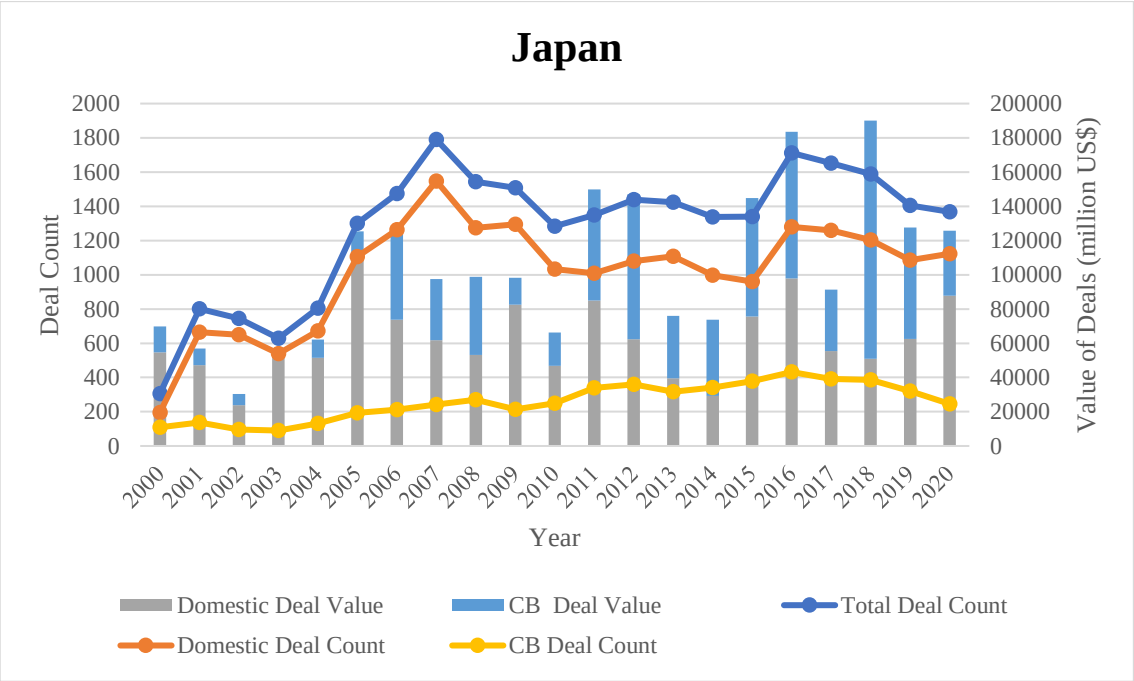

Figure 1.13 Japanese M&A Deal Count and Values

Source: Refinitiv SDC Platinum

The highest deal count can be observed in the financial sector followed by the consumer and industrial sector. In terms of the deal value, financial sector continues to top the sectoral ranking, followed by the consumer, communications, and industrial sector occupying over three-fourth of the aggregate Japanese deal value. The Japanese M&A market is majorly dominated by the domestic deals constituting over three-fourth of the total announced deals. Of the cross-border deals, U.S. presents as the top favoured target location for the Japanese acquirers encompassing over twenty percent of the aggregate Japanese deal value. This is then followed by U.K. and Australia.

France

From Figure 1.1, the first decadal peak of the period 2000-10 can be observed to be attained in the year 2007, with the highest count and value of deals. Fall in the number and value of deals can be observed following the year 2007 under the influence of

global financial crisis, reaching its minimum level in the year 2009 before entering a revival phase. A drop in the domestic deal count and value can be observed in the year 2012 allegedly caused by the European sovereign debt crisis. The cross-border deal count surpassed that of the domestic deals for most of the years in the two-decade sample period. Overall, a fairly constant trend can be observed over this period of two-decades.

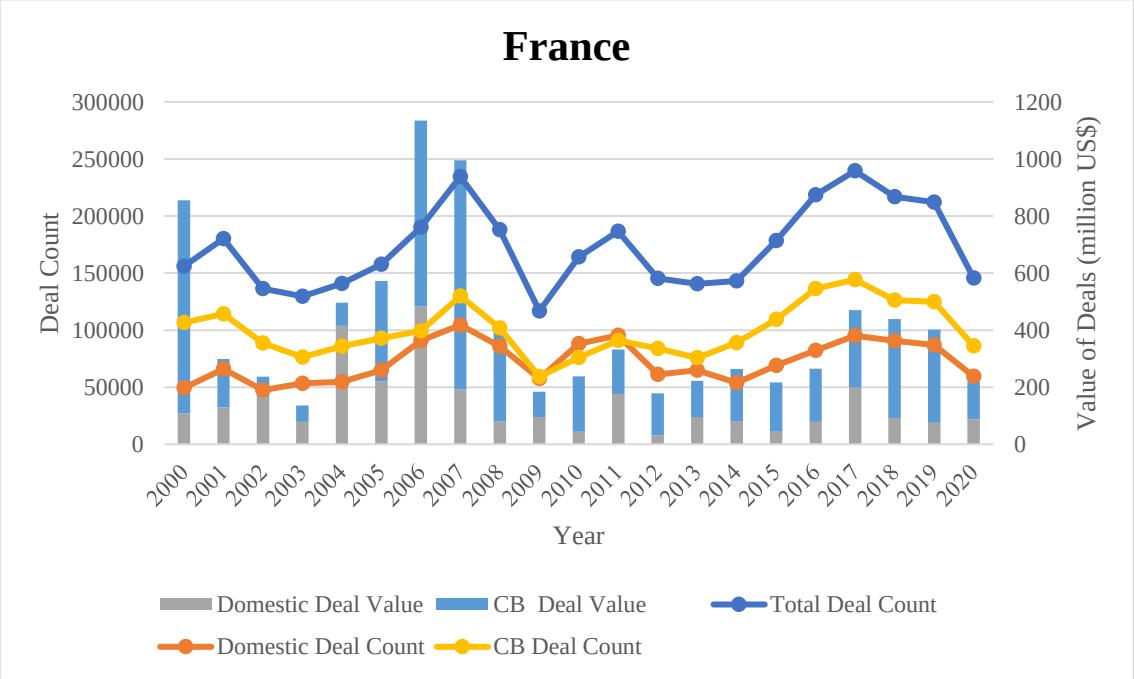

Figure 1.14 French M&A Deal Count and Values
Source: Refinitiv SDC Platinum

The highest number of deals is reported in the financial, consumer (cyclical and non-cyclical and industrial sectors covering over 50% of the total deals. In terms of the deal value, financial, consumer non-cyclical and communications form as the top three sectors, followed by the industrial sector.

Domestic deals account for over 40% of the total French M&A deals accounting for over 33% of the total deal value. For cross-border deals, U.S. forms as the top most preferred destination with more than 10% of the total deal count and accounting for over 20% of the total French M&A deal value. It is followed by U.K., Germany and Italy in terms of deal count. In terms of deal value, U.S., U.K., Netherlands and Italy form the top destinations.

1.3 M&A Performance

Owing to its growing popularity, M&A have received wide media attention and scholarly interests with rather frequently documented failures in the previous evidences (Koi-Akrofi, 2016). This juxtaposition against its increasing persistently increasing popularity warrants a further examination, digging deep into this performance-popularity puzzle. Further, despite the wide literature on previously investigating the multiple-facets of M&A, it still is imperative to further investigate it for understanding it in the context of the contemporary and dynamic factors. As the global economies continues to evolve, the various assumptions and conclusions that proved to be valid in the previous centuries, are not necessarily true in the recent decades.

The most commonly utilised methods for measuring the deal performance have been either stock market-based indicators or the accounting-based measures. Both these widely adopted methodologies have their own set of strengths and drawbacks. Particularly in the case of cross-country examinations, stock market-based measures have much higher utility owing to their underlying methodology based on evaluating stock market reactions to deal announcements. As the company comes out with their intended M&A announcement, the market evaluates the move for its implications for the company and reacts to the announcement. This markets evaluation of the deal announcement on company’s future is reflected through its share price movement

around deal announcement. The event study methodology attempts to capture this change in share price owing to the previously unexpected news. The updated share price on announcement is expected to encapsulate the discounted effect of the proposed move. Whereas, accounting based measures are only as good as the underlying data, which might not always be comparable given the differences in reporting practices across nations.

The shareholder wealth effects for M&A deals have long been investigated and been widely debated. But the results remain far from being conclusive. The negative announcement returns indicate shareholder wealth destruction on deal announcement and the positive returns imply shareholder wealth gains. Of the two parties involved in the deal, the reported announcement returns to target shareholders remains more conclusive towards their positive wealth gains (Tanna *et al.*, 2020). Whereas, there remains an assorted bunch of reported acquirer returns around deal announcement, with the reported results ranging across the wide spectrum ranging across negative to positive announcement returns.

The acquirer performance remains a crucial area of study with a wide-ranging implication for decision makers and various stakeholders. The present study is an attempt at contributing towards this performance puzzle by examining the acquirer firm M&A performance for a group of emerging and developed market deals over a period of previous two decades starting Jan 1, 2000 to Dec 31, 2019.

Table 1.1 BRICS Development Indicators

YEAR 2019	Brazil	Russia	India	China	South Africa
Total Population	211,782,878.00	144,406,261.00	1,383,112,050.00	1,407,745,000.00	58,087,055.00
Population density (people per sq. km of land area)	25.34	8.82	465.19	149.37	47.88
Surface area (sq. km)	8,515,770.00	17,098,250.00	3,287,260.00	9,600,012.90	1,219,090.00
GDP (current US$)	1,873,274,432,754.47	1,693,113,904,262.89	2,831,552,222,519.99	14,279,937,500,606.50	388,531,954,110.60
GDP per capita (current US$)	8,845.26	11,536.25	2,047.23	10,143.84	6,688.79
Value Added from Agriculture, forestry, and fishing (% of GDP)	4.21	3.53	16.73	7.14	1.96
value added by Industry (including construction) (% of GDP)	18.75	32.15	24.60	38.59	23.64
value added by Services (% of GDP)	63.06784925	54.17294421	50.10766892	54.26890427	64.26872263
Exports of goods and services (% of GDP)	14.12	28.43	18.69	18.41	27.30
Imports of goods and services (% of GDP)	14.77	20.80	21.27	17.48	26.76
Net Inflows of Foreign direct investment (% of GDP)	3.69	1.89	1.79	1.31	1.32
Net Outflows of Foreign direct investment (% of GDP)	1.22	1.29	0.46	0.96	0.81

Source: Compiled from The World Bank, World Development Indicators

1.4 Emerging and Developed Markets

Various attempts have been made at classifying the countries based on their levels of development, risks and operational conditionals. For instance, Morgan Stanley Capital International (MSCI) classifies the countries into four categories, viz developed, emerging, frontier and standalone markets based on the equity markets evaluations. Whereas Russells Investments classifies into three categories of developed, emerging and frontier markets. Emerging markets are usually characterised by high GDP growth rates, rapid development, established but less mature capital markets than developed markets and lower but growing per capita incomes. The institutional characteristics of emerging markets are usually not as developed as developed markets.

CBMA has evolved from predominantly being a feature of developed market multinationals, to emerging markets being the hotbed of CBMA activities in recent decades(Amoah *et al.*, 2022; Cui *et al.*, 2022). Since the beginning of current century, the emerging market firms have aggressively pursued the M&As as a means of sustaining global competitive pressures and growth, attaining salient position in the global M&A landscape. Previous decade has witness some of the major M&A deals originating from the emerging markets. Like, the acquisition of Repsol YPF Brasil SA by China's 'China Petrochemical Corp' in the year 2010 in a deal worth 7.1 billion dollars; Tata's acquisition of Corus Plc. in the year 2007 for approximately 12 billion dollars. Emerging markets warrant a special research attention owing to their peculiarities in terms of home country institutions, deal motivations and characteristics as against the developed market acquirers (Chalencon and Mayrhofer, 2018; Liou *et al.*, 2016; Liou and Rao-Nicholson, 2017). The firms operating in emerging and developed markets are embedded in different environments, posing varying challenges and opportunities. For example, while the developed markets offer a more mature financial

systems, better infrastructural capabilities but are usually accompanied with higher labour costs. The average developed market acquirer tends to be more experienced, backed by more advanced home-country institutional support and fewer government interventions (Li *et al.*, 2020). The cultural characteristics of emerging market economies have also been found to be in stark contrast to that of developed market economies (Contractor *et al.*, 2014). Furthermore, the developed market MNEs are often posited as entering into cross-border M&A as a means of utilising their extant resources for achieving the economies of scale. Whereas, emerging market firms are argued to use outward investments as a 'springboard' for accessing strategic resources for competing global rivals and overcoming home-limitations (Luo and Tung, 2007). The 'springboard' behaviour is often fuelled with overcoming the late-comer disadvantage in the global landscape through a aggressive measures. EMEs often acquire critical assets in mature markets for compensating their competitive weaknesses.

As discussed above, recent works have underlined significant ways in which emerging market M&A differ from their developed market counterparts, yet there remains a dearth of comprehensive emerging market studies. Motivated by this gap, the present study focuses on emerging markets using a sample of BRICS countries. BRICS present as an acronym for a group of five countries, viz., Brazil, Russia, India, China and South Africa. BRICS represent a geographically and structurally diverse group of five emerging markets spread across four continents. Initially, the acronym BRIC was coined in the year 2001 by the Goldman Sachs economist Jim O'Neill in his notable paper, "Building Better Global Economic BRICs". These represented four of the fast-growing emerging economies with the predicted potential to dominate the world in the coming decades. The BRIC nation leaders meet the first time in July, 2006 at St.

Petersburg, Russia and soon after in September, 2006 the four-member country BRIC group was formalised during the first BRIC Foreign Ministers' meeting in New York City. The group was later renamed as BRICS in the 2010 with the joining of South Africa as a full member. BRICS represents as a crucial grouping of major emerging economies of world. As of 2019, together it encompasses more than 40% of the world population, 29% of total world land surface area, accounting for over 25% of world GDP, and over 16% share in world trade (Based on World Bank Data and UNCTAD BRICS Investment Report). All of these nations hold an important influence on the global and regional affairs and also hold memberships in some other of the world's trade and economic groups like G-20 and WTO.

Russia holds a crucial position in the global economy. It presents as the largest country of the world in terms of land mass and is endowed with abundant natural resources. Russian economy is characterised by its high dependence on natural resources (Bertrand and Betschinger, 2012). Russian population remains the second lowest among the BRICS nations and at the lowest in terms of population density. Thus, having relatively smaller domestic market and labour force. Despite the lowest population, it holds the potential to play a critical role in the global economic and political fields. It is one of the largest energy giants in the world. It is also one of the dominant exporters in the world, with over 28% of GDP constituted by exports. Russian economy has witnessed dramatic shifts in its political systems through previous couple of decades. Shifting from the communist regimes in 1980's to the 1993 constitution declaring Russia a democratic, federative, law-based state with a republican form of government.

India ranked as the most populous country of the world in 2023, pushing China to the second position (as per United Nations estimates and projections of the global population). India is a Sovereign Socialist Secular Democratic Republic governed

through democratic parliamentary system. It represents as the largest democracy of the world and the seventh largest country in the world in terms of total land area. Until 1991 liberalisation, privatisation and globalisation of Indian economy, it had followed protectionist policies with large government interventions and trade restrictions. Backed by the humongous population, India holds the second largest labour force of the world.

China has long held the position of most populous country of the world since half a century now. It was only until recently in April 2023 when India's population was estimated to surpass that of China, pushing China on to the second position on global population ranking. China stands at the third position global in country surface area ranking. China has been a leading global manufacturer and exporter backed by its abundant and cheap labour force and weak intellectual property protection laws. The contribution of exports reached as much as 36% of its GDP in the year 2006.

South Africa is one of the largest economies in the African continent, ranking just second after Nigeria in terms of GDP as of 2021. South Africa has now integrated in the global economy but holds its unique history having experienced both colonization and apartheid. It holds the smallest surface area accompanied with the lowest population among the BRICS nations. Also, the GDP of South Africa remains the lowest among the group. Imports and exports of goods and services constitute more than 54% of their GDP.

Brazil presents as the largest country and the most populous country in South America and fifth largest in the world in terms of surface area. Brazil also presents as one of the largest economies in Latin America in terms of economic and demographic sizes (Kumar *et al.*, 2022). Formerly a Portuguese colony, it holds a diverse population. It holds vast pool of natural resources and labour. The country has long been struggling

with highly unequal income distribution (Signor *et al.*, 2019). Among the BRICS countries, China receives the highest absolute value of FDI inflow (UNCTAD). Whereas relative to the nations GDP, Brazil tops with Net FDI inflows constituting almost 3.69% of their GDP. In the past, Brazil has experienced high levels of inflations and has now transitioned to its lower levels.

1.5 Institutional Distance

CBMA has proven to be one of the most preferred modes of international expansion and growth. It offers many advantages over the greenfield mode of FDI, like quicker access to foreign resources, albeit not without its own set of challenges. Acquirers are often faced with additional complexities owing to the home-host country distance (Ahmed *et al.*, 2022), jeopardising deal performance and synergy realisation. The concept of cross-country distance comes into play when the firms work across national borders, dealing in countries with distinct features. In this context, cross-country distance can be understood as the extent of differences or gap between the set of countries in terms of the select dimension. In contrast to geographic distance, the contextual distance can vary across time periods for a pair of countries as they evolve. At the first place, the distance may imply unfamiliarity and impede the access to the information access in host environment further impacting target selection and valuation. Cross-border deals intuitively have a higher potential for hubris and aspirational mistakes. The higher cross-country distance may pose greater risks (Ghemawat, 2001). One such example has been the case of Tata-Corus acquisition. The deal marked the largest emerging market acquisition of the time but failed to attain synergies or create value for its shareholders. Recent research findings suggest that cross-country distance has a significant impact on the foreign direct investment (FDI) choices and their outcomes including the mode of entry, target selection, acquired ownership structure and deal

performance (Chari and Shaikh, 2017; Dikova *et al.*, 2019; Moura *et al.*, 2019). While distance has remained at the heart of cross-country literature, it would be misleading to understand it as a composite measure. It represents a diverse set of dimensions, distinct in their nature and underlying variations. These dimensions may have varyied impacts on the deal outcomes. On the contrary, distance also does offer opportunities for acquirer to over-come their home country limitations. For instance SABMiller (South African MNE) chose to operate globally in an attempt to overcome home-country restrictions on usage of foreign exchange and market expansion (Luo and Tung, 2007). Further, acquirers may benefit from the more developed financial market, better administrative environment and R&D infrastructure of the host nation. Hence, a concept as complex as cross-country distance does demand an in-depth and comprehensive investigation of its disaggregated concept for their varying influence on the CBMA.

Institutional perspective has often been utilised for explaining the cross-country differences. Institutions provides as the "rules of the game" and lay the basic framework for the interaction of economic activities (North, 1991). The institutional environment is viewed as the basic determinant of the firms' structure, behaviour and outcomes (Scott, 1995). These are country-specific and the level of their differences or similarity across countries is posited as "institutional distance" (Berry *et al.*, 2010; Kostova and Zaheer, 1999; Scott, 1995). On such framework has been propounded by Xu and Shenkar (2002) with the institutional distance decomposed into regulative, normative and cognitive distance. Based on the institutional theory, a further refined framework has been propounded by Berry et al,2010. Building up on the institutional theories of national business, governance, and innovation systems, they have proposed cross-country distance as disaggregated into nine institutional distance dimensions including geographic, political, economic, financial, knowledge, global connectedness,

demographic, cultural and administrative distance. The distance across these various dimensions can make foreign targets significantly more or less attractive based on their potential effects. While cultural and geographic distances have been among the most widely utilized measures of cross-country distance, not enough attention has been paid to other dimensions or at examining the multi-dimensional framework of cross-country distance. The study contributes to this relatively unexplored research area by shedding light on how the institutional distance dimensions distinctly influence CBMA performance.

1.6 Rationale of The Study

The contemporary times have witnessed some major M&A deals originating from emerging markets along with their increasing share in global deal volumes. In tandem with their growing popularity and dominance, emerging markets have also recently attracted a lot of research interest. Nevertheless, the focus still has remained majorly limited to a select nations like India and China. Also, most of the theories in this area have been propounded in the context of developed markets, given their predominance. Their applicability to emerging markets remains debated. Emerging market involve their own peculiarities including pronounced government participation (Kinateder et al., 2017), differing institutions (Sahin and Mert, 2022), distinct deal motives, market reactions (Duppati and Rao, 2015) and differing value drivers as compared to developed market firms. In view of this and the growing role of emerging markets in the global landscape, it becomes imperative to conduct studies with a special focus on emerging markets. Yet there remains a dearth of comprehensive studies. Achieving integrated knowledge on M&A warrants a synthesis of extant evidences and a further examination with a special focus on emerging markets and its comparison with developed markets,

for gaining insights in to their peculiarities and point of differences against developed markets.

The present study contributes in, at least, four ways. First, it adds to the emerging market literature by presenting empirical evidence on BRICS countries M&A performance. Researchers remain divided on the conflicting results about M&A performance. While a bunch of studies report acquirer wealth gains on deal announcement (Ding *et al.*, 2021; Jain *et al.*, 2019), but a few report otherwise (Aybar and Ficici, 2009). This performance puzzle calls for a comprehensive examination. While the previous studies have majorly remained limited to India and China, the present study especially contributes to the scarce research evidence in the context of South Africa, Brazil and Russia (Ermolaeva, 2019; Luiz and Barnard, 2022).

Secondly, despite the huge literature in the area of M&A, only a few studies have examined the comparative behaviour of emerging and developed market acquirer performance. In tandem with the global M&A trend, the initial research efforts have been majorly concentrated on developed markets. While the previous two decades witnessed emerging market gaining the centre stage in the international business literature. There remains a lack of knowledge on their comparative behaviour. The few studies presenting comparative performance evidence are majorly based on a relatively small single sample (Duppati and Rao, 2015). Given their stark structural diversity, it would be very interesting to learn the differences or similarities in their M&A performance.

Third, the location of the target, domestic vs. foreign, largely impacts the deal dynamics including the applicable laws and regulations. Various studies have reported mixed results on the comparative evaluation of domestic vs cross-border deals. Although the

extant studies majorly remain focused either on developed nations or are limited by scope focusing on single nation samples. The different samples, time frames and underlying methodologies often render these studies incomparable. There remains a gap in understanding M&A performance differences between domestic and cross-border deals and more specifically how these differences or similarities varies across emerging and developed nations.

Fourth, although the concept of cross-country distance is well recognised in the literature, but the relative significance and impact of its various dimensions need to be yet understood. In this direction, the study uses the disaggregated measures of cross-country distance, providing novel and deeper insights into the varying influence of each of the dimensions on the CBMA performance. The insights from the present study would help in demystifying the CBMA performance puzzle, further aiding managerial decision-making for improved synergy realisation and performance.

This study delves into BRICS market, as well as provides a comparative view with a set seven developed markets including United Kingdom, Germany, France, Netherlands, Spain, Japan and Canada. The sample includes deals announced between January 1, 2000- December 31, 2019. The large dataset covering a sample of M&A deals for twelve nations over a period of two decades comprehensibly covering both domestic and cross-border deals creates an interesting research setting. The study contributes to the evolving literature on M&A by presenting:

1) Large sample empirical evidence on emerging market M&A
2) Comparing shareholder wealth gains for Emerging and Developed Market M&As

3) Comparative view on Domestic vs. Cross-Border M&A for both Emerging and Developed Markets
4) Investigating the impact of cross-country institutional distance on M&A performance

1.7 Objectives of The Study

In view of the performance puzzle, the study seeks to make an effort to unveil the M&A performance by utilising a contemporary approach at investigating the impact of cross-country differences on M&A performance. For the study the following objectives are proposed:

- To evaluate and compare the emerging market M&A performance.
- To study the comparative performance of emerging and developed market M&As.
- To investigate the comparative performance of domestic and cross-border M&A deals.
- To examine the influence of home-host institutional distance on cross- border M&A performance.

1.8 Brief Research Methods and Results

The study primarily pursues the question of M&A performance for emerging and developed markets. It then examines the domestic and cross-border deal performance learning their differences and similarities. Further, the research integrates institutional theory with resource-based views to contextualise the relationship between cross-country distance and CBMA performance.

The hypotheses are tested using a large deal level dataset spanning 12 acquirer nations over the two-decade period of 2000-2019. The study utilises a multi-step approach at testing the proposed hypothesis. First, the standard event study methodology is employed to assess the market reactions owing to the deal announcements for both the emerging and developed nations. Cumulative average abnormal returns (CAAR) are calculated for multiple select event windows for learning the impact of deal announcement on acquirer shareholder wealth. Second, abnormal returns earned around deal announcement are further tested using multiple parametric and non-parametric tests, namely cross-sectional standard deviation test, crude dependence adjust test, generalised sign test and rank test. Third, the deal performances are compared for domestic and cross-border deals for each of the select nations. Fourth, the deal performance is regressed on multiple explanatory and control variables. The regression analyses contribute towards testing hypothesised impact of institutional distance on deal performance, explaining their cross-sectional differences.

The results of the study underline positive shareholder wealth gains for all the developed market acquirers around deal announcement. Signs of information leakages were observed in case of Netherlands and Canada, whereas weak indication of insider trading prior to official deal announcement was also observed in case of Japan and Germany. Abnormal returns continued to be observed on the day following the deal announcement in case of all the developed markets with the day-one positive and statistically significant AAR. Higher variations in the stock market reactions around deal announcement are observed for emerging markets as against the developed markets. Brazil, India, China and South Africa reported acquirer shareholder wealth gains around deal announcement whereas, Russian acquirer results indicate towards wealth destruction with consistently negative CAAR values across all the event

windows. The pre-announcement abnormal returns for South African and Indian deals are indicate towards information leakages in the market starting two-days prior to the event. Further, the performance for emerging markets deals is found to be surpassing that of developed market on comparing their aggregate performance results.

The markets appear to have their distinct preferences between domestic and cross-border deals for different nations. The deals involving Indian, Russian, U.K. and Canadian acquirer report higher returns for cross-border deals as against the domestic deals. However, the domestic deals are found to earn better market returns around deal announcement for Brazil, China, South Africa, Japan, Germany, France, and Netherlands. The results for the domestic and cross-border deals for Spanish acquirers remain mixed.

Finally, investigating the impact of institutional distance dimensions on M&A performance few of the dimensions are found to be statistically significant. The results reveal a negative impact of home-host financial and cultural distance on the emerging market deal performance. Whereas, a positive impact is recorded for global connectedness and political distance signifying their opportunities to exceed their challenges.

1.9 Outline of The Thesis

The thesis spans over eight chapters and is organised in the following manner:

Chapter One- Introduction

This chapter introduces the theme and provides the background to the study by introducing the phenomenon of mergers and acquisitions followed by presenting a brief on emerging and developed nations, M&A performance, cross-country institutional

distance. It is followed by the rationale of the study and a brief on research methods and results. This chapter concludes with the outline of the thesis.

Chapter Two – Review of Literature

This chapter presents a review of the extant relevant literature to identify the research gaps and to provide as a strong knowledge base to build up on the present study. It utilises a thematic literature classification approach, reviewing studies across four broad strands as follows:

- M&A Performance
- Emerging and Developed Markets
- Domestic vs Cross-Border M&A
- Cross-Country Institutional Distance

Chapter Three – Research Methodology

This chapter presents the statement of problems followed by enlisting the objectives of the study. It elaborates up on the methodological framework utilised to espouse the objectives of the study. It provides a discussion on the research design including the sample selection, data sources, selected variables (dependent and independent variables) and model specifications.

Chapter Four-Seven – Data Analysis and Results

The Chapters 4-7 address the research questions of the study by presenting the objective-wise results and its analysis based on the selected sample and suitably employed statistical techniques. Detailed statistical analysis is employed for testing the proposed hypothesis. The empirical results are analysed to provide insights into the proposed research questions.

Chapter 4 starts with analysing M&A performance of emerging nation acquirers using a sample of BRICS nation. The performance results for each of the BRICS nations are first analysed individually. To ensure the robustness of the results, multiple parametric and non-parametric tests are employed on all the performance measures of AAR and CAAR to test their statistical significance.

Chapter 5 next moves to investigate the developed market acquirer performance individually for each of the select seven developed nations, viz., U.K., Canada, Japan, Netherlands, Spain, France and Germany. It aggregates the aggregated abnormal returns for the five emerging markets and seven developed markets to get insights into their performance as groups. Subsequently, the study compares the aggregates performance of emerging and developed nations.

As part of objective three, the deals are further bifurcated and analysed based on target location, viz, domestic vs cross-border deals in Chapter 6. The domestic and cross-border deals are compared for each of the emerging and developed markets. The AAR and CAAR are analysed and tested using various parametric and non-parametric tests to ensure their robustness.

Addressing the fourth objective, the thesis moves ahead to Chapter 7, presenting the results on the influence of cross-country institutional distance on deal performance. Each chapter concludes with a summary of the study results.

Chapter Eight –Epilogue

Discussion, Conclusion, Implications, and Future Research Scope

This chapter provides summary of the study results, contextualising it in the extant literature. It further discusses the practical and theoretical implications of the study and narrates a brief conclusion to the study. It also offers a few recommendations for policy

makers to help in channelising their efforts towards more fine-tunes policies. In the final section, the chapter outlines the future scope of work.

CHAPTER 2
REVIEW OF LITERATURE

2.1 Introduction

This chapter presents a brief review of the literature relevant to the theme of the study to identify gaps in the literature and provide suitable theoretical background for the study. The reviewed literature is presented under the following themes:

1. M&A Performance
2. M&A – The Case of Emerging Market and Developed Markets
3. Domestic Vs. Cross-Border M&A
4. Cross-Country Institutional Distance

The first section presents a detailed review of the extant studies on M&A performance, it's related theories and prior quantitative evidences. The second section elaborates on the emerging versus developing market M&A highlighting their differences. In the third section, a review of the prior studies is presented to have a comparative view on the domestic and cross-border deals. Finally, in the fourth section of this chapter, the concept of institutional distance is explored and prior studies examining its impact on M&A deals are discussed carving out further research gaps.

2.2 M&A Performance

M&A performance has been widely researched area having different and rather often contradicting documented results ranging between negative to positive deal outcomes. A number of studies have reported acquirer shareholder wealth destruction following M&A deals (Aybar and Ficici, 2009; Kinateder *et al.*, 2017). Whereas another set of studies have found evidences of shareholder wealth creation for the acquiring shareholders (Amewu and Alagidede, 2018; Ma *et al.*, 2009). The primary reasons for

such divergence and the lack of unanimity in results can be attributed to the variations in study samples (nation under study, cross-border vs. domestic deals or, if industry specific), time frames and different methodological choices.

Various theories have been proposed for explaining the M&A performance. Some theories have extended explanations for value creation following such deals, while others have propounded underlying motives causing wealth destruction. Herein, the efficiency theory and synergy hypothesis suggest value gains for the acquirer firms. The synergy hypothesis propounds that the value of the combined firm (acquirer + target) is greater than the sum of individual firms involved in the deal and is termed as synergistic gains (Bradley *et al.*, 1988). This theory is based on the assumption that a bidding offer is made to exploit a profit opportunity. Such value creations may be a result of better management, more efficient resource utilisation, economies of scale, exploitation of market power, better utilisation of financial resources, or any such other value creating channels. Further, of the multiple theories postulated for explaining the motivations fuelling the M&A deal, Efficiency theory presents as one of the prominent explanations. It postulates M&A as rationally planned move accomplished in anticipation of synergies (Andrade *et al.*, 2001; Bradley *et al.*, 1983; Trautwein, 1990). Herein, synergies are classified across three broad categories, viz. financial, operating and managerial synergies, with all three leading to net economic gains (Trautwein, 1990). M&A often aids in lowering the systemic risks by diversifying and increasing capital accessibility contributing to financial synergies by lowering the costs of capital. The operational synergy lowers the cost of involved business units or may enable the company to offer unique products and services. Managerial synergies are realized when the bidder's managers possess superior planning and monitoring abilities that benefit the target's performance.

On the other hand, theories such as hubris and agency hypothesis are suggestive of involvement in a deal for motives other than acquirer shareholder gains. The hubris hypothesis propounded as a potential explanation to corporate takeovers involving over valuation errors, i.e. bids higher than the market valuations (Roll, 1986). This hypothesis is based on the assumption of mistaken estimates of the target firm and does not imply any conscious managerial action against shareholders. While the managerial intensions may be in line with the stewardship, but their over-confidence in estimating the potential synergy gains may cause positive valuation errors. In such a scenario a transfer of wealth from the acquirer shareholder to target shareholders can be observed. Also, not all deals are infected by managerial hubris as that would have led to an abandonment of such deals itself. But that has not been the case, rather the popularity of M&A deals has only risen over the previous decades. This hypothesis is also supported by another study examining the prior stock transactions of acquirer firm managers as a signal of their bidding intentions (Seyhun, 1990). Its results fail to present any evidence supporting an intentional bidder overpayment.

Another view explaining the acquirer wealth destruction is based on the underlying managerial intentions. This theory suggests that the deals are motivated by managerial objectives other than shareholders value maximisation. Managers acting as the agents of the company owners, i.e., the shareholders, are expected to work in the best interest of the shareholder and for shareholder value maximisation. But in some cases, the personal interests of the managers may supersede in their decision making. Such a divergence may add to agency costs as ‘residual loss’. Agency costs can be understood as the summation of the ‘monitoring expenditures’ incurred by the owners, the ‘bonding expenditures’ by the managers and the ‘residual loss’ (Jensen and Meckling, 1976). Under the private benefit hypothesis or managerial self-interest hypothesis, the

managers may enter into M&A deals with a view divergent from the motive of shareholder wealth maximisation (Hui-Ko-Chen *et al.*, 2013). In such deals the acquirers are prone to shareholder wealth destruction on deal announcement.

Berkovitch and Narayanan (1993) suggests a way of distinguishing among the three competing hypotheses (agency, synergy and the hubris hypothesis) based on the correlation between acquirer and target returns. Their study suggests that a positive correlation between the acquirer and target returns can be linked with the synergy motive. Whereas, the negative correlation can be taken as an agency issue and a zero correlation can be taken as a sign of hubris. Another study by Kumar and Bansal (2008) takes an attempt at investigating the corporate claims of achieving synergy in M&A deals in the Indian context. The results find support for the synergy realisation claims with a large proportion of the sample reporting improved financial performance. Though the study also cautions against any possible synergy realisation generalisations following M&A as the success of the deal depends on a number of factors.

2.3 Emerging and Developed Market M&A

The existing evidence on M&A can be broadly classified into two categories, emerging and developed market M&A, based on the country of origin, i.e. is the acquirer nation or home-country development status. Previously considerable extensive research focus has been diverted towards studying the M&A performance for deals involving developed market acquirers (Grigorieva, 2020; Zhu and Zhu, 2016). Especially, the early evidences have been largely focused on the U.S. acquirers with plethora of research evidences documenting their performance. In line with the global M&A trends and increasing role of emerging markets the contemporary research evidences have witnessed a more diversified group of countries forming the sample for studies examining the M&A phenomenon.

The inherent differences across the group of developed and emerging markets have been widely acknowledged and there has been often a call for studies examining the applicability and validity of results and theories based on the developed markets to emerging markets. Like the differences in the market characteristics of emerging and developed markets, the M&A deals originating from these markets also differ with their own peculiar features. The risks associated with emerging markets tend to be significantly higher owing to the weaker corporate governance structures, informational and institutional asymmetries (Amewu and Paul Alagidede, 2021; Buckley *et al.*, 2016; Buckley and Tian, 2017; Chari *et al.*, 2010; Kim *et al.*, 2021). For a sample of EMFs, Narayan and Thenmozhi (2014) found significant value destruction upon acquisition of developed market targets. Whereas, the vice-versa was not found to be true. A recent survey of literature on emerging and developed market M&A performance revealed significant and positive gains for the target shareholders. The paper observed performance differences in the case of emerging and developed market acquiring shareholders. A negative or insignificant short-term returns were observed for the developed market acquirers, whereas emerging market acquirers were found to be mostly positively gaining from such deals.

The following section presents a brief summary of research evidences broadly bifurcated on the basis of sample of studies into developed and emerging market studies.

2.3.1 Developed Markets

Developed markets have remained a hotbed of M&A transactions through decades and continue to attract a lot of media and scholarly interests. While certain nations like U.S., U.K. and Japan have attracted the highest research attention, others like Spain, Italy and Canada have been largely understudied. The number of studies examining the

performance of French M&A have been quite limited. Of the few studies examining the M&A performance for French acquirer, Boubaker and Naoui (2020) investigated the performance using the event study methodology and found no significant abnormal returns in the short-run. The study failed to find support for synergistic theory even in the long with negative and significant reported returns. Of the rare studies examining the Italian M&A, a positive bidder short-term return was recorded across all sectors of the economy between the period 1994-2006 (Rossi, 2012).

A study by Uddin and Boateng (2009) investigates the performance of UK acquiring firms involved in cross-border M&A deals and does not find evidence supporting positive value gains in the short-run. The results of the study do report a positive zero-day returns on the day of announcement, does these returns fade over the longer event windows and turn negative. Such market behaviour around announcement is consistent with the highly competitive nature of the market such as that of UK.

Dutta and Jog (2009) examined both the short-run and long-run performance for the Canadian acquiring firms. The study found no significant difference in the three-year pre- and post-acquisition operating performance. While the Canadian market reacts positively on deal announcement, but these positive returns are only short-lived.

Focusing on the Japanese market for corporate control, Fatemi *et al.* (2017) examined the deal performance for M&A deals involving Japanese firms. The study found no significant wealth effects on deal announcement for Japanese acquirer firms around the deal announcement. Further, the study also did not find any evident long-term gains over the post-event sixty months period. Though, in line with the previous evidences the study did find significant gains for the target firm shareholders.

Comparing the M&A performance for regulated non-financial firms, unregulated firms and banks in Japan, Nogata *et al.* (2011) finds variations in stock market reactions to M&A announcement by these entities. The results do not find evidence on value creation on M&A announcement for regulated non-financial firms. Whereas, banks and unregulated firms such announcement are rewarded by the stock market.

Hanamura *et al.* (2011) examined the M&A performance for the Japanese deals over the period 2000-2007 and reported a statistically significant and positive wealth gains for Japanese acquirer firms around the deal announcement. The study propounds that the Japanese deals are propelled by managerial and strategic objectives and hence contribute to shareholder wealth gains.

There have also been contrasting evidences reported in the literature. Higgins (2013) assess the wealth effects for Japanese over the period 1990-2004. The study reports that the M&A deals do not add to the shareholder wealth of Japanese acquirers. Acquirers with stronger bank ties are found to be experiencing larger wealth destruction as against those with weaker bank ties.

2.3.2. Emerging Markets

Emerging markets have gained a significance place in the global M&A market with only the five BRICS nations occupying almost a quarter of the global M&A deals (Institute for Mergers, Acquisitions and Alliances).

Brazil presents as one of the largest economies in Latin America in terms of economic and demographic sizes (Kumar *et al.*, 2022). In the past, Brazil has experienced high levels of inflations though has now gradually transitioned to its lower levels. Matias and Pasin (2000) examined the Brazilian M&A deals and reported cases of cost and expense

reduction accompanied with profitability increases reflecting the synergistic gains in the Brazilian deals.

Jain *et al.* (2019) found positive abnormal gains around deal announcement for both Indian and Chinese acquirers in case of cross-border M&A deals. Reportedly, higher abnormal gains were observed in case of targets located in advanced economies as against in developing markets. Another study by Kinateder *et al.* (2017) examined the acquirer and target stock returns around deal announcement for a combined sample of BRICS market deals. The study reported slight negative returns around deal announcement for the BRICS acquirers. In contrast, a significant positive announcement returns for the target shareholders was reported.

Reddy *et al.* (2019) examined the performance for domestic M&A deals for Indian and Chinese acquirers reported that on an average the deals did not create value for either Indian or Chinese acquirers. The study results were based on 140 M&A deals from the period 2004-2006. The study further calls for using an increased sample size and period for enhancing the reliability and accuracy of the results. Another study by Bhagat *et al.* (2011) analysed the cross-border M&A performance for the Indian and Chinese cross-border deals for the period 1991-2008 and found a statistically significant positive market reaction of 1.09% on the event day. Further the level of positive returns was found to be positively correlated with host nations level of corporate governance measures.

Analysing the short-term performance for Chinese cross-border M&A deals, Tao *et al.* (2017) reported a positive market reaction on deal announcement. The study observed higher gains in case of targets located in countries with less political risk as against the target locations with higher levels of political risk. Also in the analysed cases, the state-

owned enterprises recorded higher gains as against the Chinese privately owned firms. Chi *et al.* (2011) investigated the M&A performance for Chinese acquirers from the period 1998- 2003. The found significant positive abnormal returns for the acquirer shareholders in the six-month period prior to deal announcement and also recorded short-term gains around deal announcement. Although, the long-term gains after announcement does not prove to be significant. Du and Kwabi (2021) examined the performance of Chinese firms engaging in M&A over the period of 2004-17. The study found a positive and significant effect of state ownership and prior experience on the M&A performance.

Bertrand and Betschinger (2012) examined the long impact of Russian domestic and cross-border M&As on their operating performance based on a sample of more than 600 deals. The results highlight a deterioration in acquirer performance as against the non-acquiring firms. Lower Russian acquirer experiences and capabilities, especially in case of international deals, have been suggested as the primary reasons behind the lack of value realisations from such deals.

Some of the studies have examined the M&A performance for a range of countries, but these remain far from being conclusive. Of the emerging market evidences, the samples underlying the studies have been highly skewed to only a few countries like China and India. Whereas, the research on other significant emerging markets like Russia and South Africa remain scarce. Furthermore, none of the studies was found to present inter-country comparative evidence for emerging market M&A performance, utilising a comprehensive as well as disaggregated deal data set for a broad group of countries. The present study compares the M&A performance for the group of BRICS countries utilising the widely accepted event study methodology, gauging the short-term impact on shareholders' wealth around the deal announcement.

2.4 Domestic and Cross-Border M&A

M&A can be classified into two broad categories of domestic and cross-border deals based on target location. If the target is incorporated in the same nation as that of the acquirer, it is a case of domestic deal. On the other hand, if the target is incorporated in a country distinct from that of the acquirer, then it becomes a case of cross-border deal. There is a broad literature on the issue of domestic vs. cross-border M&A. However, there have been more of theoretical discussions on this topic than the empirical investigations. The empirical evidence on this topic, especially based on broader emerging market samples have been very limited. Among the few papers which have addressed this issue, majority have rather used only single country samples. Moreover, in line with the general trend in M&A literature, previous studies propounding the theoretical background to the domestic vs cross-border M&A debate have been based on developed markets. This knowledge based on developed country samples may not be always valid in the emerging market context given their distinct institution setting, regulatory systems, higher government interventions and firm characteristics.

Companies often acquire abroad to cope with global competitive forces, to gain access to resources not available domestically, overcome home-country limitations, international diversification, market expansion and also to take advantage of imperfections in the international capital market (like more favourable exchange rates and tax systems).

Although, cross-border deals are more complex and entails higher risks due to the following:

- Higher information asymmetries

- Higher integrational challenges – greater geographic distance and potential cultural conflicts
- Valuation – information asymmetries may lead to the problem of over-valuation
- Distinct Institutional Environment
- Legitimacy Issues
- Volatile Exchange rates
- Distinct Corporate Governance and Accounting Practices

Bertrand and Betschinger (2012) investigated and compared the domestic and cross-border performance for Russian firms. The study found a reduction in acquirer performance in case of both domestic and cross-border deals. It attributes the negative performance results to the lack of capabilities and experience of Russian acquirers. Gregory and O'Donohoe (2014) report an overall negative acquirer return for developed market acquirer firms with a further sub-sample analysis of domestic and cross-border deals. The results suggest higher acquirer returns for deals involving foreign targets as against the domestic deals. Contrasting results have been reported by Mateev and Andonov (2016), wherein the acquirers involved in domestic deals have been reported to earn higher wealth gains in contrast to cross-border deals.

Cross-border offers geographic diversification, allowing firms to expand across national boundaries, access foreign resources and overcome home institutional limitations. Cross- border deals offer the firm a spectrum of opportunities over domestic targets, albeit not without its challenges (Chidambaran et al., 2017). For example, home-host geographic or cultural distance often add to integrational difficulties (Dutta et al., 2013). Also, whilst entering foreign lands, certain challenges like information asymmetry and liability of foreignness are rather magnified. Overcoming these challenges to realise expected synergies and returns demands experience and expertise. There exists a debate

on the comparative performance of domestic vs cross-border M&A deals as the previous studies have reported different and often contradictory results. For example, in a prior study utilising a sample of 268 Indian acquisitions announced between January 1, 1997 and March 31, 2008, cross-border deals realised significantly higher wealth gains as against the domestic deals (Kohli and Mann, 2012). Similar results were also reported for UK (Danbolt and Maciver, 2012; Gregory and O'Donohoe, 2014), Canada (Dutta et al., 2013), India (Rani et al., 2014). In contrast, there also have been studies reporting better performance of domestic M&A deals relative to cross-border deals in case of Europe (Mateev, 2016), USA (Moeller and Schlingemann, 2005), China (Black et al., 2015; Du and Kwabi, 2021; Kling and Weitzel, 2011) and UK (Adel and Alkaraan, 2019; Conn et al., 2005)]. Bertrand and Betschinger (2012) report that Russian acquisitions, both domestic and foreign, result in reduced acquirer performance against non- acquiring firms owing to low M&A capabilities and experience. It is propounded that the idiosyncratic country-level factors may explain the difference in results, impacting the deal returns, especially in foreign located targets. Hence, there exists a need for disaggregated country-wise investigation for each of the above deal types.

2.5 Institutional Distance

The world is turning into a level playing field with the advancements in information technologies and reducing national barriers (Friedman, 2005). Yet it still would be dangerous to undermine the influence of cross-country distance. Distance can prove to be detrimental to firm performance or can even aid in overcoming home-institutional limitations and offer novel opportunities depending on the distance dimension under consideration. While entering a foreign land, companies are faced with challenges caused by distance resulting in increased costs and risks (Ghemawat, 2001). Over the

time, institutional distance has catapulted as a leading approach for investigating the cross-country differences and often delved in to study its influence on various dependent variables such as strategic decision, costs and performance. The growing literature examining the different perspectives of institutional environment and their role in shaping the various global dynamics is indicative of its multidimensionality and significance. It has been propounded as a complementary rather than a replacement to the individual constructs like culture, to capture the broader spectrum of national differences (Kogut and Singh, 1988).

Remaining at the heart of international business literature, institutional theory well recognizes the importance of institutions varying across economies and their role in shaping the strategic choices. But there remains a dearth of knowledge on the distinctive impacts of the various individual distance dimensions. In the words of North (1991), "Institutions are the humanly devised constraints that structure political, economic and social interaction" which consist of both informal constraints and formal rules. Institutional distance is conceptualised as the extent of dissimilarities between the national institutions of a pair of countries. Cross-country differences are often studied through the institutional lens by utilising institutional distance measures (Berry *et al.*, 2010; Ghemawat, 2001; North, 1991; Scott, 1995). The home-host country institutional distance, over a spectrum of dimensions including geographic, economic, political, and cultural distance among others, adds to the "liability of foreignness" and often requires special knowledge and skills on the part of the acquirer for choosing the right target, efficiently negotiating the deal and effective integration for synergy realisation (Berry *et al.*, 2010; Ellis *et al.*, 2018). In contrast to deals involving domestic targets or their competing local counterparts, institutionally distant targets have their peculiar challenges often adding to the deal's costs. Greater home-host country institutional

distances have been reported to require more effort in understanding and adapting to the host- environment (Kostova and Zaheer, 1999). The institutionally distant home-host countries exert additional pressure on the acquirers owing to additional costs, difficulty in coordination and implementing organizational strategies (Kostova and Zaheer, 1999; Xie *et al.*, 2017). Cross-country institutional differences often imply a lack of knowledge about the host-country environment, leading to higher levels of uncertainty and added risks (Contractor *et al.*, 2014). The institutionally distant firms are at an informational disadvantage and are often faced with local discrimination. Moreover, CBMA are also confronted with "isomorphic" pressure to gain legitimacy in the host country (Salomon and Wu, 2012; Wu and Salomon, 2016). In addition to these, emerging market multinationals are also to manage the "liability of origin" stemming from the alleged weaknesses associated with their home country (Cuervo-Cazurra *et al.*, 2018). These factors are bound to influence the CBMA performance on entering an institutionally distant target nation.

The majority of the studies have utilised singular measures for cross-country distance with cultural differences being the most widely studied dimension. Cultural distance has been often reported to positively impact the CBMA performance in the presence of rich acquirer experience (Boateng *et al.*, 2019; Dikova and Rao Sahib, 2013). Despite much criticism, Geert Hofstede's dimensions of cultural distance remain at the heart of cross-country research ever since it was made available through his book "Culture's consequences: International differences in work-related values" in 1980 (Hofstede, 1980). A crucial assumption underlying these measures was the highly time unvarying nature of it. Kogut and Singh (1988) proposed a method of calculating composite culture distance index using the underlying cultural dimensions by adapting the Euclidean distance metric. The Kogut and Singh index has since gained much

popularity, albeit not without criticism (Konara and Mohr, 2019). Culture often impedes integrational efforts, imply distinct work cultures and also can mean different consumer preferences (Ghemawat, 2001; Shenkar, 2001). Utilising a sample of acquirers from 42 countries between 1997 and 2012, Cho and Ahn (2017) found both cultural distance and difference in institutional distance level to have a positive impact on the CBMA performance. In contrast, another study found cultural distance to impede value creation in the case of Chinese cross-border acquisition deals (Tu and Zhang, 2021). There does not yet exist a consensus even on the direction of impact for cultural distance. Furthermore, Basu & Chevrier (2011) examined the impact of geographical distance on Canadian merger outcomes for the period 1991-2003, the results highlight larger home-host distance to be related to lower performance. The power of unidimensional approach in studying distance stays limited; hence, a multi-dimensional approach, simultaneously studying multiple distance dimensions, is recommended (Sousa and Bradley, 2008).

Acknowledging the multidimensionality of cross-country institutional distance, various frameworks have been proposed. One such landmark attempt has been made by Scott, (1995), propounding the three pillars of institutional framework, viz., normative, regulatory and cognitive. The regulatory pillar concerns the instrumental laws and rules, normative pillar relates to social obligations and cognitive pillar to social culture and ethnic nationality. Further, extending the knowledge on institutions distance was the ‘CAGE distance framework’, proposing a four-dimensional cross-country distance approach, including cultural, administrative, geographic and economic distance (Ghemawat, 2001). The “CAGE” framework has been widely recognized, but a more detailed framework could provide deeper insights by better representing the spectrum of diversity over which the countries may differ. Yet another classification adopted in

studies is of informal and formal institutional distance (North, 1991). Few recent studies have examined the impact of broader formal and informal institutional distance dimensions on M&A performance and reported these to have contrasting and opposite influences on deal performance. Li *et al.* (2020) found informal institutional distance to have a significant positive effect and formal institutional distance to have a negative effect on the short-run CBMA performance for the sample of emerging market firms. While providing as a simplistic approach, it misses out on the detailed and comparative analysis for encompassing individual dimensions. Previous studies have examined a few limited institutional dimensions, but the studies simultaneously investigating the impact of multiple dimensions on M&A performance remain scanty (Kristjánsdóttir, 2019; Malhotra *et al.*, 2011; Sousa and Lages, 2011). Berry et al. 2010 proposed a nine-dimensional institutional framework, including "economic, financial, political, administrative, cultural, demographic, knowledge, and global connectedness as well as geographic distance". This framework provides a broad set of institutional distance dimensions for studying the cross-country distances. These nine dimensions can be looked at as accommodating and rather extending the previously proposed measures. His contribution has been widely acknowledged and utilised for further studies.

As opposed to singular measures of cross-country geographical or cultural distance, the framework of cross- country institutional distance provides as a broader and more inclusive view of the national differences (Kostova *et al.*, 2020). Any singular measure of cross-country distance may not be sufficient at capturing the diverse ways in which countries differ, their diverse characteristics or dynamics. The review of literature indicated that majority of studies have utilised either a select dimension or an aggregated measure of cross-country distance. But the impact of distance as a aggregated measure cannot be generalised on M&A performance and any inference

based on such measures can be misleading. An attempt at reaching any conclusion using an aggregated measure may not yield any better results than simple averages, masking the variations in their significance and impact. There noticeably remains a lack of studies utilising comprehensive and simultaneous dimensions of cross-country distance for understanding their individual and simultaneous impact on M&A performance. This presents as a significant gap as the different dimensions may have varying and often opposite impact on the deal outcomes. Furthermore, Despite the growing role of emerging markets in the global landscape, their still exists a paucity of comprehensive institutional studies in its context. This study contributes to this gap by employing a disaggregated nine-dimensional measure of cross-country distance for gaining deeper insights into their individual impacts on M&A performance in an emerging market context.

2.6 Research Gaps

The limitations observed in the previous literature were as follows:

1. *Single Nation Studies:* Majority of the studies try to generalise the results based on small samples. For example, studies using a single nation sample remain the most prevalent.
2. *Selective Samples:* A lot of studies focus on either domestic or cross-border deals. While there exists a lot of theoretical arguments on the distinctive nature of these two types of deals based on target location. Only a very few studies have empirically examined and compared the performance results for these.
3. *Varied Methodologies:* Various methodologies have been adopted in the previous literature for examining the performance of M&A. The accounting and market-based measures remain the two most widely accepted and utilised measures of M&A Performance. The lack of standard measurement for the

accounting-based measures and accounting practices across nations renders this methodology inherently incomparable across nations and different studies. Furthermore, studies using the stock market measures also often utilise different approaches and event windows in studying the abnormal returns around the deal.

4. *Small Time-Frames:* Studies often utilise samples covering a period to enough to represent across various economic events and cycles. Generalising based on such results may not be safe.
5. *Assuming Similar Group Behaviour*: Studies have widely tried to generalise the results for a group of emerging or developed countries based on a particular member performance result. There has been a gap in the literature, empirically investigating if the emerging or developed markets behave in unison or otherwise. The inter-country comparison of performance results for a broad range of countries have been missing.
6. *Focus on only Select Nations:* The previous studies remain largely focused on only a select nation while others remain largely under-studied. For example, for the group of emerging markets, India and China remain as the favoured nations for research interests. While a very few studies exist on Russia, South Africa, Brazil and other emerging markets.

To sum it up, the extant literature stays divided on the matter of M&A performance. While some studies have advocated wealth gains following M&A, others have reported such deals to be rather value destroying. Differences in the extent of deal performance can be clearly observed across the nations. Such differences caution against possible performance generalisations and warrants a further examination.

Digging deeper into the question of M&A performance, the study attempts to investigate the performance variations for a broad set of countries over the spectrum of

developed and emerging nations. Further, this study aims at simultaneously investigating the dual questions of how the M&A performance might differ for domestic and cross-border deals and further comparing these for emerging and developed market sample. This study is also one of the few to utilise such broad sample of countries for analysing these research questions. This is relevant as these results would also provide significant inter-country comparative insights for the select countries. Finally, the study examines the impact of the much relevant and contemporary issue of cross-country distance on the M&A performance.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

As discussed in the previous chapter the M&A continues to present a performance paradox for both the researchers and practitioners warranting a further examination. Further, deals involving foreign targets involve its peculiar complexities owing to the home-host differences. There remains a paucity of studies examining how the cross-country distance dimensions impact the M&A performance. Evidences on the simultaneous and distinctive effects of distance dimensions remain particularly rare. The present study is an attempt at contributing towards to the gaps underlined in the previous chapter.

This chapter proposes the research questions to be addressed followed by the objectives of the study. Subsequently, the proposed hypotheses are presented there under. Finally, this chapter presents the research design including the sample, data sources, selected variables and specifies the model.

3.2 Research Questions

The primary research questions driving the present study are as follows:

RQ1. To what extent do emerging markets react differently to M&A announcements?

RQ2. To what extent do developed markets react differently to M&A announcements?

RQ3. Does emerging and developed market M&A perform differently?

RQ4. Do performance differences exist for cross-border vs domestic deals?

RQ5. How does the cross-country institutional distance impact M&A performance?

3.3 Research Objectives

The study investigates the M&A performance for a set of emerging and developed markets further probing into the impact of cross-country distance on performance. Specifically, the study seeks to dwell into following objectives:

Objective 1*:* To evaluate and compare the emerging market M&A performance.

Objective 2*:* To study the comparative performance of emerging and developed market M&As.

Objective 3*:* To investigate the comparative performance of domestic and cross-border M&A deals.

Objective 4: To examine the influence of home-host institutional distance on cross-border M&A performance.

3.4 Research Hypothesis

In the context of the above stated objectives, the study proposes the following research hypothesis:

$H_0 1$*:* There exist no significant M&A performance differences across emerging markets.

$H_0 2$*:* There exist no significant M&A performance differences across emerging markets.

$H_0 3$*:* There exist no significant performance differences between emerging and developed markets M&A.

$H_0 4$*:* There exist no significant M&A performance differences between domestic and cross-border M&A.

$H_0$5: There exists no significant impact of home-host institutional distance dimensions on M&A performance.

$H_0$5a: There exists no significant impact of home-host cultural distance on M&A performance.

$H_0$5b: There exists no significant impact of home-host geographic distance on M&A performance.

$H_0$5c: There exists no significant impact of home-host political distance on M&A performance.

$H_0$5d: There exists no significant impact of home-host administrative distance on M&A performance.

$H_0$5e: There exists no significant impact of home-host financial distance on M&A performance.

$H_0$5f: There exists no significant impact of home-host global connectedness distance on M&A performance.

$H_0$5g: There exists no significant impact of home-host economic distance on M&A performance.

$H_0$5h: There exists no significant impact of home-host knowledge distance on M&A performance.

$H_0$5i: There exists no significant impact of home-host demographic distance on M&A performance.

3.5 Data

3.5.1 M&A Performance

The initial sample of the study comprised of completed M&A deals announced between January 1,2000- December 31,2019, avoiding the period of Covid-19 impact on the world markets. The deal data was extracted from the Thompson Securities Data Company (SDC) Platinum Database, which is internationally accepted and widely used. The stock price data for calculating daily returns was retrieved from Refinitiv Eikon database. Deals involving more than 10% of stakes were only included in the sample to exclude any possible cases of portfolio investments. Financial sector deals were excluded to avoid any bias due to peculiar regulations governing the sector. The initial population of deals is filtered for fulfilling the requirements of event study methodology adopted in the study. To be retained in the final sample, availability of stock price data over the estimation and event window was a prerequisite for calculating the abnormal returns. Deals with confounding events 30 days around the event day were excluded to ensure a clean event period avoiding any contamination of information influencing the stock returns. Deals with non-synchronous data were also removed to avoid misinterpretation.

3.5.1.1 Emerging Markets

The initial population included all deals involving acquirers from Brazil, Russia, India, China and South Africa (BRICS). As presented in Table 3.1, the final analysis is performed on a sample of 7,105 deals. The number of domestic deals is significantly higher than the cross-border deals for all the sample nations, signifying their prevalence. China accounts for 70% of the deals in the final sample which is in line with their share in the actual number of announcement deals. Also, the problem of missing data has added to the variations in the number of deals from each country in the final sample.

Nevertheless, the performance measures utilised in the study are calculated as sample averages and hence minimizes the risk in analysing the results for unequal country samples. Moreover, the results based on BRICS nations are likely to be representative of many other emerging economies adding to the utility of the study results.

3.5.1.2 Developed Markets

The initial sample for developed market deals included deals involving acquirers from the following seven countries:

1. United Kingdom
2. Canada
3. Germany
4. Japan
5. Netherlands
6. Spain
7. France

The initial population information along with the step-by-step procedure of sample filtering is presented in Table 3.2. As the study involves event study methodology, a complete data including the announcement date and daily stock returns over the event and estimation window is required. Also, a clean period around the event window is ensured. The final sample of developed markets included a total of 24,549 deals, constituted by 16,056 domestic deals and 8,493 cross-border deals.

The study examines a total of 31,654 deals for their performance, including 7,105 emerging market deals and 24,549 developed market deals. The CAR values over the select windows are calculated for each of the deal.

Table 3.1 Emerging Market Sample Selection

	Initial Sample			**Deals Dropped Due to:**			**Final Sample:**		
Country	D (1)	CB (2)	Combined (1) +(2) = (3)	Confounding Events (4)	Data Unavailable (5)	Non-Synchron-ous (6)	D (7)	CB (8)	Combined (9) = (7) +(8) = (3)-(4)-(5)-(6)
Brazil	3,501	381	3,882	3,291	262	81	189	59	248
Russia	8,352	674	9,026	2,732	4,831	803	542	119	661
India	4,228	1,547	5,775	4,771	171	122	411	300	711
China	14,712	2,625	17,337	4,450	6,557	1,349	4,532	449	4,981
South Africa	1,034	701	1,725	318	670	233	282	222	504
TOTAL	31,827	5,928	37,745	15,562	12,491	2,588	5,956	1,149	7,105

D= Domestic; CB=Cross-Border

Source: Compiled from SDC Platinum Database

Table 3.2 Developed Market Sample Selection

	Initial Sample			**Deals Dropped Due to:**			**Final Sample:**		
Country	D (1)	CB (2)	Combined (3) = (1) +(2)	Confounding Events (4)	Data Unavailable (5)	Non-Synchronous (6)	D (7)	CB (8)	Combined (9) = (7) +(8) = (3)-(4)-(5)-(6)
Germany	8,229	6,955	15,184	2,698	9,925	368	1,050	1,143	2,193
U.K.	17,561	11,047	28,608	5,522	15,418	3,470	1,958	2,240	4,198
FRANCE	9,784	6,794	16,578	3,247	9,620	603	1,455	1,653	3,108
NETHERLANDS	2,641	3,823	6,464	1,287	4,057	96	284	740	1,024
SPAIN	5,018	2,812	7,830	1,573	5,405	134	370	348	718
CANADA	11,796	7,845	19,641	3,473	9,539	2,642	3,322	665	3,987
JAPAN	20,592	3,827	24,419	5,703	8,494	901	7,617	1,704	9,321
TOTAL	75,621	43,103	1,18,724	23,503	62,458	8,214	16,056	8,493	24,549

D= Domestic; CB=Cross-Border

Source: Compiled from SDC Platinum Database

3.5.2 Institutional Distance

The initial sample of the study included 3118 completed cross-border M&A deals announced between 2000-2015 by Brazilian, Russian, Indian, Chinese and South African (BRICS) acquirers with targets located across the globe. BRICS represent a heterogenous and geographically diverse group of five major emerging economies accounting for more than 60 percent of the total emerging market deal value (Kengelbach *et al.,* 2013). The information on the M&A deals was collected from Thompson Reuters SDC Platinum database. Owing to the unique laws regulating financial sector firms and in line with the previous research, these deals were excluded from the sample. A minimum cut-off of 10% of stakes acquired was applied to exclude foreign portfolio investments (*UNCTAD, World Investment Report 2000: Cross-Border Mergers and Acquisitions and Development*, 2000; Zreik *et al.*, 2022). Since the study utilizes event study methodology, availability of acquirer stock prices for the estimation and event window is essential for a deal to be retained in the final sample. A few observations were dropped to ensure a clean event window. Following this, the institutional distance measures were appended to the deal level data, matching with the year of announcement and home-host country pairs. After screening out the missing data, the final sample consists of 483 CBMA deals targeted to 27 host nations spread across the globe including both developed and emerging economies.

3.6 Methodology

3.6.1 Abnormal Returns

For studying the shareholders' wealth creation around M&A announcement, the event study methodology is employed. This methodology has been widely accepted for measuring the impact of an event on the shareholder wealth and deal performance (Brown and Warner, 1980; Fama *et al.*, 1969; Roll, 1986). This methodology is

popularly utilised to gauge the effect of information arrival of a previously unanticipated event on shareholders' wealth through stock market reactions. It is based on the assumptions of efficient markets and rational participants and is reflective of the changes in company fundamentals. The change in the stock prices on deal announcement is assumed to reflect the present value of future cash flows owing to the deal. The investors' expectations on the potential future performance is expected to be reflected through the 'abnormal returns' earned and cumulated around deal announcement (Brown and Warner, 1985). 'Abnormal returns' are the unexpected changes in the 'actual return' earned on deal announcement as compared to the 'expected returns' or 'normal returns'. Expected returns are the returns expected to be earned under the normal course of business had the focal event not occurred. This measure of deal performance has proved to be relatively unbiased and is invariant to cross-country differences in accounting policies, making it suitable for multi-country studies (Cording et al., 2008; Haleblian and Finkelstein, 2006).

To calculate the abnormal returns owning to an event, expected returns are removed from the actual stock returns for each day over the event window. Expected returns, i.e., the return expected to be earned if the focal event had not occurred, are calculated using the OLS market model over an estimation window of 180 days, ranging from 31st to 210th day before an event (Brown and Warner, 1985). For market return, a broad-based market index for each country is taken to represent the risk-return conditions for each market better. 'Brazilian BOVESPA',' MOEX Russia index', 'BSE 500', 'Shanghai S.E. Composite index' and 'FTSE/JSE All Share index' were used respectively for Brazil, Russia, India, China and South Africa. Furthermore, 'FTSE All Share Index', 'DAX 30 Performance Index', 'CAC All-Tradable Index', 'Tokyo Stock Price Index, commonly known as TOPIX', 'AEX All-Share Index', 'Madrid Stock Exchange General Index

(IGBM)', 'S&P/TSX Composite Index (Toronto Stock Exchange (TSX)' are utilised respectively for U.K., Germany, France, Japan, Netherlands, Spain and Canada respectively.

Table 3.3 Emerging Market Stock Index Details

Country	**Index**	**Description**
Brazil	Brazilian BOVESPA	The Bovespa Index, or Ibovespa, is the benchmark indicator of the Brazilian stock market's average performance. It is a free-float weighted, total return index comprised of stocks traded on. It was commonly referred to as BOVESPA, an acronym for its Brazilian name, "Bolsa de Valores de São Paulo". The index includes 68 of total 370 companies listed on the exchange, which represent roughly 70% of the exchange's total

		capitalization and 80% of its trades.
Russia	MOEX Russia index	MOEX can refer to the Moscow Exchange, Russia's largest exchange. It may also refer to the MOEX Russia Index, a ruble-denominated composite index that tracks the performance of the 50 largest and most liquid stocks in Russia.
India	BSE 500	The S&P BSE 500 index is engineered to be a broad representation of the Indian market covering around 93% of the total market capitalization and covering all 20 major industries.
China	Shanghai S.E. Composite index (Shanghai Stock Exchange Composite Index)	It is also known as SSE Index. It covers all stocks that are traded at the Shanghai Stock Exchange. It is a capitalization-weighted index.

South Africa	FTSE/JSE All Share index (Johannesburg Stock Exchange)	It is the main index of the local share market. It consists of companies that represent roughly the largest 99% companies listed on the main board of JSE by market capitalization. It is the biggest index in respect of size and overall value.

Source: Author's Compilation

Table 3.4 Developed Market Stock Index Details

Country	Index	Description
U.K.	FTSE All-Share Index (Financial Times Stock Exchange Group (FTSE))	It was originally known as the "FTSE Actuaries All Share Index". It is a capitalisation-weighted index, comprising around 600 companies of more than 2,000 traded on the London Stock Exchange. Represents 98-99% of UK market capitalisation

Germany	DAX 30 Performance Index (Deutscher Aktien IndeX)	The DAX consists of 40 largest blue-chip companies trading on the Frankfurt Stock Exchange. It is a total return index.
France	CAC All-Tradable Index	It is a broad stock market index and has represents all French economy sectors.
Japan	Tokyo Stock Price Index, (TOPIX)	It is commonly known as TOPIX. Along with the Nikkei 225, it is an important stock market index for the Tokyo Stock Exchange in Japan, tracking all domestic companies of the exchange's Prime market division. It is calculated and published by the TSE.
Netherlands	AEX All-Share Index	It is a major stock market index which tracks the performance of the leading stocks traded on the Amsterdam Exchange
Spain	Madrid Stock Exchange	It is a capitalization-

	General Index (IGBM)	weighted stock market index. Measures the performance of a selected number of continuous market stocks. It is the principal index for the "Bolsa de Madrid" (Madrid Stock Exchange) and represents construction, financial services, communications, consumer, capital/intermediate goods, energy and market service sectors. It was initiated with a base value of 100 as on December 31, 1985.
Canada	S&P/TSX Composite Index (Toronto Stock Exchange (TSX)	It is the headline index for the Canadian equity market. It is the broadest in the S&P/TSX family and serves as the basis for multiple sub-indices

Source: Compiled from different sources.

Abnormal returns are calculated as per Equation (1):

$$\boldsymbol{AR_{i,t} = R_{i,t} - E(R)_{i,t}} \qquad \textbf{... (1)}$$

Where, for a firm 'i' on day 't',

AR = abnormal Daily return,

R= Actual Daily Return,

E(R) = Expected Daily return calculated by Equation (2):

$$\boldsymbol{E(R)_{i,t} = \alpha + \beta(Rm_t)} \qquad \textbf{... (2)}$$

R_m = Market Daily Return, α and individual risk (β) of each stock are calculated over the estimation window period of 150 days (-180, -31 days).

For the study, average abnormal return (AAR) and cumulative average abnormal returns (CAAR) over multiple event window periods [(-1, +1), (-2, +2), (-3, +3), (-4, +4), (-5, +5)] around the date of announcement (Day 0) are analysed. Different event windows are utilised acknowledging the trade-off between the shorter as against the longer event window. While a longer event window is equipped to capture any information leakages and delayed market reactions, it poses a critical challenge to ensure a clean event window avoiding any contamination of information reflected in the stock price movements. The absorption of information and reflection on the stock prices also depends on the announcement timing. In case the deal announcements are made near the stock market closing timings, then there can be observed a slight delay in its effect being reflected on the share prices. Longer event windows aids towards capturing these delays and leakages as well. Whereas, a very long windows poses a problem of ensuring clean windows. Long the longer windows, the share prices may be reflecting other events and information. Efforts have been made to ensure a clean event window by

eliminating any deals with confounding events. The AAR and CAAR are calculated as per Equations (3) and (4), respectively.

$$\boldsymbol{AAR_{(t)} = \frac{1}{N} * \sum_{i=1}^{N} AR_{i,t}} \quad \textbf{… (3)}$$

$$\boldsymbol{CAAR_{(T_1,T_2)} = \frac{1}{N} * \sum_{i=1}^{N} CAR_{i,(T_1,T_2)}} \quad \textbf{… (4)}$$

Where in, $AAR_{(t)}$ = Average abnormal return on day t, N = Number of deals, $CAAR_{(T_1,T_2)}$= Cumulative Average Abnormal Return over the select event window starting from the day T_1 to T_2.

The statistical significance of country-wise AAR and CAAR results are tested by employing a set of two parametric tests, namely the cross-sectional standard deviation (CSS) test (Brown and Warner, 1985) and crude dependence adjustment (CDA) test (Brown and Warner, 1980). While parametric tests assume a normal distribution of abnormal returns, no such assumption underly the non-parametric tests. Both the set of tests are applicable in this case given the large sample set qualifying the normality assumption. Although, both parametric and non-parametric tests are employed to overcome any limitations posed by the event driven volatility changes and cross-sectional correlations. These situation may lead to over-estimation of t-statistic due to decreased standard deviations causing higher rejection of null-hypothesis (Jain *et al.*, 2019).

These test if the observed abnormal return values are significantly different from zero, authenticating the impact of the announcement.

$H_0 : AAR_{(t)} = 0$; and, $H_1 : AAR_{(t)} \neq 0$

$H_0 : CAAR_{(T1,T2)} = 0$; and, $H_1 : CAAR_{(T1,T2)} \neq 0$

The null hypothesis is tested using a multiple statistical test.

The CSS test statistic is computed as:

$$\mathbf{CSS}\ (\mathbf{AAR}_t) = \sqrt{\mathbf{N}}\ \frac{\mathbf{AAR}_t}{S.D._{AAR_t}} \qquad \textbf{…(5)}$$

$$\mathbf{CSS}\left(\mathbf{CAAR}_{(T_1,T_2)}\right) = \sqrt{\mathbf{N}}\ \frac{CAAR_{(T_1,T_2)}}{S.D._{CAAR_{(T_1,T_2)}}} \qquad \textbf{…(6)}$$

CSS holds an underlying assumption of equal variances and no cross-correlation across firms, violation of which might create significant biases in results (Collins and Dent, 1984). To handle such dependence across cross-sectional returns, the procedure of crude-dependence adjustment (Brown and Warner, 1980) is adopted as follows:

$$\boldsymbol{CDA}\ (\boldsymbol{AAR}) = \frac{AAR_t}{S.D._{AAR_{(-180,-31)}}} \qquad \textbf{…(7)}$$

$$\boldsymbol{CDA}\left(\boldsymbol{CAAR}_{(T_1,T_2)}\right) = \frac{CAAR_{(T_1,T_2)}}{\sqrt{150}\ (S.D._{AAR_{(-180,-31)}})} \qquad \textbf{…(8)}$$

Further for testing the robustness of the results, the results are supplemented with two non-parametric tests, viz. generalised sign test (Cowan, 1992) and Corrado's rank test (Corrado Charles J., 1989), as parametric tests often pose limitations owing to their underlying assumptions and sensitivity to outliers.

Test statistic for generalised sign test is calculated as follows:

$$\boldsymbol{Zrank}\ (\boldsymbol{AAR}_t) = \frac{\frac{1}{N}\sum_{i=1}^{N} R_{i,t} - \widehat{R}}{S.D._{R_{(-180,T_2)}}} \qquad \textbf{….(9)}$$

$$\boldsymbol{Zrank}\left(\boldsymbol{CAAR}_{(T_1,T_2)}\right) = (T_2 - T_1 + 1)^{1/2}\ \frac{\bar{R}_{(T_1,T_2)} - \widehat{R}}{(\sum_{t=1}^{(150+(T_2-T_1+1))}(\bar{R}_t - \widehat{R})^2/(150+(T_2-T_1+1))^{1/2}} \qquad \textbf{…(10)}$$

Where, $\hat{R}$ is the average rank calculated over the estimation and event window abnormal return ranks. $\bar{R}_t$ is the average rank for 'N' deals on day 't'.

The generalised sign test is specified in Equation (11).

$$\boldsymbol{Zg\ (AAR_t) = \frac{w - (N*\hat{p})}{(N*\hat{p}(1-\hat{p}))^{1/2}}} \quad \textbf{...(11)}$$

Where,

w is the number of deals with positive abnormal return on t[th] day in the event window (or with positive cumulative abnormal return over the event window for $Zg\left(CAAR_{(T_1,T_2)}\right)$) and $\hat{p}$ calculated over the estimation window as follows:

$$\boldsymbol{\hat{p} = \frac{1}{n} \sum_{i=1}^{N} \frac{1}{150} \sum_{t=1}^{150} S_{i,t}} \quad \textbf{...(12)}$$

Herein, the value of $S_{i,t}$ is equal to one if $AR_{i,t}$ is positive and zero otherwise.

3.6.2 Impact of Institutional Distance- Method and Model

Multiple regression is utilized to study the impact of institutional distance dimensions on the CBMA performance. Standard errors were clustered for the acquirer-target country pairs complementing the cross-country distance measures and correcting for heteroskedasticity. All continuous variables have been winsorized at one and ninety-nine percent levels to minimize the impact of outliers. We regress the acquirer CAR values on nine dimensions of distance and the set of our control variables, based on the following regression Equation:

$$\boldsymbol{CAR_j} = \beta_o + \beta_1 CD + \beta_2 AD + \beta_3 DD + \beta_4 ED + \beta_5 FD + \beta_6 GC + \beta_7 GD + \beta_8 KD + \beta_9 PD + \sum \beta_{i,j} CONTROL_{i,j} + \varepsilon_j \quad \text{..... (13)}$$

Where, CARj = cumulative abnormal return for firm j, CD = cultural distance, AD= Administrative distance, DD= Demographic Distance, GD= geographic distance, ED=

economic distance, FD= Financial Distance, GC= Global-connectedness distance, KD= Knowledge Distance, and PD= Political distance. All distance measures for the deal-specific home-host country pairs.

3.7 Variables

3.7.1 Institutional Distance

The home-host country institutional distance is proxied through the multi-dimensional framework proposed by Berry (2010). This multi-dimensional framework includes nine dimensions of cross-country distance including financial, cultural, administrative, geographic, global connectedness, knowledge, demographic, political and economic distance. Acknowledging and capturing the multi-dimensionality of differences across home-host nations, this framework serves multiple advantages over the previous aggregated measures of cross-country distance. Traditionally, geographic and cultural distance measures have been widely used for explaining the cross-country variations. While presenting as a significant-factors, these remain insufficient in representing the cross-country variations. In the contemporary times, the role of geographic distance in shaping the foreign investment strategies and their outcomes has been on decline with the advent of advanced information technologies. Whereas, cultural differences still remain significantly relevant in the cross-country studies. These measures in isolations remains far from being comprehensive enough at explaining the cross-country differences. A few studies have used the broad formal and informal classifications for cross-country distance. While being an improvement over the singular measures of distance, there still remains a scope of improvement by utilising a further disaggregated measure of formal and informal distance. An aggregated measure often masks the underlying variations in its constituents, and may lead to misleading results. Hence, a disaggregated measure is propounded to overcome the above discussed limitations of

the previous studies and provide deeper insights through learning the varying impacts of nine dimension of cross-country distance.

Economic distance (ED) provides a fair view of the macro-economic disparities, including the levels of income, inflation, exports and imports, between the pairs of countries. Financial distance (FD) helps to capture the financial system differences for a pair of countries. Differences in bureaucratic patterns including common language and religion, colonizer-colonized links and legal systems are represented through administrative distance (AD) measure. Demographic distance (DD) measure encapsulates the cross-country differences in population characteristics like life expectancy and birth rate. Knowledge distance (KD) measures the differences in the innovative and knowledge generation capacity of countries. The ability to interact with rest of the world, to procure information and diffuse own activities is captured through the global connectedness (GC) measure. Further, how countries differ in their political systems is reflected by the measure of political distance (PD). The geographic distance (GD) dimension measures the physical distance between a pair of countries using the great circle method. Lastly, cultural distance (CD) measure provides as a means to examine the cross-country differences in distinguishing set of values governing the interactions and shared understanding (Beugelsdijk *et al.*, 2017).

Except for cultural distance (CD), the data for other eight dimensions of institutional distance was sourced from Berry et al. 2010. The data for cultural distance was taken from Beugelsdijk et al., 2017 due to limited availability in the above source (available only till 2012). It is calculated as Mahalanobis based cultural distance measure calculated by integrating the three frameworks proposed by Hofstede, Schwartz and GLOBE. Each of these three frameworks partly explains similar aspects while simultaneously capturing some unique cultural variations. The three frameworks are

integrated by maximising the explained variance and minimising the inter-dimensional correlations providing a comprehensive cultural measure.

3.7.2 Control Variables

Controlling for the impact of other factors influencing the performance and for avoiding missing variable bias, a set of control variables are included in the model. Serial acquirers can learn from the prior deals and apply the acquired knowledge in enhancing the value generations in the future deals. Whereas, consecutive deals can also impose organisational and financial challenges on the acquirer firms. While many of the skills acquired through an M&A deal remain relevant for the future M&A activities, but there are certain skills and knowledge that remain peculiar for a deal or target location. Like in the case of domestic and cross-border deals, the involved legal procedures may be varied as well as the target institutional environment shall be largely distinct in case of foreign targets. Even among all the cross-border deals, the target environment is expected to be distinct based on the nation where the target is located. Hence, recognizing the significance of overall M&A experience and the location specific experience in equipping an acquirer firm dealing with the challenges associated with distant targets, the study includes dual measures for experience (Arslan and Dikova, 2015; Buckley *et al.*, 2016; Wang and Larimo, 2020). First, the overall M&A experience of acquirer (Acq. Exp.), measured as the total count of M&A deals completed before the focal deal, is included in the model. Second, location-specific target country experience (Acq. Host Exp.) is included, measured by the number of prior M&A deal completed by the acquirer in host country.

Firm size is controlled for by including ‘size’ as the log of acquirer total-assets. The paper also adds the dummies for the following variables, industry relatedness (‘related’=1, 0 otherwise) based on primary SIC codes (two digits) of acquirer and

target, toehold ('toehold'=1 if the acquirer owns prior stakes in target, 0 otherwise), cash consideration ('cash'=1, zero otherwise) indicating if the deal is financed by cash or other methods, target country development status ('Developed'=1 if target nation member of OECD, 0 otherwise), if deals announced after the 2007-08 global financial crisis ('Post-Crisis'=1 if the deal is announced 2009 onwards, 0 otherwise) and target knowledge intensity ('high-tech' =1 if target flagged as high-tech in SDC platinum database). Acquirer nation dummies are also added in the mode**.**

The impact of countries development level has been analysed at three levels. First, country wise deal performances have been calculated for each of the select emerging and developed markets. These results are used for providing a comparative view on emerging vs. development market acquirer performance. Second, apart from comparing the deal performance based on acquirer nation development status, the present study as well compares the deal performance based on target nation development status. Third, while conducting the regression analysis, a dummy variable is included in the study to control for the target development status. It is coded as 1 if the target is based in any of the Organisation for Economic Cooperation and Development (OECD) member country. This measure of target development status has been prevalently used in the previous literature (Gubbi *et al.*, 2010; Lin *et al.*, 2020).

CHAPTER 4
EMERGING MARKET PERFORMANCE

4.1 Introduction

The study was initiated with a view to examine the M&A performance for the emerging and developed nations. Presented in this chapter are the event study results for M&A performance for the sample of five emerging nations, viz., Brazil, Russia, India, China and India. Both the average abnormal returns (AAR) and cumulative average abnormal returns (CAAR) for each of the BRICS nations are analysed to gain insights into the shareholder wealth effects around M&A announcements. The daily AAR help in understanding the stock market reactions around the deal announcement, getting the sense of movement of returns and also the information absorption speed and patterns. Daily AAR are analysed over the event window of eleven-days, starting five day prior to event. A broader event window of eleven-day around the day of announcement is analysed to account into any information leakages before official announcement and also for the potential market inefficiencies causing a lag in information absorption in the stock prices.

Tables 4.2, 4.4, 4.6, 4.8 and 4.10 presents the country-wise AAR results around the event date for the Brazilian, Russian, Indian, Chinese and South African acquiring firms respectively. The daily AAR values starting five days before and till the fifth day following the announcement day are reported along with their individual standard deviations and the select parametric and non-parametric test values. The graphical representation of the AAR values for each of the emerging markets is presented in Figures 4.1, 4.3, 4.5, 4.7 and 4.9. Furthermore, cumulating the abnormal returns around the event, the CAAR values across multiple event windows for each of the BRICS nations are presented in Tables 4.3, 4.5, 4.7, 4.9 and 4.11. The CAAR values aids in

learning the cumulative net impact of deals on shareholder wealth. A positive CAAR indicates towards shareholder wealth creation while a negative CAAR signifies wealth destruction. All the AAR and CAAR values are applied to multiple parametric and non-parametric tests. Figures 4.2, 4.4, 4.6, 4.8 and 4.10 represent the CAAR for the BRICS nations wherein the daily AAR are cumulated starting fifth day prior to the announcement.

Table 4.1 Emerging Market Sample Summary

Country	Brazil	Russia	India	China	South Africa	Total
No. of Deals	248	661	711	4,981	504	7,105

Source: Compiled from SDC Platinum Database

Note: For detailed sample description refer to section 3.

4.2 Brazil

Table 4.2 reports the daily AAR values along with their standard deviations and tests values over the eleven-day event window. The Brazilian market is found to experience a positive zero-day market reaction on deal announcement. The zero-day is reported to attain 0.282% AAR as against -0.087% on the previous day. Prior to deal announcement, daily AAR values can be observed to be negative yet hovering around zero returns. Brazilian market does not present signs of information leakages prior to announcement of deal. A spike in the returns on the zero day can be observed touching its highest eleven-day return values. The returns show a declining pattern but remain positive on the two-days following the announcement and finally turn negative third day

onwards. The day-one AAR reported at 0.265% is found to be statistically significant across all tests. This is indicative of the positive market sentiment for M&A deal announcements. The lowest AAR over the selected event window is observed on the third day following the announcement -0.269%. The complete absorption of information takes a few days to get reflected in the share prices.

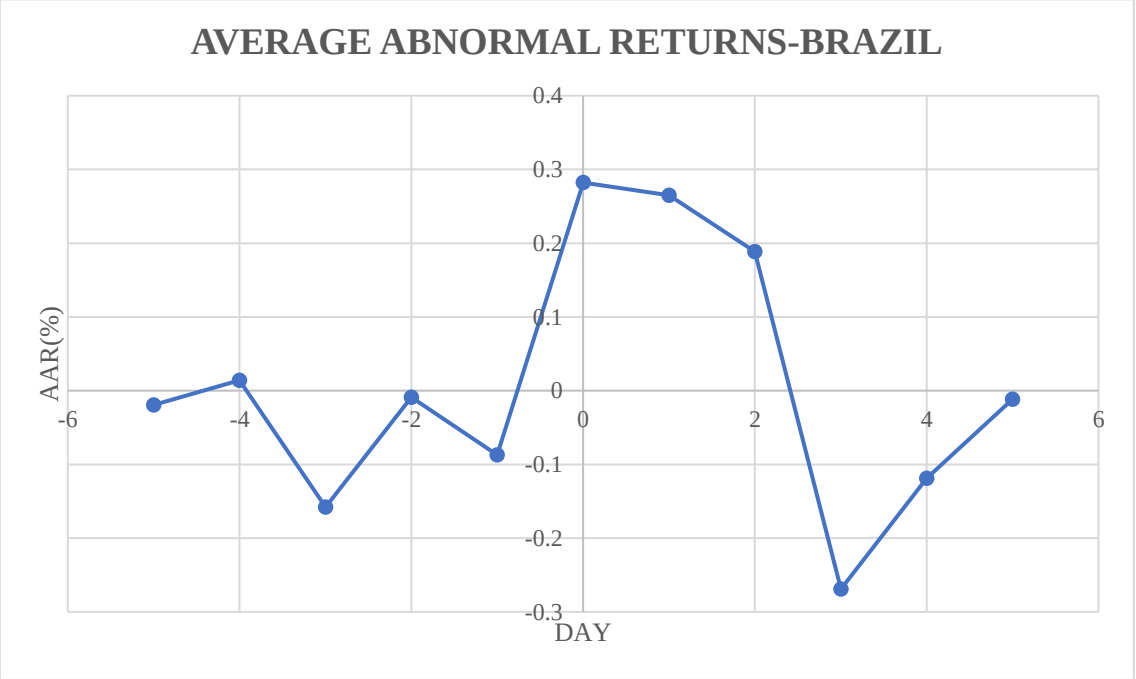

Figure 4.1 Average Abnormal Returns of Brazilian Acquirer (2000-2019)

Table 4.2 Average Abnormal Returns of Brazilian Acquirers for the years 2000-2019

Brazil (n = 248)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	-0.0196	1.89071	-2.3859***	-0.1515	-0.163	1.07854	2.23217**
-4	0.01405	1.76378	1.71278*	0.10876	0.12547	0.07906	-0.5685
-3	-0.1579	2.05347	-19.244***	-1.222	-1.2109	-0.5209	0.70454
-2	-0.0091	1.7817	-1.1095	-0.0705	-0.0805	0.14446	0.19533
-1	-0.0871	2.02519	-10.611***	-0.6738	-0.677	-0.3694	0.19533
0	**0.28209**	**3.58445**	**34.3812*****	**2.18321****	**1.23933**	**-0.0085**	**0.32264**
1	0.26488	2.19852	32.2839***	2.05003**	1.89734**	2.04885**	1.97756**
2	0.18835	2.12324	22.9565***	1.45774	1.397	0.42775	0.06803
3	-0.269	1.87324	-32.791***	-2.0822**	-2.2618**	-1.7345*	-0.9504
4	-0.1189	1.84697	-14.496***	-0.9205	-1.0141	-0.0292	0.70454
5	-0.0116	1.82971	-1.4123	-0.0897	-0.0997	0.17552	0.32264

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

Further, as reported in Table 4.3, positive CAAR values can be observed across all the select five event windows. The highest and also statistically significant CAAR of 0.63% can be observed over the 5-day event window of (-2,+2). Following this, as the event window keeps increasing, the CAAR values keep decreasing, attributable to the negative AAR in the pre-announcement period and also from third day onwards post-announcement. The lowest CAAR value of 0.07% is observed for the eleven-day event window starting five days prior to announcement. The cumulation of AAR values starting five days prior to announcement can be observed in Figure 4.2. While the CAAR remains negative prior to M&A announcement, it can be observed to turn positive on the day of announcement and further.

The reported positive wealth creation around deal announcement for the Brazilian acquirers is in line with the previously reported research evidences. Camargos and Barbosa (2009) analysing the performance of Brazilian M&A between 1996 to 2004 found the deals to be resulting in operating synergy and shareholder wealth enhancement. Pamplona and Junior (2013) reported Brazilian M&A deals to generate managerial and financial synergies and lead to be improved economic situation. Bortoluzzo *et al.* (2014) investigated the performance of cross-border M&A deals conducted between 1994 to 2008 and reported an improved financial performance for the firms attributable to the factors like strategic resource access, increased market power, economies of scale and scope.

Table 4.3 Cumulative Average Abnormal Returns of Brazilian Acquirers (2000-2019)

Brazil (n = 248)						
Event	**No. of days in event window**	**CAAR (%)**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1,+1)	3	**0.45991**	2.05504**	1.44604	1.99691612**	1.5956558
(-2,+2)	5	**0.63916**	2.21224**	1.7461*	2.0764904***	3.1232798***
(-3,+3)	7	**0.21222**	0.62079	0.52185	-0.0095718	1.2137498
(-4,+4)	9	**0.10734**	0.27691	0.22902	0.02597398	1.2137498
(-5,+5)	11	**0.07618**	0.17776	0.15616	0.80614986	1.0864478

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

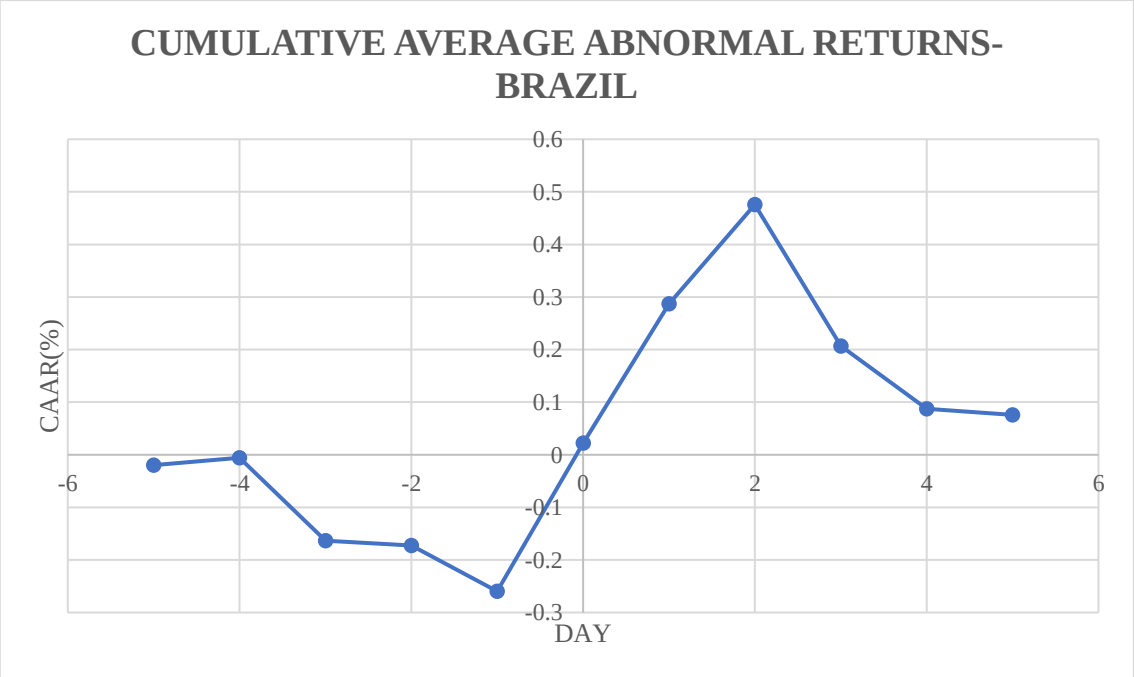

Figure 4.2 Cumulative Average Abnormal Returns of Brazilian Acquirers (2000-2019)

4.3 Russia

Table 4.4 reports the daily AAR results for the Russian acquirers over the eleven-day event around the deal announcement along with their corresponding standard deviations and test values. The zero-day AAR is reported at 0.117%. The daily AAR values are graphically presented in Figure 4.3. Interestingly, although positive on the day of announcement, the AAR values turn negative on the days following announcement. Whereas, on the days prior to announcements fluctuations in the AAR values can be observed. In the five-day event window prior to announcement, a positive AAR is reported with the exception of -4^{th} day (-0.303% AAR). There appears a sign of information leakage before the official deal announcement, pushing up the AAR values before announcement day. The zero-day positive AAR cannot be concluded as a sign of market optimism on deal performance. Rather, the positive AAR values starting three days prior announcement followed by a fall leading to negative AAR immediately following the day of announcement is suggestive of investor profit booking motive based on insider informative.

Table 4.4 Average Abnormal Returns of Russian Acquirers for the years 2000-2019

Russia (n = 661)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	0.06538	2.8385	14.2975***	0.55611	0.59219	-1.459	-1.5775
-4	-0.3033	2.48102	-66.324***	-2.5797***	-3.1429***	-2.1351**	-2.5913***
-3	0.08995	2.61291	19.6716***	0.76513	0.88512	0.38958	-0.1737
-2	0.07179	2.72612	15.6996***	0.61064	0.67707	0.31198	-0.0178
-1	0.03127	2.99514	6.83899***	0.26601	0.26845	0.36153	0.13821
0	**0.11681**	**3.39264**	**25.5448***	**0.99358**	**0.88522**	**0.81193**	**0.52813**
1	-0.154	2.74486	-33.675***	-1.3098	-1.4424	-0.7092	-0.2517
2	-0.1418	3.98358	-31.001***	-1.2058	-0.9149	-1.0219	-0.1737
3	-0.274	2.68683	-59.92***	-2.3306**	-2.6219***	-2.219**	-2.4353**
4	-0.0994	2.63261	-21.728***	-0.8451	-0.9703	-0.1536	-0.6416
5	0.03542	2.55712	7.74468***	0.30123	0.35607	0.50205	0.45014

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

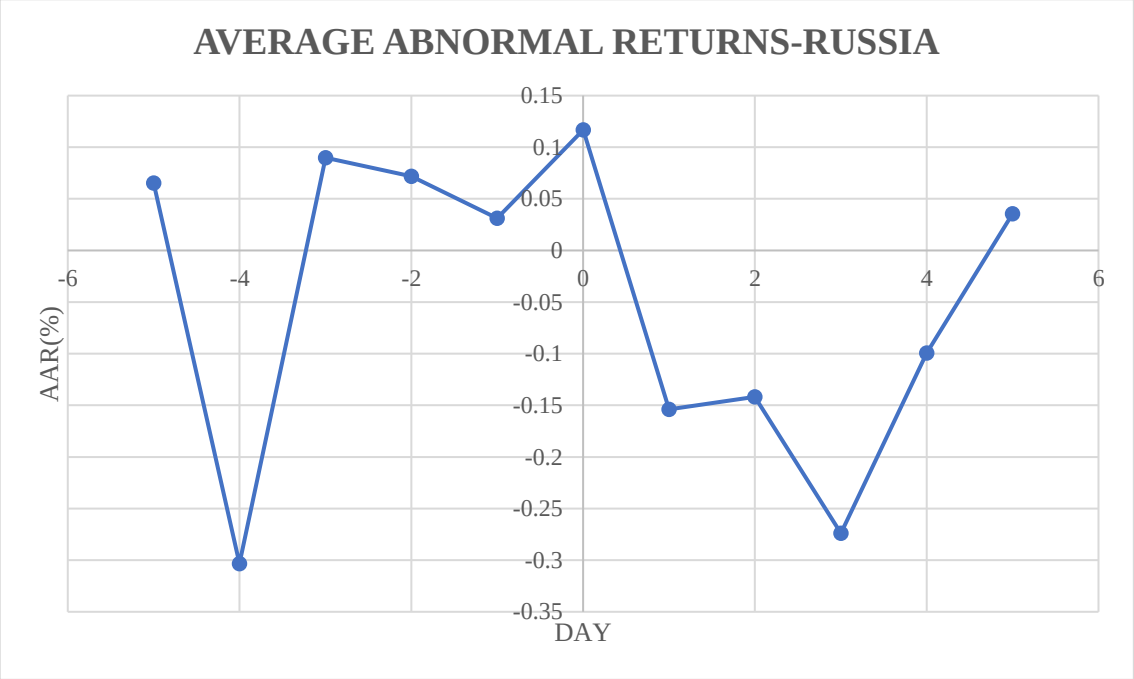

Figure 4.3 Average Abnormal Returns of Russian Acquirers (2000-2019)

The CAAR values over the selected event windows along with the test values are presented in Table 4.5. The CAAR were observed to be consistently negative across all selected event windows. The lowest and statistically significant CAAR of -0.663% were observed over nine-days event window (-4, +4). The deals do not appear to be valued favourably or positively by the investors reflected through the observed negative CAAR. The Russian investors are more likely to be pessimistic about the acquirer performance and M&A deal. From the Figure 4.4 presenting the cumulation of AAR starting 5 days prior to announcement, CAAR can be observed to start increasing from the third day before announcement onwards. It attains its highest level on the announcement day and then it takes a dive thereafter.

Table 4.5 Cumulative Average Abnormal Returns of Russian Acquirers (2000-2019)

Russia (n = 661)						
Event	**No. of days in event window**	**CAAR (%)**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1,+1)	3	**-0.0059**	-0.029	-0.0283	0.45533468	0.6840979
(-2,+2)	5	**-0.0759**	-0.2886	-0.2593	-0.1866068	1.3859589
(-3,+3)	7	**-0.2599**	-0.8356	-0.7592	-1.3322162	0.9180516
(-4,+4)	9	**-0.6626**	-1.8786*	-1.8989*	-2.4707872**	-0.6416396
(-5,+5)	11	**-0.5618**	-1.4407	-1.4925	-2.7249938***	-0.0957477

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

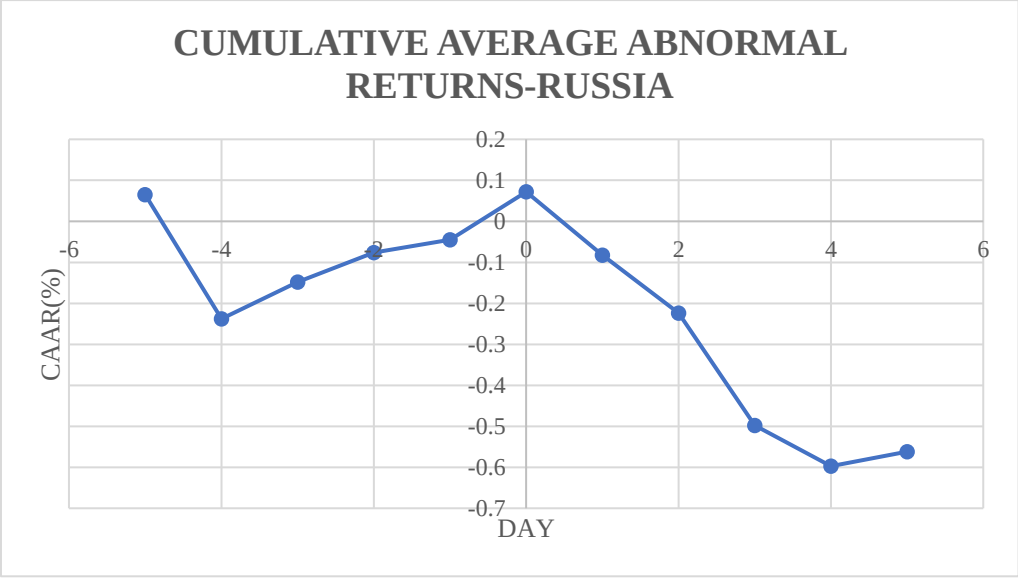

Figure 4.4 Cumulative Average Abnormal Returns of Russian Acquirers (2000-2019)

4.4 India

The AAR results for Indian acquirers along with their corresponding standard deviations and test values are presented in Table 4.6. Indian acquirers on an average depict a positive abnormal return on the day of deal announcement. The statistically significant zero-day AAR of 0.263% is reported for Indian acquirers. The AAR falls on the day following the deal announcement but remains positive at 0.15%. It turns negative second day onwards post announcement. Whereas, no particular pattern can be observed on the days prior to deal announcement. Out of the five days observed prior announcement, three days report a positive AAR whereas two days report negative AAR. The Indian investors appear to possess positive sentiments towards the Indian M&A deals. The falling AAR in the days following the announcement can be attributed to the market correcting the share prices towards its normal returns.

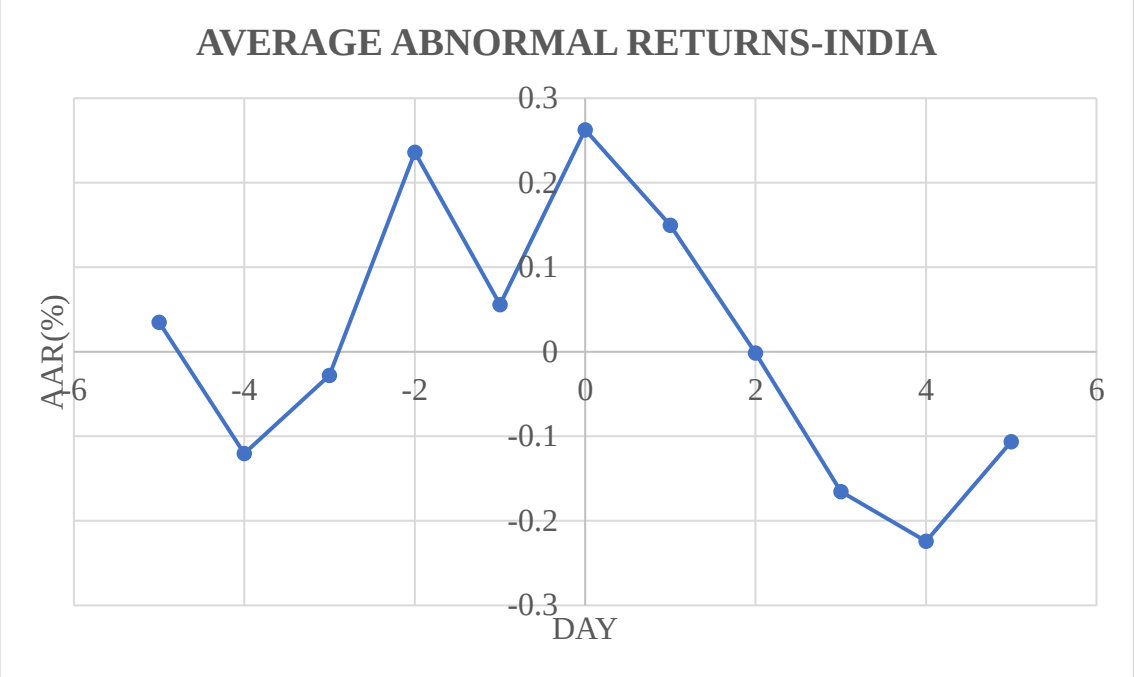

Figure 4.5 Average Abnormal Returns of Indian Acquirers (2000-2019)

Table 4.6 Average Abnormal Returns of Indian Acquirers for the years 2000-2019

India (n = 711)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	0.03497	2.95809	3.85371	0.31526	0.14453	0.04767	0.33564
-4	-0.1204	2.43283	-13.267	-1.3196	-0.4975	-0.6465	0.41097
-3	-0.0279	2.45659	-3.0748	-0.3029	-0.1153	0.4914	0.86295
-2	0.23595	2.58885	25.9991	2.43024**	0.97504	2.34805**	2.36955**
-1	0.05571	2.50807	6.13854	0.59228	0.23021	0.63338	0.18498
0	**0.26272**	**3.01001**	**28.9485**	**2.32732****	**1.08565**	**3.30885*****	**3.7255*****
1	0.14976	3.25553	16.5014	1.22659	0.61885	0.80678	0.56163
2	-0.0014	2.69519	-0.1569	-0.0141	-0.0059	-1.0315	-1.3216
3	-0.1654	2.65678	-18.23	-1.6604*	-0.6837	-0.8723	-1.0956
4	-0.2242	2.7035	-24.702	-2.2111**	-0.9264	-2.9479***	-2.1503**
5	-0.1063	2.67074	-11.71	-1.061	-0.4391	-0.6863	0.10965

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

Analysis of Table 4.7 reveals positive CAAR across all event windows for Indian acquirers. The results support the shareholder wealth maximisation for the acquirer shareholders. The highest CAAR value of 0.703% can be seen over the five-day event window, followed by 0.51% CAAR over the seven-day window. Both these CAAR values have proved to be statistically significant. Graphically observing the cumulation of AAR starting five-days prior to the announcement, a rising pattern can be observed starting three days prior to announcement and continues till a day after announcement. After the second-day post announcement, the CAAR starts declining.

Table 4.7 Cumulative Average Abnormal Returns of Indian Acquirers (2000-2019)

India (n = 711)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**0.46818**	1.11701	2.4149**	2.74183999***	3.8761593***
(-2,+2)	5	**0.70271**	1.29865	2.83084***	2.71258571***	5.0061129***
(-3,+3)	7	**0.50936**	0.79557	1.75064*	2.14860049**	3.1981872***
(-4,+4)	9	**0.16478**	0.22698	0.48201	0.69676539	1.6162521
(-5,+5)	11	**0.09349**	0.11648	0.22919	0.43769855	1.0889405

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

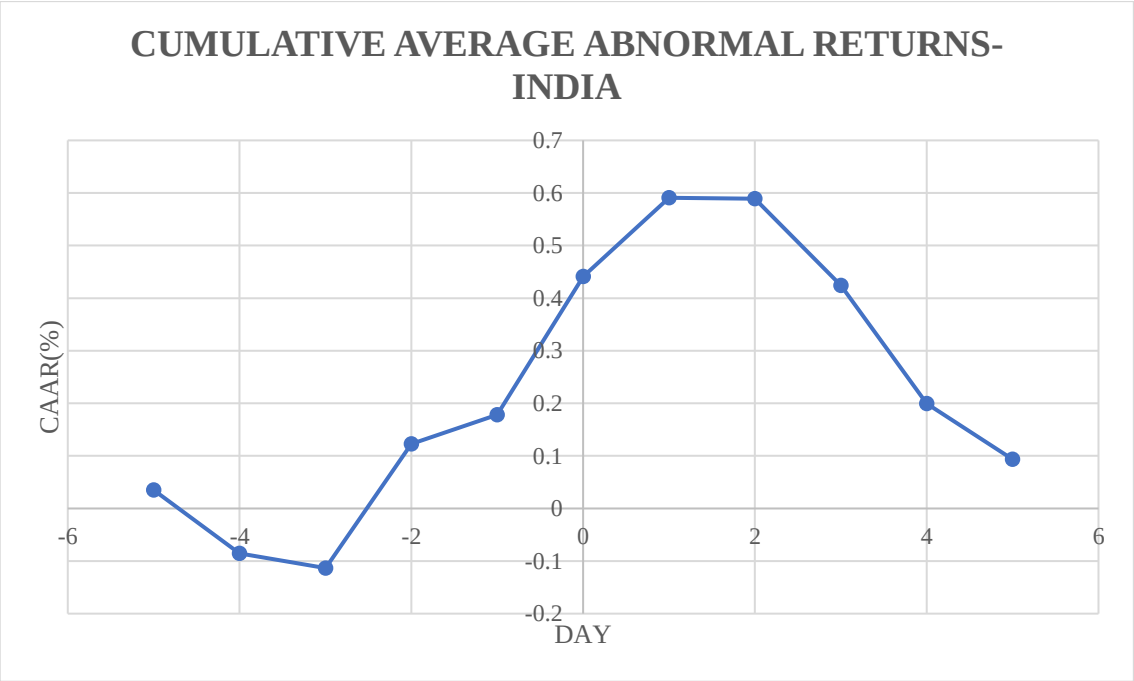

Figure 4.6 Cumulative Average Abnormal Returns of Indian Acquirers (2000-2019)

4.5 China

Table 4.8 reports the daily AAR around the deal announcement for Chinese acquirers along with their corresponding standard deviations and test values. These AAR values are graphically presented in Figure 4.7. A sharp jump in the AAR can be observed on the day of announcement. The zero-day AAR touched a statistically significant and positive value of 0.908% from 0.093% reported on the preceding day. On the days following the announcement, AAR values are observed to be falling. These remain positive throughout the five-day window post-announcement, while gradually reaching near zero values. These diminishing abnormal returns are indicative of market corrections. These results are suggestive of an absence of insider trading practices.

Table 4.8 Average Abnormal Returns of Chinese Acquirers for the years 2000-2019

China (n = 4,981)							
Day	**AAR(%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	0.07044	2.6979	89.4535***	1.26747	1.84261*	1.92318*	0.67935
-4	-0.0531	2.60984	-67.449***	-0.9557	-1.4362	0.23688	-0.1165
-3	-0.0016	2.66024	-2.0198**	-0.0286	-0.0422	0.64194	0.19613
-2	0.03587	2.73615	45.5545***	0.64547	0.92524	0.69909	0.11086
-1	0.09324	2.73258	118.409***	1.67775*	2.40811**	1.75201*	1.56053
0	**0.90802**	**4.35527**	**1153.16*****	**16.3392*****	**14.7142*****	**10.1664*****	**12.0493*****
1	0.42972	4.06745	545.729***	7.73248***	7.4562***	2.36823**	2.12902**
2	0.18376	3.48534	233.366***	3.30658***	3.72096***	-0.0948	-0.5713
3	0.09866	3.20054	125.295***	1.77532*	2.17558**	-0.1897	-1.1114
4	0.04322	3.22062	54.8937***	0.77779	0.94721	-1.168	-1.0261
5	0.04531	3.0864	57.5425***	0.81533	1.0361	-0.2264	0.13928

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

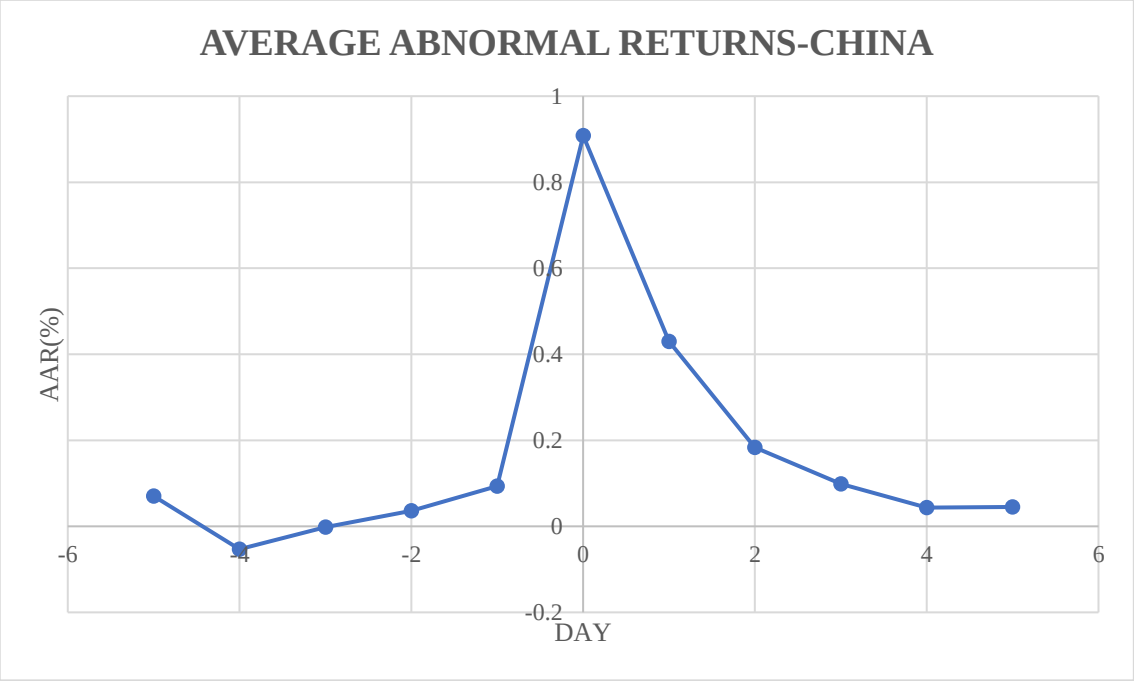

Figure 4.7 Average Abnormal Returns of Chinese Acquirers (2000-2019)

The CAAR values over the selected windows are reported in Table 4.9 along with their standard deviations and test values. Positive CAAR values across all the event windows are reported for the Chinese acquirers. This is indicative of shareholder wealth gains and a positive market valuation of M&A Chinese deals. It attains the highest CAAR of 1.853% for the eleven-day event window (-5,+5). Figure 4.8 presents the CAAR over the eleven-day event window. A steep incline in CAAR can be observed on zero-day. The positively sloped CAAR over the post-announcement period is attributable to the declining but positive AAR values over the corresponding period.

Table 4.9 Cumulative Average Abnormal Returns of Chinese Acquirers (2000-2019)

China (n = 4,981)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**1.43097**	14.8664***	14.1193***	9.91102533***	12.703084***
(-2,+2)	5	**1.6506**	13.2829***	12.9001***	8.00178889***	11.537663***
(-3,+3)	7	**1.74766**	11.8863***	11.653***	6.9681149***	10.286968***
(-4,+4)	9	**1.73778**	10.4234***	10.3298***	5.77236955***	8.8372987***
(-5,+5)	11	**1.85353**	10.0563***	10.0262***	5.83601148***	9.2352472***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

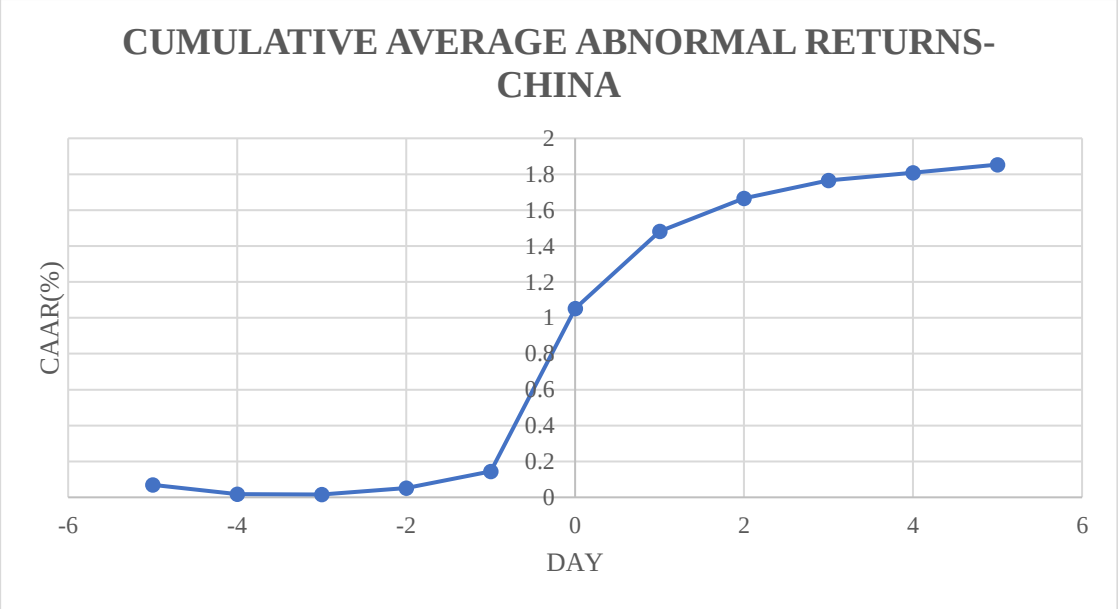

Figure 4.8 Cumulative Average Abnormal Returns of Chinese Acquirers (2000-2019)

4.6 South Africa

The daily AAR, their corresponding standard deviations and test values for the South African deals can be observed from Table 4.10. A positive AAR of around 0.18% is reported on the two days prior to announcement indicating towards chances of information leakages and insider trading practices pushing to this positive level of returns prior to announcement. On the zero-day, the AAR jumps to 0.554% and remains statistically significant. The AAR gradually falls on the day following the announcement, reaching a minimum of -0.091% on the fifth day following announcement. Figure 4.9 presents the daily AAR for the South African acquirers over the eleven-day event window. The highest AAR is seen to be attained on the day of announcement.

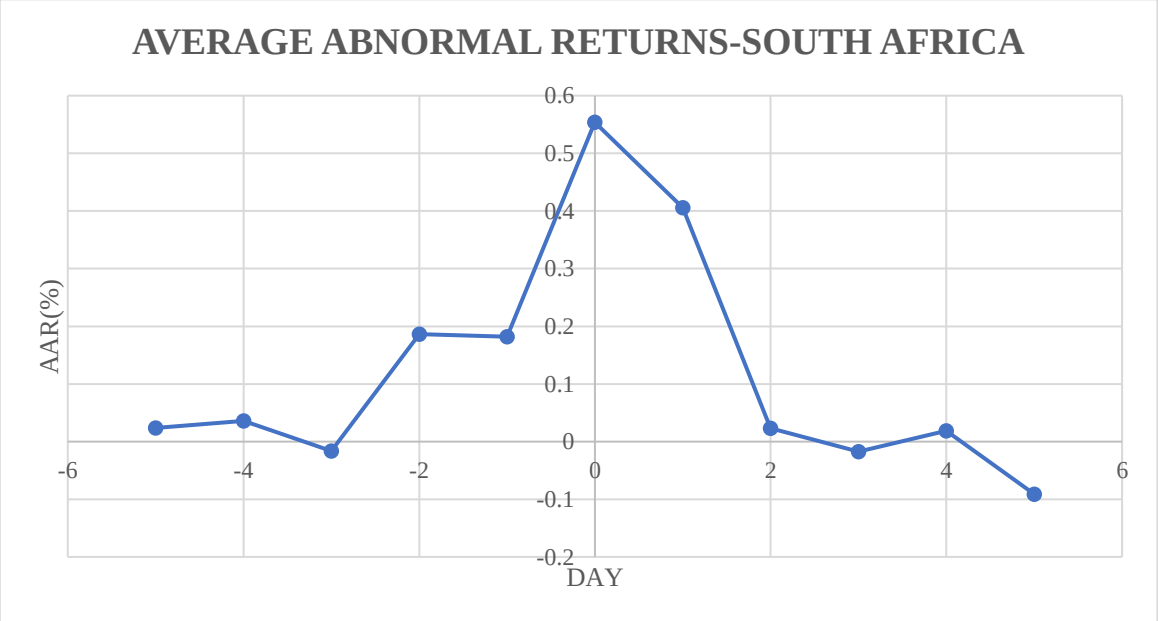

Figure 4.9 Average Abnormal Returns of South African Acquirers (2000-2019)

Table 4.10 Average Abnormal Returns of South African Acquirers for the years 2000-2019

South Africa (n = 504)							
Day	**AAR(%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	0.02394	2.82951	4.38676***	0.1954	0.18995	0.0301	-0.601
-4	0.0358	2.77419	6.56004***	0.29221	0.28973	-0.4179	0.82706
-3	-0.0162	2.68801	-2.9739	-0.1325	-0.1356	0.51457	-0.0655
-2	0.18665	4.05265	34.1992***	1.52335	1.03393	1.28178	1.54107
-1	0.18178	3.21594	33.3081***	1.48366	1.26899	1.24623	1.36257
0	**0.55382**	**3.71843**	**101.476*****	**4.5201*****	**3.34364*****	**3.78929*****	**3.68309*****
1	0.40567	3.5292	74.3319***	3.31101***	2.58057**	2.00544**	1.27331
2	0.02315	2.5033	4.24124***	0.18892	0.20758	0.61063	1.09481
3	-0.0172	2.54527	-3.154	-0.1405	-0.1518	-0.1303	0.11305
4	0.01854	2.61169	3.39709	0.15132	0.15937	0.57284	0.73781
5	-0.091	2.73466	-16.678	-0.7429	-0.7472	-0.3573	0.29155

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

Table 4.11 presents the CAAR over the selected event windows along with their standard deviations and test values for the South African acquirers. Positive and statistically significant CAAR is reported across all selected event windows. The highest and lowest CAAR values of 1.372% and 1.141% are observed for nine-days (-4,+4) and three-days (-1,+1) event windows respectively. Figure 4.10 presents a graphical representation of CAAR beginning to cumulate five-days prior to announcement. A positive slope of CAAR can be observed beginning two days prior to announcement, with the highest slopes on announcement day and the succeeding day. The process of information absorption appears to continue for another day following the announcement.

Table 4.11 Cumulative Average Abnormal Returns of South African Acquirers (2000-2019)

South Africa (n = 504)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**1.14127**	5.37788***	4.09331***	7.15530076***	3.9508449***
(-2,+2)	5	**1.35106**	4.93144***	3.95748***	7.03212652***	3.5938409***
(-3,+3)	7	**1.31762**	4.06466***	3.64526***	6.19886368***	3.1475858***
(-4,+4)	9	**1.37196**	3.73253***	3.49291***	5.55781389***	3.4153388***
(-5,+5)	11	**1.30488**	3.21113***	3.06283***	4.8535567***	2.2550756**

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

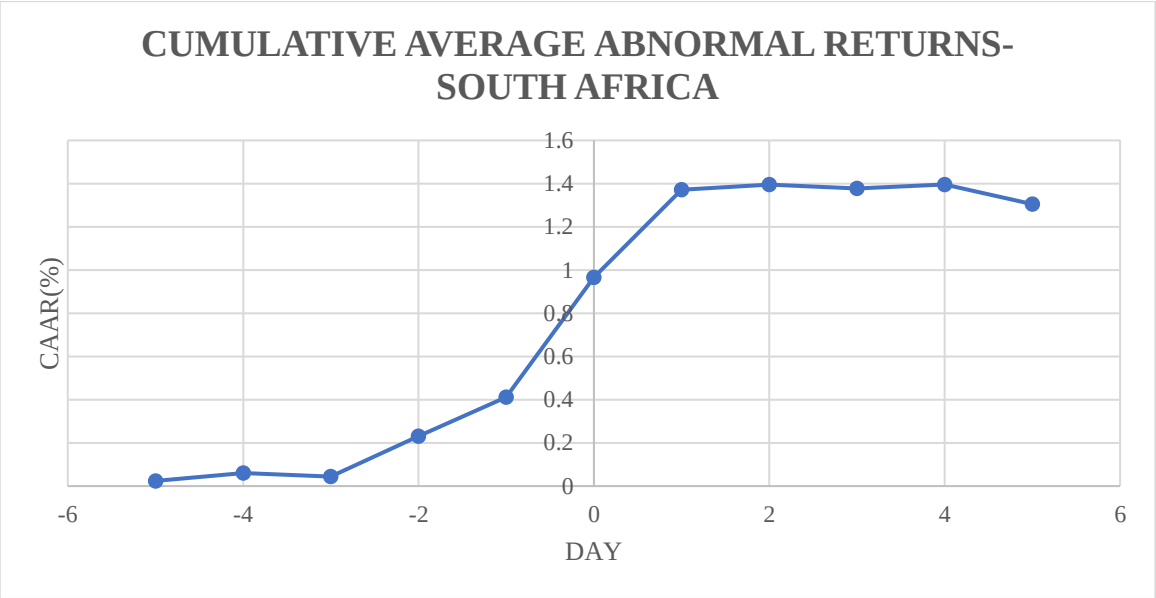

Figure 4.10 Cumulative Average Abnormal Returns of South African Acquirers (2000-2019)

4.7 Result Summary

The results suggest a positive market reaction to the M&A announcement with statistically significant and positive zero-day AAR for each sample country. Table 4.12 presents a summarised view of the emerging market results. For the announcement day, the highest positive reaction can be observed in the Chinese market (0.91%), followed by South Africa (0.55%) and is the least for Russia (0.12%). While the market reaction for Russian firms is positive on the announcement day, but it turns negative on the days following announcement and ultimately results in a negative CAAR across all select event windows. This is indicative of the gradual absorption of information in the Russian market. For South African firms, market reaction can be observed starting two days before the day of deal announcement, indicating information leakages and alleged insider trading. For the Indian acquirers as well, the returns post the day of announcement can be seen to be reducing, turning negative from the second day post-announcement. The returns reached a minimum of -0.23% on the fourth day post-

announcement. A positive zero-day return followed by decreasing CAAR post-announcement and fluctuations in the days prior to the deal announcement are observed for both India and Russia. Herein, India reported a higher zero-day return as compared to Russia. Also, on the day following the announcement the AAR falls but remains positive for India. Whereas, in the case of Russia it turned negative the following day. For the Brazilian deals, the information absorption too appears to be only gradual, with a statistically significant positive AAR with only a slight fall in the day following announcement. The returns are observed to be gravitating back towards the absence of abnormal returns in the days following announcement for all the nations. Though the speed towards zero-abnormal returns varies across nations.

Cumulating the abnormal returns around the event window, the results for Brazil, India, China and South Africa confirm that the acquirer shareholders experience addition to their wealth around the M&A announcement with positive CAAR values over the multiple event windows. But in the case of the deals involving Russian acquirers, the market seems to be cold towards the M&A announcements with negative CAAR observed across all event windows. The returns present a declining patter with negative AAR in the days following the event date contributing towards negative CAAR values over the multiple event windows (-1, +1), (-2, +2), (-3, +3), (-4, +4), (-5, +5). The deal information seems to be only gradually absorbed in the market and reflected in the share prices causing a positive zero-day AAR and followed by negative AAR values in the succeeding days, attributable to market inefficiencies. This seems to be a case of lead and lag relationship. The results are largely in line with the previous literature, showing that emerging market acquirers earn a positive return around deal announcement (Jain *et al.*, 2019).

Table 4.12 Emerging Market Results Summary

Emerging Market Performance Summary					
	Brazil	**Russia**	**India**	**China**	**SA**
0-Day AAR (%)	**0.282088**	**0.116812**	**0.262718**	**0.908015**	**0.553815**
Statistically Significant	No	Yes	Yes	Yes	Yes
CAAR (Across all Event Windows)	+	-	+	+	+
Highest CAAR (%) (Event Windows)	0.6395 (-2, +2)	-0.006 (-1, +1)	0.703 (-2, +2)	1.854 (-5, +5)	1.372 (-5, +5)
Lowest CAAR (%) (Event Windows)	0.076 (-5, +5)	-0.663 (-5, +5)	0.093 (-5, +5)	1.431 (-1, +1)	1.141 (-1, +1)
Indicative of Information Leakages	No	No	Yes	No	Yes
Information Absorption	AAR_{t1} positive and significant	AAR_{t3} negative and significant	AAR_{t1} positive but insignificant	AAR_{t1} & AAR_{t2} Positive and Significant	AAR_{t1} Positive and Significant
Observations	CAAR higher for shorter event windows	AAR turns negative post announcement	Positive and Significant AAR of 0.24% on T_{-2}	Positive and significant AAR of 0.09% on $T_{-1,}$ steep jump on T_0	Positive and significant AAR T_{-2}

Source: Author's Own Calculations

CHAPTER 5
DEVELOPED MARKET M&A PERFORMANCE

5.1 Introduction

This chapter presents the event study results for the selected sample of developed markets. Both the AAR and CAAR values for each of the selected seven developed nations are analysed to gain insights into the shareholder wealth effects around their M&A announcements. The daily AAR values around the deal announcement day aids towards analysing the stock market reactions and learning about the pattern of returns around announcement. These help in understanding the impact of M&A on stock returns. The information absorption patterns can also be observed from these daily AAR's. AAR values are analysed over a broader event window of eleven-days to account into any information leakages and also for the potential market inefficiencies causing any lag in information absorption in the stock prices. Tables 5.2, 5.4, 5.6, 5.8, 5.10, 5.12 and 5.14 presents the country-wise AAR results around the event date for the U.K., Canadian, Japanese, German, French, Netherlands and Spanish acquiring firms respectively. The daily AAR values starting five days before and until the fifth day following the announcement day are reported along with their individual standard deviations and the selected parametric and non-parametric test values. The graphical representation of the AAR values for each of the developed markets is presented in Figures 5.1, 5.3, 5.5, 5.7, 5.9, 5.11 and 5.13. Furthermore, The CAAR values across multiple event windows for each of the developed nations are presented in Tables 5.3, 5.5, 5.7, 5.9, 5.11, 5.13 and 5.15. The CAAR values aids in learning the cumulative impact of deals on shareholder wealth and the magnitude of overall gains. All the AAR and CAAR values are applied to multiple parametric and non-parametric tests. Figures 5.2, 5.4, 5.6, 5.8, 5.10, 5.12 and 5.14 represent the CAAR for the each of the selected

developed nation wherein the daily AAR are cumulated starting fifth day prior to the announcement.

Table 5.1 Developed Market Sample Summary

Country	GERMANY		FRANCE	NETHERLANDS	TOTAL
No. of Deals	2193		3108	1024	
Country	SPAIN	U.K.	JAPAN	CANADA	24,546
No. of Deals	718	4195	9321	3,987	

Source: Compiled from SDC Platinum Database

Note: For detailed sample description refer to section 3.

5.2 United Kingdom

Table 5.2 reports the average abnormal returns for each day over the 11-day event window for United Kingdom acquirers along with their corresponding standard deviations and test values. Further, these AAR values are graphically presented in Figure 5.1. The AAR value attains its highest value on the day of announcement. A sharp spike in the AAR can be observed on the day of announcement attaining a statistically significant value of 0.56%. On the days prior to announcement fluctuations can be observed with the AAR values hovering around zero-level. Positive AAR is found for two of the five days prior to announcement. No signs of information leakage or insider trading can be observed. While the AAR values gravitate back towards the zero level on the days post announcement, it remains statistically significant and positive on the day-one.

Table 5.2 Average Abnormal Returns of United Kingdom Acquirers (2000-2019)

United Kingdom (n=4,195)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	-0.00651	2.371651	-9.94951***	-0.15362	-0.17767	1.02034	1.511368
-4	0.093979	3.461917	143.7261***	2.219063**	1.758239*	0.945784	1.542324
-3	-0.02677	2.612119	-40.9368***	-0.63205	-0.66371	-0.38793	-0.7175
-2	0.041951	3.444305	64.15723***	0.990557	0.788866	0.347446	1.077976
-1	-0.03064	2.579782	-46.8541***	-0.7234	-0.76917	-0.22624	0.737454
0	**0.561117**	**4.407961**	**858.1444*** **	**13.24934*** **	**8.244828*** **	**9.532821*** **	**10.79833*** **
1	0.161847	3.190714	247.5209***	3.821606***	3.28536***	2.959501***	4.111718***
2	0.005829	2.69452	8.914638***	0.137638	0.140114	0.979167	1.975716**
3	-0.0231	2.717951	-35.3311***	-0.5455	-0.55052	0.328101	0.087366
4	0.006901	3.366998	10.55352***	0.162941	0.132744	-0.15639	0.087366
5	0.008308	2.929247	12.70657***	0.196183	0.183709	0.646957	0.675541

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

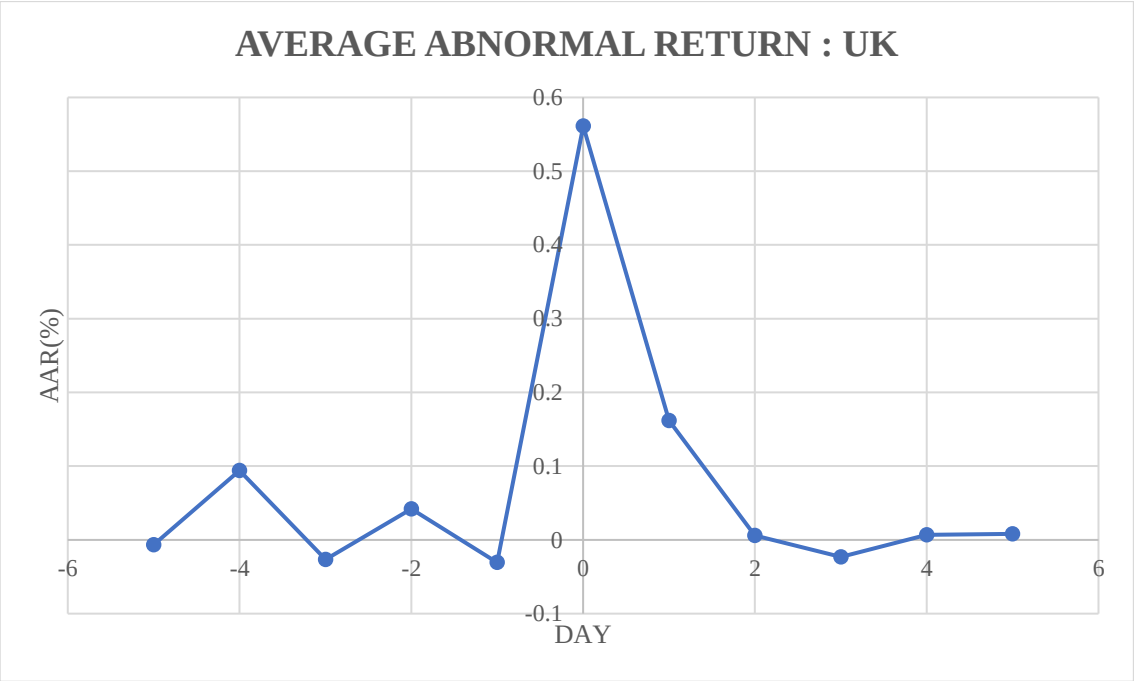

Figure 5.1 Average Abnormal Returns of United Kingdom Acquirers (2000-2019)

The CAAR values remain statistically significant and positive across all the selected event windows as observed from Table 5.3. The highest CAAR of 0.79% can be observed for the nine-day window (-4,+4). The positive CAAR values indicate towards positive market sentiments and acquirer shareholder wealth gains resulting from the M&A deals. Figure 5.2 graphically depicts the cumulation of AAR starting five days prior to event. A sharp rise in in CAAR can be observed on the day of announcement. The slope remains positive over one day pre and post announcement and then further stabilizes post announcement.

Table 5.3 Cumulative Average Abnormal Returns of U.K. Acquirers (2000-2019)

United Kingdom (n=4,195)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**0.692327**	9.43826***	7.083947***	8.356605***	9.900593***
(-2,+2)	5	**0.740107**	7.815389***	5.997195***	7.173073***	9.312418***
(-3,+3)	7	**0.690238**	6.16014***	4.893588***	6.035667***	9.126679***
(-4,+4)	9	**0.791117**	6.226734***	4.511226***	5.633455***	8.693287***
(-5,+5)	11	**0.79292**	5.645128***	4.086104***	5.688852***	8.290852***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

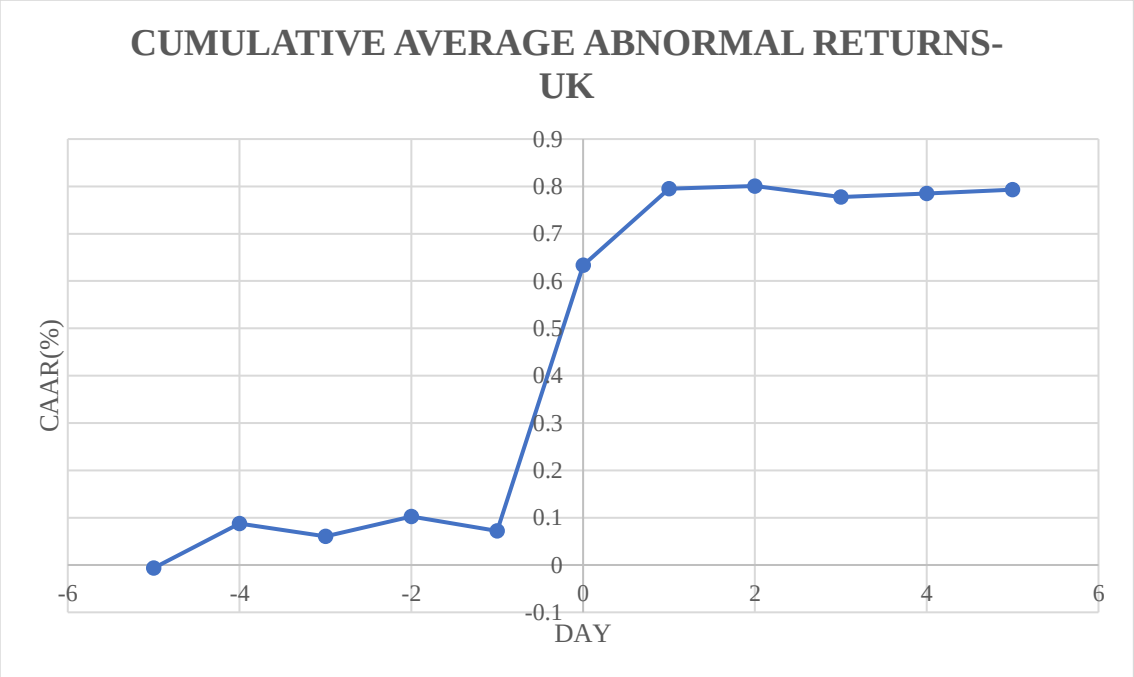

Figure 5.2 Cumulative Average Abnormal Returns of U.K. Acquirers (2000-2019)

5.3 Canada

Table 5.4 reports the average abnormal returns for each day over the 11-day event window for Canadian acquirers along with their corresponding standard deviations and test values. Further, these AAR values are graphically presented in Figure 5.3. The AAR value attains its highest value on the day of announcement with a statistically significant value of 0.904%. Positive and statistically significant AAR can be observed starting two-days prior to announcement. These can be indicative of information leakages in the market prior to the official deal announcement. Post-announcement the AAR remains statistically significant and positive for a day. Then it turns negative and does not prove to be statistically significant for rest of the days. The negative AAR can be indicative of market correction for the overreaction on the day of announcement.

Table 5.4 Average Abnormal Returns of Canadian Acquirers (2000-2019)

Canada (n= 3,987)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	-0.03657	4.894275	-20.2451***	-0.32062	-0.4718	0.083883	0.815972
-4	0.049804	6.574472	27.57152***	0.436654	0.478331	-0.27974	0.306984
-3	0.029206	5.215769	16.16833***	0.25606	0.35357	0.628258	1.865762*
-2	0.281178	5.34848	155.6597***	2.465205**	3.319516***	2.981605***	2.756492***
-1	0.33437	5.686522	185.1061***	2.931552***	3.712813***	3.414874***	3.170045***
0	**0.903936**	**8.388411**	**500.4169*****	**7.925175*****	**6.804267*****	**5.575443*****	**6.319413*****
1	0.371297	6.633573	205.549***	3.255309***	3.534247***	4.139424***	4.665199***
2	-0.07171	5.17667	-39.6967***	-0.62868	-0.87465	0.259057	1.165902
3	-0.06911	5.19501	-38.2589***	-0.60591	-0.83999	-0.49185	-0.83824
4	-0.24142	4.94615	-133.647***	-2.11659**	-3.08192***	-1.99434	-2.36521**
5	-0.01581	8.567898	-8.75248***	-0.13861	-0.11652	-0.79862	-1.69716*

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

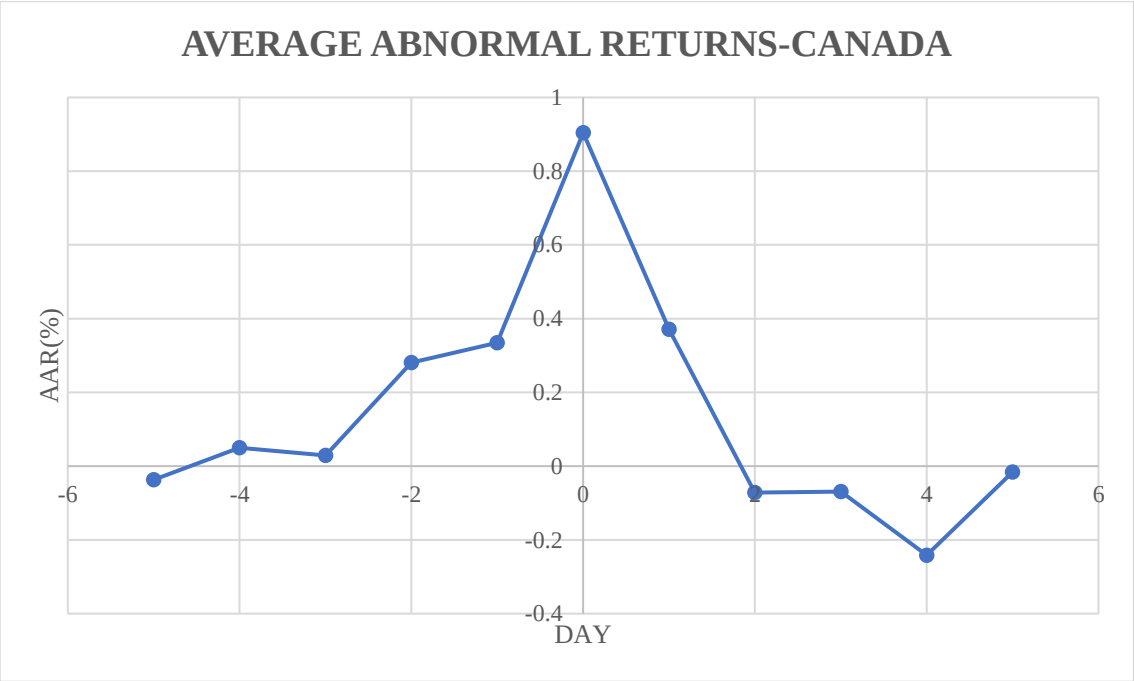

Figure 5.3 Average Abnormal Returns of Canadian Acquirers (2000-2019)

Table 5.5 presents the CAAR values for the Canadian acquirers around the M&A deal announcement. A statistically significant and positive CAAR can be observed across all selected event windows indicating towards acquirer shareholder gains from M&A deals. The highest CAAR value of 1.819% can be observed over the five-day event window (-5, +5). The graphical representation for the CAAR can be observed from Figure 5.4. A positive slope starting two-days prior to deal announcement and continuing till a day after can be observed. Attaining its highest level on day-one, the slope turns negative second day onwards.

Table 5.5 Cumulative Average Abnormal Returns of Canadian Acquirers (2000-2019)

Canada (n= 3,987)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**1.609603**	8.147588***	8.65177***	8.655221***	9.214286***
(-2,+2)	5	**1.819075**	7.132412***	8.276359***	8.359052***	10.35951***
(-3,+3)	7	**1.779171**	5.895757***	7.142122***	7.123554***	9.691463***
(-4,+4)	9	**1.58756**	4.639592***	5.500272***	5.416884***	6.605719***
(-5,+5)	11	**1.53518**	4.058203***	4.291057***	4.6537***	5.937671***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

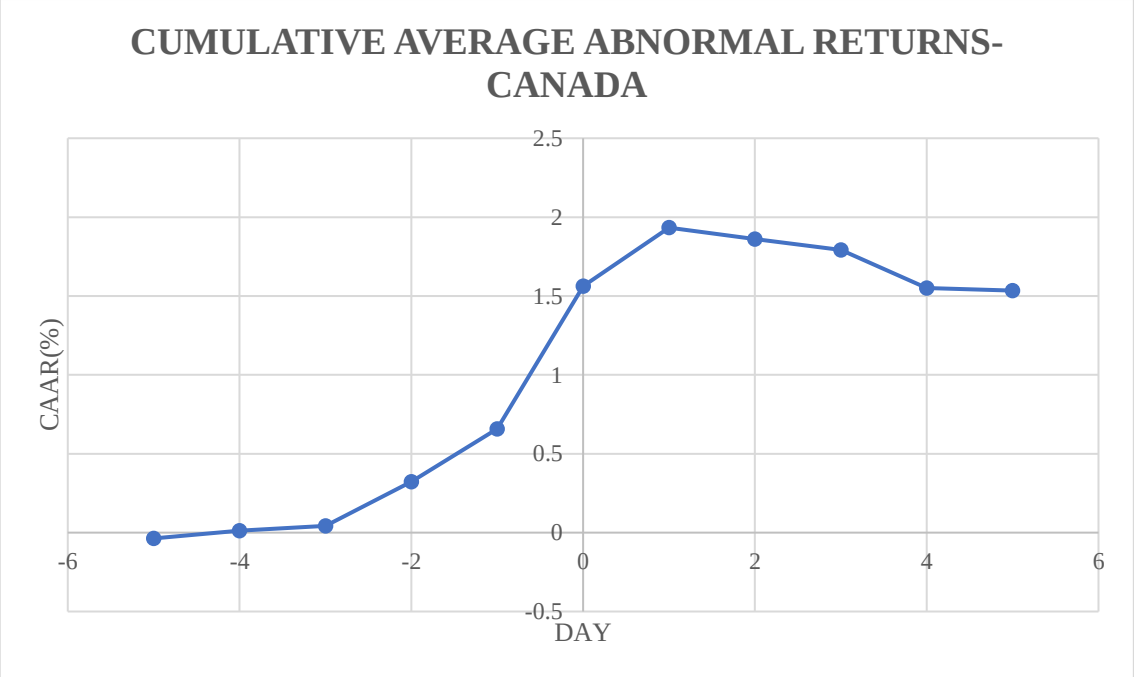

Figure 5.4 Cumulative Average Abnormal Returns of Canadian Acquirers (2000-2019)

5.4 Japan

The AAR for Japanese acquirers around the M&A announcements, along with their corresponding standard deviations and test values can be observed in Table 5.6. An increase in the AAR can be observed starting a day before the deal announcement. A statistically significant and positive AAR of 0.093% can be observed a day before announcement followed by 0.273% on the zero-day. The highest and statistically significant AAR of 0.493% is observed on day-one and then starts to fall. Herein the information seems to be gradually absorbed in the market causing the peak AAR to be observed on the day following the announcement. Furthermore, in addition to the gradual absorption, the M&A information appears to have leaked in the market before the deal announcement resulting in positive and significant a day prior to announcement.

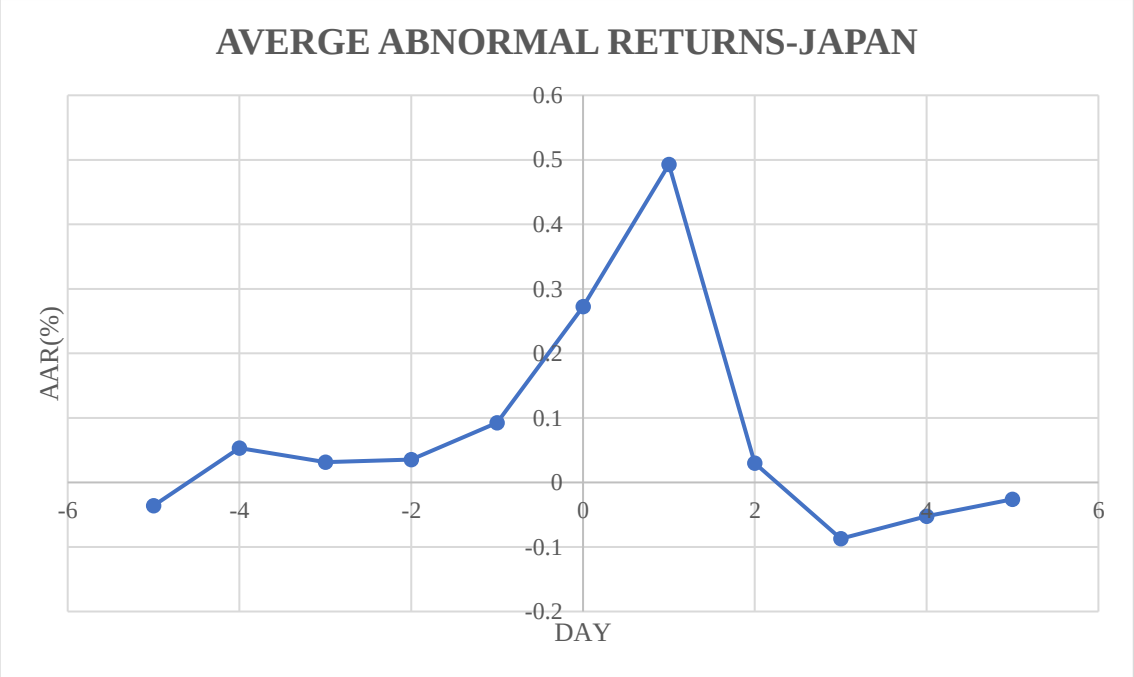

Figure 5.5 Average Abnormal Returns of Japanese Acquirers (2000-2019)

Table 5.6 Average Abnormal Returns of Japanese Acquirers (2000-2019)

Japan (n= 9,321)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	-0.03617	2.592662	-116.579***	-1.20751	-1.34684	-0.17684	0.084972
-4	0.05341	2.640143	172.1509***	1.78311*	1.953096*	1.330865	1.475426
-3	0.031649	2.572208	102.011***	1.056612	1.187907	1.203351	1.350907
-2	0.035256	2.529903	113.6378***	1.177041	1.345429	0.947685	1.371661
-1	0.09258	2.604265	298.4061***	3.090839***	3.432134***	2.493472**	3.612989***
0	**0.272626**	**3.104904**	**878.7318*****	**9.101754*****	**8.477148*****	**5.123096*****	**7.099499*****
1	0.492775	4.097616	1588.322***	16.45156***	11.61044***	7.769626***	9.112544***
2	0.029949	3.152305	96.53245***	0.999867	0.917248	-1.1961	-0.74515
3	-0.08718	2.759619	-281.005***	-2.9106***	-3.05004***	-2.16799**	-1.59602
4	-0.05262	2.702279	-169.596***	-1.75665*	-1.87987*	-1.66759*	-1.26398
5	-0.0259	2.533703	-83.4967***	-0.86484	-0.98709	-0.67063	-0.55837

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

The CAAR values along with their test results can be observed in Table 5.7. A consistently positive and significant CAAR values across all the select event windows can be observed for the Japanese acquirers. These suggest an increase in acquirer shareholder wealth owing to the M&A deal. The highest CAAR of 0.923% can be observed for the five-days event window (-4,+4). The graphical representation for the cumulation of AAR starting five-days prior to the event is presented in Figure 5.6. The highest CAAR level is attained on the second-day post announcement and then it starts to fall.

Table 5.7 Cumulative Average Abnormal Returns of Japanese Acquirers (2000-2019)

Japan (n= 9,321)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**0.857981**	16.53771***	14.40061***	8.909147***	12.8896***
(-2,+2)	5	**0.923186**	13.7836***	12.33864***	6.789578***	11.00107***
(-3,+3)	7	**0.867654**	10.94853***	10.16225***	5.372575***	9.174803***
(-4,+4)	9	**0.868446**	9.664513***	9.267888***	4.625595***	9.029532***
(-5,+5)	11	**0.806373**	8.117044***	7.988341***	3.927739***	7.971127***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

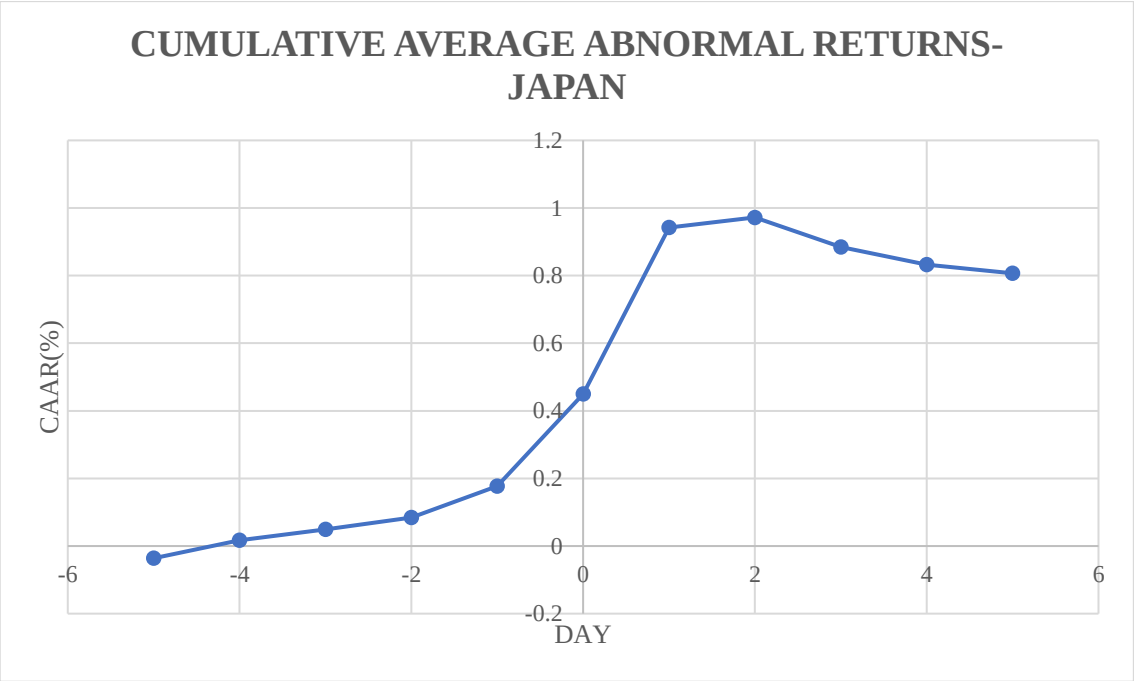

Figure 5.6 Cumulative Average Abnormal Returns of Japanese Acquirers (2000-2019)

5.5 Germany

Table 5.8 reports the average abnormal returns for each day over the 11-day event window for German acquirers along with their corresponding standard deviations and test values. Further, these AAR values are graphically presented in Figure 5.7. The AAR value attains its highest value on the day of announcement. The AAR attains a statistically significant value of 0.959% on the day of announcement. Positive and statistically significant AAR can be observed starting two-days prior to announcement. These can be indicative of slight market movement prior of announcement. Post-announcement the AAR remains statistically significant and positive at 0.252% on day-one. Then it continues to fall and does not prove to be statistically significant for rest of the days. The falling AAR values are indicative of stock prices gravitating back to their normal level or an absence of abnormal returns.

Table 5.8 Average Abnormal Returns of German Acquirers (2000-2019)

Germany (n= 2,193)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	-0.09233	2.680093	-57.0723	-1.21873	-1.61338	-1.60037	-0.54238
-4	0.03616	3.232294	22.35058	0.477276	0.523887	-0.29531	0.671299
-3	-0.00402	3.342391	-2.48336	-0.05303	-0.05629	0.809111	0.137281
-2	0.180552	3.656056	111.5992	2.383098**	2.312641**	0.580084	-0.34819
-1	0.102117	3.0516	63.11868	1.347841	1.567077	1.540253	1.350959
0	**0.958631**	**8.143673**	**592.5307**	**12.65294*****	**5.512523*****	**7.85181*****	**6.93388*****
1	0.252466	3.605316	156.0496	3.332295***	3.279287***	3.256997***	3.972505***
2	0.02781	3.336103	17.18956	0.367067	0.390378	0.943599	1.884978*
3	-0.05967	3.076055	-36.8813	-0.78757	-0.90839	-0.6402	-0.68802
4	-0.08984	3.214087	-55.5296	-1.18578	-1.30896	-0.55838	-0.44529
5	0.003824	2.971422	2.363398	0.050468	0.06026	-0.25202	-1.22204

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

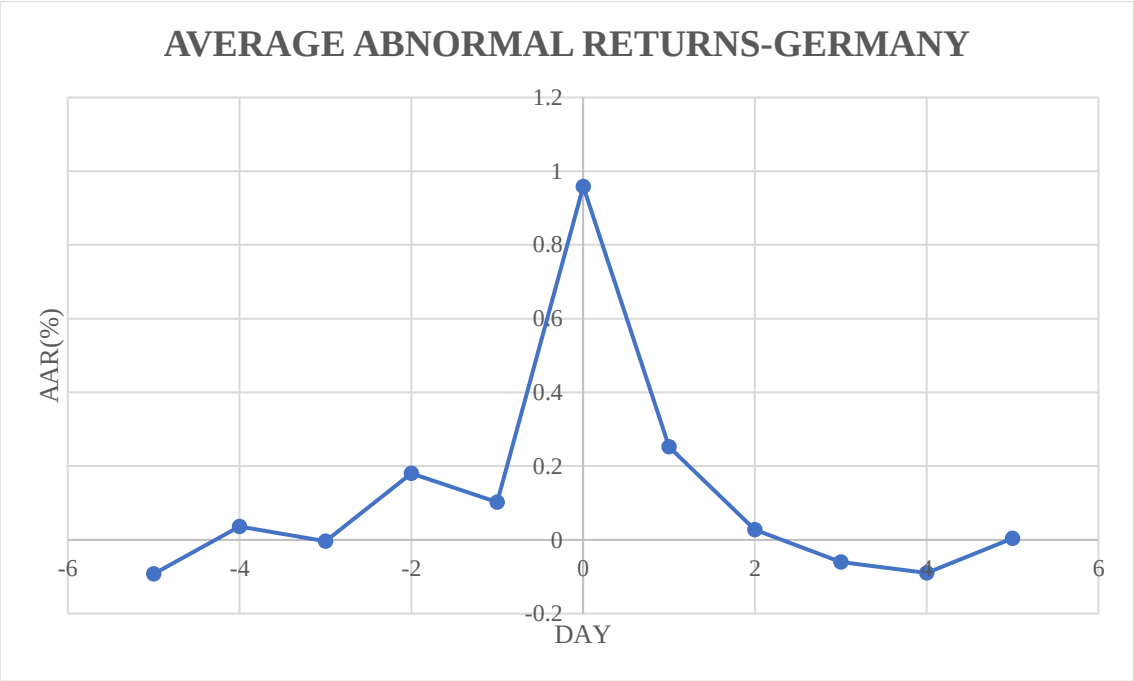

Figure 5.7 Average Abnormal Returns of German Acquirers (2000-2019)

Table 5.9 presents the CAAR values for the German acquirers around the M&A deal announcement. A statistically significant and positive CAAR can be observed across all selected event windows indicating towards acquirer shareholder gains from M&A deals. The highest CAAR value of 1.522% can be observed over the five-days event window (-5, +5). The graphical representation for the CAAR can be observed from Figure 5.8. A positive slope starting two-days prior to deal announcement and continuing till two days after can be observed. Attaining its highest level on day-two, the slope turns negative thereafter.

Table 5.9 Cumulative Average Abnormal Returns of German Acquirers (2000-2019)

Germany (n= 2,193)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**1.313214**	10.00726***	7.071218***	9.7296***	8.050465***
(-2,+2)	5	**1.521576**	8.981499***	7.13939***	8.444351***	6.836786***
(-3,+3)	7	**1.45789**	7.273037***	6.878245***	7.221836***	4.894901***
(-4,+4)	9	**1.404211**	6.178046***	5.977642***	5.989944***	4.603618***
(-5,+5)	11	**1.3157**	5.23601***	5.277515***	4.674005***	3.341392***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

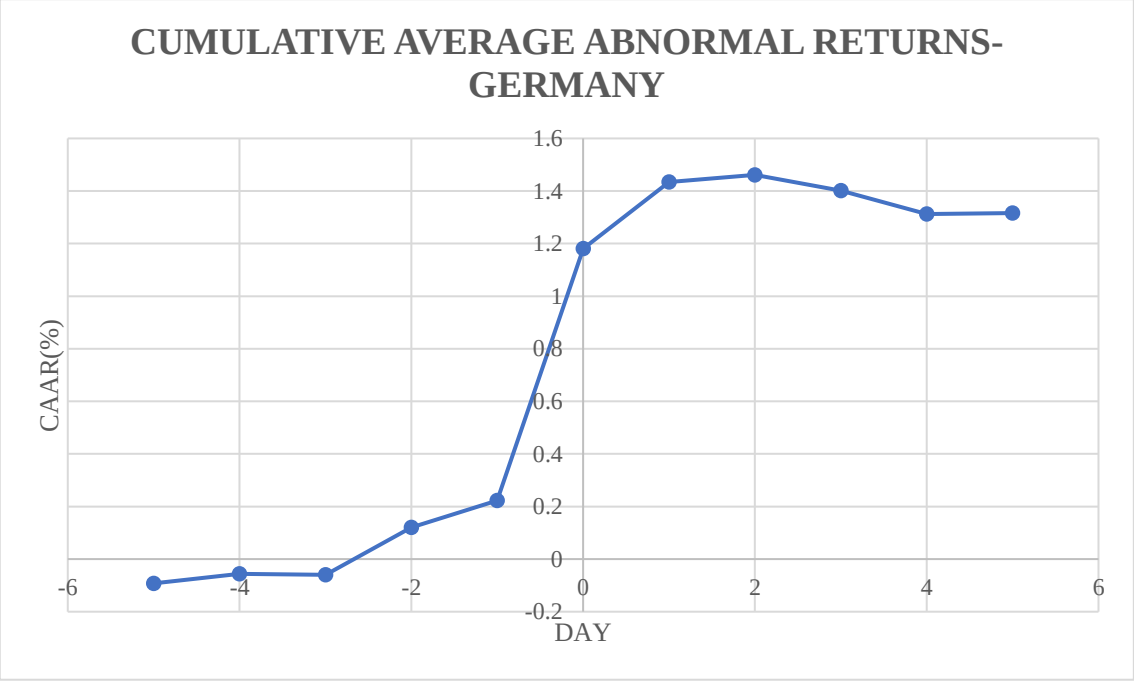

Figure 5.8 Cumulative Average Abnormal Returns of German Acquirers (2000-2019)

5.6 France

The AAR for French acquirers around the M&A announcements, along with their corresponding standard deviations and test values can be observed in Table 5.10. AAR can be observed to be positive starting three-days prior to the announcement. It reaches its peak on the zero-day with a statistically significant and positive AAR of 0.562%. Interestingly, the AAR as well continues to remain statistically significant and positive at 0.526% on the day following announcement. Herein the information seems to take longer to be fully reflected in the stock prices and is only gradually absorbed in the market resulting in a significant and positive AAR on the day following the announcement. Thereafter, the AAR values diminish and does not remain statistically significant second day onwards.

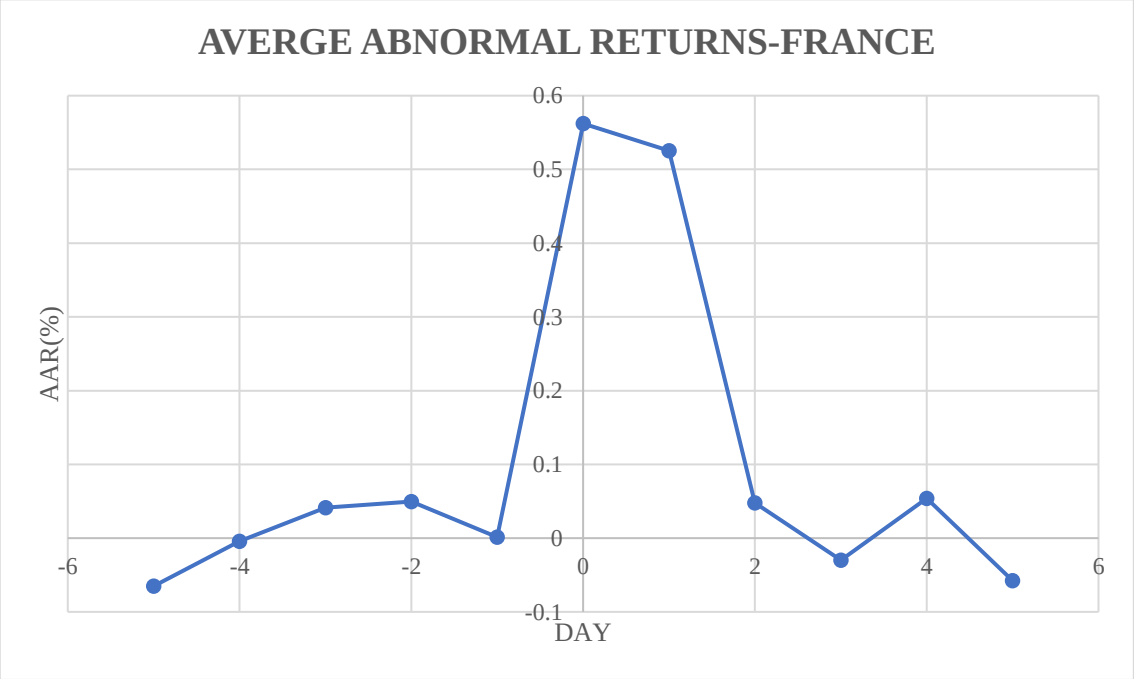

Figure 5.9 Average Abnormal Returns of French Acquirers (2000-2019)

Table 5.10 Average Abnormal Returns of French Acquirers (2000-2019)

France (n= 3.108)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	-0.06511	2.283538	-69.8158***	-1.25231	-1.58946	-0.71577	-1.25632
-4	-0.0042	2.319949	-4.50742***	-0.08085	-0.10101	0.947318	1.189193
-3	0.041347	2.638416	44.33886***	0.795324	0.873667	0.118271	0.074325
-2	0.049761	2.490926	53.36088***	0.957156	1.113697	1.00775	1.045339
-1	0.001501	2.366618	1.609531	0.028871	0.035357	1.207782	1.584791
0	**0.562079**	**4.753138**	**602.744*****	**10.81166*****	**6.592609*****	**5.975883*****	**6.152154*****
1	0.525546	3.361289	563.568***	10.10895***	8.716566***	7.637244***	8.309963***
2	0.047985	2.786686	51.45709***	0.923006	0.95998	0.95337	0.577813
3	-0.02992	2.469918	-32.0889***	-0.57559	-0.67543	-0.27785	-0.53705
4	0.053757	3.034457	57.64617***	1.034022	0.98763	0.048711	0.326069
5	-0.05781	2.374081	-61.989***	-1.11192	-1.35745	-0.97777	-0.42916

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

The CAAR values along with their test results can be observed in Table 5.11. A consistent positive and statistically significant CAAR values across all the select event windows can be observed for the French acquirers. These suggest an increase in acquirer shareholder wealth owing to the M&A deal. The highest CAAR of 1.248% can be observed for the five-days event window (-4,+4). The graphical representation for the cumulation of AAR starting five-days prior to the event is presented in Figure 5.10. The highest CAAR level is attained on the fourth-day post announcement.

Table 5.11 Cumulative Average Abnormal Returns of France Acquirers (2000-2019)

France (n= 3.108)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**1.089126**	12.09519***	10.0279***	11.07259***	10.71952***
(-2,+2)	5	**1.186872**	10.20972***	9.672668***	9.711686***	11.00722***
(-3,+3)	7	**1.198296**	8.711843***	8.486573***	8.129822***	9.065196***
(-4,+4)	9	**1.247849**	8.000847***	7.737156***	7.59945***	9.496758***
(-5,+5)	11	**1.124937**	6.524195***	6.649215***	6.213213***	8.022255***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

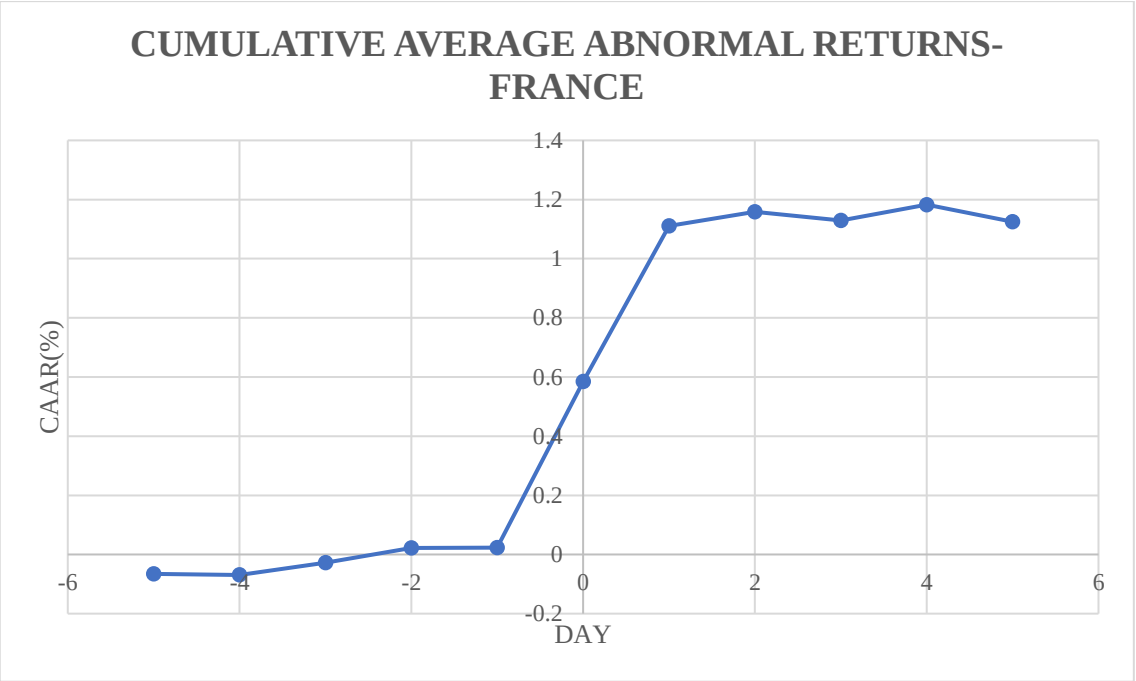

Figure 5.10 Cumulative Average Abnormal Returns of France Acquirers (2000-2019)

5.7 Netherlands

The AAR for Netherlands acquirers around the M&A announcements, along with their corresponding standard deviations and test values can be observed in Table 5.12. An increase in the AAR can be observed starting a day before the deal announcement. A statistically significant and positive AAR of 0.258% can be observed a day before announcement followed by 0.37% on the zero-day. While the AAR is recorded on the day of announcement, the AAR remains positive and statistically significant even on the day following the announcement at 0.267%. Herein the information seems to take a day to get fully reflected in the share prices and is not instantly absorbed in the market causing the positive AAR to be observed on the day following the announcement. Furthermore, in addition to the gradual absorption, the M&A information appears to have leaked in the market before the deal announcement resulting in statistically

significant and positive AAR of 0.258% a day prior to announcement. The graphical representation of AAR values can be observed in Figure 5.11.

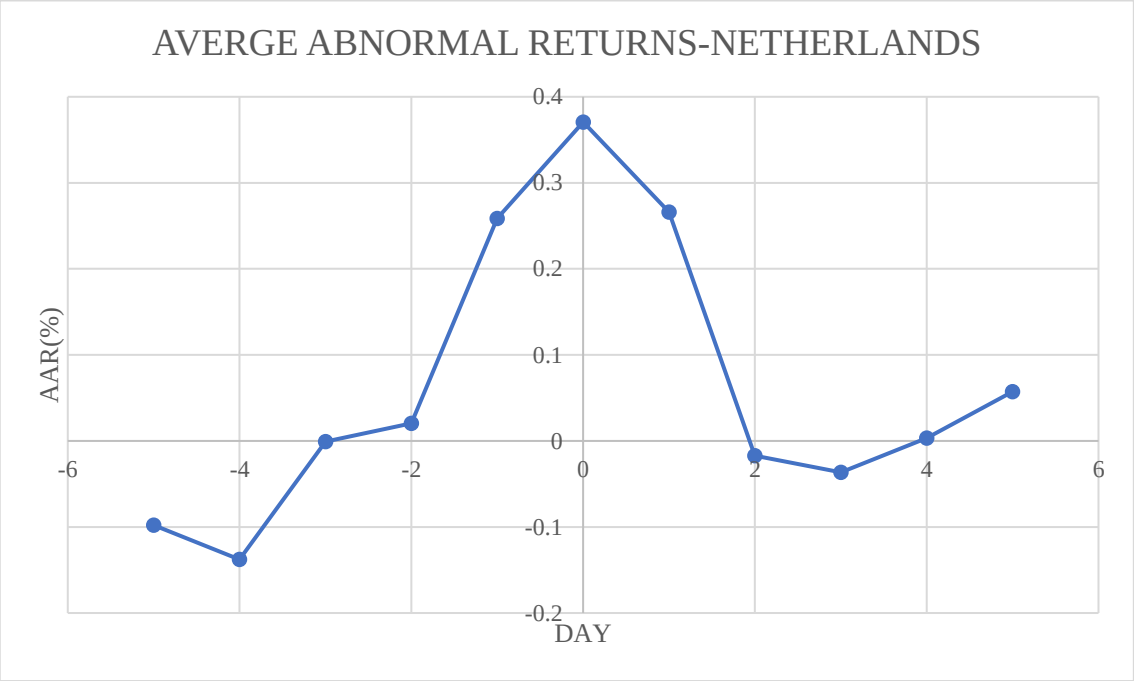

Figure 5.11 Average Abnormal Returns of Netherlands Acquirers (2000-2019)

The CAAR values along with their test results can be observed in Table 5.13. A consistent positive and statistically significant CAAR values across all the selected event windows can be observed for the Netherlands acquirers. These CAAR results suggest acquirer shareholder wealth gains owing to the M&A deal. The highest CAAR of 0.895% can be observed for the three-days event window (-1,+1). The graphical representation for the cumulation of AAR starting five-days prior to the event is presented in Figure 5.12 The highest CAAR level is attained on the first-day post announcement and then it gradually falls.

Table 5.12 Average Abnormal Returns of Netherlands Acquirers (2000-2019)

Netherlands (n= 1.024)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	-0.09789	2.505415	-44.7167***	-1.3974	-1.25034	-0.23821	0.394048
-4	-0.1378	2.147275	-62.9448***	-1.96702**	-2.05357**	-1.08174	-0.04417
-3	-0.00091	2.239324	-0.41677	-0.01302	-0.01304	-0.61121	-0.41978
-2	0.02044	2.107101	9.336635***	0.29177	0.310415	0.936368	0.268843
-1	0.258453	3.35157	118.0576***	3.689299***	2.46765**	2.274037**	1.270484
0	**0.370644**	**3.518593**	**169.3045*****	**5.290766*****	**3.370835*****	**3.754634*****	**4.400612*****
1	0.266098	3.001037	121.5498***	3.798432***	2.837403**	2.880161***	3.085958***
2	-0.01731	2.470975	-7.90493***	-0.24703	-0.22411	1.327896	1.583497
3	-0.03641	2.139515	-16.6311***	-0.51972	-0.54456	-0.76249	-0.41978
4	0.003416	2.241467	1.560482***	0.048765	0.048771	-0.18548	0.206241
5	0.05724	2.241116	26.14639***	0.817075	0.817307	1.756479*	2.334727**

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

Table 5.13 Cumulative Average Abnormal Returns of Netherlands Acquirers (2000-2019)

Netherlands (n= 1.024)						
Event	No. of days in event window	**CAAR (%)**	CDA	CSS	Z-rank	Zg
(-1, +1)	3	**0.895195**	7.377669***	4.571404***	7.965326***	5.026637***
(-2, +2)	5	**0.89833**	5.734727***	4.478948***	7.738058***	4.964035***
(-3, +3)	7	**0.861008**	4.64537***	4.013077***	5.735793***	4.83883***
(-4, +4)	9	**0.726625**	3.457411***	3.120529***	4.404347***	3.524176***
(-5, +5)	11	**0.685971**	2.952373***	2.687186***	4.692797***	5.026637***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

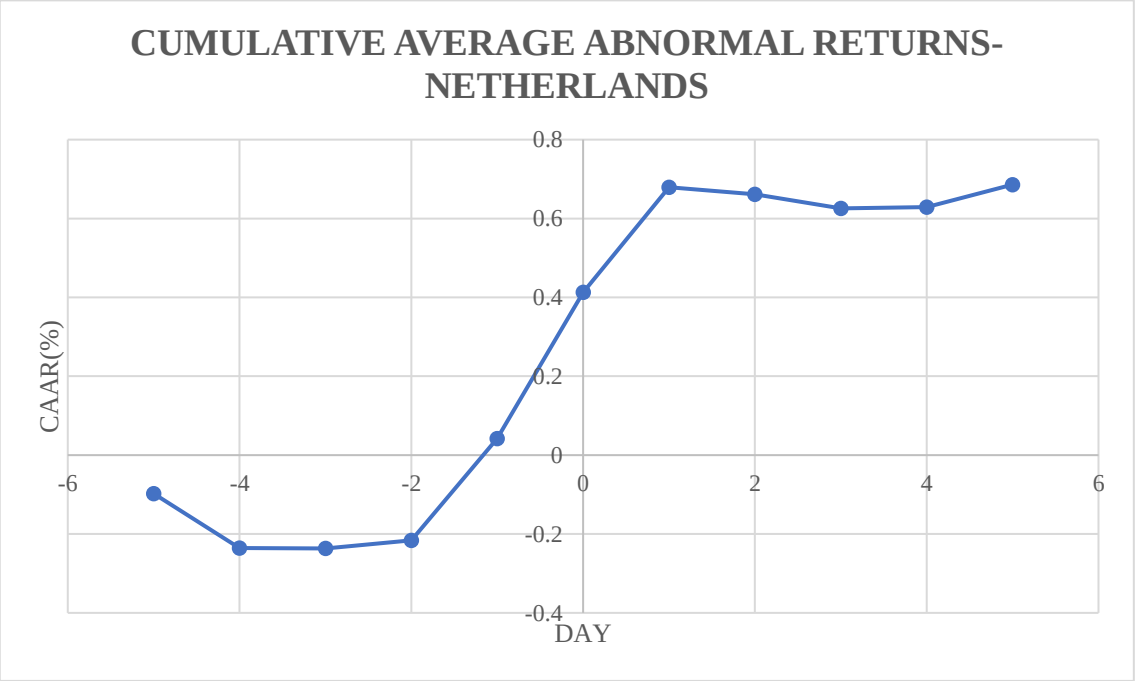

Figure 5.12 Cumulative Average Abnormal Returns of Netherlands Acquirers (2000-2019)

5.7 Spain

Table 5.14 reports the average abnormal returns for each day over the 11-day event window for Spanish acquirers along with their corresponding standard deviations and test values. Further, these AAR values are graphically presented in Figure 5.13. The AAR is reported to be positive on the three out of five days prior announcement and turns negative on the two-days prior to announcement. AAR value attains its highest value on the day of announcement. The AAR attains a statistically significant value of 0.525% on the day of announcement. Post-announcement the AAR remains statistically significant and positive at 0.448% on day-one. While it does continue to fall and does not prove to be statistically significant, it remains positive on day-two. Suggesting an absence of abnormal returns, it turns negative third day onwards, but not statistically significant. The Spanish market also appears to take a day to reflect the deal information. Then it continues to fall and does not prove to be statistically significant for rest of the days. The falling AAR values are indicative of stock prices gravitating back to their normal level or an absence of abnormal returns.

Table 5.14 Average Abnormal Returns of Spanish Acquirers (2000-2019)

Spain (n= 718)							
Day	**AAR (%)**	**S.D.**	**T-TEST**	**CDA**	**CSS**	**Zrank**	**Zg**
-5	0.051784	2.441886	19.121***	0.713589	0.568239	-0.26163	-0.09013
-4	0.086522	1.903407	31.94786***	1.192284	1.218025	1.658248*	1.704224*
-3	0.071357	2.115064	26.34824***	0.983308	0.904012	1.217074	0.88181
-2	-0.06655	1.711516	-24.5739***	-0.91709	-1.04193	-0.24572	0.507986
-1	-0.05035	2.203345	-18.5899***	-0.69377	-0.61227	-0.49786	-0.46396
0	**0.524733**	**2.765382**	**193.7556*****	**7.230896*****	**5.084464*****	**3.866936*****	**2.900461*****
1	0.447651	3.104234	165.2936***	6.168701***	3.864092***	4.210641***	3.79764***
2	0.180278	3.236669	66.56686***	2.484253**	1.49247	1.774184*	1.928518*
3	-0.0781	1.84284	-28.8379***	-1.07622	-1.13559	0.098495	0.507986
4	-0.08874	1.708678	-32.7675***	-1.22287	-1.39165	-1.02727	-0.23966
5	-0.13469	1.928629	-49.7341***	-1.85606*	-1.87133*	-1.48434	-0.98731

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

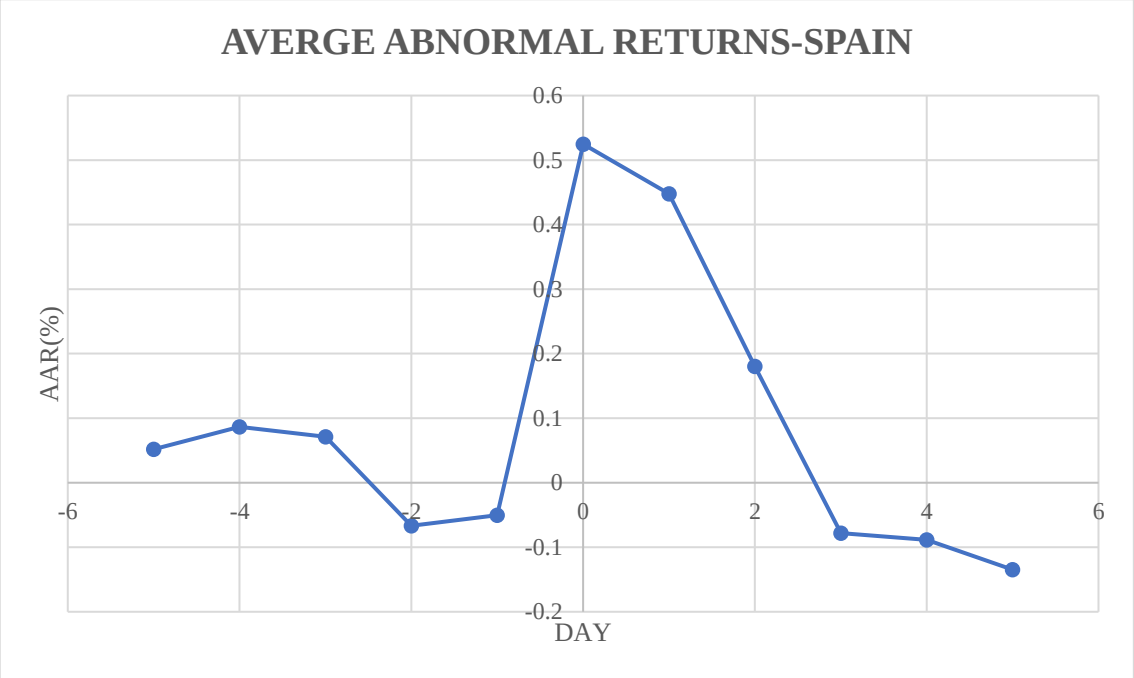

Figure 5.13 Average Abnormal Returns of Spanish Acquirers (2000-2019)

The CAAR values remain statistically significant and positive across all the selected event windows as observed from Table 5.15 The highest CAAR of 1.036% can be observed for the five-day window (-2,+2). The positive CAAR values indicate towards positive market sentiments and acquirer shareholder wealth gains resulting from the M&A deals. Figure 5.14 graphically depicts the cumulation of AAR starting five days prior to event. A sharp rise in in CAAR can be observed from the day of announcement. The slope remains positive till two-days post announcement and then starts to fall.

Table 5.15 Cumulative Average Abnormal Returns of Spanish Acquirers (2000-2019)

Spain (n= 718)						
Event	**No. of days in event window**	**CAAR (%)**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1, +1)	3	**0.922038**	7.335713***	5.437039***	7.210656***	3.872405***
(-2, +2)	5	**1.035764**	6.383076***	4.401037***	6.711644***	3.872405***
(-3, +3)	7	**1.029022**	5.359566***	3.888295***	6.491682***	3.79764***
(-4, +4)	9	**1.026802**	4.716496***	3.657513***	6.071684***	3.49858***
(-5, +5)	11	**0.943895**	3.921764***	3.081257***	4.624638***	3.049991***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

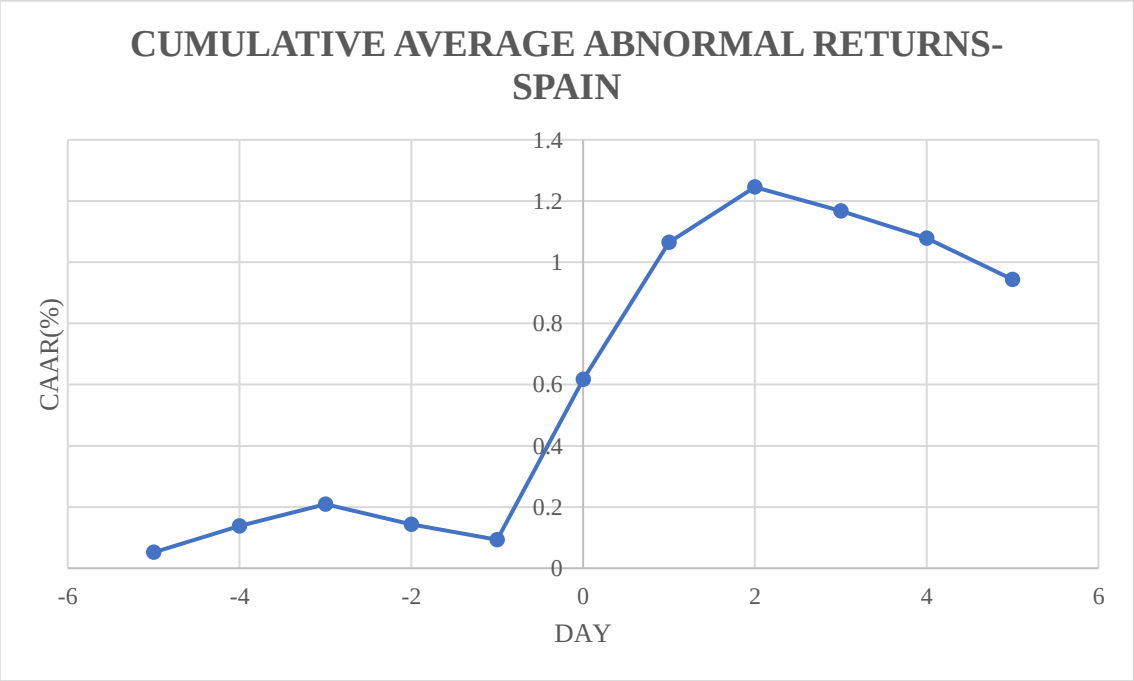

Figure 5.14 Cumulative Average Abnormal Returns of Spanish Acquirers (2000-2019)

5.8 Emerging Versus Developed Markets

In continuation of the performance analysis of the individual emerging and developed nations in the previous section, this section further compares the aggregated results for emerging and developed markets. The AAR and CAAR values are reported in Table 5.16 and 5.17 respectively. Further, these are graphically represented in Figures 5.15 and 5.16.

The zero-day returns for the emerging markets (AAR_{T0} = 0.722859) are found to be exceeding those of developed markets (AAR_{T0} = 0.533877). In the pre-announcement period, no significant pattern can be observed for either of the markets. The AAR for both the emerging and developed markets remain near normal return levels. In the post-announcement period, the AAR for emerging markets remains higher than that of developed market over the selected event window except for day-one. Day-one recorded a slightly higher developed market AAR of 0.39% as against the emerging market AAR of 0.34%.

The emerging market CAAR can be consistently observed to be higher than the developed market CAAR across all select event windows. The highest CAAR of emerging and developed markets are observed as 1.35% (over seven-days event window) and 1.13% (over five-days event window) respectively. Hence, the BRICS nations appear to be performing better than the developed markets.

Table 5.16 Average Abnormal Returns for Developed and BRICS Acquirers

Day	AAR	
	Developed (n=24,546)	BRICS (n=7,105)
-5	-0.03985	0.059978
-4	0.043913	-0.07447
-3	0.019113	-0.0022
-2	0.087567	0.06836
-1	0.102854	0.083705
0	0.533877	0.722859
1	0.38839	0.339937
2	0.013834	0.123708
3	-0.0612	0.016507
4	-0.06169	-0.00421
5	-0.01951	0.017564

Source: Author's Own Calculations

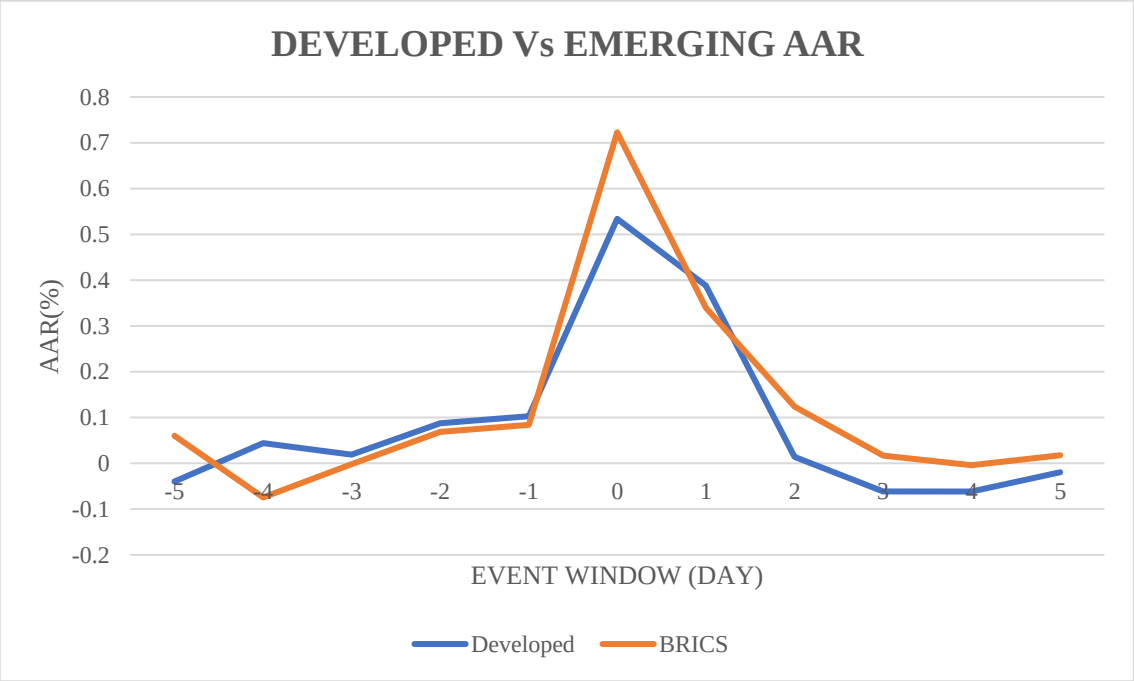

Figure 5.15 Average Abnormal Returns of Developed and Emerging Markets

Table 5.17 Cumulative Average Abnormal Returns for Developed and Emerging Market Acquirers

Event Window [Day]	No. of Days in Event Window	CAAR	
		Developed	BRICS
(-1,+1)	3	1.025121	1.146501
(-2,+2)	5	1.126522	1.338569
(-3,+3)	7	1.084432	1.352874
(-4,+4)	9	1.066658	1.274195
(-5,+5)	11	1.007294	1.351737

Source: Author's Own Calculations

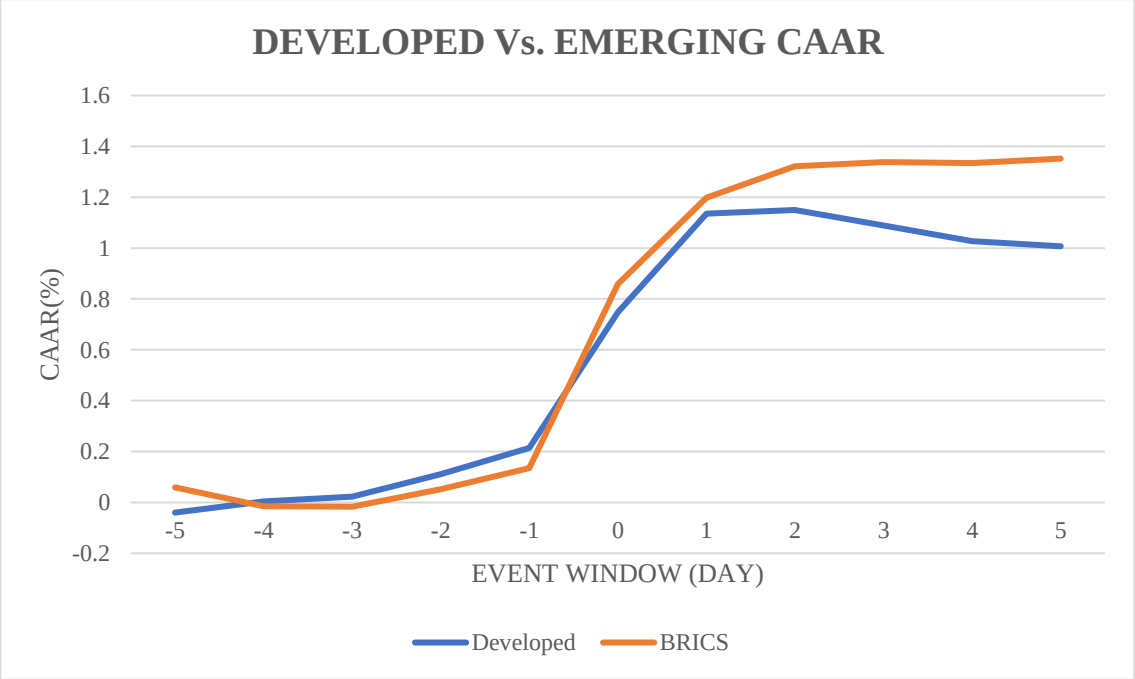

Figure 5.16 Cumulative Average Abnormal Returns of Developed and Emerging Markets

5.9 Results Summary

Adding to the shareholders wealth, the acquirers are found to be earning statistically significant and positive AAR on day-zero, i.e., on the day of deal announcement. The null hypothesis for zero-day AAR is rejected for all the developed nations and returns are found to be significantly different from zero, considering all the four employed statistical test results. Inter-country comparative view of the market reaction to M&A announcement for the developed and emerging nations are evident from Figures 5.16 and 5.17 respectively. Table 5.18 presents the summary for the country wise performance analysis for developed nations. The highest zero-day returns are recorded for German deals at 0.96%, closely followed by Canada at 0.90% and the least among the selected nations is recorded at 0.27% for Japan. While earning the lowest zero-day returns, Japanese market depict patterns of gradual information absorption. The results found a higher AAR on the day-one following announcement as against the event day. A statistically significant and positive AAR of 0.49% is recorded on day-one. The market clearly takes more than a day, i.e. the day of announcement, to completely absorb the deal information. In the case of France, the acquirers earn a positive AAR of 0.56% on the day of announcement and only a slightly lower return of 0.53% on the day following it. Significant returns on the day following zero-day can also be observed for Netherlands, Spain, Canada, U.K. and Germany.

The observed returns on the day preceding the announcement may indicate towards information leakages and insider trading in the market. Significant AAR on the day preceding the announcement can be observed in Netherlands, Canada and Germany. Interestingly, Canadian deal returns can be observed to be earning positive returns starting days before the deal announcement and turn negative second day from announcement onwards.

Cumulating the AAR over select windows of 3, 7 and 11-days, the results are found to be adding to acquirer shareholders wealth around the deal announcement. The highest cumulative returns are recorded for Canada [1.61% for 3 days, 1.78% for 5 days and 1.54% for 11-days event window] and the lowest by U.K. [0.69% for 3- and 5-days event window and 0.79% cumulated over 11 days]. The Canadian deals shows significant returns starting before the announcement date and even continuing after that, pushing up the CAAR and leading Canada to the top of CAAR gainers list.

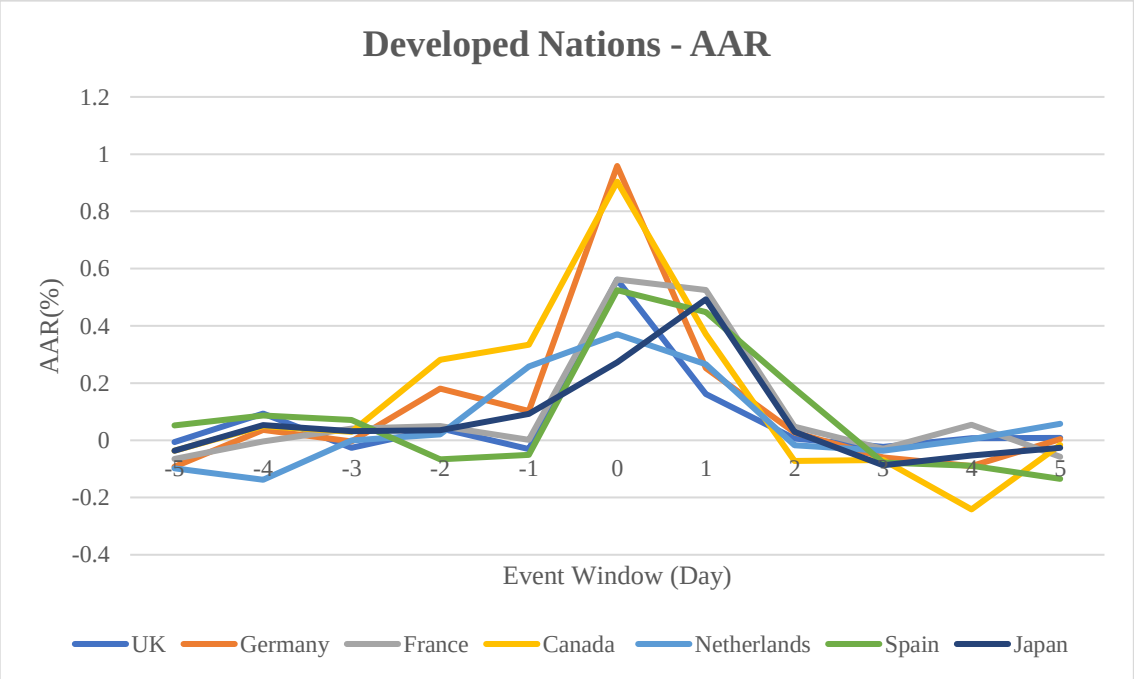

Figure 5.17 Developed Nations AAR

Table 5.18 Developed Market Results Summary

Developed Market Performance Summary							
Day	**UK**	**Canada**	**Japan**	**Germany**	**France**	**Netherlands**	**Spain**
0-Day AAR%	0.561	0.903	0.273	0.959	0.562	0.371	0.525
Statistically Significant	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CAAR (Across all event windows)	+	+	+	+	+	+	+
Highest CAAR (%) (Event Window)	0.793 (-5, +5)	1.819 (-2, +2)	0.923 (-2, +2)	1.522 (-2, +2)	1.248 (-5, +5)	0.898 (-2, +2)	1.036 (-2, +2)
Lowest CAAR (%) (Event Window)	0.690 (-3, +3)	1.535 (-5, +5)	0.806 (-5, +5)	1.313 (-1, +1)	1.089 (-1, +1)	0.686 (-5, +5)	0.922 (-1, +1)
Indicative of Information Leakages	No	Yes	Weak	Weak	No	Yes	No
Post-Event	AAR_{t1} positive and significant	AAR_{t1} positive and significant	$AAR_{t1} > AAR_{t0}$ Both Positive and Significant	AAR_{t1} positive and significant	AAR_{t1} positive and significant	AAR_{t1} positive and significant	AAR_{t1} positive and significant
Observations	Insignificant AAR prior announcement	Positive and Significant 2-days prior announcement	Positive and Significant AAR one-day prior	Positive AAR starting 2-day prior	Positive but insignificant prior announcement	Positive and Significant AAR one-day prior	Negative and insignificant AAR prior announcement

Source: Author's Own Calculations

Observing Figure 5.17, similar stock market behavioural patterns can be observed for the developed markets. While for all the developed nation the AAR can be observed to touch its highest peak on the day of announcement, a distinct feature of Japanese market can be observed. For the Japanese deals, the stock market touches its highest peak on the day following announcement, suggesting a delay in information absorption. Whereas, in the case of French deals, the acquirer shareholders appear to continue earning the abnormal returns appear for another day post-announcement.

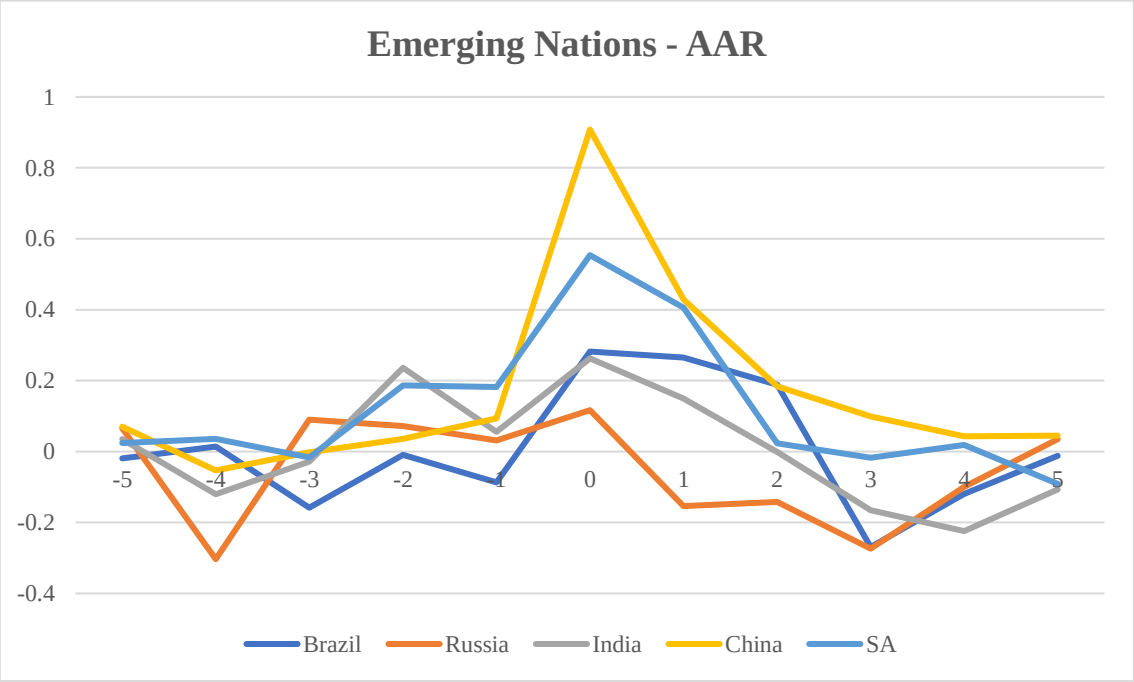

Figure 5.18 Emerging Nations AAR

A diversified performance patterns can be observed for emerging market firms from Figure 5.18. The highest performance recorded by Chinese acquirers and lowest by Russian acquirers. The Russian deals face a negative abnormal return on the days following announcement resulting in shareholder wealth destruction. Finally signs of

information leakages can be observed for South African deals starting two days prior to announcement.

Comparing the performance of emerging and developed markets, the emerging market deals prove to be performing better than developed market deals. The zero-day AAR along with the CAAR values, both are found to be higher for the emerging markets.

CHAPTER 6

DOMESTIC AND CROSS-BORDER M&A

6.1 Introduction

This chapter investigates and compares the event study results for the domestic and cross-border deals for both the samples of emerging and developed markets. The AAR and CAAR values for domestic and cross-border deals of each of the selected five emerging and seven developed nations are analysed to gain insight into the shareholder wealth effects around their M&A announcements. The daily AAR values around the deal announcement day are utilised to learn about the stock market reactions on deal announcement and investigate the pattern of returns around announcement. The stock returns on deal announcement are expected to reflect the market's reaction on the deal, wherein the market's reaction consummating the deal information is assumed to be impounded. The information absorption patterns can also be observed from these daily AAR's over an event window of eleven-days to also account into any information leakages and potential market inefficiencies causing a lag in information absorption in the stock prices. The graphical representation of the AAR and CAAR values for each of the sub-sample is presented in Figures 6.1 to 6.24 The CAAR values across multiple event windows for each nation is presented in Tables 6.1 to 6.12. The CAAR values are reported along with their individual standard deviations and the select parametric and non-parametric test values. The CAAR values aids in learning the cumulative impact of deals on shareholder wealth and the magnitude of overall gains. All the CAAR values are applied to multiple parametric and non-parametric tests.

6.2 Emerging Markets: Domestic vs. Cross-Border M&A

6.2.1 Brazil

Table 6.1 depicts the CAAR over multiple selected event windows along with its test values for Brazilian domestic and cross-border M&A. Domestic deals can be evidently observed to be performing better than the cross-border deals. The CAAR values for the domestic deals are reported to be positive across all event windows while also being statistically significant for the three-days and five-days event window. The highest and lowest CAAR of 1.15% and 0.58% can be observed for the Brazilian domestic deals over the five-days and eleven-days event windows respectively. Whereas, in the case of cross-border deals, a negative CAAR was observed across all the select event windows. The lowest CAAR of -1.79% was reported for the nine-day window. Clearly, the Brazilian market is better evaluating the domestic deals. Whereas, the cross-border deals are rather eating into the acquirer shareholder wealth. Figures 6.1 and 6.2 graphically represents the AAR and CAAR respectively for the Brazilian domestic and cross-border deals. The contrasting zero-day AAR for the domestic vs. cross-border deals can be evidently observed. Observing cumulation of AAR starting five-days prior to deal announcement, domestic deals appear to be adding to shareholder wealth. Whereas, cross-border deals are rather causing wealth destruction observable from the negative slope of CAAR.

Table 6.1 Cumulative Average Abnormal Returns of Brazilian Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	CDA	CSS	Z-rank	Zg	CAAR	CDA	CSS	Z-rank	Zg
(-1, +1)	3	**0.85**	3.13***	2.28**	3.34***	2.02**	**-0.78**	-1.91*	-1.34	-2.25**	-1.11
(-2, +2)	5	**1.15**	3.27***	2.69***	4.04***	3.18***	**-0.99**	-1.86*	-1.46	-3.69***	-0.07
(-3, +3)	7	**0.64**	1.55	1.37	1.47	1.14	**-1.17**	-1.86*	-1.48	-3.55***	-0.33
(-4, +4)	9	**0.69**	1.46	1.3	2.09**	1.29	**-1.74**	-2.45**	-1.79*	-4.93***	-0.59
(-5, +5)	11	**0.58**	1.11	1.06	2.31**	1	**-1.53**	-1.95*	-1.46	-3.21***	-0.33

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

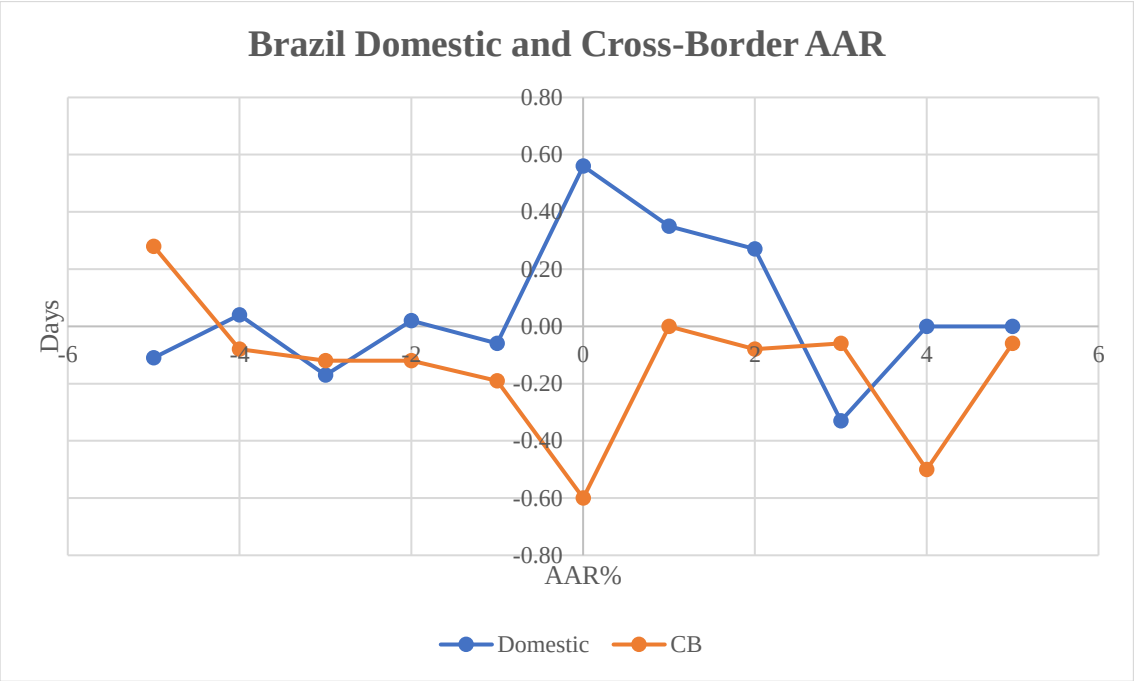

Figure 6.1 Average Abnormal Returns of Brazilian Domestic and Cross-Border Deals

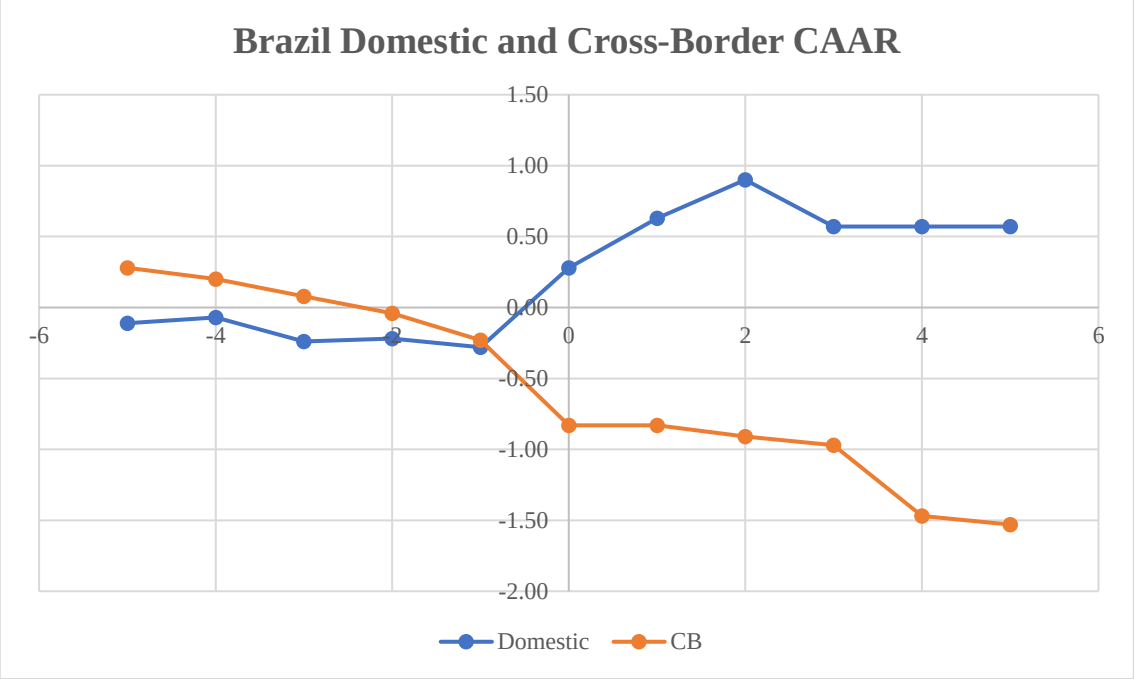

Figure 6.2 Cumulative Average Abnormal Returns of Brazilian Domestic and Cross-Border Deals

6.2.2 Russia

Table 6.2 depicts the CAAR over multiple selected event windows along with its test values for Russian domestic and cross-border M&A. The graphical representation of the AAR and CAAR values can be observed from Figures 6.3 and 6.4 respectively. On the day of announcement, the cross-border deals are rewarded by much higher abnormal returns than the domestic deals. The AAR for the cross-border deals remains higher than that of domestic deals over the pre-event window. A fluctuating AAR is recorded through the pre-event period. The post-announcement window witnessed a sharp fall in the AAR of cross-border deals on the day following the announcement. Thereafter the AAR for cross-border deals remains below the AAR of domestic deals. The CAAR values for the Russian domestic deals remain negative across all the selected event windows. Whereas, for the cross-border deals the CAAR is found to be positive only for the three-day event window owing to the positive zero-days return (-1,+1). The CAAR values do not prove to be significant, suggesting an absence of abnormal returns for the acquirer shareholders, wherein the deals do not contribute to shareholder wealth gains.

Table 6.2 Cumulative Average Abnormal Returns of Russian Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	CDA	CSS	Z-rank	Zg	CAAR	CDA	CSS	Z-rank	Zg
(-1, +1)	3	**-0.03**	-0.12	-0.11	2.08**	1.39	**0.08**	0.2	0.16	-4.87***	-1.36
(-2, +2)	5	**-0.09**	-0.3	-0.26	0.95	1.48	**-0.02**	-0.04	-0.04	-3.69***	0.11
(-3, +3)	7	**-0.26**	-0.75	-0.66	-0.49	1.05	**-0.28**	-0.44	-0.41	-3.36***	-0.07
(-4, +4)	9	**-0.69**	-1.79*	-1.76*	-2.07**	0.02	**-0.52**	-0.72	-0.7	-2.59***	-1.54
(-5, +5)	11	**-0.56**	-1.3	-1.31	-2.07**	0.36	**-0.59**	-0.74	-0.73	-3.52***	-0.99

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

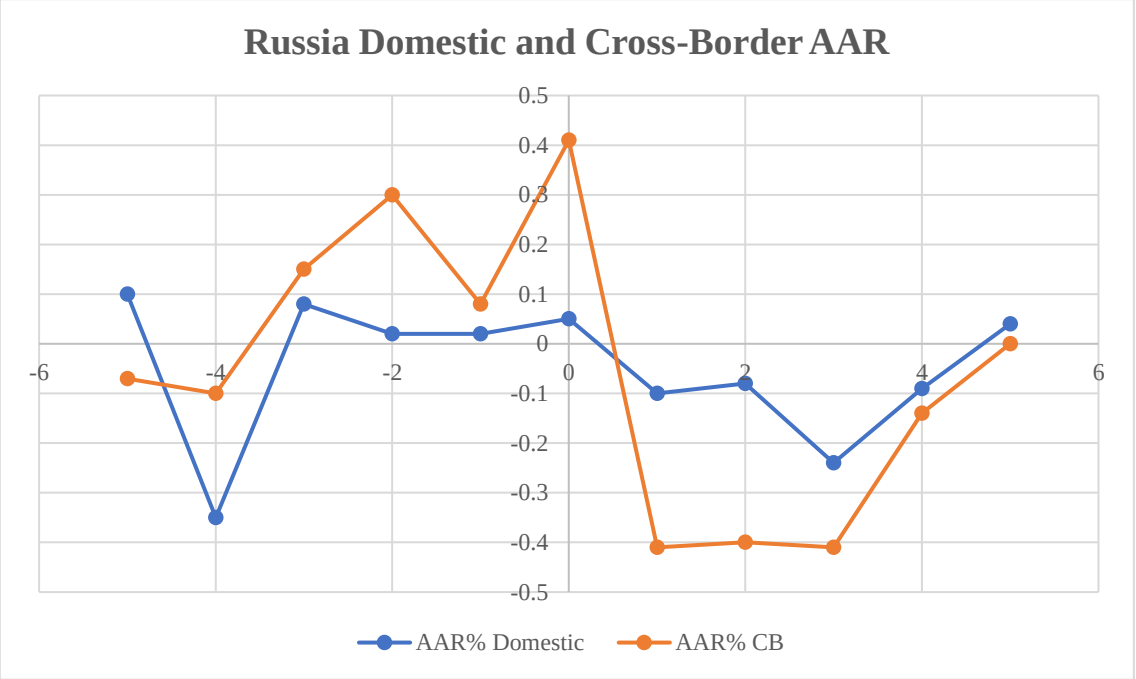

Figure 6.3 Average Abnormal Returns of Russian Domestic and Cross-Border Deals

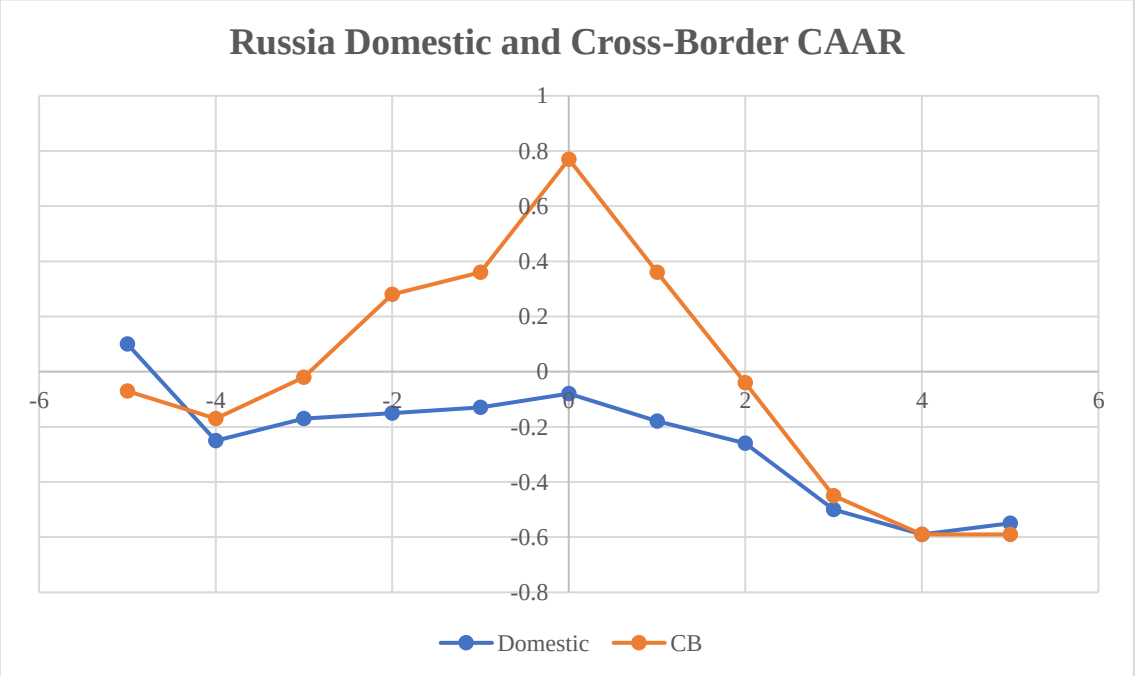

Figure 6.4 Cumulative Average Abnormal Returns of Russian Domestic and Cross-Border Deals

6.2.3 India

Table 6.3 depicts the CAAR over multiple selected event windows along with its test values for Indian domestic and cross-border M&A. The graphical representation of the AAR and CAAR values can be observed from Figures 6.5 and 6.6 respectively. On the day of announcement, the cross-border deals earn a positive AAR whereas the domestic deals face a negative AAR. The contrasting zero-day results are also reflected in the CAAR. CAAR values for cross-border deals remain positive and are higher across all the select event windows as against the domestic deals. For the cross-border deals, the highest CAAR of 1.19% is observed for the five-days event window (-2,+2) which is statistically significant. While the CAAR values prove to be statistically significant for the cross-border deals suggesting shareholder wealth gains for the Indian acquirers entering into a cross-border target. The results for domestic deals do not prove to be statistically significant. Pre and post announcement fluctuations can be observed for both the domestic and cross-border deals. For Indian acquirers, cross-border deals appear to be more value maximising than the domestic deals.

Table 6.3 Cumulative Average Abnormal Returns of Indian Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	**CDA**	**CSS**	**Z-rank**	**Zg**	**CAAR**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1, +1)	3	**0.12**	0.17	0.44	1.5	-6.23***	**0.94**	3.66***	3.77***	7.01***	3.86***
(-2, +2)	5	**0.35**	0.36	0.96	2.11**	-6.04***	**1.19**	3.59***	3.78***	6.37***	5.14***
(-3, +3)	7	**0.11**	0.1	0.26	2.25**	-6.23***	**1.06**	2.7***	2.93***	4.62***	2.93***
(-4, +4)	9	**-0.17**	-0.13	-0.33	0.84	-6.93***	**0.63**	1.41	1.59	2.03**	1.66*
(-5, +5)	11	**-0.24**	-0.17	-0.39	1.14	-7.13***	**0.56**	1.13	1.29	0.97	1.66*

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

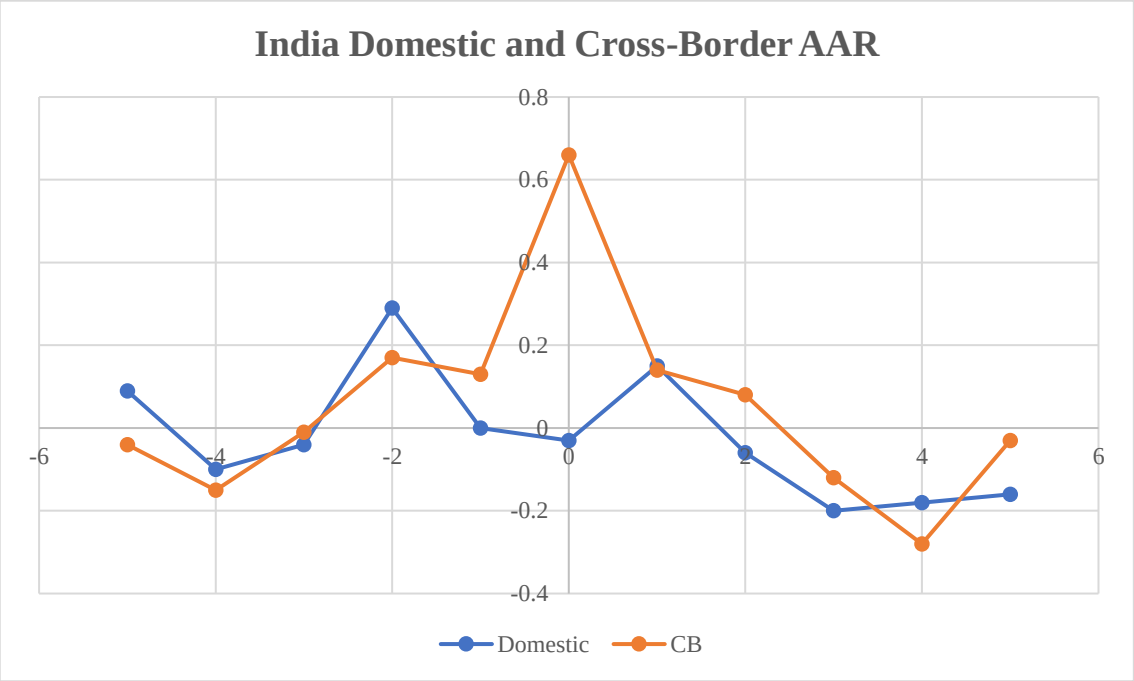

Figure 6.5 Average Abnormal Returns of Indian Domestic and Cross-Border Deals

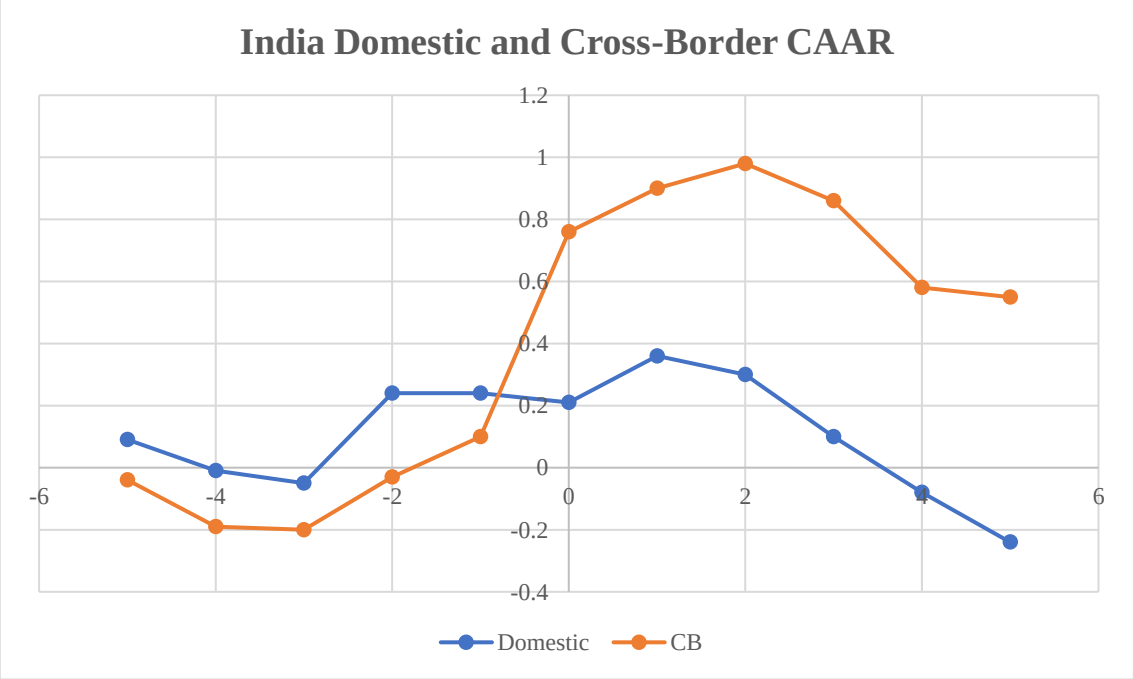

Figure 6.6 Cumulative Average Abnormal Returns of Indian Domestic and Cross-Border Deals

6.2.4 China

The CAAR values along with their corresponding test values for the Chinese domestic and cross-border deals are presented in Table 6.4. Further, the AAR and CAAR are graphically presented in Figures 6.7 and 6.8 respectively. Observing Table 6.4, a statistically and positive CAAR across all selected event windows can be observed for the Chinese domestic deals. The highest and lowest CAAR of 1.95% and 1.5% is reported for the eleven-days (-5,+5) and three-days (-1,+1) event window respectively. The CAAR values are increasing with the increasing event window for the domestic deals. Furthermore, both the domestic and cross-border deals are found to be value increasing for the acquiring shareholders given the positive and statistically significant CAAR's. Notably, the CAAR for domestic deals are higher those for cross-border deals across all event windows. Observing the graphical presentation of AAR values, a higher zero-day return can be observed for the domestic deals as against the cross-border deals. For the domestic deals, the AAR peaks on the day of announcement and then gradually starts deviating back to the zero-level of abnormal returns. Whereas, for the cross-border deals the highest peak of AAR is achieved a day after the announcement and then it starts to fall. For the cross-border deals the market takes longer to reflect the effect of deal announcement on the share prices.

Table 6.4 Cumulative Average Abnormal Returns of Chinese Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	CDA	CSS	Z-rank	Zg	CAAR	CDA	CSS	Z-rank	Zg
(-1, +1)	3	**1.5**	17.54***	14.14***	10.18***	12.44***	**0.74**	1.26	2.15**	3.89***	-7.26***
(-2, +2)	5	**1.74**	15.76***	12.96***	8.23***	11.1***	**0.74**	0.99	1.77*	3.06***	-7.07***
(-3, +3)	7	**1.84**	14.1***	11.66***	7.14***	9.88***	**0.79**	0.89	1.68*	2.81***	-7.07***
(-4, +4)	9	**1.85**	12.51***	10.43***	5.97***	8.84***	**0.57**	0.56	1.1	1.96**	-7.83***
(-5, +5)	11	**1.95**	11.93***	10.04***	5.82***	8.87***	**0.85**	0.76	1.44	3.46***	-7.07***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

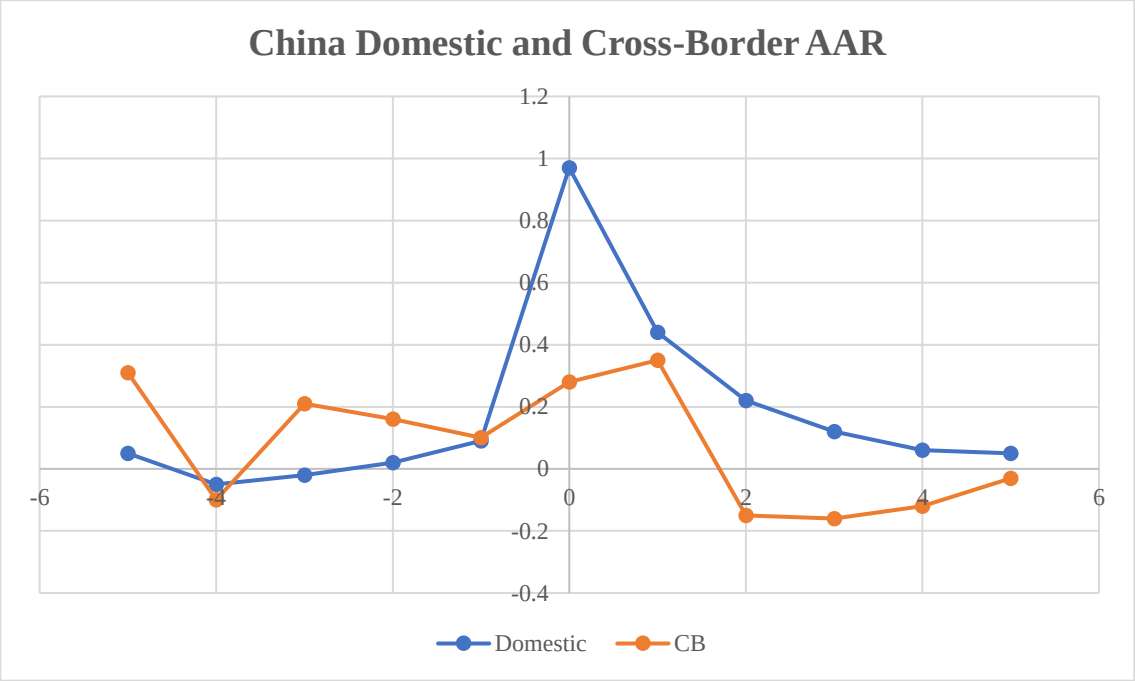

Figure 6.7 Average Abnormal Returns of Chinese Domestic and Cross-Border Deals

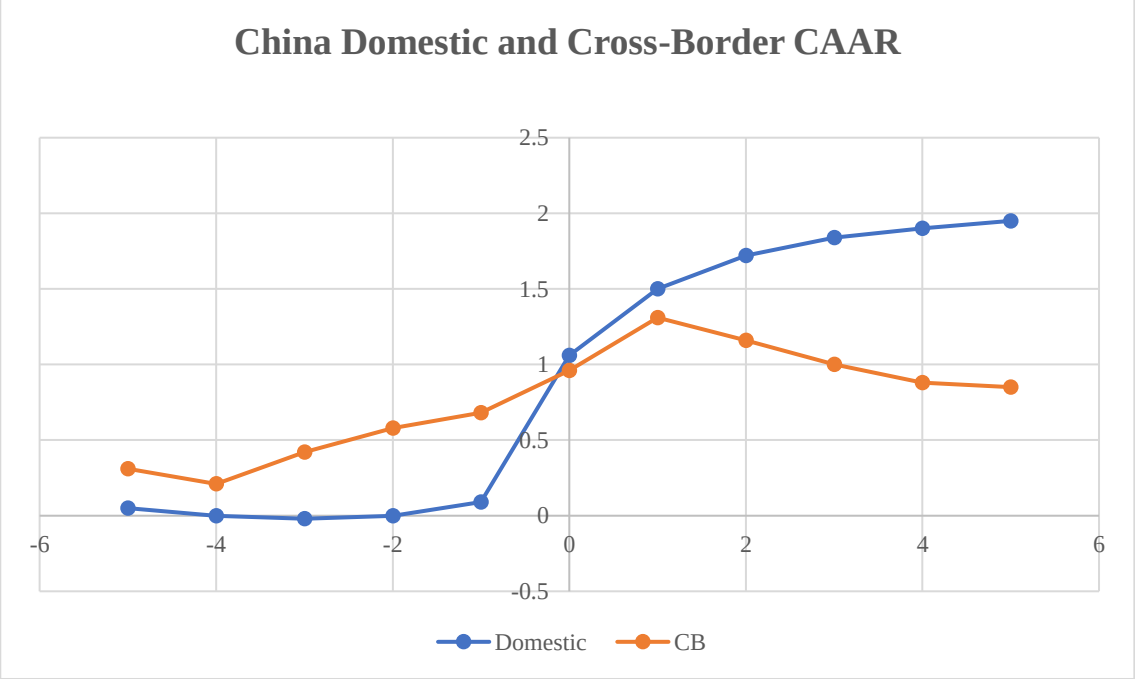

Figure 6.8 Cumulative Average Abnormal Returns of Chinese Domestic and Cross-Border Deals

6.2.5 South Africa

The CAAR along with their corresponding test values for the South African domestic and cross-border deals are presented in Table 6.5. Further, the AAR and CAAR are graphically presented in Figures 6.9 and 6.10 respectively. Positive and statistically significant CAAR values can be observed for both the domestic and cross-border deals across all event windows. For domestic deals, a pike can be observed on the zero-day and then it starts to gravitate back to its normal levels in the following days. While both the domestic and cross-border deals report a positive zero-day AAR, it is higher for the domestic deals. Interestingly, in case of cross-border deals the market reaction can be observed to be starting prior to the announcement and continues even a day after. Hence, in case of South African M&A deals prove to be value creating for the acquirer shareholders in case of both domestic and cross-border deals.

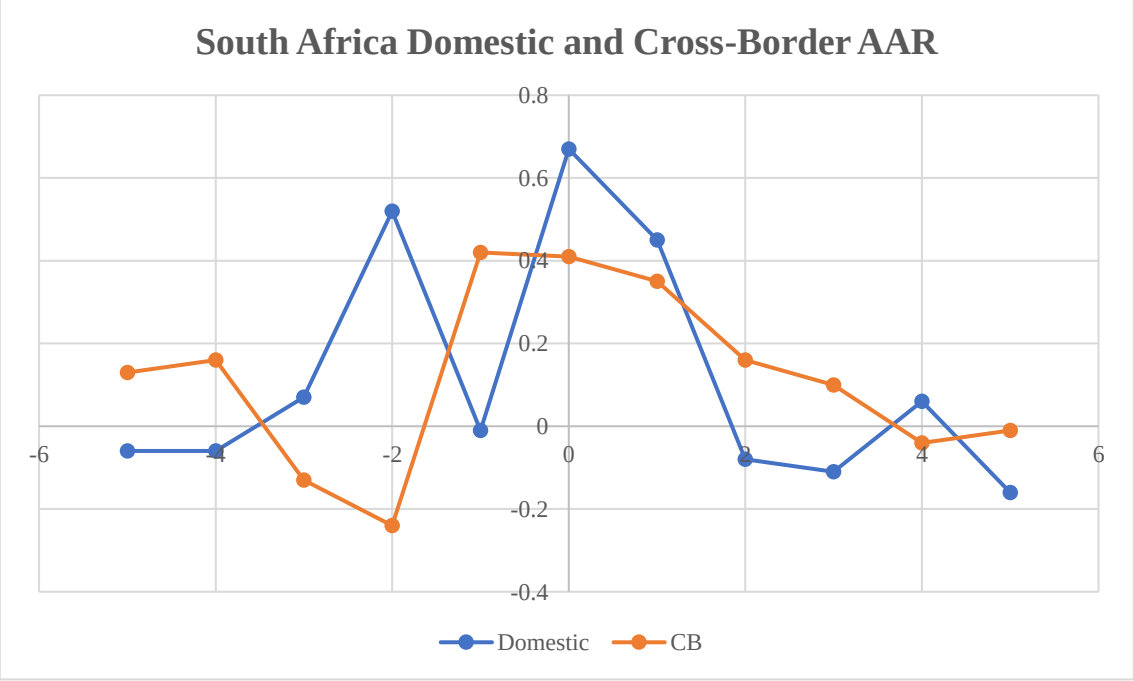

Figure 6.9 Average Abnormal Returns of South African Domestic and Cross-Border Deals

Table 6.5 Cumulative Average Abnormal Returns of South African Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	**CDA**	**CSS**	**Z-rank**	**Zg**	**CAAR**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1, +1)	3	**1.12**	4.17***	3.17***	5.45***	3.18***	**1.17**	3.53***	2.61***	6.6***	2.36**
(-2, +2)	5	**1.55**	4.5***	3.25***	5.74***	2.47**	**1.09**	2.55	2.27**	6.03***	2.63***
(-3, +3)	7	**1.52**	3.71***	2.96***	4.82***	2.23**	**1.07**	2.1**	2.13**	5.6***	2.23**
(-4, +4)	9	**1.51**	3.27***	2.75***	4.4***	2.23**	**1.19**	2.07**	2.15**	4.92***	2.63***
(-5, +5)	11	**1.3**	2.53***	2.2**	3.32***	0.92	**1.32**	2.07**	2.14**	4.92***	2.36**

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

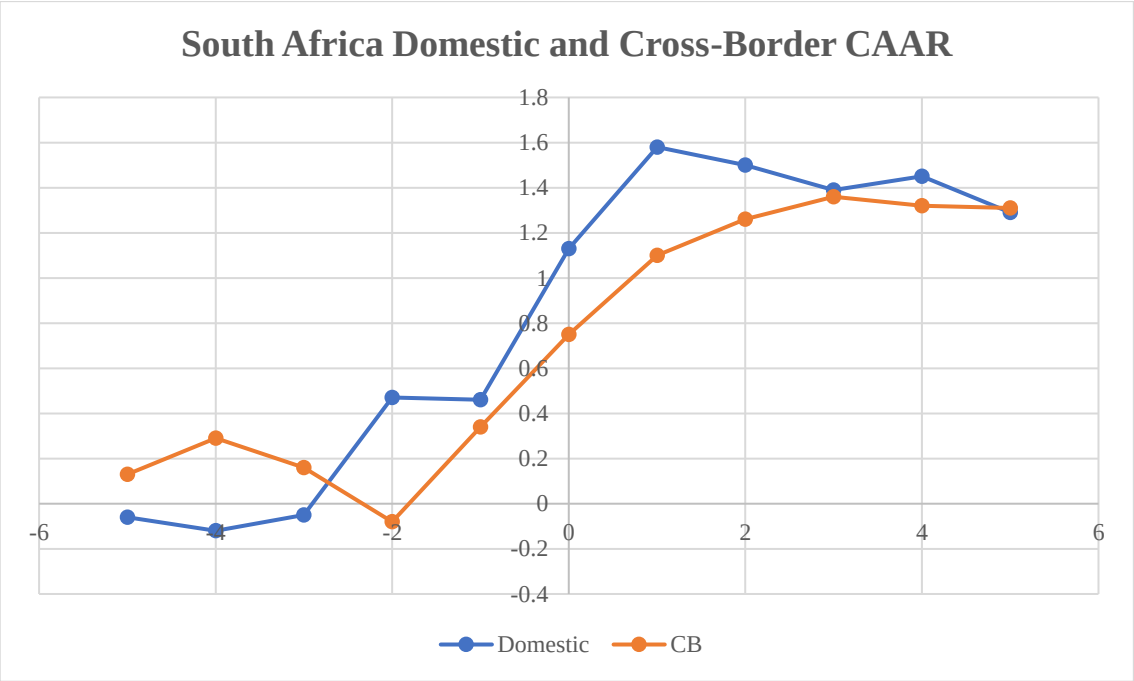

Figure 6.10 Cumulative Average Abnormal Returns of South African Domestic and Cross-Border Deals

6.2.6 Results Summary

The performance summary for the emerging market domestic and cross-border deals is presented in Table 6.14. Statistically significant and consistently positive CAAR values are observed across both domestic and cross-border deal event windows for the Chinese and South African deals indicating towards wealth creation for their acquirers. Comparing the performance, domestic deals appear to be performing better than the cross-border deals for both the countries. The pre-announcement increase in the AAR value of South African deals indicates information leakages. In the case of CB deals the AAR touches its peak a day prior to the day of announcement and then it starts to gradually fall. Where as in the case of domestic deals, a rise in the level of AAR is observed starting two-days prior to announcement and attaining its peak on zero-day. The Chinese cross-border deals also record its peak abnormal returns on the day following the announcement with the reported AAR of 0.35% as against 0.28% reported

on announcement day. For the Indian deals, cross-border deals are observed to be performing better than the domestic deals with consistently higher and positive CAAR values. Where in the case of domestic deals, a mix of positive and negative CAAR values are observed across different event windows. The peak of Indian domestic deals can be observed on two-day prior to deal announcement followed by a gradual fall in its value till the announcement day. Post-announcement the AAR value again starts to increase for a day. This peak prior to announcement suggests a presence of insider trading activities. Russian deals observe a positive zero-day AAR but cumulatively these are reported to be value destructive for the acquirers irrespective of the domestic or cross-border target location. Finally, in case of Brazilian deals domestic deals prove to be value enhancing for the acquirers with both positive zero-day AAR and CAAR values. As against this, the cross-border deals create negative returns around deal announcement resulting in negative CAAR values across all select event windows.

The highest CAAR and AAR across emerging nations is observed at 1.95% for the Chinese domestic deals. Simultaneously, the CAAR and AAR for Chinese cross-border deals are recorded at 0.85% and 0.28% respectively. Interestingly, the domestic AAR for Chinese deals continue to rise post announcement day and reaches its peak on day-one and then it starts to fall. The highest difference between domestic and cross-border zero-day AAR for the emerging market countries is observed for Brazil with the reported AAR of 0.56% for domestic deals and -0.6% for the cross-border deals.

Table 6.6 Emerging Market Domestic and Cross-border Results Summary

Country	CB vs. D	Zero-Day AAR		Highest CAAR		Observations	CAAR	
		D	CB	D	CB		D	CB
Brazil	D>CB	0.56%	-0.60%	1.15%	-0.78%	D: Rising CAAR CB: falling CAAR	All Positive & Significant	All Negative
Russia	CB>D	0.05%	0.41%	-0.03%	0.08%	Steep fall in CB AAR on Day-one	All Negative	Mixed
India	CB>D	-0.03%	0.66%	0.35%	1.19%	1. Signs of Information leakages two-days prior to announcement 2. D AAR peaks on day-one	Mixed	All Positive & Significant

Country	CB vs. D	Zero-Day AAR		Highest CAAR		Observations	CAAR	
		D	CB	D	CB		D	CB
China	D>CB	0.97%	0.28%	1.95%	0.85%	D AAR peaks on day-one	All Positive & Significant	All Positive & Significant
South Africa	D>CB	0.67%	0.41%	1.55%	1.32%	AAR peaking one-day prior to announcement indicating information leakage	All Positive & Significant	All Positive & Significant

Source: Author's Own Calculations

6.3 Developed Markets: Domestic vs. Cross-Border M&A

6.3.1 United Kingdom

The CAAR for domestic and cross-border M&A deals involving United Kingdom acquirers across the selected event windows along their corresponding test values can be observed in Table 6.6. Positive and statistically significant CAAR values for both domestic and cross-border deals across all the event windows can be observed. The CAAR values can be observed to be consistently higher for cross-border deals as against the domestic deals. The highest CAAR value of 1.18% can be observed for the cross-border deals over the eleven-days window. Figures 6.11 and 6.12 graphically presents the AAR and CAAR values respectively for both the domestic and cross-border deals. An almost similar zero-day AAR can be observed for both the domestic and cross-border deals. While following a similar slope and pattern in the pre and post event window, the abnormal returns for domestic deals remain lower than those for cross-border deals. Hence, for United Kingdom acquirers, cross-border deals add a higher value to shareholders wealth as compared to the domestic deals.

Table 6.7 Cumulative Average Abnormal Returns of United Kingdom Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	**CDA**	**CSS**	**Z-rank**	**Zg**	**CAAR**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1, +1)	3	**0.61**	5.71***	4.14***	7.42***	7.33***	**0.76**	7.64***	5.88***	7.61***	6.71***
(-2, +2)	5	**0.57**	4.10***	3.24***	6.51***	7.05***	**0.89**	6.92***	5.14***	6.39***	6.16***
(-3, +3)	7	**0.42**	2.58***	2.14**	4.99***	6.55***	**0.93**	6.07***	4.61***	5.85***	6.37***
(-4, +4)	9	**0.39**	2.13*	1.86**	4.85***	6.55***	**1.14**	6.58***	4.19***	5.28***	5.77***
(-5, +5)	11	**0.35**	1.70*	1.46	4.71***	5.28***	**1.18**	6.18***	3.96***	5.51***	6.41***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

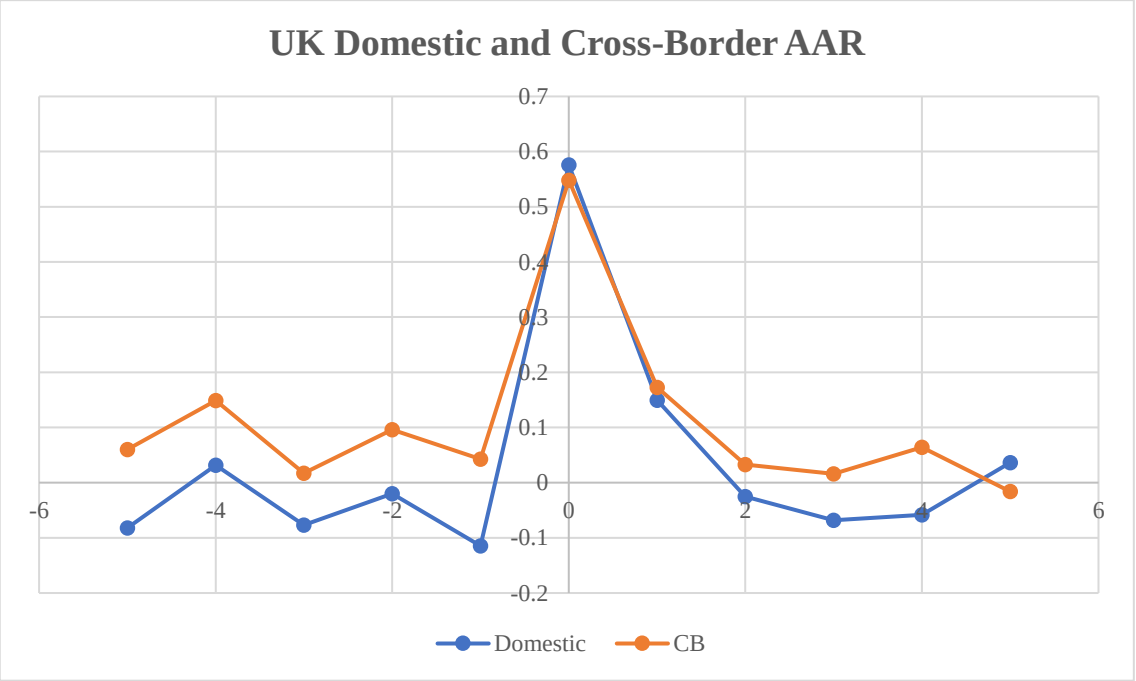

Figure 6.11 Average Abnormal Returns of United Kingdom Domestic and Cross-Border Deals

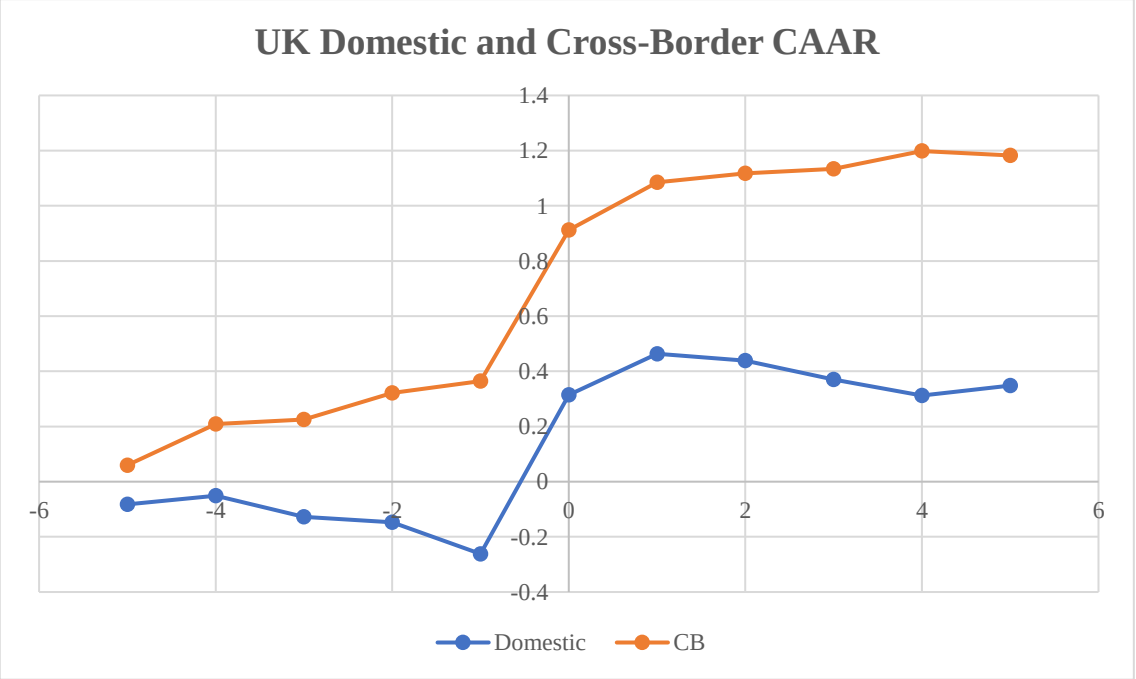

Figure 6.12 Cumulative Average Abnormal Returns of United Kingdom Domestic and Cross-Border Deals

6.3.2 Canada

Table 6.7 presents the CAAR for the both the domestic and cross-border M&A deals involving Canadian acquirers announced between 2000-2019. Both the domestic and cross-border deals are found to be contributing the shareholder wealth creation from the reported statistically significant and positive CAAR across all select event windows. Slightly higher CAAR across all the event windows can be observed for the cross-border deals. Further, the AAR and CAAR can be graphically observed from Figures 6.13 and 6.14 respectively. The cross-border deals earn a higher daily AAR on the announcement day and also a day prior and post announcement. In the post-announcement days, the AAR values for both the domestic and cross-border deals appear to be gravitating back towards normal returns with the diminishing abnormal returns. Hence, the Canadian acquirers are found to be benefitting slightly more from the cross-border deals as against the domestic deals.

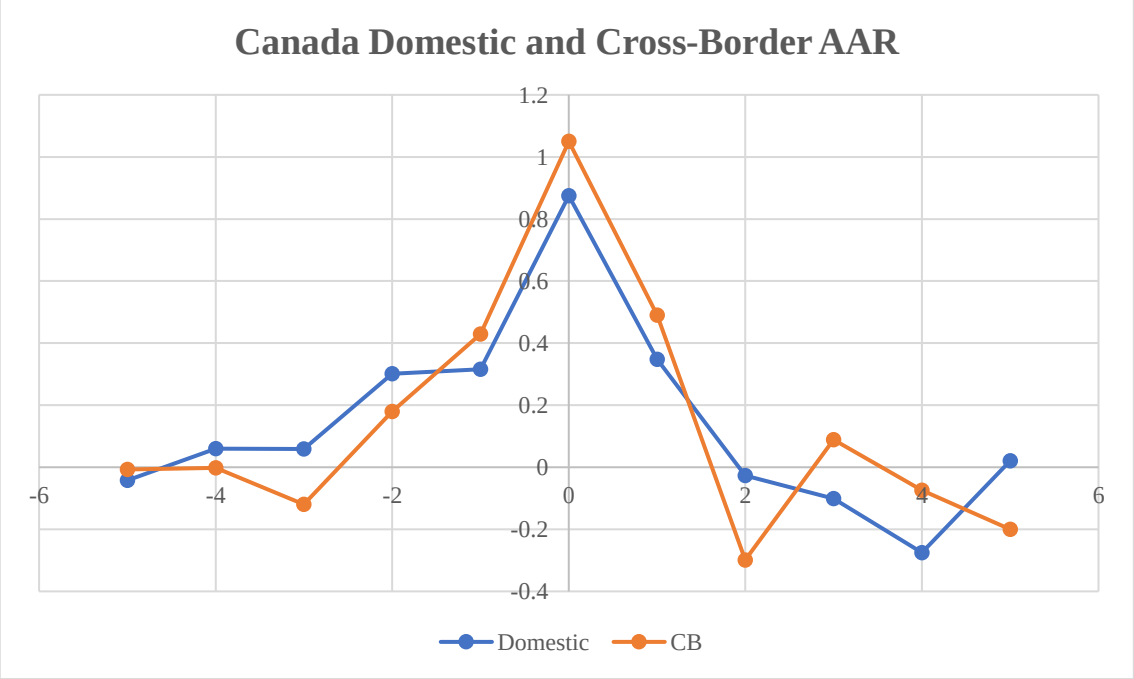

Figure 6.13 Average Abnormal Returns of Canadian Domestic and Cross-Border Deals

Table 6.8 Cumulative Average Abnormal Returns of Canadian Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	CDA	CSS	Z-rank	Zg	CAAR	CDA	CSS	Z-rank	Zg
(-1, +1)	3	**1.54**	7.56***	7.42***	7.52***	7.37***	**1.97**	3.31***	4.75***	8.74***	6.09***
(-2, +2)	5	**1.81**	6.91***	7.35***	7.73***	9.01***	**1.85**	2.41**	3.95***	6.78***	5.24***
(-3, +3)	7	**1.77**	5.70***	6.38***	6.39***	8.45***	**1.82**	2.00**	3.28***	6.48***	4.85***
(-4, +4)	9	**1.56**	4.42***	4.93***	4.46***	5.07***	**1.74**	1.69*	2.45**	6.37***	4.85***
(-5, +5)	11	**1.53**	3.94***	3.85***	3.92***	5.07***	**1.54**	1.35	1.92*	5.13***	3.21***

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

Source: Author's Own Calculations

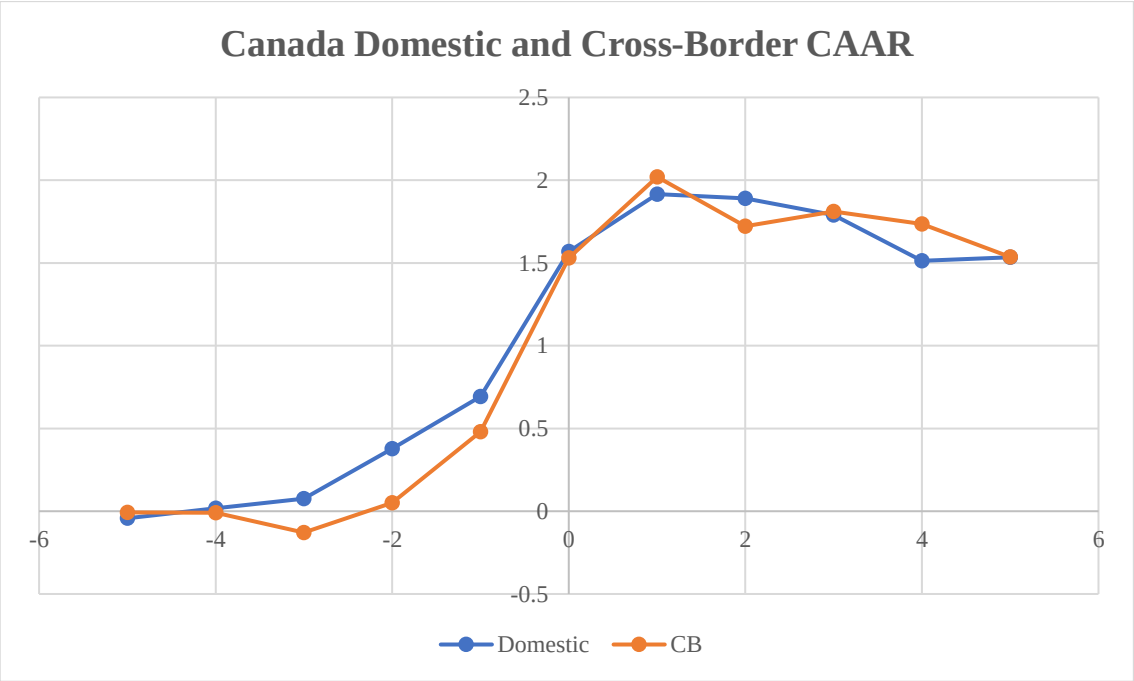

Figure 6.14 Cumulative Average Abnormal Returns of Canadian Domestic and Cross-Border Deals

6.3.3 Japan

The CAAR along with their corresponding test values for the domestic and cross-border M&A deals involving Japanese acquirers are presented in Table 6.8. Statistically significant and positive CAAR are observed for both the domestic and cross-border deals across all event windows. The highest AAR of 1.03% is observed for domestic deals over the five-days (-2,+2) event window. The graphical presentation of the AAR and CAAR values can be observed from Figures 6.15 and 6.16. The AAR can be observed to peak on the next day following the announcement for both the domestic and cross-border deals. This suggests towards a gradual absorption of information in the Japanese stock market wherein the information is not instantaneously absorbed. Also, there appears to be a slight evidence of information leakages on a day prior to announcement evident from the positive slope of CAAR prior to announcement. Further, Comparing the domestic and cross-border AAR, the domestic deals appear to

be out performing the cross-border deals on the event day as well as for the days around it.

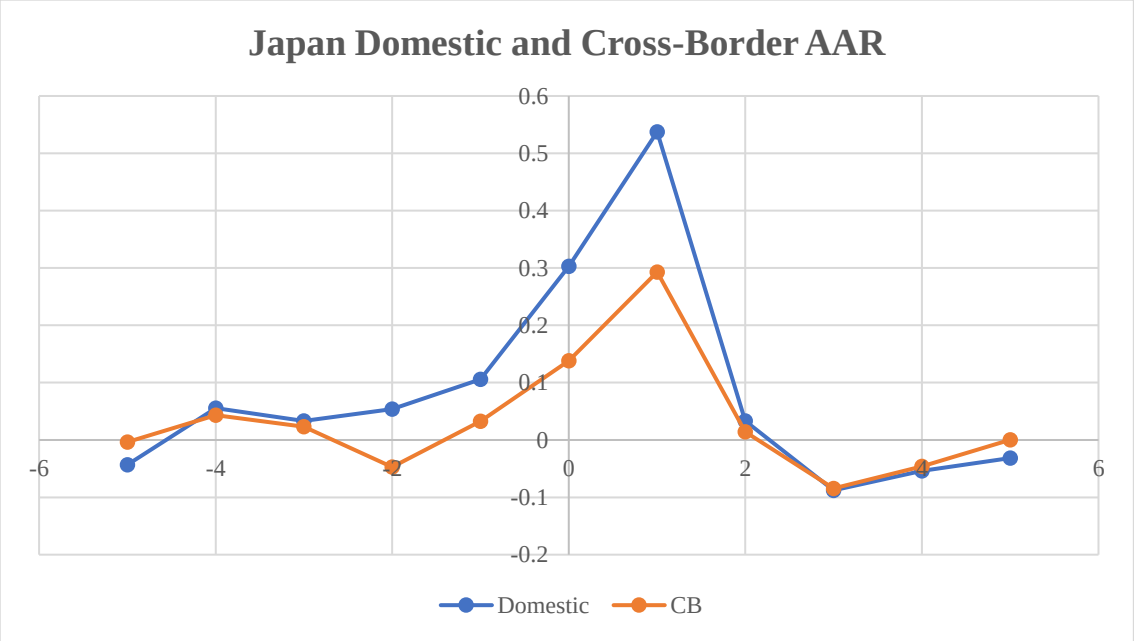

Figure 6.15 Average Abnormal Returns of Japanese Domestic and Cross-Border Deals

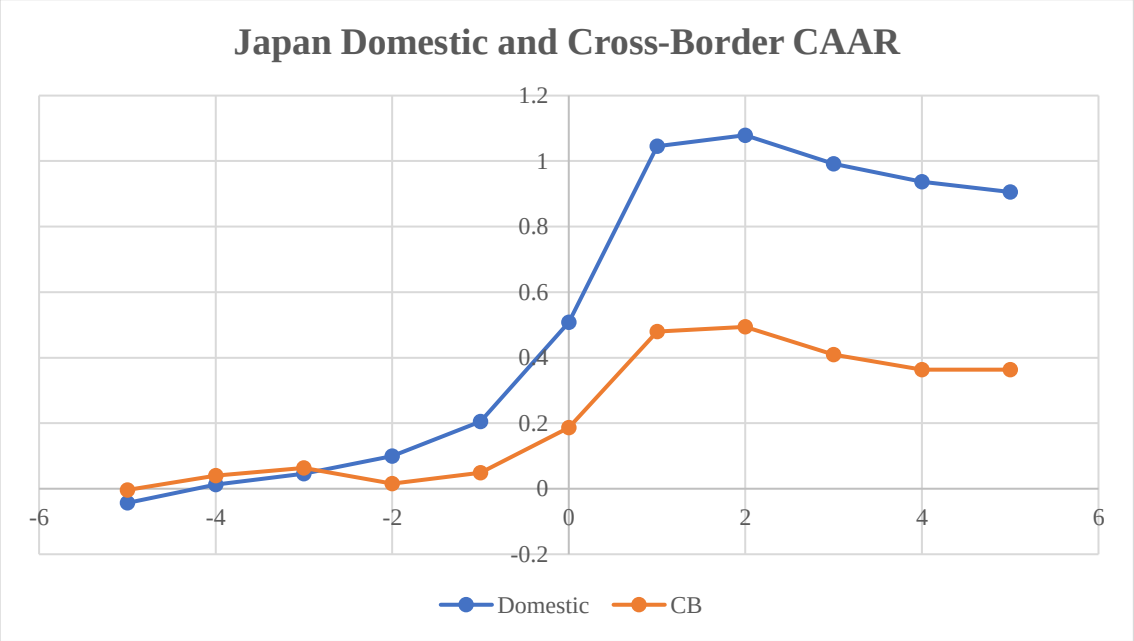

Figure 6.16 Cumulative Average Abnormal Returns of Japanese Domestic and Cross-Border Deals

Table 6.9 Cumulative Average Abnormal Returns of Japanese Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	CDA	CSS	Z-rank	Zg	CAAR	CDA	CSS	Z-rank	Zg
(-1, +1)	3	**0.95**	16.21***	13.75***	9.19***	12.36***	**0.46**	4.99***	4.34***	4.60***	4.01***
(-2, +2)	5	**1.03**	13.71***	11.97***	7.21***	11.05***	**0.43**	3.59***	3.17***	2.76***	2.36**
(-3, +3)	7	**0.98**	10.98***	9.92***	5.73***	9.06***	**0.37**	2.60***	2.41**	2.11**	2.31**
(-4, +4)	9	**0.98**	9.70***	9.07***	4.93***	8.87***	**0.37**	2.28**	2.15**	1.81*	2.36**
(-5, +5)	11	**0.91**	8.10***	7.80***	4.20***	7.52***	**0.36**	2.04**	1.92*	1.51	2.75***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

6.3.4 Germany

The CAAR along with their corresponding test values for the domestic and cross-border M&A deals involving German acquirers are presented in Table 6.9. Statistically significant and positive CAAR are observed for both the domestic and cross-border deals across all event windows. The highest and statistically significant CAAR of 2.21% is observed for domestic deals over the five-days (-2,+2) event window. The CAAR values for domestic deals exceed those of cross-border deals across all the event windows, leading to a greater wealth gain for German acquirers in case of domestically located targets. The graphical presentation of the AAR and CAAR values can be observed from Figures 6.17 and 6.18. The AAR can be observed to peak on the announcement day for both the domestic and cross-border deals. Further, Comparing the domestic and cross-border AAR and CAAR, the domestic deals appear to be out performing the cross-border deals on the event day as well as for the days around it.

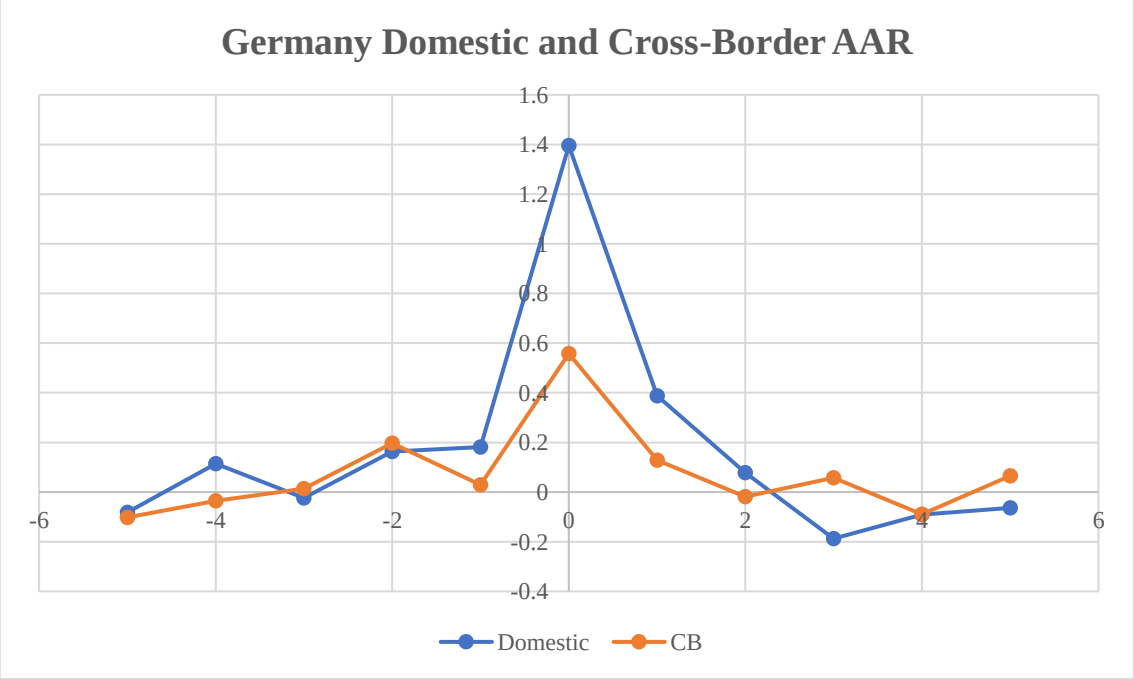

Figure 6.17 Average Abnormal Returns of German Domestic and Cross-Border Deals

Table 6.10 Cumulative Average Abnormal Returns of German Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	**CDA**	**CSS**	**Z-rank**	**Zg**	**CAAR**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1, +1)	3	**1.96**	10.51***	5.65***	10.76***	8.13***	**0.72**	3.86***	4.59***	6.19***	4.47***
(-2, +2)	5	**2.21**	9.14***	5.69***	8.91***	6.77***	**0.89**	3.74***	4.48***	5.80***	4.00***
(-3, +3)	7	**1.99**	6.99***	5.49***	7.09***	4.60***	**0.97**	3.41***	4.17***	5.47***	4.00***
(-4, +4)	9	**2.02**	6.24***	5.04***	6.48***	4.54***	**0.84**	2.62***	3.23***	3.95***	3.11***
(-5, +5)	11	**1.87**	5.24***	4.42***	5.08***	3.67***	**0.80**	2.27**	2.90***	3.07***	2.64***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

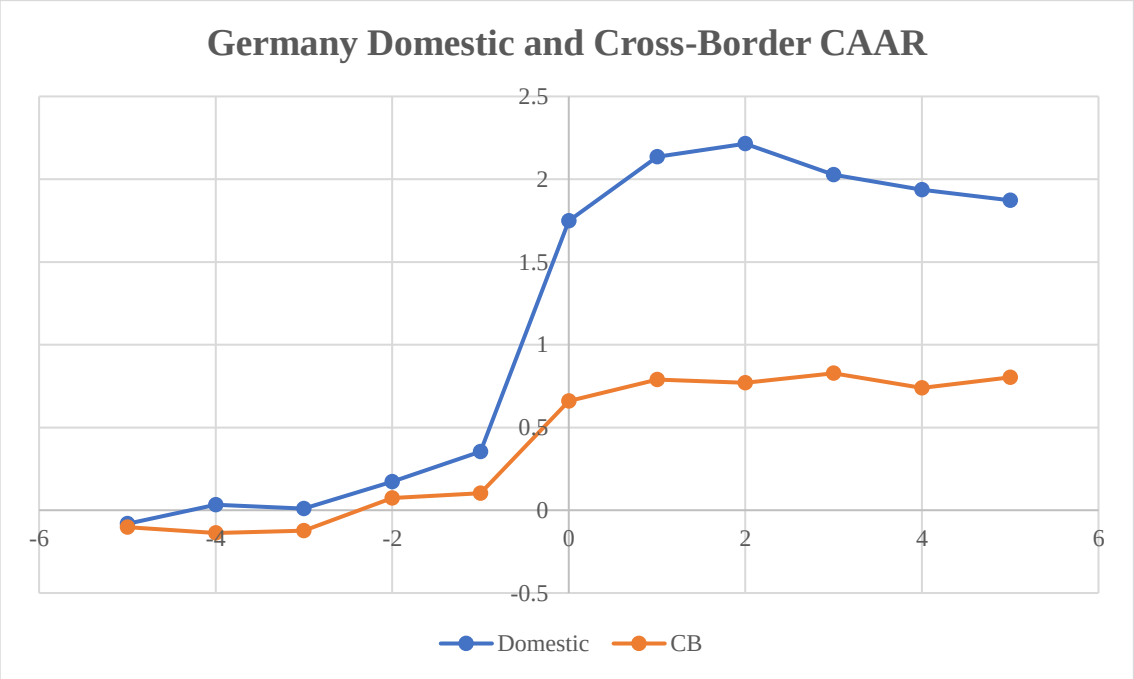

Figure 6.18 Cumulative Average Abnormal Returns of German Domestic and Cross-Border Deals

6.3.5 France

The CAAR along with their corresponding test values for the domestic and cross-border M&A deals involving French acquirers are presented in Table 6.10. Statistically significant and positive CAAR are observed for both the domestic and cross-border deals across all event windows. The highest and statistically significant CAAR of 1.56% is observed for domestic deals over the five-days (-2,+2) event window. The CAAR values for domestic deals exceed those of cross-border deals across all the event windows, indicating towards higher wealth gains for French acquirers in case of domestically located targets. The graphical presentation of the AAR and CAAR values can be observed from Figures 6.19 and 6.20. The AAR can be observed to peak on the announcement day for the domestic deals. Whereas, in case of cross-border deals the highest AAR is observed on the day following the announcement. Further, Comparing

the domestic and cross-border AAR and CAAR, the domestic deals appear to be out performing the cross-border deals on the event day as well as for the days around it.

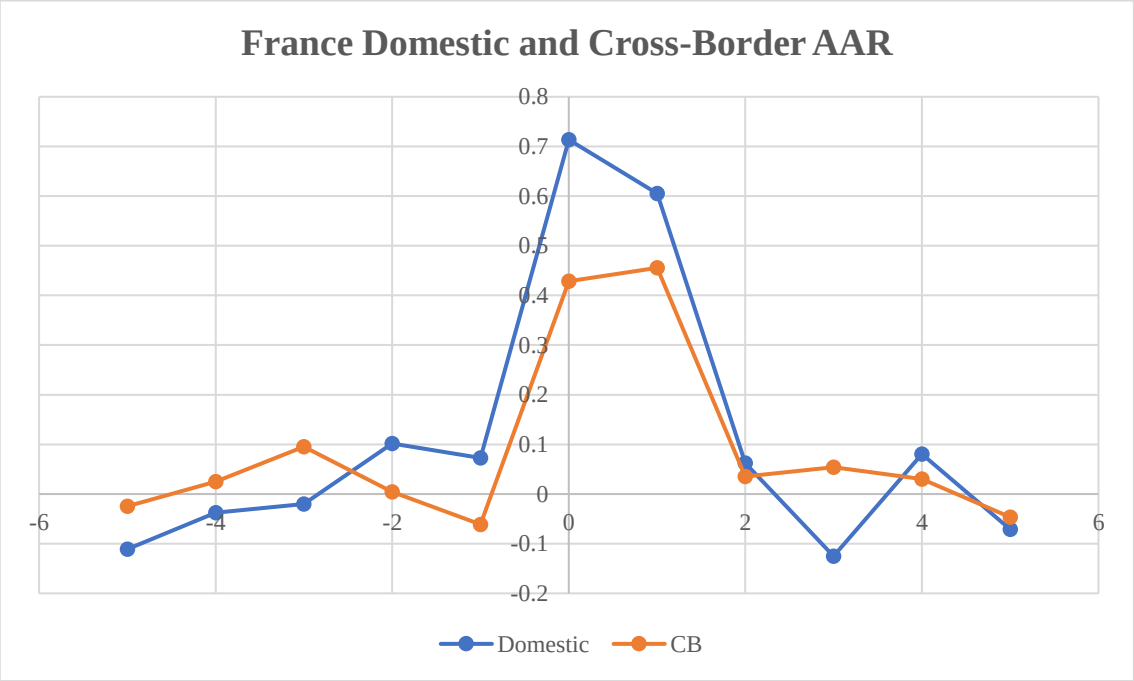

Figure 6.19 Average Abnormal Returns of French Domestic and Cross-Border Deals

Table 6.11 Cumulative Average Abnormal Returns of French Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	**CDA**	**CSS**	**Z-rank**	**Zg**	**CAAR**	**CDA**	**CSS**	**Z-rank**	**Zg**
(-1, +1)	3	**1.39**	8.93***	7.52***	10.86***	8.55***	**0.82**	9.28***	6.71***	9.35***	6.68***
(-2, +2)	5	**1.56**	7.73***	7.51***	9.09***	9.23***	**0.86**	7.54***	6.12***	8.61***	6.44***
(-3, +3)	7	**1.41**	5.92***	6.16***	7.19***	7.02***	**1.01**	7.47***	5.86***	7.59***	5.85***
(-4, +4)	9	**1.45**	5.38***	5.83***	7.16***	7.23***	**1.07**	6.95***	5.10***	6.69***	6.24***
(-5, +5)	11	**1.27**	4.26***	4.86***	5.90***	6.02***	**1.00**	5.87***	4.53***	5.43***	5.35***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

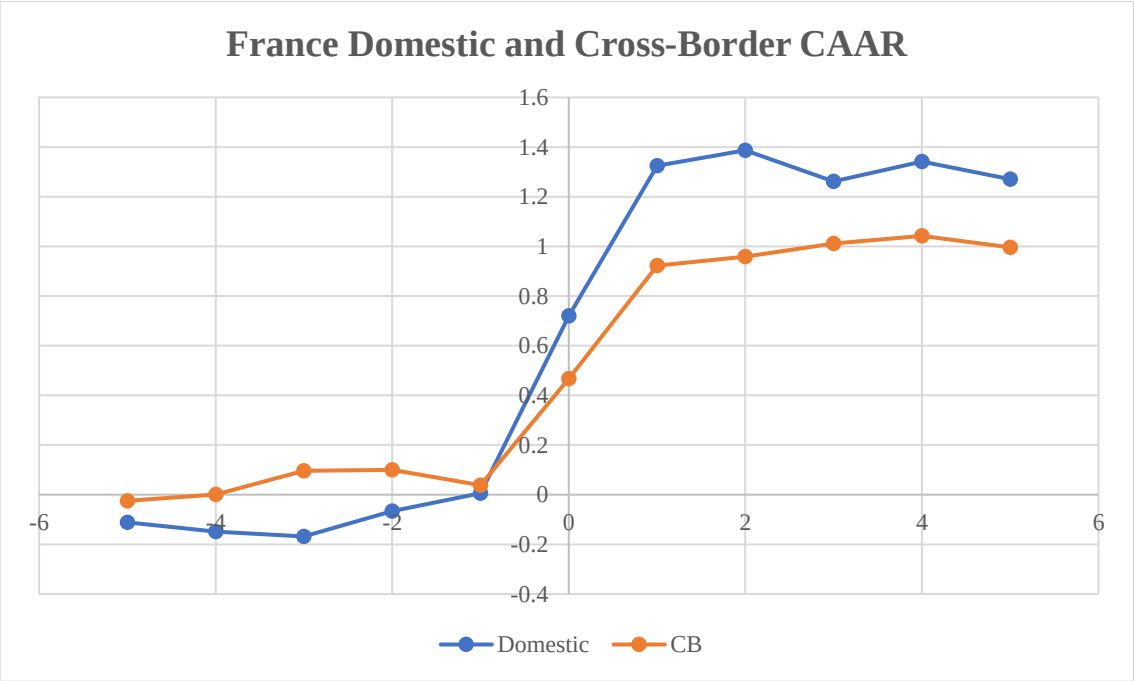

Figure 6.20 Cumulative Average Abnormal Returns of French Domestic and Cross-Border Deals

6.3.6 Netherlands

The CAAR along with their corresponding test values for the domestic and cross-border M&A deals involving Netherlands acquirers are presented in Table 6.11. Statistically significant and positive CAAR are observed for both the domestic and cross-border deals across all event windows. The highest and statistically significant CAAR of 1.18% is observed for domestic deals over the three-days (-1,+1) event window. The CAAR values for domestic deals exceed those of cross-border deals across all the event windows, indicating towards higher wealth gains in case of domestically located targets. The graphical presentation of the AAR and CAAR values can be observed from Figures 6.21 and 6.22. The AAR can be observed to peak on the announcement day for the domestic deals. Whereas, in case of cross-border deals the highest AAR is observed on the day following the announcement. Further, Comparing the domestic and cross-border

AAR and CAAR, the domestic deals appear to be out performing the cross-border deals on the event day as well as for the days around it.

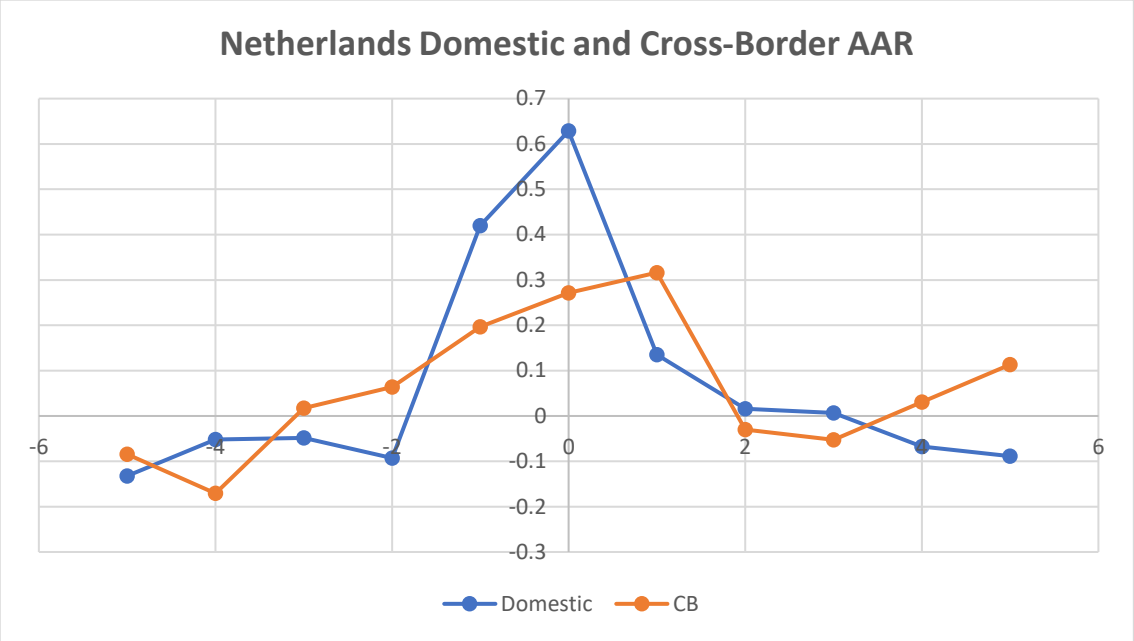

Figure 6.21 Average Abnormal Returns of Netherlands Domestic and Cross-Border Deals

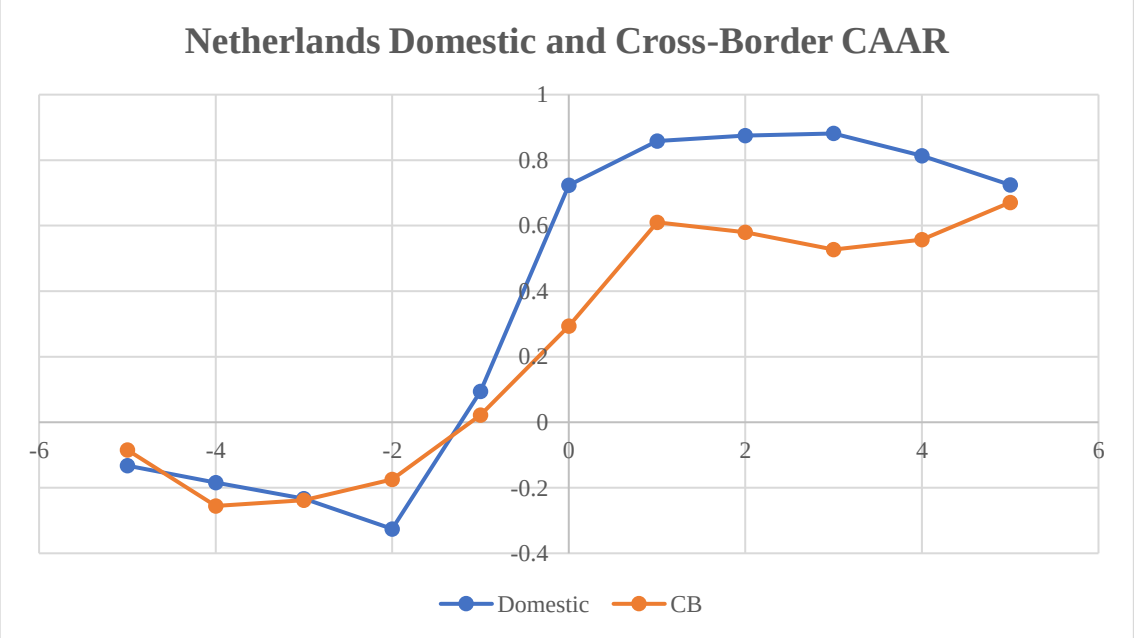

Figure 6.22 Cumulative Average Abnormal Returns of Netherlands Domestic and Cross-Border Deals

Table 6.12 Cumulative Average Abnormal Returns of Netherlands Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	CDA	CSS	Z-rank	Zg	CAAR	CDA	CSS	Z-rank	Zg
(-1, +1)	3	**1.18**	3.95***	3.71***	9.07***	3.36***	**0.78**	5.83***	3.25***	5.71***	3.83***
(-2, +2)	5	**1.11**	2.86***	3.07***	8.03***	2.53**	**0.82**	4.71***	3.40***	5.95***	4.28***
(-3, +3)	7	**1.07**	2.32**	2.63***	5.38***	3.00***	**0.78**	3.81***	3.09***	4.69***	3.83***
(-4, +4)	9	**0.95**	1.82*	2.20**	4.44***	3.00***	**0.64**	2.76***	2.32**	3.45***	2.29**
(-5, +5)	11	**0.72**	1.26	1.46*	3.98***	2.76***	**0.67**	2.60***	2.25**	4.05***	4.20***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

6.3.7 Spain

The CAAR along with their corresponding test values for the domestic and cross-border M&A deals involving Spanish acquirers are presented in Table 6.12. Statistically significant and positive CAAR are observed for both the domestic and cross-border deals across all event windows. The highest and statistically significant CAAR of 1.19% is observed for cross-border deals over the seven-days (-3,+3) event window. While the CAAR value for cross-border deals exceed those of domestic deals for all select event windows except the three-days window (-1,+1). The graphical presentation of the AAR and CAAR values can be observed from Figures 6.23 and 6.24. The AAR can be observed to peak on the announcement day for the domestic deals and then it gradually begins to gravitate towards the level of zero abnormal returns. Whereas, in case of cross-border deals the highest AAR is observed on the day following the announcement. Comparing the domestic and cross-border AAR and CAAR, no clear ranking can be done in terms of performance. Both the domestic and cross-border deals appear to be value enhancing for the acquirer shareholders.

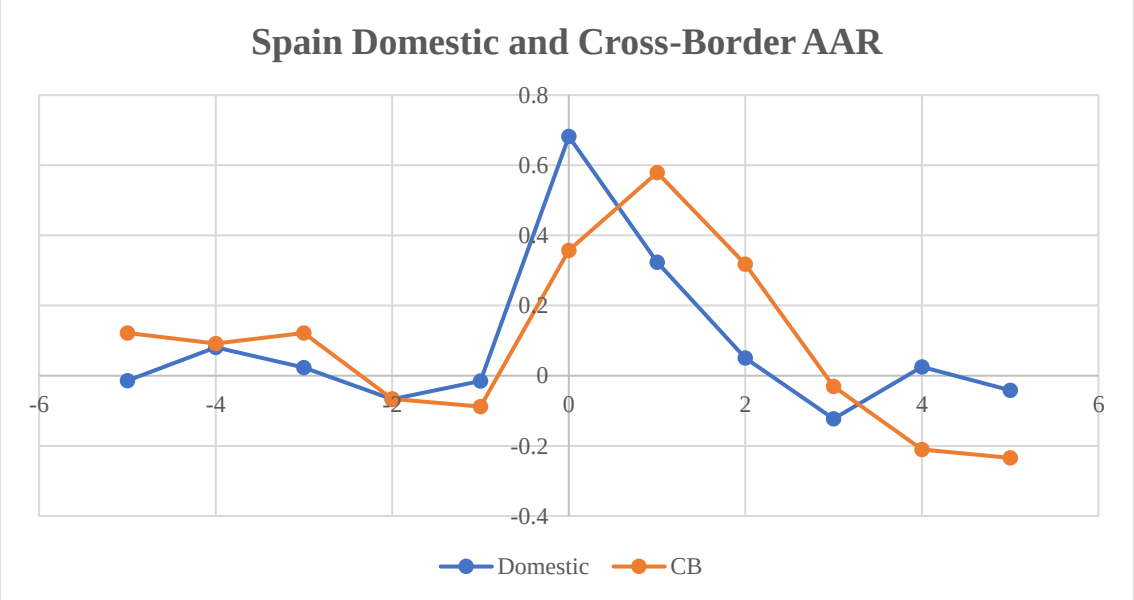

Figure 6.23 Average Abnormal Returns of Spanish Domestic and Cross-Border Deals

Table 6.13 Cumulative Average Abnormal Returns of Spanish Domestic and Cross-Border Deals (2000-2019)

Event Window [Day]	No of days in Event Window	Domestic					Cross-Border				
		CAAR	CDA	CSS	Z-rank	Zg	CAAR	CDA	CSS	Z-rank	Zg
(-1,+1)	3	**0.99**	5.43***	3.88***	4.62***	2.14**	**0.85**	4.96***	3.84***	7.79***	3.36***
(-2,+2)	5	**0.97**	4.13***	3.24***	4.10***	2.87***	**1.10**	4.98***	3.01***	7.46***	2.60***
(-3,+3)	7	**0.87**	3.14***	2.68***	3.76***	2.66***	**1.19**	4.56***	2.83***	7.44***	2.71***
(-4,+4)	9	**0.98**	3.11***	2.79***	3.39***	0.89	**1.07**	3.62***	2.43**	7.09***	4.11***
(-5,+5)	11	**0.93**	2.65***	2.31**	2.48**	1.72*	**0.96**	2.94***	2.06**	5.51***	2.60***

Source: Author's Own Calculations

Note(s): *p < 0.1, **p < 0.05, ***p < 0.01

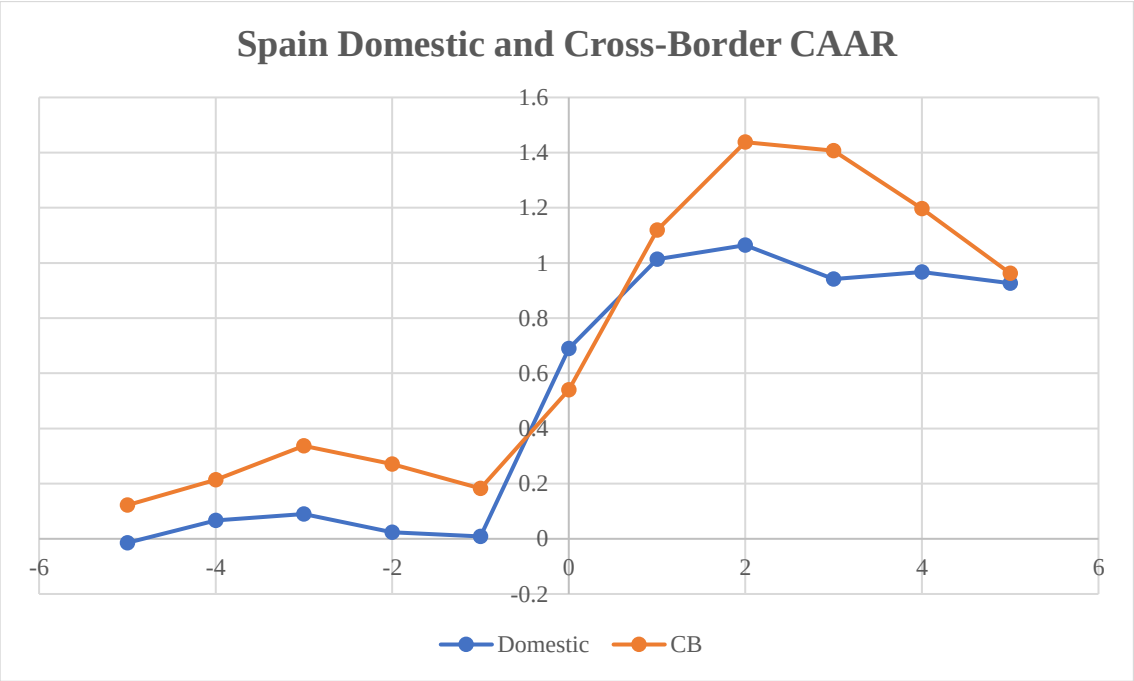

Figure 6.24 Cumulative Average Abnormal Returns of Spanish Domestic and Cross-Border Deals

6.4 Results Summary

The above section presented an analysis of the country wise performance of domestic and cross-border deals. Statistically significant and consistently positive abnormal returns are observed across all developed markets for both domestic and cross-border deals. Comparing the domestic and cross-border returns for these countries, variations are observed in their patterns. The summary of results for developed markets is presented in Table 6.13. Abnormal returns around the domestic deal announcement are evidently surpassing those of cross-border deals for four out of the seven select developed countries, viz., Japan, Germany, France and Netherlands. A reverse pattern was observed for Canadian acquirers, wherein cross-border deals performed better than domestic deals with the domestic CAAR was recorded to be less than that of cross-border CAAR across all selected event windows. Interestingly, for France and Netherlands cross-border deals the highest AAR is not observed on the day of

announcement but rather on the day following it. Whereas, this pattern of delayed peak is not replicated in case of domestic deals for these two countries. Furthermore, in case of Japanese deals this delay in attaining peak AAR is observed in case of both domestic and cross-border deals. The highest developed markets CAAR of 2.21% (statistically significant) is observed for German domestic deals over the five-day event window. While observing the highest CAAR across domestic deals, German cross-border deals earn its highest statistically significant CAAR of just 0.97% over the seven-days event window. While the highest difference between domestic and cross-border zero-day AAR across the sub-samples of developed countries is also reported in case of German deals with the reported AAR of 1.40% for domestic deals and 0.56% for cross-border deals. Indications of information leakages can be observed in case of Canadian and Netherlands deals starting two-days prior to deal announcement.

In case of United Kingdom deals the zero-day AAR of domestic deals slightly surpasses that of cross-border deals. But cumulating the abnormal returns over the event window, a cross-border deals evidently performs better than the domestic deals. Furthermore, in case of Spanish deals, the zero-day AAR is recorded to be higher for domestic deals as compared to the cross-border deals. The cross-border deals AAR continues to rise on the day following the deal announcement and attains its peak on the day-one. While presenting different patterns of performance, there does not appear to be clear evidence proving the wealth gains to be better or worse for either domestic or cross-border deals in case of Spanish acquirers.

Table 6.14 Developed Market Domestic and Cross-border Results Summary

Country	CB vs. D	Zero-Day AAR (%)		Highest CAAR (%)		Observations	CAAR	
		D	CB	D	CB		D	CB
U.K.	CB>D	0.58	0.55	0.61	1.18	AAR(T0): D>CB	All Positive & Significant	All Positive & Significant
Canada	CB>D	0.87	1.05	1.81	1.97	Positive Slope starting 2-days prior announcement	All Positive & Significant	All Positive & Significant
Japan	D>CB	0.30	0.14	1.03	0.46	One-Day lag	All Positive & Significant	All Positive & Significant

Germany	D>CB	1.40	0.56	2.21	0.97	AAR Gravitates back to normal returns in post event window	All Positive & Significant	All Positive & Significant
France	D>CB	0.71	0.43	1.56	1.07	AAR peaking on Day-one	All Positive & Significant	All Positive & Significant
Netherlands	D>CB	0.63	0.27	1.18	0.82	1.AAR peaking on Day-one 2. Positive Slope starting 2-days prior announcement	All Positive & Significant	All Positive & Significant
Spain	Mixed	0.68	0.36	0.99	1.19	1. AAR(T0): D>CB 2. CB>D on the days following T_0	All Positive & Significant	All Positive & Significant

Source: Author's Own Calculations

CHAPTER 7
INSTITUTIONAL DISTANCE

7.1 Impact of Institutional Distance on M&A Performance

Table 7.1 provides the descriptive statistics and correlation matrix for all the variables of study. The problem of multicollinearity is ruled out with a below 5 value of the variance inflation factors (VIF) for all variables. The mean of CAR (-1,+1), i.e. cumulative average abnormal return (CAAR), is positive 0.57, signalling acquirer wealth creation. This result is in line with the previous emerging market studies on CBMA performance (Jain *et al.*, 2019; Tao *et al.*, 2017).

Table 7.2 presents the results for regression models for different combination of independent variables with the dependent variable as CAR over the 3-day event-window. The standard errors were adjusted for heteroskedasticity and clustered by home-host country pairs. Model 1 serves as the baseline model, consisting only the control variables. In Model [2-10], each of the institutional distance dimension is introduced to the base line model. Model 11 represents the full model, including all the nine institutional distance dimensions and control variables.

Checking the impact of each of the institutional distance dimension individually, we observe that financial distance ($\beta = -0.143$, $p < 0.05$) has a negative and significant impact on the performance suggesting that an increase in financial distance negatively influences the CBMA performance. In model 11, the complete model is analysed including all the institutional distance dimensions. The coefficients of financial distance ($\beta= -0.142$, $p< 0.01$) and cultural distance ($\beta= -0.035$, $p< 0.1$) are found to be negative and significant, whereas global connectedness ($\beta = 0.232$, $p< 0.1$) and political distance ($\beta = 0.127$, $p< 0.1$) have a significant and positive impact on the CBMA performance.

But the study does not find administrative, demographic, economic and knowledge distance to be statistically significant in explaining performance.

By venturing into foreign lands, especially the developed markets, the emerging market firms are able to access more developed institutions and to some extend overcome the home-country political constraints like high government interventions, insufficient intellectual property rights and regulatory uncertainty. Cultural distance represents one of the most widely studied aspect of cross-country distance. It comes up as a source of risk for the firms and often impede the process of target integration, adding to costs and requiring special skills on the part of acquirer. These differences makes it difficult for the acquirers to achieve synergy and legitimacy in the host country (Boateng *et al.*, 2019; Chatterjee *et al.*, 1992; Kristjánsdóttir, 2019). Global connectedness distance captures the differences across countries in terms of their connectedness to rest of the world, measured in terms of tourism and internet connectivity. In case of CBMA it becomes an important factor given Global connectedness becomes an important factor in case of CBMA given the higher information asymmetries involved in the deal. Acquirers are better able to coordinate efficiently and reap synergies an easier connectivity to the host country (Gholami *et al.*, 2006). Emerging market acquirers are able to leverage up on the global connectedness of the host-country contributing towards the performance. Financial distance reflects the heterogeneity in the financial markets and their levels of developments between a pair of countries. Intuitively, a firm is most acquainted with its home-country financial environment and hence, most comfortable operating in environment similar to its home-market. The inexperience in dealing in the international financial markets can hinder the operations of an emerging market acquirer firm in the host-market leading to a negative impact on its performance. Also, there exists little impact of geographic distance on the performance with the

coefficient of geographic distance very close to zero. The advancements in information technologies have made information sharing and smooth coordination across boundaries simpler reducing the role of geographic distance (Coeurdacier *et al.*, 2009).

7.2 Robustness Checks

Subsequent analysis was conducted utilizing the CAR calculated in 5-day and 7-day event window, checking the robustness of the results. The results are presented in Table 7.3. In line with the results of main analysis presented in Table 7.2, cultural, geographic, financial and political distance are found to be the significant factors explaining performance measured by CAR (-2,+2) and CAR (-3,+3).

Table 7.1 Descriptive Statistics and Correlation Matrix of Variables

	Mean	S.D.	CD	AD	DD	ED	FD	GC	GD	KD	PD
Performance	0.53	5.32									
CD	73.44	24.17	1								
AD	75.13	28.08	-0.049	1							
DD	8.91	6.43	-0.336	-0.274	1						
ED	7.83	5.89	0.09	-0.116	-0.179	1					
FD	5.84	5.77	-0.258	-0.056	0.242	0.191	1				
GC	4.95	2.89	-0.019	0.164	0.088	0.257	0.202	1			
GD	9424.67	3529.28	0.157	0.024	0.02	-0.057	0.245	0.267	1		
KD	11.85	10.91	0.364	0.232	-0.229	0.285	0.114	0.248	0.489	1	
PD	10.25	9.25	0.635	-0.247	-0.143	0.187	-0.294	-0.271	-0.243	0.029	1
Acq. Host Exp.	0.47	0.93	-0.125	0.056	-0.011	0.007	0.184	0.127	0.278	0.25	-0.269
Acq. Exp.	5.14	7.28	-0.132	-0.144	0.21	-0.06	0.029	-0.046	-0.008	-0.085	-0.205
Size	6.9	1.84	-0.061	-0.283	0.125	-0.124	-0.011	-0.221	-0.119	-0.17	-0.059
Toehold	0.2	0.401	-0.052	-0.14	0.079	0.031	0.014	-0.011	-0.128	-0.096	0.095
Cash	0.31	0.46	0.076	0.035	-0.003	0.071	0.07	-0.02	-0.02	0.042	0.106
Related	0.62	0.49	-0.105	0.013	-0.049	-0.104	0.052	-0.051	0.097	-0.024	-0.101
High-Tech	0.41	0.49	0.089	0.318	-0.181	0.038	-0.068	0.016	0.132	0.204	-0.021
Developed	0.83	0.37	0.385	-0.053	0.234	-0.061	0.101	0.406	0.343	0.41	-0.007
Post-crisis	0.58	0.49	0.267	-0.092	-0.09	0.039	-0.23	-0.445	-0.182	-0.03	0.362

	Mean	S.D.	Acq. Host Exp.	Acq. Exp.	Size	Toe-hold	Cash	Related	High-Tech	Developed	Post-crisis
Performance	0.53	5.32									
CD	73.44	24.17									
AD	75.13	28.08									
DD	8.91	6.43									
ED	7.83	5.89									
FD	5.84	5.77									
GC	4.95	2.89									
GD	9424.67	3529.28									
KD	11.85	10.91									
PD	10.25	9.25									
Acq. Host Exp.	0.47	0.93	1								
Acq. Exp.	5.14	7.28	0.332	1							
Size	6.9	1.84	0.104	0.496	1						
Toehold	0.2	0.401	0.108	0.161	0.173	1					
Cash	0.31	0.46	-0.007	-0.091	0.028	-0.001	1				
Related	0.62	0.49	0.092	0.042	0.001	-0.003	-0.02	1			
High-Tech	0.41	0.49	0.086	-0.013	-0.241	-0.054	0.008	0.223	1		
Developed	0.83	0.37	0.143	-0.039	-0.041	-0.052	0.014	-0.019	-0.005	1	
Post-crisis	0.58	0.49	-0.057	-0.008	0.19	-0.034	0.109	-0.068	0.052	-0.057	1

Table 7.2 Regression Results for CAR (-1,+1)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
CD		0.002									-0.035^
		(0.01)									(0.02)
AD			-0.013								-0.013
			(0.02)								(0.01)
DD				0.005							0.02
				(0.06)							(0.05)
ED					-0.028						-0.037
					(0.04)						(0.05)
FD						-0.143**					-0.142***
						(0.04)					(0.04)
GC							0.149				0.232*
							(0.11)				(0.11)
GD								0			0.000*
								(0)			(0)
KD									-0.011		-0.014
									(0.02)		(0.02)
PD										0.075	0.127
										(0.05)	(0.06)
Acq. Exp.	0.053^	0.052	0.051	0.052	0.053^	0.037	0.056^	0.058^	0.051	0.045	-0.051
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)
Acq. Host Exp.	-0.342	-0.339	-0.348	-0.338	-0.329	-0.225	-0.362	-0.42	-0.312	-0.265	-0.298
	(0.29)	(0.28)	(0.28)	(0.3)	(0.28)	(0.27)	(0.29)	(0.3)	(0.29)	(0.29)	(0.29)
Cash	0.163	0.16	0.201	0.164	0.187	0.32	0.144	0.178	0.174	0.111	0.383
	(0.49)	(0.5)	(0.47)	(0.49)	(0.5)	(0.52)	(0.49)	(0.49)	(0.49)	(0.51)	(0.49)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Toehold	0.463	0.464	0.486	0.463	0.483	0.464	0.42	0.555	0.451	0.32	0.372
	(0.51)	(0.51)	(0.52)	(0.51)	(0.51)	(0.45)	(0.51)	(0.54)	(0.52)	(0.55)	(0.55)
Related	0.411	0.414	0.372	0.412	0.384	0.458	0.467	0.372	0.393	0.418	0.314
	(0.42)	(0.43)	(0.44)	(0.42)	(0.42)	(0.42)	(0.43)	(0.42)	(0.43)	(0.43)	(0.44)
Size	-0.226^	-0.226^	-0.231^	-0.226^	-0.234^	-0.217^	-0.213^	-0.233^	-0.231^	-0.196	-0.183
	(0.13)	(0.13)	(0.12)	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)	(0.12)
High-Tech	-0.439	-0.445	-0.371	-0.434	-0.44	-0.564	-0.409	-0.482	-0.402	-0.469	-0.396
	(0.52)	(0.53)	(0.55)	(0.53)	(0.52)	(0.54)	(0.51)	(0.52)	(0.53)	(0.51)	(0.53)
Developed	0.635	0.6	0.57	0.614	0.585	0.851^	0.219	0.375	0.756	0.741	0.48
	(0.47)	(0.61)	(0.49)	(0.53)	(-0.46)	(0.51)	(0.59)	(0.52)	(0.53)	(0.47)	(0.84)
Post-Crisis	-1.037*	-1.040*	-1.010*	-1.042*	-1.050*	-1.165*	-0.743	-1.006*	-1.042*	-1.176*	-0.829
	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.48)	(0.52)	(0.47)	(0.47)	(0.46)	(0.51)
Acq. Country Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	.381	0.285	1.128	0.366	0.755	0.959	-0.356	-0.167	0.458	-0.5	0.452
	(1.46)	(1.79)	(1.74)	(1.52)	(1.52)	(1.46)	(1.51)	(1.42)	(1.44)	(1.65)	(1.99)
N	483	483	483	483	483	483	483	483	483	483	483
R^2	0.042	0.042	0.044	0.042	0.043	0.06	0.046	0.045	0.042	0.049	0.086

Robust standard errors are shown in parentheses, * Significant at the 0.1% level, ** Significant at the 1% level, *Significant at the 5% level, ^Significant at the 10% level**

Table 7.3 Robustness Check using CAR (-2,+2) and CAR (-3,+3)

	CAR (-2, +2)	CAR (-3, +3)
CD	-0.047*	-0.071^
	(0.02)	(0.04)
AD	-0.027	-0.021
	(0.02)	(0.02)
DD	0.018	0.009
	(0.09)	(0.1)
ED	-0.095	-0.087
	(0.06)	(0.11)
FD	-0.143*	-0.174***
	(0.07)	(0.06)
GC	0.278	0.262
	(0.2)	(0.21)
GD	0^	0^
	(0)	(0)
KD	0.008	0.025
	(0.03)	(0.04)
PD	0.176*	0.181*
	(0.07)	(0.08)
Acq. Exp.	0.043	0.05
	(0.05)	(0.06)
Acq. Host Exp.	-0.195	0.098
	(0.34)	(0.39)
Cash	0.526	0.455
	(0.69)	(0.62)
Toehold	0.818	0.857
	(0.72)	(0.85)
Related	-0.424	-1.373
	(0.52)	(0.76)
Size	-0.074	0.04

	CAR (-2, +2)	CAR (-3, +3)
	(0.17)	(0.18)
High-Tech	-0.22	-0.533
	(0.62)	(0.75)
Developed	0.161	0.246
	(1.26)	(1.61)
Post-Crisis	-1.01	-1.164
	(0.84)	(0.87)
Acq. Country Dummy	YES	YES
Constant	1.12	1.15
	(3.17)	(4.16)
N	483	483
R^2	0.07	0.064

Robust standard errors are shown in parentheses, * Significant at the 0.1% level, ** Significant at the 1% level, *Significant at the 5% level, ^Significant at the 10% level**

CHAPTER 8

DISCUSSION, CONCLUSION AND IMPLICATIONS

8.1 Introduction

The study was commenced with a view to enquire in to the performance puzzle syndrome as also the influence of institutional distance on M&A outcomes. Previous chapters have presented the research questions, objectives, hypothesis, methods, techniques of investigation and narrated the results. Here under are now presented the discussion on the results of the study, conclusion followed by the implications of the study. This chapter is rounded up by presenting some of the areas for future investigation.

8.2 Discussion and Analysis of Results

M&A resides at the heart of global business dynamics, attracting a lot of media attention and continues to attract significant research interest. Traditionally, it has been a feature of developed markets and more focused on domestically located targets. But as the globalisation pushed the world towards integrated economy, emerging markets have taken up a significant role in the global M&A landscape and targets across the national borders became more lucrative. While the contemporary research evidences have recorded an ample of evidences on emerging markets yet these remain limited in scale and scope, and hence remain far from being conclusive.

The lack of unanimity in the extant literature on the acquiring firm performance underlines its complexity owing to the multitude of underlying factors and hence requires a further in-depth investigation. To fill these gaps, the study examines the M&A performance for a large sample of deals originating from the group of both emerging and developed markets covering a period of two-decades. The AAR and

CAAR values calculated using the event study methodology are instrumental in understanding the market reaction to deal announcement. The acquirer stock returns on deal announcement are analysed for understanding the market perception towards deal performance and its effect on shareholder's wealth. A time-series aggregation of abnormal returns around the deal announcement provides a broader coverage of the markets deal reactions given the possibility of event anticipation, information leakages and slower information absorption. In cases of event anticipation or information leakages, the market's reaction to the deal is likely to be reflected in the share prices in the days pre-announcement days often owing to the insider trading practices. Furthermore, in some cases the information might not be instantly absorbed by the market causing a lag. These situations might be suggestive of the lower levels of market efficiencies. Moreover, if the zero-day positive AAR is followed by a negative AAR in the subsequent days, this can be suggestive of the possible market correction owing to the announcement day over-reaction to deal announcement. Hence, CAAR values are calculated over various event windows spread across eleven-days around the deal announcement to capture the overall magnitude of wealth creation from a deal.

The first objective of the study relates to examining the emerging market M&A performance, for which the study utilised a sample of BRICS nations representing a group of five leading emerging economies. While the study results found a positive zero-day returns for all the five emerging markets, country-wise distinctions are observed in the pattern of information absorption highlighting individual market peculiarities.

For the announcement day, the highest positive reaction can be observed in the Chinese market (0.91%), followed by South Africa (0.55%) and is the least for Russia (0.12%). M&As have been widely supported and promoted by the Chinese government and are

also found to be positively perceived by the market at large with the recorded positive returns on and around deal announcement resulting in acquirer wealth gains. M&A are viewed as a means of gaining returns from scale owing to the overcapacity in the Chinese industry. Also, M&A provide Chinese firm's an access to advance technologies and strategic assets for gaining competitive advantage in the global market (Zhu and Zhu, 2016).

For the Brazilian, Indian and South African deals, the study reported a positive market reaction on deal announcement. The announcement day returns and also the cumulation of abnormal returns around the announcement-day are recorded to be positive indicating market's optimism towards such deal which is further adding to shareholder wealth. Additionally, signs of information leakages are observed in case of Indian and South African market indicated by the observed pre-announcement abnormal returns two-days prior to the day of announcement. The results are in congruence with the previous literature reporting positive M&A returns for Brazil (Camargos and Barbosa, 2009; Pamplona and Junior, 2013) and India (Bhagat *et al.*, 2011; Jain *et al.*, 2019) and South Africa (Amewu and Alagidede, 2018).

Russian deals reported a consistently negative results on cumulating the daily average returns over different event windows, driven by the negative post-announcement daily returns. Though recording a positive return on the day of announcement, the Russian market follows a sharp correction on the days immediately following announcement pushing the returns negative. These results are suggestive of acquirer shareholder wealth destruction around deal announcement. The negative returns associated with the Russian M&A deals are often attributed to the lack of capabilities and experience. The results are in line with the previous literature suggesting deteriorated acquirer performance (Bertrand and Betschinger, 2012). Russian institutional environment has

not yet grown fully sophistically. Experiencing slightly better returns on the cross-border deals, Russian acquirers appear to be drawing greater benefits from foreign located targets providing greater market opportunities.

Towards the second objective of the study, the announcement period returns are calculated and analysed for the deal originating from select sample of seven developed nations. While the emerging markets observed a diverse pattern in the market reactions to deal announcement along with distinctions in the pattern of information absorption, developed markets have recorded a more consistent pattern of deal performance. All the seven developed nations studied observed a statistically significant and positive returns on the day of announcement as well as consistent positive returns are recorded across all select event windows. The intuitive addition to shareholders wealth from a deal can be better generalised in case of developed markets. Developed market acquirers on an average have higher experience and are equipped with a more developed institutional environment aiding towards better synergy realisations in such deals.

Noteworthy are a few peculiarities in the pattern of developed nations market reactions on deal announcement. The highest zero-day returns are recorded for German deals at 0.96%, closely followed by Canada at 0.90% and the least among the selected nations is recorded at 0.27% for Japan. Interestingly, the day-one returns (0.49%) are observed to be higher than the zero-day returns (0.27%) for Japanese deals. These results highlight a slower information absorption and price-adjustment in Japanese stock market as compared to other sample nations. In the case of France, the acquirers earn a positive AAR of 0.56% on the day of announcement and only a slightly lower return of 0.53% on the day following it. Significant returns on the day following zero-day can also be observed for Netherlands, Spain, Canada, U.K. and Germany. Hence, no conclusions can be made on hierarchy of performance among the select nations based solely on the

announcement day returns. A careful analysis of abnormal returns over different event windows around deal announcement is further performed. Herein, the highest cumulative returns are recorded for Canada [1.61% for 3 days, 1.78% for 5 days and 1.54% for 11-days event window] and the lowest by U.K. [0.69% for 3- and 5-days event window and 0.79% cumulated over 11 days]. The Canadian deals show significant returns starting before the announcement date and even continuing after that, pushing up the CAAR and leading Canada to the top of CAAR gainers list.

Investigating the pre-announcement period, significant AAR on the day preceding the announcement can be observed in Netherlands, Canada and Germany. These are indicative of information leakages in to the market prior to deal announcement with insider trading pushing the returns. Interestingly, Canadian deal returns can be observed to be earning positive returns starting days before the deal announcement and turn negative second day from announcement onwards. This suggests Canadian investors are buying the shares prior to deal announcement in anticipation of profit booking. Herein, the returns around deal announcement appear to be more influenced by speculation and profit booking motives rather than a rational evaluation of deal performance by the market.

The study then compares the performance for emerging and developed nations marked by distinct institutional environments, governance practices and market structures (Lebedev *et al.*, 2015). The results reveal higher wealth gains for emerging market acquirers around the deal announcement as against the developed market acquirers, indicated by both zero-day returns and the cumulative return values around deal announcement. The results suggest emerging market acquirer’s better capabilities at covering the involved costs owing to their large untapped underlying potential.

Domestic and CBMA deals present as distinct strategic choices given the significant differences in their underlying motivations, outcomes and informational asymmetries. CBMA provide acquirers with additional opportunities over domestic deals and also provide as a means of overcoming their home country limitations. Albeit not without its own set of added risks and challenges. These two types of deal warrant a separate analysis to gain meaningful insights. To address this topic and contributing towards the third objective of the study, the total sample of M&A deals were split into domestic and cross-border deals for each of the sample country to compare and contrast the differences in their performance. The stock market performance around deal announcement was then analysed for each of these sub-samples. Interestingly, both inter-country and intra-country domestic versus cross-border performance variations could be observed for the sample of countries. While for some countries the cross-border deals outperformed domestic deals, but for some others an opposite behaviour was recorded.

First, the emerging market acquirer performance for domestic and cross-border deals were analysed. Here in, Chinese and South African acquirers reported a positive market reaction to both the domestic and cross-border deals while gaining more from domestic deals as against the cross-border deals. Also, in case of Brazil, domestic deals outperformed the cross-border deals. Negative returns were recorded for the Brazilian cross-border deals as against positive and significant returns earned by domestic deals. Distinctly, higher cross-border returns as against domestic deal returns were recorded in case of India and Russia. Further, in line with the aggregated results, signs of information leakages prior to the day of announcement are also observed in this sub-sample analysis for Indian and South African market. Further, a similar absence of uniformity in the developed market domestic and cross-border performance was also

noted. Comparing the announcement returns for domestic versus cross-border deals, Canada and U.K. recorded higher acquirer wealth gains for cross-border deals. Whereas, in case of Japan, Germany, France and Netherlands deals involving domestic targets outperformed cross-border deals. The results for Spain remain mixed and inconclusive on the performance superiority for either domestic or cross-border deals.

The reported results highlight the distinct country-wise behavioural pattern on the cross-border versus domestic deal performance, contributing towards the existing contradicting evidences on it. The reported higher acquirer returns for the deals involving domestic targets as against the cross-border deals are in line with the previous studies conducted by Mateev and Andonov (2016) for European countries., Moeller and Schlingemann (2005) for U.S. , Black and Guo (2015), and Yuan *et al.* (2023) for China. The results suggesting higher returns for the acquirers in case of cross-border deals are also supported by prior evidences reported by Gregory and O'Donohoe (2014) for U.K. and Dutta *et al.* (2013) for Canada. These results can be understood under the light of existing and often conflicting theoretical arguments on the deal performance based on target location. The higher returns earned by the domestic deals as against the cross-border deals has been previously referred to as "cross-border effect" by Moeller and Schlingemann (2005). The cost of geographical diversification is often contended as an explanation for the lower cross-border returns. Uysal *et al.* (2008) found geographical proximity to be a significant factor underlying acquirer returns with local acquisitions earning more twice of non-local deal returns. The informational advantages associated with the local deals is propounded as the explaining factor. The geographically distant target can often hamper efficient information sharing, distort forecasts and target evaluation. On the contrary, acquirers are able to reap higher wealth gains from cross-border deals as against the domestic deals in case the geographical

diversification benefits exceeds the costs involved in such deals (Gregory and O'Donohoe, 2014). With the targets located across the national boundaries, acquirers are able to overcome home country institutional constraints, exploit market imperfections and gain enhanced resource access (Kiymaz and Mukherjee, 2000).

Hence, the ubiquity in performance superiority of either domestic or cross-border deals for all the nations worldwide cannot be established. The domestic and cross-border M&A returns are found to be significantly varying across the sample of nations. Even within the sample of nations with similar developmental status, there are different observed behaviours in the market reactions to deal announcements. These variations are also supported by previous studies. The underlying factors working behind these variations warrants a further deeper investigation.

Finally, working towards the fourth objective of the study, the study has elucidated the relationship between the multiple institutional distance dimensions and M&A performance highlighting the variations in their significance and direction of effect. The results validate and provide insights into the varying impacts of the cross-country distance dimensions on M&A deal performance. Delineating the link between home-host institutional distance and CBMA performance, the results confirm statistically significant and distinct impacts of financial, political, cultural and global-connectedness distance on the deal performance.

While previously there does exist a debate on the impact of cultural distance, prior knowledge on the impact of financial distance on M&A performance remains scanty. The present study finds negative and statistically significant cultural and financial distance coefficients. The cultural and financial institutional distance dimensions contribute towards the "liability of foreignness", "liability of origin" and also adds

towards the cost of business abroad. Particularly, the unfamiliarity owing to a culturally distant target induces higher uncertainties, higher integration costs and possibilities of cultural clashes (Buono *et al.*, 1985; Dikova and Rao Sahib, 2013; Stahl and Voigt, 2004). The acquirer firms are also often faced with the challenge of establishing legitimacy in culturally distant host nations. Furthermore, financial distance entails dealing with unfamiliar financial markets, creating difficulties in raising and managing capital in host markets. This can further add to their costs and cause shareholder wealth destruction. Hence, for the targets located in financially or culturally distant nations, managers need to exercise caution in evaluating the expected synergies against the potential challenges. An insignificant yet negative impact is recorded for administrative, economic and knowledge distance. The results suggest a negative direction of impact for these distance dimensions though it remains inconclusive.

In certain cases, the opportunities offered by distance far exceeds the involved constraints, adding to acquirer gains. Like in the present study, political and global connectedness distance are found to be positively impacting the deal performance, highlighting the potential benefits of entering into an institutionally distant country. That is, emerging market acquirers are able to earn better returns on cross-border deals in the case of targets located in nations with a distinct political environment or level of global connectedness. In the case of these distance dimensions, the constraints posed by the dissimilarities appear to fall short of their extended advantages. Especially in the case of emerging market acquirers, usually characterised by lower global connectedness and political stability as against developed markets, CBMA often provides as a means of surpassing such home-country institutional limitations. In such cases, distance proves to be beneficial by providing access to more favourable political host country environments and enhanced global connectedness. The results also hint towards a

positive impact of demographic distance but remain statistically insignificant. Following the advancements in information technologies, the impact of geographic distance on knowledge transfer and firm performance has been minimised as reflected in the near-zero coefficient of geographic distance.

Interestingly, while both the financial distance and political distance may constitute a part of formal institutional distance, a significant and opposite impact is observed for these two dimensions of institutional distance. An inference based on an aggregation of these shall have proven to be misleading. Hence, the study cautions against possible aggregation of the cross-country distance measure and points towards the need to acknowledge and analyse the multi-dimensional nature of distance in the future studies. Acquirers and involved stakeholders can make better decisions based on the knowledge of the impacts of these disaggregated dimensions.

8.3 Conclusion

M&A have been dotting the global landscape far and wide with an increasing popularity over the last few decades. Simultaneously it has attracted a lot of media and scholarly attention. Yet, there remains a performance paradox in the extant literature over its growing popularity against the lack of unanimity on its wealth creation capabilities. In tandem with the global trajectory of M&A, the pioneering research evidences on M&A have been focused on developed market. However, the contemporary times have witnessed a heightened role of emerging markets and the research evidences have not been able to match their pace. Based on a thorough review of literature, identifying the gaps, the objectives of the study were framed which broadly aimed at demystifying the M&A performance puzzle.

Focusing on the emerging market M&A performance, the first objective of the study aimed at evaluating and comparing these. Towards this objective M&A acquirer performance across the sample of BRICS countries was examined by utilising a sample of 7,105 deals announced between 2000 and 2019. The results reveal that BRICS acquirers do not experience similar returns around deal announcements. There does exist a significant difference across the pairs of countries. Herein, Chinese acquirers document the highest positive market returns against the lowest by Russian acquirers. Also, signs of insider trading were observed in case of India and South Africa. Further, contributing towards the second objective of the study, the developed market M&A performance was examined and compared with the emerging market results. Seven major developed market contributors to the global M&A deals have been selected, including U.K., Japan, Canada, France, Germany, Spain and Netherlands, aggregating to a total 24,549 analysed deals. The highest zero-day returns are recorded for German deals at 0.96%, closely followed by Canada at 0.90% and the least among the selected nations is recorded at 0.27% for Japan. Developed markets recorded a more consistent pattern of market reaction on deal announcement as against the emerging markets with a statistically significant and positive zero-day returns as well as CAAR across all select event windows. Overall, the developed market acquirers are able to fetch better shareholder returns on deal announcement, indicating towards their higher synergy realisation capabilities. Underlining significant information about the market behaviour, signs of information leakages and insider trading were observed in case of Netherlands, Canada and Germany.

The third objective of the study aimed at gaining comparative insights into the comparative M&A performance based on the target location by individually investigating the domestic and cross-border M&A for each of the selected emerging and

developed nation. Common superiority of either domestic or cross-border deal across all sampled nations could not be established. The results reveal a distinct domestic vs cross-border behavioural pattern for M&A performance for the set of nations. These observed variations do contribute towards explaining the often-reported contradictions on M&A performance studies based on small samples based on single nations or utilising just a sub-set of either domestic or cross-border deals.

Finally, the study provides insights on the relationship between the home-host country distance and M&A performance, elucidating the differences in the relevance of various dimensions of distance. Under the fourth objective, the study has been able to identify distinct but statistically significant impacts of financial, cultural, political and global-connectedness distance on the M&A deal performance. An increase in financial and cultural distance is found to be destructive to shareholder wealth, whereas political and global connectedness distance adds to their wealth. A notable contribution of the study lies in recognising and explaining the distinctive impacts of institutional distance dimensions on the M&A, warranting against any generalisations based on aggregated distance measures.

8.4 Implications

The results of this study are useful to a range of stakeholders including decision makers, both internal and external to the organisation. These may include the decision makers directly involved in the M&A deal, the present and potential shareholders, governmental units and academicians.

Managerial Implications

The announcement of M&A deals does trigger sizeable shareholder wealth effect, ranging from negative to positive abnormal returns around the deal announcement. Prior

knowledge on the potential market reaction can aid decision makers in assessing potential deals and guide deal managers in better devising their strategies. The results suggest that the M&A deals originating from different countries are not perceived similarly by their respective stock markets. On an average there have been significant differences recorded in the market reactions around deal announcement based on the acquirer and target location, including the country of deal origination and it's a domestic or cross-border deal.

Highlighting the threats and opportunities associated with such deals, managers can better work in the direction of their shareholder wealth maximisation and offer opportunities for driving shareholder value. Moreover, the investors can learn from these results about the expected share price movements on M&A announcements and strategize accordingly. The presence of abnormal returns during the days following announcement can present as an opportunity for investors to accumulate gain.

Theoretical Implications

Despite the numerous attempts at examining the long-debated question of M&A performance, it has remained far from being conclusive. While there exist numerous studies in the field of M&A, but these remains scattered suffering from limitations of small sample size, limited time-frames and varied methodologies. These factors render the results of these studies incomparable and do not permit generalisations. The study is an attempt towards contributing towards this direction by investigating the M&A performance for a wide sample of countries (including both emerging and developed nation) and over a long time-frame ranging over a period of two-decade.

Further, traditionally the M&A activities were majorly dominated by the developed markets with the targets largely located within the national borders. In line with this trend, the pioneering studies have also been largely based on the developed markets

focusing on their domestic deals. But the contemporary scenario has witnessed a multi-fold increase in the share of emerging markets in the global M&A numbers. The popularity of cross-border deals has also increased tremendously, with it now being the dominant mode of FDI globally and emerging market acquirers holding a significant share in it. The research evidences have not been able to match up to this M&A deals trajectory. Contributing towards this gap, the study presented comparative evidence on emerging and developed market for providing an in-depth understanding on their performance differences and similarities. The results reveal a positive market reaction to M&A deal announcement across all developed markets. But variations in the market reaction to deal announcement are reported for the emerging markets. The lack of conclusiveness in the extant literature on M&A performance can be attributed to the distinct performance behaviour observed across different countries. The shareholder wealth effects around deal announcement cannot be generalised across all the nations. The diversity in the M&A performance across different nations needs to be acknowledged and be incorporated in theorizations.

Further, the surge in CBMA globally has often spurred debates, if these should be treated at par with the domestic deals while devising national policies (Bertrand and Zitouna, 2008). The study provides empirical support to the theoretical debates on the comparability of domestic and cross-border deals and underlines their distinct behaviours.

Policy Implications

The study examines the market reactions to deal announcement on and around the deal announcement. The reported abnormal returns prior to the day of announcement are often indicative of the information leakages in the market. These results can provide

relevant insights to the regulatory authorities, raising an alert on the possible insider trading practices and help in devising relevant policies for curbing those.

8.5 Areas for Future Research

Following the present study, the future research efforts directed towards the below discussed research directions can contribute relevantly to this area. First, the present study utilises a market-based measure for gauging deal performance. Stock market reaction around deal announcement could only be investigated for the public listed companies due to methodological requirement of data on stock prices. Future studies can add to extant knowledge base by investigating the M&A performance behaviour for private firms by using some alternative methodological approach. Also, further comparative evaluation of market-based measures against the long-term accounting-based measures of performance can provide insightful results.

The study reported distinct behaviour of domestic and cross-border deals among the sample emerging and developing acquirer nations. Hence, the differences in acquirer gains for cross-border deals as against the domestic deals appear country specific and hence any possible limited sample generalisations can be misleading. A further probe in to the cross-border deals, comparing their performance based on the target nation developmental status can provide interesting and relevant insights.

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LIST OF PUBLICATIONS

1. Kukreja, S., Maheshwari, G.C. and Singh, A. (2023), "Interplay of Cross-Country Distance with Cross-Border M&A Performance: An Institutional Perspective", *Review of International Business and Strategy*, Vol. 34 No. 1, available at: https://www.emerald.com/insight/content/doi/10.1108/RIBS-11-2022-0100/full/html.

2. Kukreja, S., Maheshwari, G.C. and Singh, A. (2022), "M&A performance in emerging markets: do they behave in unison or otherwise?", *International Journal of Emerging Markets*, Vol. 19 No. 8, available at: https://www.emerald.com/insight/content/doi/10.1108/IJOEM-12-2021-1827/full/html.

3. Kukreja, S., Maheshwari, G.C. and Singh, A. (2021), "Institutional Distance in Cross-Border M&As: Indian Evidence", *Advances in Manufacturing and Industrial Engineering*, Springer, Singapore, pp. 877–888, available at: https://link.springer.com/chapter/10.1007/978-981-15-8542-5_77.

Interplay of cross-country distance with cross-border M&A performance: an institutional perspective

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Abstract

Purpose – This study aims to examine the impact of home–host country distance on the cross-border mergers and acquisitions performance.

Design/methodology/approach – The results of this study are based on a final sample of 483 completed cross-border deals involving BRICS nation acquirers and targets spread across a set of 27 nations. While controlling for prior experience, among other factors, the impact of nine institutional distance dimensions on deal performance is examined. Cumulative abnormal returns calculated over the select event windows are used as a measure of deal performance.

Findings – The results of this study validate the explanatory power of cross-country distance and exhibit that financial and cultural distance exert a negative influence on deal performance, whereas political and global connectedness distance positively impacts performance. Interestingly, geographic distance is not found to be related to performance outcomes.

Research limitations/implications – The results of this study caution against possible aggregation of the cross-country distance measure and point towards the need to acknowledge and analyse the multi-dimensional nature of distance.

Practical implications – The results of this study are expected to aid managers in devising internationalisation strategies and target selection, maximising their performance and shareholder wealth.

Originality/value – This study contributes to the knowledge of internationalisation and cross-country distance. It presents as one of the first to investigate the impact of institutional distance on deal performance using a substantially large multi-country emerging market data set.

Keywords Cross-border M&A, Institutional distance, Emerging markets, BRICS, Performance

Paper type Research paper

1. Introduction

Cross-border mergers and acquisitions (hereon referred to as CBMAs) has proven to be one of the most preferred modes of international expansion and growth. It offers many advantages over the greenfield mode of foreign direct investment (FDI), like quicker access to foreign resources, albeit not without its own set of challenges. Acquirers are often faced with additional complexities because of the home–host country distance (Ahmed *et al.*, 2022), jeopardising deal performance and synergy realisation. Recent research findings suggest that cross-country distance has a significant impact on the FDI choices and their outcomes including the mode of entry, target selection, acquired ownership structure and deal performance (Chari and Shaikh, 2017; Dikova *et al.*, 2019; Moura *et al.*, 2019). A concept as complex as cross-country distance

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M&A performance in emerging markets: do they behave in unison or otherwise?

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Abstract

Purpose – The study aims to evaluate and compare the mergers and acquisitions (M&As) performance utilising a sample of deals originating from Brazil, Russia, India, China and South Africa (BRICS). In addition to nation-wise performance analysis, a further sub-sample analysis is conducted based on the target location (domestic and cross-border), development status (developed and emerging) and the acquired ownership stakes (majority and minority).

Design/methodology/approach – The final sample of the study includes 7,105 deals announced between 2000 and 2019. M&A performance is proxied by the abnormal returns earned over the select event windows. Multiple parametric and non-parametric tests are employed for testing the robustness.

Findings – The results indicate significant performance differences across BRICS markets, with the highest and lowest abnormal returns reported for Chinese and Russian acquirers, respectively. The disaggregated analysis also affirms the performance differences for the select sub-samples.

Research limitations/implications – The study highlights the need for acknowledging and expounding the differences in M&As across emerging markets. Further, the results of the study provide a possible explanation of the disagreement over the M&A performance results reported in the previous literature.

Practical implications – Acknowledging and understanding the potential performance differences based on location, ownership strategies and development status can aid executives in sharpening decision-making and also help general investors.

Originality/value – The study contributes by examining a comprehensive sample of deals across five major emerging economies, as against the majority of previous studies which have their results based on either single nation samples or have utilised only a sub-sample of domestic or foreign acquisitions.

Keywords BRICS, Emerging markets, Domestic vs cross-border, Target location, Ownership, Performance

Paper type Research paper

1. Introduction

Globalisation and liberalisation combined with the rapid technological advancements have made the firms ever more vulnerable to market competitive forces. As a mode of inorganic growth, mergers and acquisitions (M&As) are used as a preferred strategy for achieving competitive advantage, enhancing accessibility and strategic flexibility. Given the scope and importance of the M&As, this area has received considerable attention in academic work. Yet, unanimity does not exist in the literature about wealth creation for acquirer shareholders, popularly taken as a measure of deal performance. Previous empirical evidences have reported that expected synergies often fail to materialise, with negligible or rather negative average abnormal acquirer returns around the deal announcements (Weber *et al.*, 2011). Yet, the popularity of M&As as a mode of corporate expansion continues to flourish (Alkaraan, 2019), presenting a paradox.

Traditionally dominated by the developed markets, the contemporary figures validate the increasingly prominent role of emerging market firms (EMF) in the global economy (Caiazza and Volpe, 2015; Reddy *et al.*, 2022). Cross-border M&As constitute the majority of the foreign direct investments from emerging market nations. In the previous decade, EMFs have proved

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Institutional Distance in Cross-Border M&As: Indian Evidence

Sakshi Kukreja, Girish Chandra Maheshwari, and Archana Singh

Abstract Cross-border mergers and acquisitions (M&A) are inherently afflicted by additional complexities and "liability of foreignness" on account of the home-host distances, often influencing the strategic decisions involving the deals. Extant studies have often alluded to unidimensional reasons like culture and geographic distance, but have not focused enough on disaggregated multi-dimensional institutional distance approach which may expectedly provide a better understanding of the choices being made in the market for corporate control. This research seeks to investigate the impact of home-host distance on the acquirer's ownership structure choices in an emerging market setting using measures of institutional distance including cultural, geographic, financial, administrative, global connectedness, knowledge, economic, demographic and economic distances. For this purpose, 1542 completed M&A deals involving Indian firms, as target or acquirer, constitute the sample for the study. The results confirm to the fact that (multi-dimensional) home-host country distances causing institutional dynamics are factored in choosing a foreign target.

Keywords Mergers and acquisitions · Cross-border deals · Institutional distance · Ownership structure

1 Introduction

Cross-border mergers and acquisitions bring with it a pack of peculiarities owing to home-host country differences and are conceivably more exposed to challenges vis-à-vis their domestic counterparts. Dealing with cross-border targets requires coordination across home-host differences, over a spectrum of dimensions, including but beyond the traditionally utilised geographic and cultural measures. Unfamiliarity with target environment or the lack of requisite skills to manage those may prove to be hazardous. Concerns over establishing legitimacy also increases with the increase in home-host distances, driving the "liability of foreignness" and hence causing

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Proforma for submission of thesis/dissertation

Student Name	Registration Number	Course and Branch	Title of the dissertation	Name of the Guide
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Above work has been carried out by me under the supervision of **Prof. G. C. Maheshwari and Dr. Archana Singh** and due care has been taken to acknowledge the work of authors referred in the present thesis/dissertation. To the best of my knowledge the work is free from plagiarism as per the approved policy for plagiarism of Delhi Technology University. This may please be forwarded to the library for providing the similarity report from software.

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EDUCATION AND ACADEMIC ACHIEVEMENTS

Course/ Examination	Year	Institution/ University	Percentage/ Grade
Ph.D.	2024	Delhi School of Management, Delhi Technological University	91.85% (Course-Work)
M.Com.	2015-17	Department of Commerce, Delhi School of Economics, University of Delhi	76.65%
B.Com. Hons.	2012-2015	Lakshmibai College, University of Delhi	77.48%
AISSCE (Class XII)	2012	Queen Mary's School, Tis Hazari, Delhi	92.40%
AISCE (Class X)	2010	Queen Mary's School, Tis Hazari, Delhi	9.2 CGPA

CONFERENCES AND PUBLICATIONS

- Kukreja, S., Maheshwari, G.C. and Singh, A. (2023), "Interplay of Cross-Country Distance with Cross-Border M&A Performance: An Institutional Perspective", Review of International Business and Strategy, Vol. 34 No. 1, available at:https://doi.org/https://doi.org/10.1108/RIBS-11-2022-0100.
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- Kukreja S., Maheshwari G.C., Singh A. (2021) Institutional Distance in Cross-Border M&As: Indian Evidence. In: Singari R.M., Mathiyazhagan K., Kumar H. (eds) Advances in Manufacturing and Industrial Engineering. Lecture Notes in Mechanical Engineering. Springer, Singapore. https://doi.org/10.1007/978-981-15-8542-5_77
- Kukreja S., Maheshwari G.C., Singh A. (2019), "Cross-Border Mergers and Acquisitions in India: A case study of Tata- Corus Acquisition", International Conference on Business Management (ICBM-2019), Delhi School of Management, Delhi Technological University, New Delhi.
- Kukreja S., Maheshwari G.C., Singh A. (2018), "Examination of Macro-Economic Variables on Mergers and Acquisitions Deals as a means of Foreign Direct Investment", Third International Conference on Advanced Production and Industrial Engineering, Delhi Technological University, New Delhi.
- Kukreja S., Maheshwari G.C., Singh A. (2018), "Tata-Corus: The Case of Distressed Takeover", International Conference of Advance Research and Innovation, held at Institution of Engineers, Delhi State Center, New Delhi, New Delhi.
- Maheshwari G.C., Kukreja S. (2018), "Demonetization: Short and Long term Implications", XIX Annual International Conference on Managing Digital Revolution: Inventing Future India, jointly organised by Delhi School of Management, Delhi Technological University, Delhi School of Professional Studies and Research and Sri Aurobindo College(E), University of Delhi, Delhi. [Awarded the Prof. P. N. Sing **Second Best Paper Award** in the technical session]
- Kukreja S., Maheshwari G.C. (2017), "Demonetisation: A Gamble or Strategic Move?", Conference Proceedings of Second International Conference on Advanced Production and Industrial Engineering , Delhi Technological University, New Delhi.

TEACHING EXPERIENCE

- Guest Faculty at Delhi School of Management, Delhi Technological University, Delhi. [2024]
- Taught "Fundamentals of Management" to students of various branches of B.Tech. at DTU. [2017-23]
- Taught "Analysis of Financial Statements" as an elective subject offered to students of various branches of B.Tech. at DTU. [2017-2023]

POSITIONS OF RESPONSIBILITY

- Organizing Committee Member at the "International Conference on Business and Management" organized by Delhi School of Management, Delhi Technological University on March 29-30, 2019.
- Organizing Committee Member in TEQIP-III Sponsored Two-Week Faculty Development Programme on "Advances in Research Methods and Teaching Pedagogy" organized by Delhi School of Management, Delhi Technological University, Delhi from June 18-29, 2018
- Volunteer at the 17th Global Conference on "Transforming Organizations through Flexible Systems Management" organized by Delhi School of Management, DTU and Global Institute of Flexible Systems Management held on December 11-13, 2017
- Member of conference team in the 5th Annual International Commerce Conference on "Start-up to Sustainability: Initiatives and Challenges" held on November 4-5, 2016 by Department of Commerce, Delhi School of Economics, University of Delhi.

PROJECT WORK

- Research Innovation Project LBC-201, University of Delhi 2014-2015
  Project Name -"Understanding the potential determinants of obesity among school going adolescents of Delhi"
  Designation: Student member
  Role: - Primary data collection (approx. sample size – 2500 adolescents)
  - Analyzing it from commerce perspective

- Project on "Investment Objectives of the Retail Equity Investors in India", as a part of B.com Hons. Curriculum

EXTRA-CURRICULAR ACTIVITIES AND ACHIEVEMENTS

- Active member of Rotaract Club, Delhi School of Economics
- Member of Events Management Team for college golden jubilee celebrations
- Represented college at Antardhwani (Annual Cultural Fest of Delhi University) for two consecutive years
- Won various Quiz Competitions in school
- Worked with various social welfare organizations at school level.

OTHER INFORMATION

- Successfully completed a 1 year Language course in French from St. Stephen's College, University of Delhi 2015-2016