Do Acquisitions Create Value for Acquirer Companies in India? An Empirical Study

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Abstract

This paper examined the shareholder wealth effects of acquisition announcements in India using a sample of 349 acquisition announcements made by 219 BSE 500 companies during the period from January 1, 2005 to December 31, 2014. We employed event study methodology to measure shareholder wealth effects of acquirer companies on acquisition announcements. The study found that shareholders of the Indian acquirer companies involved in acquisitions experienced significant abnormal returns of 0.37% on the day of the announcement. We also found negative cumulative average abnormal returns (CAARs) during the longer event window of 61-day, 41-day, and post-event window of 30 days, and positive CAARs during the event window of 31-day, 21-day, 11-day, 5-day, 3-day, pre-event window of 30 days, and the pre-event window of 20 days. However, CAARs were not significant at the 5% level of significance for any of the event windows except for post-event window of 20 days (+1, +20). We observed significant negative CAAR of 1.21% during the post-event window of 20 days (+1, +20). Hence, we concluded that announcement of acquisitions does not create value for the acquirer company shareholders. Moreover, negative significant CAAR during the post-event window of 20 days (+1, +20) suggested that acquisitions reduce wealth significantly during the post-event period.

Keywords : **acquisitions, acquirer companies, CAARs, event study methodology, wealth effects**

JEL Classification : G14, G34, G30

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Mergers and Acquisitions (M&As) are considered as important business strategies that managers employ with the expectation of improving financial performance and gaining competitive advantage. In a merger, two or more companies combine their assets and operations, whereas in an acquisition, the acquirer firm purchases the shares or assets of the target firm, and the control of these assets and operations are transferred to the acquirer firm. M&As help companies to enhance profitability and growth, acquire established brands, expand to a new market, acquire new customers, access new technology, and more importantly, strengthen a company's ability to face competition. The economic liberalization and reforms initiated in 1991 in India triggered corporate restructuring through M&As. The removal of industrial licensing ; lifting of monopoly provisions under the MRTP Act ; easing of foreign investment ; encouraging the import of raw materials, capital goods, and technology increased competition in the Indian industry (Ramakrishnan, 2008). On the backdrop of these changes, Indian companies have been extensively using M&As to reorganize their businesses. In recent years, M&As have gone up manifold across the globe and in India. From a meager five deals in 1990, the number of M&As by Indian companies reached 917 in the year 2015. The Figure 1 shows the number of M&As since 1990s in India.

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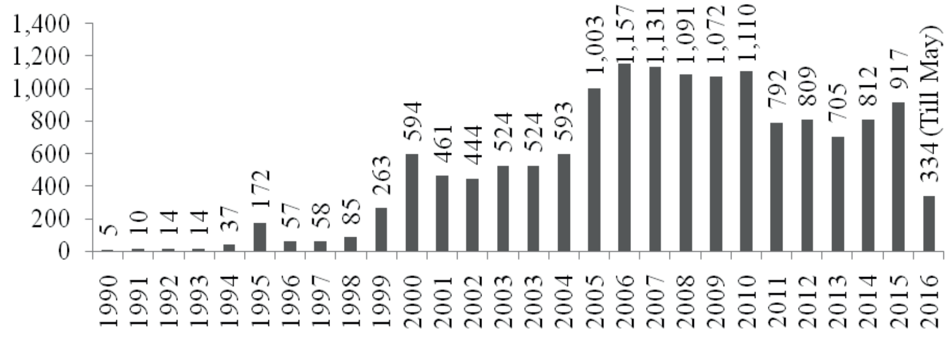
Figure 1. Number of M&As since 1991 in India



Source : Thomson Reuters (2014)

Companies involve in M&As with the expectation of value creation. But whether companies are able to create value for shareholders or not has been a matter of debate. Many researchers have examined the value creation or wealth effects of M&As by analyzing the stock price reaction around M&As announcements, with most of the studies confined to developed countries. Empirical evidence shows that target companies gain substantially from M&As. However, the results are conflicting with respect to wealth effects of announcements of M&As on the acquirer company shareholders. Some studies reported positive wealth effects on acquirer company shareholders around the announcement of M&As. On the other hand, some studies documented significant negative wealth effect for acquirer company shareholders. Even this disappointing evidence has not stopped companies from engaging in M&As. Moreover, the value and number of M&As have been increasing over the years. Therefore, this study examines the impact of acquisition announcements by BSE 500 companies during the 10-year period ranging from 01/01/2005 to 31/12/2014 on acquirer company shareholders' wealth by employing event study methodology.

Literature Review

Corporates and researchers are interested in knowing whether M&As create or destroy value for shareholders of participating companies. Over the years, many researchers have attempted to answer this question by analyzing the stock price performance around the announcement of M&As. With respect to wealth effects of target company shareholders on the announcement of M&As, previous studies consistently reported that target company shareholders gain from the announcement of M&As (Asquith, 1983 ; Borges & Gairifo, 2013; Campa & Hernando, 2004 ; Chakraborty, 2010 ; Datta, Pinches, & Narayanan, 1992 ; Firth, 1980 ; Goergen & Renneboog, 2003 ; Gupta, 2008 ; Jarrel & Paulson,1989 ; Jensen & Ruback,1983 ; Mallikarjunappa & Nayak, 2013 ; Mann & Kohli, 2011 ; Mishra & Goel, 2006 ; Moeller, Schlingemann & Stulz, 2003 ; Ottone & Murgia, 2004 ; Pettway & Yanuda, 1986 ; Raghuvanshi & Raghuvanshi, 2014 ; Soongswang, 2014; Subeniotis, Kroustalis, Tampakoudis, & Poulios, 2011).

However, there is inconclusive evidence with respect to acquirer company shareholder wealth effects. Some studies reported insignificant or small significant positive returns to acquirer company shareholders (Campa & Hernando, 2004 ; Eckbo & Thorburn, 2000 ; Fuller, Netter, & Stegemoller, 2002 ; Goergen & Renneboog, 2003; Jarrell & Poulson, 1989; Martynova & Renneboog, 2006 ; Pettway & Yanuda, 1986 ; Rani, Yadav, & Jain, 2013; Soongswang, 2008). On the other hand, some other studies reported significant negative returns to acquirer company shareholders (Andrade, Mitchell, & Stafford, 2001; Firth, 1980; Gort & Hogarty, 1970; Gregory & O'Donohoe, 2014; Jucunda & Sophia, 2014; Mishra & Goel, 2006 ; Mitchell & Stafford, 2001; Subeniotis, Kroustalis, Tampakoudis, & Poulios, 2011). For Japanese mergers, Pettway and Yanuda (1986) covered the period from 1977 to 1984 and found an insignificant increase in acquiring firm's wealth. Jarrel and Paulson (1989), for a U.S. sample of 770 tender offers announced during the period 1963 to 1986, observed that bidders on an average experienced small but statistically significant wealth increase at the announcement of tender offers.

Fuller, Netter, and Stegemoller (2002) investigated returns to shareholders of U.S firms that made five or more successful bids within three years between the periods from 1990 to 2000 by using a sample of 3135 bids of 539 acquirers. Following the standard event study methodology, they calculated CARs for the five-day event window (-2, +2) around the announcement and reported a significantly positive CAR of 1.77% for all bids. Similarly, Goergen and Renneboog (2003) covered a period of 1993 to 2000 to analyze the short-term wealth effects of large European takeover bids by taking a sample of 187 large M&A deals and found that bidding firms experienced a statistically significant announcement effect of 0.7%. Campa and Hernando (2004) examined the value generated to the shareholders by the announcement of M&As by using a sample of 262 M&As of firms in the European Union over the period from 1998-2000. They found that target shareholders received, on an average, positive and significant cumulative abnormal returnd from the announcement of M&As. On the other hand, acquirers received insignificant abnormal returns. Martynova and Renneboog (2006) investigated the short-term wealth effects of 2,419 European mergers and acquisitions during the period from 1993 to 2001. Using event study methodology, they found announcement effects of 9% for target firms compared to a statistically significant announcement effect of only 0.5% for the bidders.

In the Indian context, Rani, Yadav, and Jain (2013) examined the short run abnormal returns using a sample of 623 mergers and acquisitions that happened during the period from 2003 to 2008 by using event study methodology and found that acquisitions by Indian companies significantly created short-term wealth on the announcement day to the shareholders of the acquiring companies. The results showed that mergers and acquisition activities created 2% CAAR over an event window of 11 days. Mohapatra and Yadav (2014) compared pre-merger operating performance with post- merger operating performance and benefits for shareholders of the acquiring companies at the time of merger announcement by taking a sample of 3 mergers in the aviation sector. They employed both accounting measures of performance and event study. The study found that market reaction is more active before the announcement period than in the post announcement period. The market reported a positive CAR before the merger announcement but gradually, the returns faded out. Recently, Kashiramka and Rao (2014), for a sample of 43 M&A announcements in the Indian information technology and information technology-enabled services sector during the periods 1999 to 2000, found that acquiring firms enjoyed significant wealth gains in the case of acquisition announcements ; whereas, merger announcements generated losses to them.

Contrary to aforementioned studies, Gort and Hogarty (1970) observed that on an average, buyers lose and sellers gain as a result of the merger. Similar to this finding, Firth (1980) found that mergers and takeovers result in benefits to the shareholders of acquired firms' and to the acquiring company managers, but the losses are suffered by the acquirer company shareholders. These findings are based on the analysis of the impact of takeovers on shareholder returns and management benefits by taking bidders in 434 successful and 129 unsuccessful bids in the United Kingdom over the period from 1969 to 1975. Andrade, Mitchell, and Stafford (2001) used event study methodology and analyzed the change in share prices of acquiring and target firms' around the announcement date. They found that for a sample of 3,688 mergers between 1973 and 1998, the share price of the acquiring firms decreased by 0.7%, while the share price of target firms increased significantly by 16% for an event window of 3 days (-1, +1). Subeniotis, Kroustalis, Tampakoudis, and Poulios (2011) examined the wealth effects arising to acquiring and acquired companies' shareholders during 2005 in the U.S stock market using event study methodology. Examination of the 31-day event window (-10, +20) for the acquiring firms showed negative daily abnormal returns for almost all the days except for the announcement day and 3 days after the announcement. In a recent study, Gregory and O'Donohoe (2014) used a sample of 290 U.K acquisitions from

1990 to 2005 and reported that the acquirers incurred losses on the announcement of acquisitions. In the Indian context, Mishra and Goel (2006), and Shukla and Gekara (2012) also reported negative abnormal returns to the acquiring company shareholders during the event window of 41 days.

It is evident from literature that the impact of M&As on shareholder wealth since long has been an area of study for researchers. Whether M&As are wealth creating or wealth reducing events is still a debatable issue. Moreover, in the Indian context, most of the studies are based on accounting measures (Gangadhar & Reddy, 2007; Indhumathi, 2013; Kalra, 2013; Kumar, 2009; Leepsa & Mishra, 2013; Mantravadi & Reddy, 2007; Pawaskar, 2001; Rajib & Kumar, 2007; Ramakrishnan, 2008; Sil, 2015; Singh & Mogla, 2008). Evidence regarding value creation in M&As using stock price data is relatively limited (Gubbi, Aulakh, Ray, Sarkar, & Chittoor, 2009 ; Gupta, 2008; Kashiramka & Rao, 2014; Mallikarjunappa & Nayak, 2013; Mann & Kohli, 2011; Mishra & Goel, 2006; Rani, Yadav & Jain, 2013). In this context, we examine whether acquisitions create value for acquirer companies in India or not with more recent data.

To achieve the objective of the study, the following null hypothesis has been formulated :

➪ **H_0:** Short-run abnormal stock returns to acquirer company shareholders are not significantly different from zero or $CAAR = 0$.

Data and Methodology

To examine the impact of acquisition on the wealth of the acquirer companies' shareholders, acquisitions announced by BSE 500 companies during the period from 1st January 2005 to 31st December 2014 were considered. Information regarding date of announcement of acquisitions to the market or stock exchange is obtained from Prowess database maintained by Centre for Monitoring Indian Economy (CMIE). There were 895 acquisition announcements by 281 companies of BSE 500 during the study period. We used certain filters to arrive at the sample for the study. First of all, announcements for which date of first media announcement or stock exchange announcement is not available are eliminated. We then exclude the acquisitions in the financial sector from the sample due to the different nature of assets and liabilities of financial firms and different financial reporting of these companies (Narayanan & Thenmozhi, 2014; Rani, Yadav & Jain, 2013; Santos, Errunza & Miller, 2008).We also eliminated acquisitions that are followed within two years of an earlier one to measure the effect of each announcement properly. Finally, announcements for which enough share price data is not available for conducting event study methodology have also been excluded. These filters resulted in the final sample of 349 acquisitions by 219 companies. The Table 1 shows how we arrived at the final sample for the study.

Table 1. Sample Selection Procedure

Total acquisition announcements by BSE 500 companies during the period 01/01/2005 to 31/12/2014	**895**
Less:	
• Date of first media announcement or stock exchange announcement not available in Prowess.	81
• Acquisitions by financial sector companies.	142
• Acquisitions that followed within 2 years of an earlier one.	292
• Non-availability of share price data.	31
Final Sample (895-546)	**349**

This study required historical stock prices of selected companies and BSE 500 index closing prices for conducting event study methodology. Daily adjusted closing prices of the selected companies and BSE 500 index closing prices are obtained from Prowess database.

We used the event study methodology to examine the impact of acquisition announcements on shareholder wealth. Impact of a specific unanticipated event related to a company on the wealth of its shareholders is examined with the help of event study methodology (Brown & Warner, 1985; MacKinlay, 1997). Event study methodology involves computation of abnormal returns *(ARs)*, average abnormal returns *(AARs)*, cumulative average abnormal returns *(CAARs)*, and testing the significance of *AARs* and *CAARs*. The event day ($t = 0$) is defined as the day on which news about the acquisition is first announced to the market or stock exchange, whichever occurs first as provided by Prowess. If the announcement day is a trading holiday, next trading day is considered as the event day. Daily abnormal returns for each company are calculated over a broader event window of 61-day (-30, +30), that is, from 30 days before the announcement till 30 days after the announcement. Further various sub-event windows, 41-day (-20, +20), 31-day (-15, +15), 21-day (-10, +10), 11-day (-5, +5), 5-day (-2, +2), 3-day (-1, +1), pre-event window of 20-day (- 20, -1), pre-event window of 30-day (- 30, -1), post-event window of 20-day (+1, +20), post-event window of 30-day (+1, +30) were also used in this study to capture the effect of acquisition announcement properly.

Abnormal returns on day *'t'* are the excess of the actual returns on day *'t'* over the normal or expected returns on that day. The abnormal returns *(AR)* for a particular day are computed using equation 1 :

$$AR_{it} = R_{it} - E(R_{it}) \tag{1}$$

where, R_{it} represents the actual returns of security *'i'* on day *'t'* and $E(R_{it})$ are the expected or normal returns. The expected or normal returns for a particular day *'t'* are computed using market model as given in equation 2 :

$$E(R_{it}) = \alpha_i + \beta_i R_{mt} \tag{2}$$

where, α_i represents the normal returns of the security *'i'* when R_{mt} is 0, β_i measures the sensitivity of company returns (R_{it}) to the market returns. R_{mt} denotes the market returns. In this study, the BSE 500 index is used as the market proxy. An estimation period of 250 (-280 to -31) days, that is, 31 days before the acquisition announcement till 280 days before the acquisition announcement was used to compute the parameters (α and β) of the market model. The Figure 2 shows the timeline of the event used in this study.

Figure 2. Timeline of the Event Study Methodology

Daily abnormal returns *(ARs)* are averaged over the number of announcements for each day *'t'* to compute *AARs* and are calculated using equation 3 :

$$AAR_t = \frac{\Sigma^{N}_{i=1} Ar_{it}}{N} \tag{3}$$

where, AAR_t are the daily average abnormal returns on day *'t'*. AR_{it} denotes abnormal returns of the security *'i'* on day *'t'*. N denotes the total number of announcements used in this study. Then we compute cumulative average abnormal returns *(CAARs)* by summing *AARs* over the broad event window of 61 days and various sub-event windows as given in equation 4.

$$CAAR = \Sigma^{T}_{t=1} \ AAR_t \quad (4)$$

CAARs show the total effect of the event across the securities over the event window.

➯ **Statistical Significance of *AARs* and *CAARs* :** In order to comment on whether *AARs* and *CAARs* are statistically different from zero, we need to test the significance of *AARs* of each day in the event window and *CAAR* using the required confidence level. We follow parametric test proposed by Brown and Warner (1985) and used by various studies such as Mallikarjunappa and Nayak (2013); Mann and Kohli (2011) ; and Rani, Yadav, and Jain (2013). Statistical significance of *AARs* on each day is tested using equation 5.

$$t_{AAR} = \frac{AAR_t}{(\sigma AAR_t)} \quad (5)$$

where,

AAR_t = Average abnormal returns on day 't' in the event window,
σAAR_t = Standard deviation of AAR_t during the estimation period.

$$\sigma AAR_t = \sqrt{\frac{\Sigma^{T}_{t=1} (AAR_t - \overline{AAR})^2}{(N-1)}} \quad (6)$$

In equation 6,

$\overline{AAR}$ = Mean of *AARs* in the estimation period for 250 days, that is, 31 days before the acquisition announcement till 280 days before the acquisition announcement. It is calculated using equation 7.

$$\overline{AAR} = \frac{\Sigma^{T}_{t=1} AAR_t}{N} \qquad t = \text{-280 to -31 days} \quad (7)$$

N = Total number of days in the estimation period.
T = Number of days in the estimation period, which is equal to 250 days in our model, that is, -280 to -31 days from the date of announcement of acquisition.

To comment on the significance of *CAARs*, the following test statistics was used :

$$t_{CAAR} = \frac{CAAR}{(\sigma AAR_t * \sqrt{T})} \quad (8)$$

In equation 8, 'T' is the number of days over which *AARs* are cumulated. σAAR_t is the standard deviation of *AAR* over the estimation period (-280 to -31).

Results and Discussion

In this section, we discuss the empirical evidence on impact of acquisition announcements on the acquirer company shareholders' wealth. Average abnormal returns *(AARs)* along with *t* value on each day of the 61-day event window are presented in the Table 2. The results show that acquirer company shareholders earn average abnormal returns of 0.37% on the day of the announcement (t = 0), which is significant at the 1% and 5% level of significance.

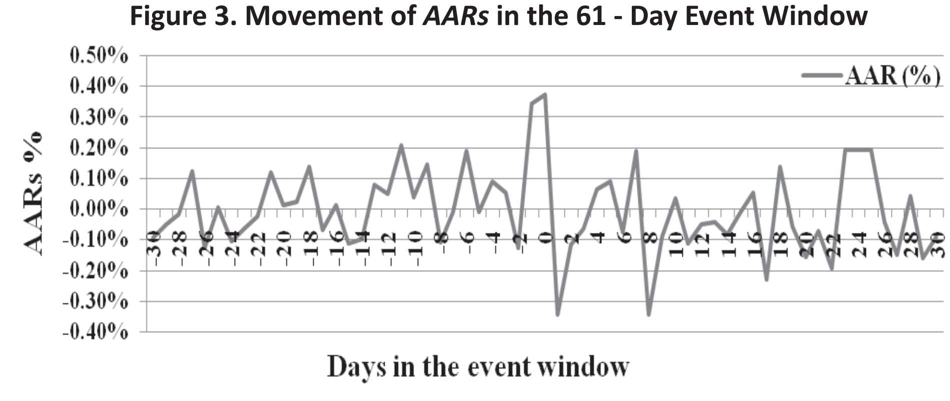
The results show that the *AARs* are positive for 27 days in the 61-day event window, but are significant only for two days, that is, on the day of the announcement (t = 0) and one day before the day of the announcement. Significant abnormal returns on one day before the announcement indicates market anticipated acquisition

Table 2. *AARs* over a 61- Day Event Window

Day	AAR %	*t* - values	Day	AAR %	*t* - values	Day	AAR %	*t* - values
-30	-0.09%	-0.723	-9	0.14%	1.125	+12	-0.05%	-0.390
-29	-0.05%	-0.384	-8	-0.11%	-0.827	+13	-0.04%	-0.328
-28	-0.02%	-0.136	-7	-0.01%	-0.082	+14	-0.08%	-0.639
-27	0.12%	0.962	-6	0.19%	1.462	+15	-0.01%	-0.067
-26	-0.13%	-0.989	-5	-0.01%	-0.074	+16	0.05%	0.399
-25	0.00%	0.033	-4	0.09%	0.710	+17	-0.23%	-1.780
-24	-0.10%	-0.800	-3	0.05%	0.422	+18	0.14%	1.056
-23	-0.06%	-0.486	-2	-0.13%	-0.982	+19	-0.06%	-0.431
-22	-0.03%	-0.197	**-1**	**0.34%**	**2.674****	+20	-0.16%	-1.213
-21	0.12%	0.914	**0**	**0.37%**	**2.891****	+21	-0.07%	-0.542
-20	0.01%	0.114	**+1**	**-0.34%**	**-2.664****	+22	-0.19%	-1.485
-19	0.03%	0.196	+2	-0.12%	-0.898	+23	0.19%	1.492
-18	0.14%	1.060	+3	-0.06%	-0.505	+24	0.19%	1.503
-17	-0.07%	-0.534	+4	0.06%	0.494	+25	0.19%	1.499
-16	0.01%	0.108	+5	0.09%	0.687	+26	-0.04%	-0.315
-15	-0.11%	-0.880	+6	-0.08%	-0.598	+27	-0.15%	-1.160
-14	-0.10%	-0.746	+7	0.19%	1.453	+28	0.04%	0.340
-13	0.08%	0.615	**+8**	**-0.34%**	**-2.654****	+29	-0.16%	-1.247
-12	0.05%	0.381	+9	-0.09%	-0.688	+30	-0.09%	-0.686
-11	0.21%	1.615	+10	0.03%	0.263			
-10	0.04%	0.310	+11	-0.11%	-0.867			

Notes: * and ** indicate significance at the 5% and 1% level of significance, respectively.

Figure 3. Movement of *AARs* in the 61 - Day Event Window



announcement. *AARs* are negative for 34 days in the 61-day event window, but are significant only for two days. *AARs* are negative and significant on one day after the announcement and on eight days after the announcement. The Figure 3 shows the movement of *AARs* in the 61-day event window.

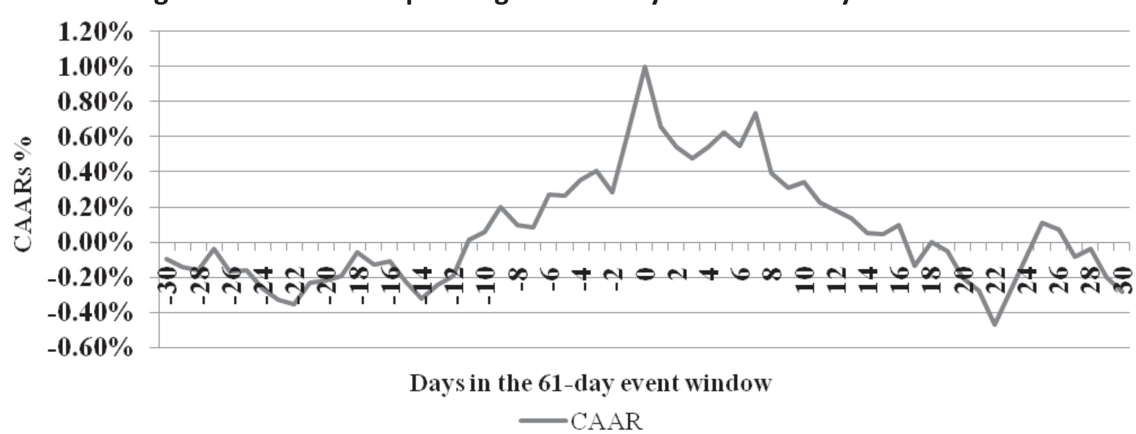
The total effect of acquisition announcements across the companies over the event window are measured by observing the statistical significance of *CAARs*. We used a broader event window of 61 days and various sub-

Table 3. Cumulative Average Abnormal Returns *(CAARs)* for Acquisition Announcements Across Various Event Windows

Event windows	*CAAR* %	*t* - value
61- day (-30, +30)	-0.29%	-0.28368
41- day (-20, +20)	-0.21%	-0.25681
31- day (-15, +15)	0.16%	0.218482
21- day (-10, +10)	0.32%	0.550042
11-day (-5, +5)	0.35%	0.831169
5- day (-2, +2)	0.13%	0.457142
3- day (-1, +1)	0.37%	1.675107
Pre-event window of 20 days (-20,-1)	0.86%	1.491019
Pre-event window of 30 days (-30,-1)	0.63%	0.88787
Post-event window of 20 days (+1, +20)	-1.21%	-2.09477*
Post-event window of 30 days (+1, +30)	-1.28%	-1.82029

Notes: * indicates significance at the 5% level of significance

Figure 4. *CAAR* Corresponding to Each Day of the 61 - Day Event Window



event windows, such as 41-day (-20, +20), 31-day (-15, +15), 21-day (-10, +10), 11-day (-5, +5), 5-day (-2, +2), 3-day (-1, +1), pre event-window of 20-day (- 20, -1), and post-event window of 20-day (+1, +20). *CAARs* during different event windows along with its *t* - value are presented in the Table 3.

As we can see from the Table 3, *CAARs* for broader event window of 61-day and 41-day event window are negative at 0.29% and 0.21%, respectively. But they are not significant. It means that the acquisition announcement has not resulted in the value creation for acquirer company shareholders. Further, *CAARs* for various small event windows of 31-day, 21-day, 11-day, 5-day, 3-day, and the pre-event window of 20 days are positive, but are not significant. It is also observed that post-event window of 20 days (+1, +20) shows negative *CAAR* of 1.21% (*t*-value of -2.09), which is significant at the 5% level of significance. This significant negative *CAAR* during the post-event window of 20-days (+1, +20) suggests that acquisition announcements result in significant wealth destruction during the post-event period. This finding of significant wealth destruction during the post-event window is consistent with the findings of Rani et al. (2012). They also reported that acquisition reduces wealth significantly during the post-event of 19 days (+2, +20). It is apparent from the Figure 4 that

CAARs came down drastically after the announcement of the acquisition. Since *CAARs* computed for broader event window of 61-day and various alternative event windows are not statistically significant, we fail to reject the null hypothesis that the short-run abnormal stock returns to the acquirer company shareholders are not significantly different from zero. Hence, we conclude that announcements of acquisition do not create value for the acquirer company shareholders. Moreover, negative significant *CAAR* during the post-event window of 20 days (+1, +20) suggests that acquisitions reduce wealth significantly during the post-event period.

Conclusion and Implications

This study examines the shareholder wealth effects of BSE 500 companies involved in acquisitions during the period from 1st January 2005 through 31st December 2014. Using different criteria, a sample of 349 acquisition announcements by 219 companies were identified for the study. We used standard event study methodology to measure the shareholder wealth effects of acquirer companies on acquisition announcements. The study finds that shareholders of the acquirer Indian companies involved in acquisitions experience significant abnormal returns of 0.37% on the day of the announcement. We also find negative *CAARs* during the longer event window of 61-day and 41-day, and positive *CAARs* during the event window of 31-day, 21-day, 11-day, 5-day, 3-day, and the pre-event window of 20 days. However, *CAARs* are not significant during any of the event windows except for post-event window of 20 days (+1, +20). We observe significant negative *CAAR* of 1.21% (with *t* value of -2.09) during the post-event window of 20 days (+1, +20). Hence, we conclude that the announcement of acquisitions does not create value for the acquirer company shareholders. Moreover, negative significant *CAAR* during the post-event window of 20 days (+1, +20) suggests that acquisitions reduce wealth significantly during the post-event period.

This study contributes to the existing literature on acquirer company shareholder wealth effects of M&As. Based on our sample of 349 acquisition announcements by BSE 500 companies, we argue that M&As do not create value for acquirer company shareholders. There is a significant positive return on the day of the announcement, but it fades away in the post-acquisition period. The finding of this study is in line with the findings of Andrade, Mitchell, and Stafford (2001) ; Mishra and Goel (2006) ; Subeniotis, Kroustalis, Tampakoudis, and Poulios (2011) ; Jucunda and Sophia (2014) ; and Gregory and O' Donohoe (2014). The findings have certain implications for managers who make acquisition decisions. Since the results show that there is significant value destruction for acquirers during the post event period, proper diligence is required while making acquisition decisions.

Limitations of the Study and Scope for Further Research

The scope of this study is limited to acquisition announcements. This study has not considered any merger announcements. Further studies can be undertaken to compare the short-term performance of acquirers in the acquisition with performance of acquirers in the merger. This study deals with only the short-term performance of acquirers by analyzing abnormal returns around the day of the announcement. Abnormal returns around the day of the announcement reflect the present value of future benefits expected from the deal. In the long-term, the stock price performance may be different. Hence, further studies can be undertaken to analyze the long-term stock price performance of acquirers involved in M&As.

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