

Impact of Mergers and Acquisitions on the Indian Economy: A Comparative Study of Challenges and Opportunities

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ABSTRACT

Purpose: *Mergers and Acquisitions are the emerging trends of long-run business survival that strengthen market share and bring the weaker section into the mainstream. This research initiative focuses on analysing emerging economy like India along with a comparative study of challenges and opportunities for the corporate world. The principal objective of the present study is to identify the strategic decisions that strengthen business performance and experience a great impact on the Indian Economy.* **Methodology:** *The research study describes the brightest part of the Merger and Acquisition decision along with the probable challenges. The researchers collected data from original sources with the personal interaction and secondary sources of data were considered for understanding the financial status of corporate sectors after mergers and acquisitions. The researchers were classified the data and analysed with the help of suitable tools.* **Findings:** *Strategic plan for merger & acquisition is the smart decision, especially for the sick units which are recovered from challenges and safeguard the existing employees and their future survival. The results of the research initiative addressed the emerging benefits of collaboration decisions that strengthen brand loyalty and business reputation in the corporate world for long-run survival.* **Implications:** *The researchers interconnect research outcomes with the future research initiatives in the area of sector-wise merger and acquisitions, trends and directions of merger and acquisitions, potential corporate support and infrastructure required for merger and acquisitions that will bring the Indian Economy to the Global Leadership Position.* **Originality:** *The present study was carried out with original idea and sources of data collection and analysis.*

Keywords: *Merger, Acquisition, Economic Development, Global Leadership, Market Share.*

INTRODUCTION:

Modern business environment is the witness of perfect competition, continuous improvement and response to consumer preferences that turn into challenges for corporate world to survive for long time. Strategic decisions like merger & acquisition facilitates for the collaboration of diverse talents and their creativity in competitive business operations. Merger is the collaboration exercise wherein two companies decide for continuing business operations with single identity. This is the legal incorporation and identity are combined together to form a new company with a new name which includes the product, customers, employees, shareholders, assets, and liabilities of both the companies. The present research study was concentrated on smart business operations with efficient and realistic collaboration. The success stories of merger & acquisition encourage the existing and future organizations in India. In the same time, the failure of merger & acquisitions stimulates to the effective business execution for long run survival.

This research study compares the opportunities and challenges faced by companies that have undergone mergers and acquisitions. This comparative study gives an insight into both the faces of a coin which will help future companies overcome the challenges and also to make better use of business opportunities.

Companies undergoing mergers or acquisitions will get a door open to opportunities. These opportunities aid the companies' overall growth. A few of the many opportunities are listed below:

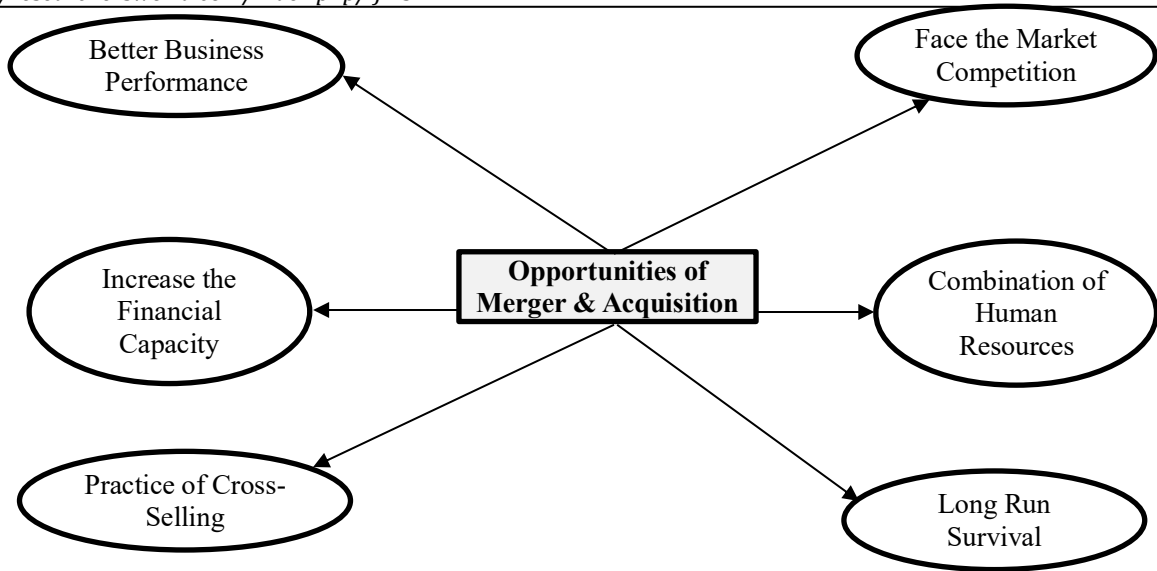


Fig. 1: Shows the Opportunities of Merger & Acquisition in India

Though there are a lot of opportunities that come along the way there are a lot of challenges too, the companies face which are as follows:

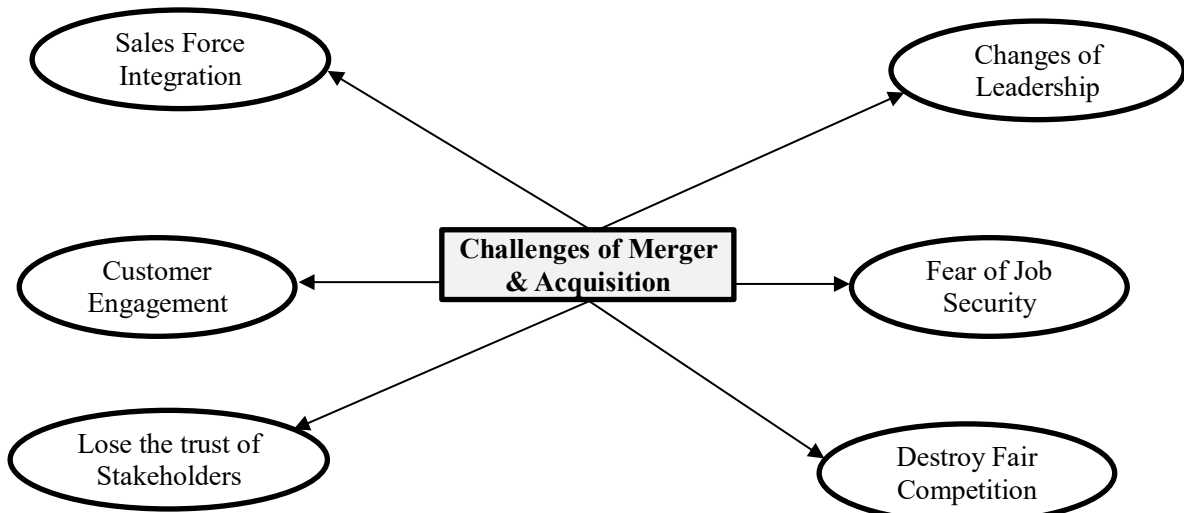


Fig. 2: Shows the Challenges of Merger & Acquisition in India

Merged and acquired companies go through a series of challenges and also by overcoming them and also using the opportunities created by creating a positive impact on the Indian economy.

REVIEW OF LITERATURE:

Natika P. (2016) describes in the research article that A study of post-merger ratio shows that only one company viz. Colgate-Palmolive has shown improvement in all the selected ratios. WeihongZhanga, and KechengWangaL (2018) designates in the article of success story of merger & acquisitions in healthcare industry. Various business operations are running business with the financial, skilled human resources and smart strategies that leads to operational effectiveness and economic growth. Okpanachi Joshua (2011) analyzes in their research article that M & A amongst Nigerian banks showed an enhanced financial performance that leads to improve financial efficiency. The decision of merger & acquisition strengthen the business performance and build goodwill in the corporate world. Prateek Pathak (2014) designates in the article that Investors in the stock market have to keep in mind the M & A process while they are investing in the companies doing M & A. The trend shows upward movement in the deals of M&A in India. Ms. Monika (2014) analyses in the article that M & A has helped as a tool of export competitiveness in India. Dr.Smita Meena, Dr.Pushpender Kumar (2014)- describes in their article that A study on the M & A amongst

Indian banks show that there is no greater change in profitability ratio. Momodou Sailou Jallow, Abdul Basit, Massirah Masazing (2017)- defines in the article that A study of Mergers and acquisition in UK shows a significant impact on ROA, ROE, EPS and NPM.

METHODOLOGY:**STATEMENT OF PROBLEMS:**

In the competitive world, many organizations are focusing on maximizing profit and on the lookout for the next best deal for their company without calculating the risks and anticipating the challenges. The previous research related to challenges that the companies faced, factors that influenced the merger and acquisition decision were not clearly specified. The comparison between the opportunities of the companies with reference to merger can be successfully solved over time.

RESEARCH OBJECTIVES:

- To identify the factors that influence merger and acquisition decisions.
- To find out the major challenges of merger and acquisitions in India.
- To identify the opportunities of mergers and acquisitions for Indian organizations.
- To analyse the impact of mergers and acquisitions on the Indian Economy.

HYPOTHESES FORMULATION:

The Hypothesis formulation can be summarized as follows:

Null Hypothesis: H_0 : There is no significant level of difficulties to measure the impact of mergers and acquisitions on the Indian Economy.

Alternative Hypothesis: H_1 : There is a significant level of difficulties to measure the impact of mergers and acquisitions on the Indian Economy.

LIMITATIONS OF THE STUDY:

This research study was subjected to certain limitations within which our finding has been interpreted carefully. First of all, the sample size chosen is small due to the limited number of companies covered and time constraints. The research outcomes were depended on the first impression of the selected respondents.

RESEARCH METHODOLOGY:

The research study instigated the identifying past experiences of mergers and acquisitions in India. The trends of an increasing number of mergers and acquisitions encouraged the researchers for understanding future trends and opportunities the same. At first, the existing relevant research articles were analyzed and the research gap was formulated that helped to identify the research questions finally the objectives of the present study were confirmed. The researchers decided to collect data from original sources including the decision-makers, employees, and experts in the respective sectors. The questionnaire was designed and distributed among the respondents. A Snowball sampling technique was implemented for selecting the respondents and collecting the responses. The collected data were filtered and classified as per the requirements of data analysis using statistical tools.

FINDING AND DISCUSSION:**Data Analysis and Interpretation:**

Researchers implemented the statistical tools like Frequency Distribution, Multi Regression Analysis, t-test, and ANOVA test. The summary of the analysis is given below:

Analysis of the factors that influence merger and acquisition decisions:

The responses from the primary sources described the factors that influence merger and acquisition decisions and the results are given below:

Table 1: The factors that influence merger and acquisition decisions

Sl. No.	Influencing Factors	Frequency of Occurrence in Percentage
1	Operational Efficiency	23
2	Brand Identity	18
3	Market Share	15
4	Economies of Scale	12
5	Distribution Capacity	11
6	Diversification Strategy	8
7	Capitalize on Synergies	7
8	Entry into Global Market	6

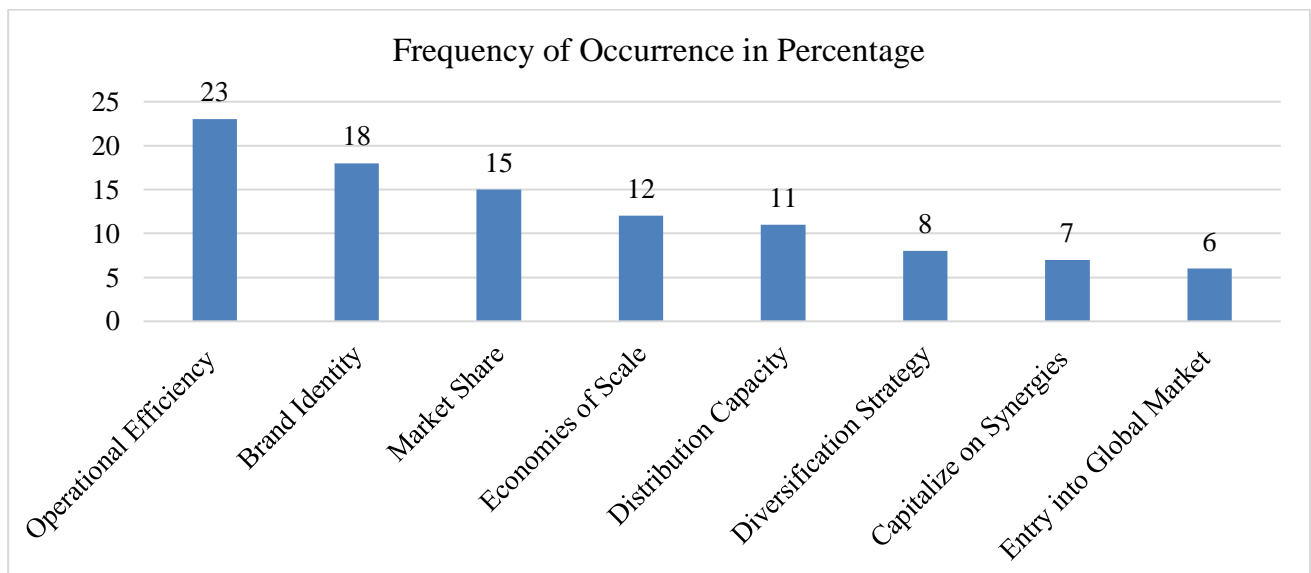


Fig. 3: Shows the factors that influence merger and acquisition decisions

Analyze the multiple regression analysis of opportunities of M & A and its impact factors.

The responses from the primary sources described the impact of merger and acquisition decisions on Indian Economy and the results are given below:

Table 2: Multiple regression analysis of opportunities of M & A and its impact factors

Multiple Regression Analysis						
Impact Factors	Coeff	Std Error	Std Coeff	Tolerance	t	P
Constant	4.967	1.540	0.000	-	3.226	0.237
Operational Efficiency	0.012	0.052	0.024	0.356	5.239	0.000
Brand Identity	0.291	0.072	0.315	0.591	4.022	0.000
Market Share	0.118	0.105	0.126	0.286	3.115	0.000
Economies of Scale	0.320	0.189	0.027	0.342	5.218	0.000
Distribution Capacity	0.278	0.287	0.081	0.443	2.895	0.000
Diversification Strategy	0.075	0.055	0.120	0.682	1.367	0.000
Capitalize on Synergies	0.377	0.074	0.383	0.643	5.102	0.000
Entry into Global Market	0.042	0.078	0.039	0.693	3.543	0.000
Significant at 0.05 level						
Source	Sum-of-Squares	Df	Mean-Square	F-ratio	P	
Regression	62.694	8	7.837	10.594**	0.000	
Residual	141.286	191	0.740			

Interpretation:

The calculated p-value is 0.000 which is less than 0.05 at the 5% level of significance that directs the rejection of Null Hypothesis.

Analyze the impact of mergers and acquisitions on the Indian Economy with considering the major challenges.

The responses from the primary sources described the impact of merger and acquisition decisions on Indian Economy and the results are given bellow:

Table 3: Multiple regression analysis of challenges of M & A and its impact factors

Multiple Regression Analysis						
Impact Factors	Coeff	Std Error	Std Coeff	Tolerance	t	P
Constant	2.567	1.030	0.000	-	2.126	0.346
Operational Efficiency	0.032	0.234	0.022	0.087	1.678	0.000
Brand Identity	-0.319	0.081	-0.972	0.069	3.958	0.000
Market Share	0.039	0.334	0.027	0.067	4.558	0.000
Economies of Scale	-1.315	0.228	-1.617	0.053	5.780	0.000
Distribution Capacity	0.044	0.201	0.028	0.091	0.750	0.000
Diversification Strategy	-0.535	0.107	-0.788	0.166	4.985	0.000
Capitalize on Synergies	0.098	0.134	0.082	0.045	2.430	0.000
Entry into Global Market	0.025	0.115	0.024	0.324	1.215	0.000
Significant at 0.05 level						
Source	Sum-of-Squares	Df	Mean-Square	F-ratio	P	
Regression	24.479	4	6.120	11.620	0.000	
Residual	102.701	195	0.527			

Interpretation:

The calculated p-value is 0.000 which is less than 0.05 at the 5% level of significance that directs the rejection of Null Hypothesis. The t-test results show the positive impacts of independent variables on few dependent variables but negative impacts on Brand Identity, Economies of Scale and diversification Strategy that indicates the challenges cannot have more impacts on Indian Economy.

MAJOR FINDINGS:

- (i) Most important factors that influence merger and acquisition decisions are Economies of Scale, Operational Efficiency, Brand Identity, Market Share, Distribution Capacity, Diversification Strategy, Capitalize on Synergies, and Entry into Global Market.
- (ii) The expert opinion was considered for identifying the opportunities of merger and acquisition decisions in India. The opportunities are Better Business Performance, Face the Market Competition, Increase the Financial Capacity, Practice of Cross-Selling, Combination of Human Resources, and Long Run Survival.
- (iii) The major challenges of merger and acquisitions in India are Sales Force Integration, Customer Engagement, Lose the trust of Stakeholders, Changes of Leadership, Fear of Job Security, and Destroy Fair Competition.
- (iv) The calculated p-value is 0.000 which is less than 0.05 at the 5% level of significance that directs the rejection of Null Hypothesis. The t-test results show the positive impacts of independent variables on dependent variables.
- (v) The calculated p-value is 0.000 which is less than 0.05 at the 5% level of significance that directs the rejection of Null Hypothesis. The t-test results show the positive impacts of independent variables on few dependent variables but negative impacts on Brand Identity, Economies of Scale and diversification Strategy that indicates the challenges cannot have more impacts on Indian Economy.

SUGGESTIONS:

Merger and acquisitions are the progressive and optimistic corporate decisions that build confidence among the business organizations. Based on the expert opinion and the researchers’ observation on situation after merger

and acquisition, the following suggestions can be listed:

- (i) The corporate sectors should disclose the information among the stakeholders that can reduce the fear factors among the employees and investors.
- (ii) The strategic decisions should be futuristic that creates more employment opportunities in India.
- (iii) The positive impact of merger and acquisitions need to be addressed and encourage the Indian Youth for entrepreneurial initiatives.
- (iv) State and Central Government and public sectors can play important role that initiate more on PPP Model for Merger and Acquisition decisions.

CONCLUSION:

Mergers and acquisitions take place more often while opening doors to numerous opportunities. The companies also face various challenges which are overcome leading to a majority of successful post-merger acquisitions. As evident from the results of the data analyzed and interpreted these mergers and acquisitions along with mutually benefitting the companies by contributing to their growth, also benefit the country's economy by having a positive impact thereby strengthening and contributing to the Indian economy. Last but not least the factors play a vital role in influencing merger and acquisition decisions.

AUTHOR CONTRIBUTION:

All the authors contributed equally to this study and write the manuscript. All authors read and approved the final manuscript.

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CONFLICT OF INTEREST:

This is to bring to your kind consideration that this research work has no conflicts of interest.

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