

Abstract of D.Litt./Doctoral Dissertation

Payment Methods and Shareholders' Gains in Mergers and Acquisitions : An Empirical Investigation into Indian Companies¹

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Abstract

The study observes that the 'payment methods' in Indian M&A is different from developed countries. Indian company's ownership is concentrated among individuals, families and 'governments and individual groups' i.e. high promoter stakes. Going further in this study non-financial companies are chosen to empirically examine the effects of cash, stock and mixed payment deals on shareholders gain during the M&A announcement. The major findings of the study apart from a preference for M&A deals in cash as a positive association between 'high deal value' and 'complete stake acquisition' with preference for 'stock' as 'payment method': a significant association between 'stock performance' and 'cash', 'stock' and 'mixed payment method' deals: investors usually react positively before the acquisition announcements but negatively during the entire window period.

JEL Code : G14, G17, G23, G32, G34

Keywords : Mergers, Acquisitions, M&A, Stakeholders, Shareholder, Investor, India, Corporate, Payment

I. Introduction

MERGERS AND ACQUISITIONS (M&A) are an essential corporate growth strategy to survive in this cut-throat competitive world. This strategy is essentially used for inorganic growth or expansion, diversification and restructuring of corporate sectors. In simple, Merger is the mix of two or more existing companies into one company, whereas acquisition means one company acquires the ownership control of an existing company and

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VI. Implications of the Study

The study has managerial and practical implications for the stock market investors, shareholders, managers as well as regulators. The results of the present study will also solve asymmetric information problem that will help the stock market investors and other stakeholders of the corporates to make short-term profit from stock market trading. This empirical study provides some new insights into the different factors of payment method affecting the Indian deals. Both acquirer and target companies' decision maker are able to select a suitable payment method at diverse corporate situations and improve their investment mechanism by creating more synergy in M&A deals with help of this study. The managers can understand how the payment method could be an investment decision that is interlinked with capital structure. The empirical findings will encourage the researcher to further investigate the causes for negative reaction for the stock deals and understand any new rationale for the use of cash offers. The empirical research will enable a researcher to judge the association between the payment methods in M&A with shareholder's stock returns. The regulators can get an idea about whether wealth is created or destroyed during M&A announcement in case of non-financial firms make M&A deals.

6.1 Limitations and Future Scope of Future Research

Some areas of research which could not be covered in this study due to lack of resources and time could be possibly become the rewarding avenues for future research. Foremost, these study emphases on M&A deals carried out by Indian non-financial companies. Consequently, one must be careful in extending the findings and implications of the work beyond the samples. Future research could be directed towards M&A deals in Asian countries. Second, this study has mostly assessed the impact of three payment methods on M&As, namely, cash method, stock method and mixed method. This denotes a hopeful path for further research on other methods of payment, including the earn-out method and seller financing. Third, the study only examined the short-term impact of announcement of cash, stock and mixed payment method M&A deals. Future research could investigate the long-run stock performance due to various payment methods of M&A and reveal whether there is any substantial variance in short-term and long-run performance of acquiring companies in India. Research can be made by taking more independent variables that reflects the investment characteristics and industry characteristics which impact the payment methods in M&A.

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