

**CROSS-BORDER ACQUISITIONS BY EMERGING COUNTRIES  
MULTINATIONALS: SHORT-TERM ABNORMAL RETURNS**

**by**

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**Ali FARHAN CHAUDHRY**

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Ali Farhan Chaudhry,  
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**ABSTRACT**

The current study investigates short-term abnormal returns of emerging countries multinationals acquirers on cross-border acquisitions in other emerging and developed countries. For this objective, the current study employs market return model approach and then uses the event study to estimate short-term abnormal returns of the emerging countries acquirers and used daily data for the period of January 01, 2010 to March 31, 2018. Statistical results lead to conclude that shareholders of the emerging countries acquirers earn short-term positive and statistically significant abnormal returns on cross-border acquisitions in other emerging countries. Similarly, results conclude that shareholders of the acquiring firms of the emerging countries earn short-term positive and statistically significant returns on cross-border acquisitions in developed countries. These return patterns of the emerging countries multinational companies (EMNCs) on cross-border acquisitions in developing and developed countries are not like abnormal short-term abnormal return patterns of the developed countries multinational companies (MNCs) on cross-border acquisitions.

The current study also concludes that factors such as political stability has inverse, legal framework inverse though insignificant, size of emerging countries acquirers direct, leverage negative, and ownership no impact on short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in other emerging countries. Moreover, concludes that factors such as political stability, legal framework, and size of emerging countries acquirers have inverse, leverage direct, ownership has no effect on short-term

abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in developed countries.

The implications of the current study are of great importance both for the acquirers and investors of the emerging countries. Therefore, investors can insight short-term abnormal return patterns on the announcement of cross-border acquisitions by the EMNCs in other emerging and developed countries. Further, implications of the current study can help to anticipate response of the market participants on the news of cross-border acquisitions by the EMNCs in developing and developed countries. Henceforth, keeping in view the short-term positive abnormal pattern of the acquirers of the emerging countries multinationals on cross-border acquisitions, smart investment decisions can be made to achieve synergies, efficiencies, access on skilled labor, access on low cost capital, higher sales, and access on technology that will ultimately increase the wealth of the shareholders.

Limitations of the current study are to cross-border acquisitions of the emerging countries multinationals in developing and developed countries, but more research work can be undertaken to investigate the impact of industry-wise cross-border acquisitions. Also, current study is limited to examine the cross-border acquisitions of the emerging countries multinationals of the public companies in other developing and developed countries, however more empirical research can be undertaken to examine the effects of cross-border acquisitions in private sectors. More empirical research can be undertaken by adding the impact of cross-border mergers by the emerging countries multinationals on short-term abnormal returns in developing and developed countries. Similarly, research work can be undertaken to examine the long run impact of the cross-border mergers and acquisitions by the emerging countries multinationals on the efficiencies and profitability.

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I would also like to acknowledge the supervision and wisdom of Professor Hong Yu who helped and facilitated my research in a quick and professional manner. I am also grateful to Professor Dr. Deb Fels who laid down the foundation for this empirical research especially when I prepared “Concept Map” under her supervision. At the end, once again, I would like to acknowledge Professor Ayse Yuce who is the key motivating force and supporting pillar based on knowledge and experience that in turn established my understanding to the topic that helped me to accomplish this study. Thank you, Professor!

## **DEDICATION**

Dedicated to my wife Ghazala Ali and children Hassaan Ali Chaudhry,  
Khizar Ali Chaudhry, and Nimra Ali Chaudhry.

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# **CHAPTER 1**

## **INTRODUCTION**

Mergers and acquisitions (M&A) rapidly increased (Moeller & Schlingemann, 2005) to achieve economies of scale, capture more market share, search for fine technological realignments, promising business expansion (Grover & Vaswani, 2000), substantial synergies, proficient managerial skills, and search for big capital (Rhéaume & Bhabra, 2008). Meanwhile, M&A by large firms and multinational companies of the developed countries (Martynova & Renneboog, 2008) and emerging economies (Yuce, 2016) have increased in number and value for competitive edge in business size, to upsurge sales, to increase assets (Deng, 2004; Schipper & Thompson, 1983), to produce efficiency (Berry, 2000), to take advantage of benefits from ongoing developments in technology, and for competitive industrial edge by creating synergy (Lang & Rene, 1994). Contrast to it, the previous empirical studies represented no evidence that mergers create synergies (Maquieira, Megginson, & Nail, 1998).

Financial globalization, especially, driven by the newly invented means of business communication like internet and competitive economic globalization also increased the number and value (UNCTAD, 2015) of domestic and cross-border mergers & acquisitions (M&A) by the big and multinational companies of the developed and to some extent by the developing countries.

To date, most of the empirical researches have been undertaken to investigate the impact of domestic and cross-border mergers and acquisitions (M&A) on the performance

of the acquirers and targets proxied by the abnormal returns of the shareholders of multinational companies (MNCs) of the developed countries (Sudarsanam, 1995) but till today empirical researches have no consensus whether mergers & acquisitions cause any enhancement in the performance or in other words M&A are creating wealth or not for acquirers. Like, studies find shareholders of the acquiring firms earn abnormal significant negative, significant normal, significant zero, and even insignificant positive returns on M&A (Cakici, Hessel, & Tandon, 1991; Campa & Hernando, 2004; Eckbo & Thorburn, 2000; Goergen & Renneboog, 2004; Kiymaz & Baker, 2008; Malatesta, 1983; Maquieira, Megginson, & Nail, 1998; Moeller et al., 2005; Schwert, 1996; Seth, Song, & Pettit, 2000). In contrast, shareholders of target firms earn positive returns on announcement of the M&A (Chang & Tsai, 2013; Hackbarth & Morellec, 2008; Hamza, 2011; Loderer & Martin, 1990; Moeller et al., 2005; Walker, 2000).

Inconsistent findings on the creation of the wealth proxied by the abnormal returns of the shareholders of the acquirers and targets on mergers & acquisitions (M&A) announcements may be as a consequence of differences in sample selection procedures and employing the different methodologies to estimate cumulative abnormal returns (CARs) such as few studies used economic profit model (Grigorieva & Petrunina, 2015) and others studies employed traditional methods including accounting methods. These differences in findings remain intact even though researches have used the same length of sample and even used the similar event windows.

Moreover, M&A influence abnormal returns of the shareholders of the acquirer and target firms in specific sectors and industries (Al-Sharkas et al., 2008; Becker-Blease et al., 2008; Khanal et al., 2014; Sun, Peng, & Yen, 2012; Rhéaume & Bhabra, 2008; Schiereck

et al., 2009). Meanwhile, the empirical literature on post-merger long run performance enhancements indicates positive gains in some studies (Rahman and Limmack, 2004; Healy et al., 1992; Meglio and Risberg, 2010; Papadakis and Thanos, 2010; Schoenberg, 2006; Tuch and O'Sullivan, 2007), and negative (Mantravadi and Reddy, 2008b; Pawaskar, 2001) or no gains in some other studies.

Meanwhile, findings of the existing empirical literature on emerging countries cross-border M&A abnormal returns are debatable on existence of an imperfect institutional environment caused by lack of professional financial expertise that exists in emerging markets. Additionally, scarce capital to complete mergers and acquisitions exposes the emerging countries multinationals to financial and operational risks which squeezes abnormal returns and cap companies performance on and even after cross-border mergers and acquisitions announcements. Additionally, economic risk also plays pivot role (Berger, Bonime, Goldberg, & White, 1999) in cross-border mergers and acquisitions (M&A) and eventually embeds in emerging countries multinationals companies abnormal returns.

Existing literature provides insight on the influence of the domestic and cross-border mergers & acquisitions (M&A) by the developed countries multinational companies (MNCs) on the performance of the acquirers and targets but there are only few studies that examine the effects of the cross-border mergers & acquisitions (M&A) on the abnormal returns of the acquirers and targets by the emerging countries multinationals (Yuce, 2016). But there is not a single study that examines, simultaneously, the short-term performance of acquiring multinational companies of the emerging countries acquirers on announcement of the cross-border acquisitions in the other emerging and developed countries.

## **1.1 OBJECTIVE OF THE STUDY**

The objective of the current study is to investigate the effects of the cross-border acquisitions on the short-term abnormal returns of acquirers by the emerging countries multinational (EMNCs) in other emerging and developed countries. Principally, the aim of the current study is to answer the two questions. First, whether acquiring multinational company of the emerging country earns positive and statistically significant short-term abnormal returns on cross-border acquisition in other emerging economies or not. Secondly, whether acquiring multinational of the emerging country earns positive and statistically significant short-term abnormal returns on cross-border acquisition in developed country. To answer these questions, the current study will use the methodology devised by Yuce and Ng (2005) and then modified by Yuce (2016) to estimate the following outlined hypotheses:

H1: Acquiring multinational companies (MNCs) of the emerging country earn short-term positive and statistically significant abnormal returns on cross-border acquisitions in other emerging economies.

H2: Acquiring multinational companies (MNCs) of the emerging country earn short-term positive and statistically significant abnormal returns on cross-border acquisitions in developed country.

## **1.2 SIGNIFICANCE OF THE STUDY**

The expected outcome of this empirical work will outline a benchmark for the shareholders of the emerging countries multinational companies (EMNCs) and even for other investors including individual and institutional investors while making investment decisions to invest in these acquirers on the announcement of cross-border acquisitions in other emerging and developed countries. Furthermore, a better understanding of expected outcome of the current study can help decision-makers of the multinational companies to insight returns on cross-border acquisitions by the emerging countries multinational companies (EMNCs) on announcement. Most of the existing empirical researches are related to examine short-term returns on announcement of domestic and cross-border mergers and acquisitions (M&A) by the big multinational companies (MNCs) of the developed countries. Unlikely, only few studies examine short-term returns of emerging countries acquirers on cross-border acquisitions in developed countries. Similarly, only few studies explore short-term returns of emerging countries acquirers on cross-border acquisitions in other emerging countries. However, the proposed study is designed in such as a way that, for the first time, it will, simultaneously, examine short-run returns of many emerging countries acquirers on announcement of acquisitions in other emerging and developed countries. Hence, the current study is envisioned to fill the gap in the existing literature and it will be a contribution in the knowledge.

## **1.3 STRUCTURE OF THESIS**

Rest of the thesis has been divided in four chapters whereas Chapter 2 is about Literature Review. Chapter 3 deals with Data Sources and Methodology and Chapter 4 represents the

estimated Empirical Results and Their Analyses. At the end, Chapter 5 is about Conclusions, Recommendations and Suggestions for Further Research Work.

## **CHAPTER 2**

### **LITERATURE REVIEW**

The purpose of this literature review is to find gap in the existing literature related to the effects of cross-border mergers and acquisitions (M&A) on the performance of acquiring multinationals in case of the developing and developed countries. Up to the present, most of the previous empirical studies demonstrate that steady upsurge in mergers and acquisitions (M&A) influenced the abnormal returns of the shareholders of the domestic and multinational companies on domestic and cross-border mergers and acquisitions. However, there are few studies that examine the effects on returns when multinational companies (MNCs) of developed countries acquire or merge in developing countries companies (Dennis & McConnell, 1986). On the other hand, only a few studies have been undertaken to examine the effects of the cross-border mergers and acquisitions (M&A) on abnormal returns of the emerging countries multinational companies (EMNCs) shareholders. Therefore, current study reviews the previous studies on the effects of the mergers and acquisitions on the performance of acquirer and target firms of the developing and developed countries in chronological order, separately, in two sections. Section I reviews the literature about the effects of mergers and acquisitions (M&A) on the abnormal returns of the acquirer and target firms in developed countries. Whereas, Section II reviews the literature on the effects of mergers and acquisitions (M&A) on the abnormal returns of the acquirer and target firms in emerging countries.



## **2.1 EFFECTS OF MERGERS AND ACQUISITIONS (M&A) ON THE ABNORMAL RETURNS OF THE ACQUIRER AND TARGET FIRMS IN DEVELOPED COUNTRIES**

A pioneer study on the effects of the mergers and acquisitions (M&A) on the abnormal returns of the acquirers and targets has been carried out by Lubatkin (1983). The findings of this research indicate that mergers of industrial organizations benefit from synergies generated by technical, monetary benefits, and diversification. The study also finds that all benefits of mergers goes to acquirer firms in financial sector, when proxied by capital asset pricing model (CAPM).

Meanwhile, Dennis and McConnell (1986) examine the effects of the cross-border mergers and acquisitions (M&A) of the U.S. multinational companies on the abnormal returns of the shareholders of the acquiring and target firms and from the results conclude that returns of target firms shareholders increased from 20 to 30 percent. The magnitude of these returns further magnifies when the U.S. multinationals expand business in relatively less developed countries as compared to the U.S.

One more important and pioneer study has been carried out by Bradley, Desai, and Kim (1988) to examine the impact of the mergers and acquisitions on the abnormal returns of acquirers and targets and also estimated synergies in wake of M&A. They used mergers and acquisitions data of 721 companies traded on the New York Stock Exchange (NYSE) and American Stock Exchange (AMEX) for the period of 1963 to 1984. Results lead to conclude that both acquirer and target firms were able to attain synergies on mergers and acquisitions which is reflected by shareholders average 7.4 percent abnormal returns on the announcement of mergers and acquisitions.

Doukas and Travlos (1988) explore the impact of cross-border acquisitions on the shareholders abnormal returns of the U.S. acquiring firms around the announcements. They used cross-border acquisitions public announcement data of the U.S. acquiring multinational companies (MNCs) traded on New York Stock Exchange and American Stock Exchange for the period of 1973 to 1985. From the statistical results, three different findings are documented, first the U.S. multinational companies earn abnormal returns on cross-border acquisitions whereas these companies were not existing in the target firms' countries. Secondly, the U.S. multinational companies experiencing cross-border acquisitions for the first time earned positive but statistically insignificant abnormal returns on announcements of the acquisitions. Finally, from the statistical results authors conclude that the U.S. multinational companies already conducting their businesses in the target nations earn negative but insignificant abnormal returns on cross-border acquisitions announcement. Meanwhile, findings also demonstrate that abnormal returns enhance further, when the U.S. multinational companies acquire business in new industry and new geographical locations in less developed countries as compared to the U.S.

In the meantime, Manzon, Sharp, and Travlos (1994) identify the impact of tax rate difference on the returns of the acquirer and target firms in case of cross-border mergers and acquisitions (M&A). They used nine-year cross-border acquisitions data by the U.S. multinational companies for the period of 1975 to 1983. Results lead to conclude that differences in international tax status of the acquiring firms influences abnormal returns of the acquirers of the developed countries like U.S. on cross border acquisitions. Other studies examined and found that international taxation can be in other forms, for instance non-resident dividend withholding taxes, and parent firm corporate income taxation of

repatriated dividends on foreign source income of subsidiaries created by cross-border M&A, and it has negative effects on multinational earnings and discourage cross-border M&A (Huizinga & Voget, 2009). Motives other than taxation such as corporate governance also attracted and had increased the number and volume of the cross-border M&A (Rossi & Volpin, 2004).

Meanwhile, in an empirical study, Eun, Kolodny, and Scheraga (1996) inspect the effects of cross-border mergers and acquisitions (M&A) by the U.S. multinational companies (MNCs) on the abnormal returns of the acquirers and targets. These abnormal returns are caused by rapidly growing internationalization and assessed through synergies created by cross-border acquisitions by the U.S. acquirers. They used data for 117 cross-border acquisitions by the U.S. multinational companies in other countries and 213 cross-border acquisitions in the U.S. or in other words 213 targets in the U.S. Results lead to conclude that shareholders of acquirers who acquire companies in the U.S. and in turn shareholders of the U.S. target companies make abnormal return on cross-border mergers and acquisitions announcements. They also concluded that abnormal returns of the foreign acquirers increased amid optimistic future prospectus affiliated with targets, based on research and development (R&D).

In a study by Kohers and Kohers (2000) investigate the post-merger performance of the acquiring firms in technology sector in the developed countries. For this purpose, they used data of 1634 mergers in high-tech sectors including computers, bio-technology, chemical, defense, communication, electronics and healthcare for the period of 1987:M01 to 1996:M04. Statistical results demonstrate that acquiring high-tech companies earn positive and statistically significant abnormal return on mergers and acquisitions (M&A)

announcements. Further, these significant short-term abnormal returns of the acquirers are independent of payment mode. Afterwards, the performance of the acquirers is influenced by the timing of the mergers and acquisitions, owner-ship structure of the acquiring and target firms, and the high-tech status of the acquiring firm.

Eckbo and Thorburn (2000) carried out an empirical study to examine the abnormal returns of the U.S. acquirers and Canadian targets and domestic acquiring firms on the announcements of the mergers and acquisitions. For this purpose, they used data of the target firms listed on Toronto Stock Exchange and acquirers listed either on Toronto Stock Exchange or New York Stock Exchange (NYSE) for the period of 1964:M01 to 1982:M12. Findings reveal that Canadian acquirers earn positive and statistically significant abnormal returns on domestic mergers and acquisitions announcements. Contrast to it, the U.S. acquiring multinational companies (MNCs) earn insignificant abnormal returns or in other words zero abnormal returns on cross-border acquisition announcements in Canada. These persistent increase in cross-border mergers and acquisitions initiated free capital flows and in turn enhanced globalization activity beyond borders to explore synergies through mergers and acquisitions (M&A). Cross-border acquisitions generate synergies (Berry, 2000) in the forms of increased market share, better risk management, more financial opportunities, benefits of entrepreneurial skills, and cost reduction by achieving economies of scale.

An empirical study by Goergen and Renneboog (2004) examine the effects of the cross-border mergers and acquisitions (M&A) on the wealth of the shareholders of the target and acquiring firms. They used 238 European mergers and acquisitions (M&A) announcements data for the period of 1993 to 2000. They conclude that shareholders of the

acquiring firms earn only 0.7 percent abnormal returns on the announcement of M&A while the shareholders of the target firms earn positive and significant 9.0 percent abnormal returns on the announcement of mergers and acquisitions (M&A). They also identified that synergy is a determinant for domestic and cross-border mergers and acquisitions (M&A), and in response both shareholders of the acquirers and targets earn abnormal returns on the announcements.

Similarly, Campa and Hernando (2004) inspect the effects of mergers and acquisitions (M&A) announcements on the abnormal returns of the acquirers and targets of the European Union by using data for the period from 1998 to 2000. Statistical results demonstrate that mergers and acquisitions in the European Union create synergies proxied by the abnormal returns and it is estimated that acquirers earn insignificant or in other word no abnormal returns while target firms make positive and significant 9 percent abnormal returns on the announcement of mergers and acquisitions. Statistical results further indicate that acquires and targets earn low abnormal returns and, in some case, significant negative returns on cross-border mergers and acquisitions announcements in the governments regulated industries. These low abnormal returns on the mergers and acquisitions announcements are mainly due to cultural, legal frame-work and transaction completion difficulties differences existing between acquiring and targets nations in the European Union.

Yuce and Ng (2005) examine abnormal returns of the shareholders of the acquirers and targets on the news of the mergers and acquisitions (M&A) in the Canadian private and public sectors. They used data of 1361 acquirers and 242 Canadian mergers from 1994 to 2000. From statistical results conclude that shareholders of the acquiring and target firms

earn abnormal returns followed by announcements of mergers and acquisitions (M&A) in private and public sectors. The current study also finds that shareholders of the acquiring firms earn substantial positive returns on acquisitions of private firms through stocks (Yuce & Ng, 2005) and this finding is consistent with findings of the Fuller, Netter, and Stegemoller (2002). Contrary to it, returns to the acquiring firms are negative while shareholders of the target firms earn insignificant returns when mergers are in private sector and by stocks. Other studies find that shareholders of acquirers earn significant positive returns when mergers are by cash (Loughran & Vijh, 1997). The shareholders of the acquiring firms earn abnormal returns on acquisitions of the public firms by cash (S. Chang, 1998; Yuce & Ng, 2005).

Moeller, Schlingemann, & Stulz, (2005) analyze abnormal returns of the shareholders of the U.S. acquiring firms on the cross-border acquisition announcements and then compare these abnormal returns with the U.S. domestic acquisitions. They used the U.S. domestic and cross-border acquisitions in UK, Canada, France and Germany data for the period of 1998 to 2001. Findings demonstrate that shareholders of the acquirers earn only one percent but significant abnormal return on cross-border acquisitions, but these returns are lower when compared to the returns of the domestic acquirers. Further find that abnormal returns are negatively associated with globalization, cross-border diversification, but positively related to the legal-framework and economic conditions in the target nations.

Kiymaz and Baker (2008) documented evidence on the most important and unsolved puzzle in literature whether the effects of mergers and acquisitions (M&A) on the shareholder abnormal returns of the acquiring and target firms in public sector industries are positive, negative or zero by using data from 1989 to 2003. They find negative

abnormal returns for acquiring firms, and positive returns for target firms. Likewise, they conclude that abnormal returns for acquiring firms are between positive to negative depending on nature of industries, however, positive for shareholders of the target firms.

Meanwhile, Mei and Sun (2008) study the impact of M&A on the performance of forest industry by using data of 70 firms from 1990 to 2004 of worth \$100 million. They employed event study methodology. Statistical results indicate that abnormal returns for all M&A transactions are from 1.63 percent to 3.03 percent for windows of 15 days and 3 days, respectively, depending on the size of the target firm and transaction.

Likewise, Rhéaume and Bhabra (2008) examine the effects of the U.S. grounded mergers and acquisitions (M&A) on the performance of acquirers in same and cross-industries by using data of 2421 M&A from 1993 to 2005. They employed event study methodology and concluded from the results that the shareholders abnormal returns increase when M&A are positive and statistically significant in the alike industry such as information-based telecommunication industry, but abnormal returns are statistically insignificant or in other words zero and even negative when mergers and acquisitions are in unrelated industries.

Huizinga and Voget (2009) examine the impact of international tax structure on the cross-border mergers and acquisition between the U.S., Japan, and European countries by using data for the period of 1985 to 2004. Statistical results lead to findings that the countries with high taxation affects negatively and attracts less multinationals for mergers and acquisitions (M&A). International taxation can be in the forms of non-resident dividend withholding taxes and parent firm corporate income taxation on repatriated

dividends on foreign sources income of subsidiaries created by cross-border mergers and acquisitions. They also conclude that for the subsidiary of a multinational as result of cross-border mergers and acquisition is affected by international double taxation system.

Hamza (2011) examines abnormal returns of shareholders of the acquirers on acquisitions announcement and used data of 58 deals out of which 26 acquisitions are paid by cash and 32 with equity from 1997 to 2005 in France. They employed event study and used 40 days wide event-window. Hamza (2011) concludes that shareholders of the acquiring firms earned positive and statistically significant abnormal returns on acquisition announcements owing to expected synergies triggered by future growth profile of the acquirers.

Chang and Tsai (2013) examine the performance of the public acquirers listed either on New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or NASDAQ. Moreover, targets are privately owned firms. They used large dataset of 4288 mergers and acquisitions for the period of 1990 to 2007. Statistical results documented an evidence in favor of acquirers which earn positive and statistically significant returns on the announcements of mergers and acquisitions. Contrast to it, statistical results indicate that acquirers make negative and significant abnormal returns in long-run starting right from the mergers and accusations announcements.

Khanal, Mishra, and Mottaleb (2014) conducted an empirical study to estimate the impact of mergers and acquisitions (M&A) on the abnormal returns of the firms in ethanol-based biofuel industry. They used dataset from 10 public acquiring firms spread over 38 events from 2010 to 2012. Further, most of the acquisitions are by the public companies of



the private companies. Estimated result demonstrate that acquiring firms shareholders earned short-term 4.0 percent abnormal returns in response to mergers and acquisitions announcements within 60-day event window in ethanol-based biofuel industry (Khanal et al., 2014).

Ciobanu (2015) examines the role of legal environment including legal framework, rules and regulations of a country on the abnormal returns of shareholders on the announcement of mergers and acquisitions (M&A) using data from 30 countries for four different legal systems such as Common Law, French, German and Scandinavian Civil Laws for the period of 2006 to 2010. Results lead to conclude that the rule of law and legal stability play a pivot role in financial returns of acquirers and target firms by facilitating protection to capital, capital development, and capital gains. Further, fragile legal frameworks and weak rule of law in emerging countries attract very few numbers of cross-border mergers and acquisitions.

## **2.2 Effects of mergers and acquisitions (M&A) on the abnormal returns of the acquirers and targets in developing countries**

In this section the previous studies will be reviewed in the chronological order which have been carried out about mergers and acquisitions in the emerging countries. Rani, Yadav, and Jain (2012) study the effects of mergers and acquisitions (M&A) in the emerging countries on the performance of the acquiring firms proxied by share price fluctuations. They used domestic acquisitions data across 2003 to 2008. They employed event study and used event-window of 38 days inclusive 19 days prior and exactly same

number of post-merger days. Results provided an evidence that acquirers earn 1.6 percent positive and statistically significant abnormal returns around the domestic acquisition announcements in an event-window of five-days (-2, 2) in the emerging country like India. Moreover, from results Rani, Yadav, and Jain (2012) also found that cash mergers generate positive returns bigger than mergers by stocks.

Grigorieva and Petrunina (2015) inspect effects of cross-border mergers and acquisitions (M&A) on the performance of the acquiring firms proxied by the abnormal returns on the announcement in emerging capital markets. For this objective, they used data of 80 mergers and acquisitions transactions spanning 2003 to 2009. Grigorieva and Petrunina (2015) employed two different method to measure the effects of the cross-border mergers and acquisitions on the performance of the companies including economic method and traditional accounting method. Estimated results generated from both economic and traditional accounting methods found that shareholders failed to earn positive abnormal returns on the announcement of cross-border mergers and acquisitions in emerging capital markets.

In one of the forerunner studies, Yuce (2016) examines the short-term effects of cross-border mergers and acquisitions (M&A) on the abnormal returns of the acquirers and targets of the emerging countries. For estimation, she collected and used 103 cross-border mergers and acquisitions transactions of the emerging countries across January 01, 2000 to January 08, 2013. Statistical results exhibit an empirical evidence that shareholders of targets earn abnormal returns on the announcement of cross-border mergers and acquisitions in the emerging countries. Contrarily, shareholders of the acquiring multinational companies earn negative or zero and statistically insignificant abnormal

returns on the announcement of the cross-border mergers and acquisitions in emerging countries.

In a most recent study, Dang, Henry, Nguyen, and Hoang (2018) inspect determinants of cross-border acquisitions in emerging countries. They used cross-border acquisitions data of 41 emerging target-countries of the period of 2000 to 2015. Statistical results concluded that cross-border acquisitions decisions in emerging countries are affected by payment methods, financing and how the offer is put on the table, and afterward post-acquisition ownership outcome. Additionally, they concluded that institutional factors such as instable poor government, bad economic conditions, less level of free trade, underdeveloped financial developments, and high cultural differences between acquirers and targets also play significant role in complete cross-border acquisitions in the emerging countries.

As reviewed above, the existing body of the knowledge has documented evidence that the shareholders of the acquirers earn either significant negative, insignificant positive or zero abnormal returns on pre-acquisitions and post-acquisitions announcements (Cakici, Hessel, & Tandon, 1991; Campa & Hernando, 2004; Eckbo & Thorburn, 2000; Goergen & Renneboog, 2004; Kiyamaz & Baker, 2008; Malatesta, 1983; Maquieira et al., 1998; Moeller, Schlingemann, & Stulz, 2005; Schwert, 1996; Seth, Song, & Pettit, 2000). On the other hand, shareholders of the target firms earn positive abnormal returns on the announcement of the mergers and acquisitions (S.-C. Chang & Tsai, 2013; Hackbarth & Morellec, 2008; Hamza, 2011; Loderer & Martin, 1990; Moeller et al., 2005; Walker, 2000). But there is not a single study that, simultaneously, investigates the abnormal returns of the acquiring firms of emerging countries multinationals companies (EMNCs)

when they acquire firms in other emerging countries and in the developed countries.

Therefore, to fill this gap in the existing knowledge, the current study is designed in such a way that it will examine, separately, the effects of cross-border acquisitions on the short-term abnormal returns of the acquirers of the emerging countries multinational companies (EMNCs) on acquisitions announcements in other emerging and developed countries, respectively, and it will be done by checking hypotheses I & II as described and elaborated in the Section 1.1 of the objective of the study. To end with, a comparison evaluation will be conducted especially when emerging countries multinationals accompanies (EMNCs) acquire firms in other emerging countries and in the developed countries, respectively. This new and unique comparison will contribute in the existing body of the knowledge.

Therefore, here and now the next Chapter 3 will discuss the data and devise the methodology to estimate the effects of the cross-border acquisitions on the performance of the emerging countries acquirers proxied by the abnormal returns, separately, when they acquire in other emerging and developed countries.

## **CHAPTER 3**

### **DATA AND METHODOLOGY**

This chapter has been divided into two sections where Section I is about data sources and Section II devises and describes methodology.

#### **3.1 DATA SOURCES**

To investigate the short-term abnormal returns of the acquiring firms of the emerging countries multinationals on the announcement of cross-border mergers and acquisitions in other emerging and developed countries, separately, data has been obtained from two sources. First, data has been obtained from the Reuters SDC Platinum 4.0.4.0 on the cross-border acquisitions by the emerging countries in the other emerging countries and in developed countries for the period of January 01, 2010 to March 31, 2018. Meanwhile, in the current study the emerging countries are defined as per definition given on the websites of the IMF<sup>1</sup> and CIA<sup>2</sup> including Argentina, India, Chile, China, Bahrain, Brazil, Colombia, Kuwait, Malaysia, Mexico, Philippines, Poland, Saudi Arabia, Singapore, South Korea, Taiwan, Thailand, and Turkey. On the other hand, target emerging nations are including Argentina, Bangladesh, Brazil, China, Chile, India, Nepal, Pakistan, Russian Federation, Sri Lanka, and Thailand. Further, in the current study emerging countries multinational corporations (EMNCs) are public firms and conduct any form of the business in other

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<sup>1</sup> IMF World Economic Outlook 2017. Retrieved from, <https://www.imf.org/~media/Files/Publications/WEO/2017/April/pdf/tblpartb.ashx>

<sup>2</sup> CIA THE WORLD FACTBOOK. Retrieved from, [https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region\\_afr.html](https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_afr.html)

developing and developed countries, previously, or even become multinational after current cross-border acquisitions included in the sample of this study. Separately, target developed countries are Australia, Canada, France, Germany, Italy, Japan, Spain, United Kingdom, and United States. Initially, total number of cross-border acquisitions by the emerging countries multinationals in other emerging and developed countries are 11,022 in the period of January 01, 2010 to March 31, 2018. At that time, data is cleaned for completed cross-border acquisitions of the emerging countries multinationals and categorized into two data-sets, one is about the cross-border acquisitions of the emerging countries multinationals in other emerging countries for the period of January 01, 2010 to March 31, 2018. The other data is about the cross-border acquisitions of the emerging countries multinationals in developed countries for the period of January 01, 2010 to March 31, 2018. However, total cross-border acquisitions by emerging countries multinational companies (EMC) in other developing countries are 4,585 and 6,437 in developed countries, respectively. In the second phase, data is obtained from the Bloomberg Terminal about the completed acquisitions deals. In addition, data is further scanned, and the current study only considered the cross-border acquisitions deals where acquiring firms have price data available even one-year after the acquisition announcement date. Subsequently, total sample size of the cross-border acquisitions of the emerging countries multinationals in other emerging countries and developed countries reduced to 248 deals and data is about those stock prices and respective stock market indices which is available through Bloomberg Terminal. Further, breakdown of the sample represents that cross-border acquisitions by emerging countries multinationals in other emerging countries are 56, and

cross-border acquisitions by emerging countries multinationals in developed countries are 192 as given in Table 3.1 and Table 3.2.

Now statistics of cross-border acquisitions by emerging countries multinationals in developing countries and developed countries will be represented and discusses, separately, in the following paragraphs. First, as mentioned above, total number of completed cross-border acquisitions by emerging countries multinationals in other emerging countries are 56 and are given below in Panel I Table 3.1. Further, statistics, as given in Panel I Table 3.1, also show that average transaction size of the cross-border acquisition by emerging countries multinational in other emerging countries is US\$ 278,404,317.07. Statistics, as given below in Panel II Table 3.1, represent that India has completed 17.86 %, Chile 12.50%, Taiwan 12.50%, China 10.71%, Brazil 8.93%, Colombia 8.93%, Singapore, 8.93%, South Korea 8.93%, Malaysia 3.57%, Argentina 1.79%, Philippines 1.79%, Poland 1.79%, and Turkey 1.79% of the total cross-border acquisitions by emerging countries multinationals in other emerging countries.

Afterwards, cross-border acquisitions data , as given below in Panel III Table 3.1, on emerging countries multinationals acquisitions in other developing countries has been classified with respect to respective industry as; food and kindred products 10.71%, business services 8.93%, commercial banks, bank holding companies 8.93%, electric, gas, and water distribution 7.14%, electronic and electrical equipment 7.14%, retail trade-general merchandise and apparel 7.14%, telecommunications 5.36%, chemicals and allied products 3.57%, computer and office equipment 3.57%, drugs 3.57%, investment & commodity firms dealers, exchanges 3.57%, soaps, cosmetics, and personal-care products 3.57%, metal and metal products 3.57%, construction firms 1.79%, credit institutions 1.79%, hotels and

casinos 1.79%, insurance 1.79%, machinery 1.79%, measuring, medical, photo equipment; clocks 1.79%, public administration 1.79%, retail trade-food stores 1.79%, rubber and miscellaneous plastic products 1.79%, stone, clay, glass, and concrete products 1.79%, textile and apparel products 1.79%, transportation equipment 1.79%, and wholesale trade-durable goods 1.79%.

Meanwhile, the price data for each stock and relevant index has been obtained from Bloomberg Terminal around the cross-border acquisition announcement date by the emerging countries acquirers in other on emerging countries. Further, an estimation window of 200 days (-250, -50) has been employed to estimate beta of each stock beta that in turn demonstrates volatility of the respective stock as compared to market risk proxied by the relevant indexes (Panayides & Gong, 2002). Similarly, alpha of each stock has been estimated using an estimation window of 200 days (-250, -50) and used price data of relevant stock and index value. Further, to estimate abnormal returns of each security around the announcement of the cross-border acquisitions of the emerging countries multinationals in other emerging countries the current study has used the event window of twenty-one (-10, 10) days around the acquisition announcement (MacKinlay, 1997; Yuce, 2016). The current study also used event windows of eleven (-5, 5), five (-2, 2), three (-1, 1), three (0, 2), six (0, 5), eleven (0, 10), twenty-one (0, 20), twenty-one (-10, 10), forty-one (-20, 20), and sixty-one (-30, 30) trading days.



**Table 3. 1: Cross-Border Acquisitions by EMCs in Developing Countries Statistics**

Panel I: Statistics of Cross-Border Acquisitions by EMCs in Developing Countries		
Total Number of Companies	56	
Average Transaction Size	US\$ 278,404,317.07	
Panel II: Country Wise Cross-Border Acquisitions by EMCs in Developing Countries		
Country	Number of Cross Border Acquisitions	% of Total Cross-Border Acquisitions
India	10	17.86%
Chile	7	12.50%
Taiwan	7	12.50%
China	6	10.71%
Brazil	5	8.93%
Colombia	5	8.93%
Singapore	5	8.93%
South Korea	5	8.93%
Malaysia	2	3.57%
Argentina	1	1.79%
Philippines	1	1.79%
Poland	1	1.79%
Turkey	1	1.79%
Total	56	100%
Panel III: Industry Wise Cross-Border Acquisitions of EMCs in Developing Countries		
Acquiring firms Industry	Number of Cross-Border Acquisitions	Industry as (%)
Food and Kindred Products	6	10.71%
Business Services	5	8.93%
Commercial Banks, Bank Holding Companies	5	8.93%
Electric, Gas, and Water Distribution	4	7.14%
Electronic and Electrical Equipment	4	7.14%
Retail Trade-General Merchandise and Apparel	4	7.14%
Telecommunications	3	5.36%
Chemicals and Allied Products	2	3.57%
Computer and Office Equipment	2	3.57%
Drugs	2	3.57%
Investment & Commodity Firms, Dealers, Exchanges	2	3.57%
Soaps, Cosmetics, and Personal-Care Products	2	3.57%
Metal and Metal Products	2	3.57%
Construction Firms	1	1.79%
Credit Institutions	1	1.79%
Hotels and Casinos	1	1.79%
Insurance	1	1.79%
Machinery	1	1.79%
Measuring, Medical, Photo Equipment; Clocks	1	1.79%
Public Administration	1	1.79%
Retail Trade-Food Stores	1	1.79%
Rubber and Miscellaneous Plastic Products	1	1.79%
Stone, Clay, Glass, and Concrete Products	1	1.79%
Textile and Apparel Products	1	1.79%
Transportation Equipment	1	1.79%
Wholesale Trade-Durable Goods	1	1.79%
	56	100%

Similarly, data set for daily prices of acquiring firms of the emerging countries and relevant market indexes in case of cross-border acquisitions in developed countries on the announcement has been obtained from Bloomberg Terminal. Statistics, as given below in Panel I Table 3.2, represent that total number of completed cross-border acquisitions by emerging countries multinationals in developed countries are 192. Further, statistics, as given in Panel I Table 3.2, also represent that average transaction size of the cross-border acquisition by emerging countries multinational (EMNCs) in developed countries is US\$ 215,584,133.33. Statistics, as given below in Panel II Table 3.2, represent that emerging countries including India has completed 27.08%, China 14.06%, Singapore 13.54%, South Korea 13.02%, Brazil 6.25%, Taiwan 6.25%, Mexico 5.73%, Philippines 3.13%, Poland 3.13%, Malaysia 2.08%, Saudi Arabia 1.56%, Chile 1.04%, Colombia 1.04%, Thailand, 1.04%, Bahrain 0.52%, and Kuwait, 0.52% of the total cross-border acquisitions in developed countries.

Afterwards, cross-border acquisitions data, as given below in Panel III Table 3.2, on emerging countries multinationals acquisitions in developed countries has been classified with respect to respective industry as; business services 11.98%, electronic and electrical equipment 8.33%, food and kindred products 6.25%, prepackaged software 6.25%, investment & commodity firms, dealers, exchanges 5.73%, transportation equipment 4.69%, machinery 4.17%, chemicals and allied products 3.65%, metal and metal products 3.65%, commercial banks, bank holding companies 3.13%, measuring, medical, photo equipment; clocks 3.13%, mining 3.13%, stone, clay, glass, and concrete products 3.13%, agriculture, forestry, and fishing 2.60%, communications equipment 2.60%, computer and office equipment 2.60%, drugs 2.60%, electric, gas, and water distribution 2.08%,

telecommunications 2.08%, air transportation and shipping 1.56%, hotels and casinos, 1.56%, miscellaneous manufacturing 1.56%, oil and gas; petroleum refining 1.56%, real estate; mortgage bankers and brokers 1.56%, rubber and miscellaneous plastic products 1.56%, construction firms 1.04%, retail trade-eating and drinking places 1.04%, advertising services 0.52%, aerospace and aircraft 0.52%, educational services 0.52%, insurance 0.52%, miscellaneous services 0.52%, other financial 0.52%, paper and allied products 0.52%, printing, publishing, and allied services 0.52%, radio and television broadcasting stations 0.52%, retail trade-food stores 0.52%, textile and apparel products 0.52%, wholesale trade-durable goods 0.52%, and wholesale trade-nondurable goods 0.52%.

Meanwhile, the price data for each stock and relevant index has been obtained from Bloomberg Terminal around the cross-border acquisition announcement date by the emerging countries acquirers in developed countries. Further, an estimation window of 200 days (-250, -50) has been employed to estimate beta of each stock, beta that in turn demonstrates volatility of the respective stock as compared to market risk proxied by the relevant indexes (Panayides & Gong, 2002). Similarly, alpha of each stock has been estimated using an estimation window of 200 days (-250, -50) and used price data of relevant stock and index value. Further, to estimate abnormal returns of each security around the announcement of the cross-border acquisitions of the emerging countries multinationals in developed countries the current study has used the event window of twenty-one (-10, 10) days around the acquisition announcement. The current study also used event windows of eleven (-5, 5), five (-2, 2), three (-1, 1), three (0, 2), six (0, 5),

eleven (0, 10), twenty-one (0, 20), twenty-one (-10, 10), forty-one (-20, 20), and sixty-one (-30, 30) trading days.

**Table 3. 2 Cross-Border Acquisitions by EMCs in Developed Countries Statistics**

Pane I: Statistics of Cross-Border Acquisitions by EMCs in Developed Countries		
Total Number of Companies	192	
Average Transaction Size	US\$ 215,584,133.33	
Panel II: Country Wise Cross-Border Acquisitions by EMCs in Developed Countries		
Country	Number of Cross Border Acquisitions	% of Total Cross-Border Acquisitions
India	52	27.08%
China	27	14.06%
Singapore	26	13.54%
South Korea	25	13.02%
Brazil	12	6.25%
Taiwan	12	6.25%
Mexico	11	5.73%
Philippines	6	3.13%
Poland	6	3.13%
Malaysia	4	2.08%
Saudi Arabia	3	1.56%
Chile	2	1.04%
Colombia	2	1.04%
Thailand	2	1.04%
Bahrain	1	0.52%
Kuwait	1	0.52%
	192	100.00%
Panel III: Industry Wise Cross-Border Acquisitions of EMCs in Developed Countries		
Acquiring firms Industry	Number of Cross- Border Acquisitions	Industry as (%)
Business Services	23	11.98%
Electronic and Electrical Equipment	16	8.33%
Food and Kindred Products	12	6.25%
Prepackaged Software	12	6.25%
Investment & Commodity Firms, Dealers, Exchanges	11	5.73%
Transportation Equipment	9	4.69%
Machinery	8	4.17%

<b>Continue: Table 3. 3 Cross-Border Acquisitions by EMCs in Developed Countries Statisti</b>		
Chemicals and Allied Products	7	3.65%
Metal and Metal Products	7	3.65%
Commercial Banks, Bank Holding Companies	6	3.13%
Measuring, Medical, Photo Equipment; Clocks	6	3.13%
Mining	6	3.13%
Stone, Clay, Glass, and Concrete Products	6	3.13%
Agriculture, Forestry, and Fishing	5	2.60%
Communications Equipment	5	2.60%
Computer and Office Equipment	5	2.60%
Drugs	5	2.60%
Electric, Gas, and Water Distribution	4	2.08%
Telecommunications	4	2.08%
Air Transportation and Shipping	3	1.56%
Hotels and Casinos	3	1.56%
Miscellaneous Manufacturing	3	1.56%
Oil and Gas; Petroleum Refining	3	1.56%
Real Estate; Mortgage Bankers and Brokers	3	1.56%
Rubber and Miscellaneous Plastic Products	3	1.56%
Construction Firms	2	1.04%
Retail Trade-Eating and Drinking Places	2	1.04%
Advertising Services	1	0.52%
Aerospace and Aircraft	1	0.52%
Educational Services	1	0.52%
Insurance	1	0.52%
Miscellaneous Services	1	0.52%
Other Financial	1	0.52%
Paper and Allied Products	1	0.52%
Printing, Publishing, and Allied Services	1	0.52%
Radio and Television Broadcasting Stations	1	0.52%
Retail Trade-Food Stores	1	0.52%
Textile and Apparel Products	1	0.52%
Wholesale Trade-Durable Goods	1	0.52%
Wholesale Trade-Nondurable Goods	1	0.52%
	192	100.00%

### 3.2 METHODOLOGY

To estimate the short-term abnormal returns of emerging countries acquiring firms in the case when they acquire in other emerging countries and in developed countries, respectively, the stock price of acquirers and the market price are proxied by the relevant stock indexes and are converted into return by employing model (1) as below;

$$R_t = [(P_t - P_{t-1}) / P_{t-1}] \times 100 \quad (1)$$

Where,  $R_t$  is the return on day “t”,  $P_t$  is the current price, and  $P_{t-1}$  is the price of the previous day. Now, the current study will use the methodology devised by Yuce and Ng (2005) and then modified by Yuce (2016) that hypothesize that acquiring firms earn positive and statistically significant abnormal returns on cross-border acquisitions by the emerging countries in other emerging and developed countries. For this purpose, the current study will test the following hypotheses;

H1: Acquiring multinational of the emerging country earns short-term abnormal significant positive returns on cross-border acquisition in other emerging economies.

H2: Acquiring multinational of the emerging country earns short-term abnormal significant positive returns on cross-border acquisition in developed country

To check the above stated null hypotheses, the current empirical research has used the event study method to compute the former and upright event time abnormal returns of the emerging countries acquiring firms. The current study is employing event study methodology because it is an appropriate and valid method to estimate abnormal returns caused by the event announcements (Campbell, Lo, & MacKinlay, 1997; Thompson & Mullineaux, 1995) such as cross-border acquisitions announcements. Subsequent, for this purpose, this study will use market returns model approach that regress daily stock returns computed from model (1), as given above, of each security against the market index return to estimate expected return, separately, from the model (2) as given below.

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

Where,  $R_i$  and  $R_m$  are daily realized return of the acquiring firm and market index, respectively, and “t” is time subscript. The model is estimated by employing OLS regression technique for each firm, separately, over the estimation window. Next, the estimated values of “ $\hat{\alpha}$ ” and “ $\hat{\beta}$ ” are used to estimate the daily excess returns of each firm by employing the following model (3).

$$\varepsilon(R_{it}) = R_{it} - E(R_{it}) \quad (3)$$

Where, “ $\varepsilon$ ” represents daily excess return of the acquiring firm “i”,  $R_i$  is the daily realized return of the firm “i”, and  $E(R_i)$  are expected daily return of the firm “i” and are estimated from model (2), and at the end “t” is time subscript.

Afterwards, daily abnormal returns (ARs) of the acquiring firms are estimated from the following model (4).

$$AR_t = \frac{1}{N} \sum_{t=1}^N \varepsilon(R_{it}) \quad (4)$$

Where, AR is the average daily abnormal return or in other words average excess returns and “t” is time subscript.

Finally, the current study will estimate cumulative abnormal returns (CAR) or in other words cumulative excess returns over pre-defined event window. Cumulative abnormal returns are estimated from model (5), as given below, and is used to estimate accumulated price reaction on the announcement of cross-border acquisitions by the emerging countries multinational companies (EMNCs) in other emerging and developed countries.

$$CAR_{it} = \sum_{t=1}^s AR_t \quad (5)$$



Where, “CAR” is cumulative average or excess abnormal return from period “t” to “s” says in event window of (t, s) and  $AR_t$  is estimated average abnormal or excess returns at period “t”. The recursive computation of the estimated CAR represents that it is an accumulator of price reaction over selected trading period or event window of (t, s). Henceforth, the estimated results by employing above models will be represented and discussed in the next chapter namely Chapter 4: Results and Their Analysis.

## **CHAPTER 4**

### **RESULTS AND THEIR ANALYSIS**

This chapter represents the estimated results obtained by employing the models devised in the methodology chapter for the event study. Moreover, this chapter has been divided into two sections, whereas Section I represents estimated results of the cross-border acquisitions by the emerging countries multinationals in other emerging countries. Likewise, Section II represents and discusses the estimated results of the cross-border acquisitions by the emerging countries multinationals in developed countries.

#### **4.1 CROSS-BORDER ACQUISITIONS BY THE EMERGING COUNTRIES MULTINATIONALS IN OTHER EMERGING COUNTRIES**

First, statistical results are estimated for daily average abnormal returns (ARs) of the acquirers around the acquisition announcement date by using model (4) and are represented below in Table 4.1. These daily average abnormal returns (ARs) of acquirers of the emerging countries on cross-border acquisitions in other emerging countries are estimated for the event window of (-10, 10) or in other words from day -10 to 10 day. Further, statistical results indicate that daily average abnormal returns are negative before the cross-border acquisitions announcement date. Also, indicates that acquiring firms shareholders' abnormal returns 10-days prior to the announcement day are negative ( $= -0.33\%$ ) and insignificant with associated t-statistic ( $= -0.18$ ). Results also represent that from day -10 to day -2 shareholders of the emerging countries multinational companies earn negative and

statistically insignificant abnormal returns on cross border acquisitions in other emerging countries. Nevertheless, daily average abnormal returns of the shareholders of the emerging countries multinational companies acquiring firms turn into positive 0.25% but insignificant with associated t-statistic ( $= 0.13$ ) one day before the acquisition or in other word on day -1. Additionally, results demonstrate that daily average abnormal returns of the emerging countries acquiring firms shareholders are positive 0.33% on announcement day but insignificant with associated t-statistic ( $=0.18$ ).

Statistical results also show that from announcement day onward till the end of event window on day +10, abnormal returns are positive except for day 7 ( $= -0.10\%$ ) and for day 9 ( $= -0.01\%$ ) but insignificant with associated t-statistics -0.05 and -0.01, respectively. Meanwhile, statistical results indicate that daily average abnormal returns of the acquiring firms of the emerging countries on cross-border acquisitions in other emerging countries are positive one day after the announcement or on day +1 is 0.46% (t-statistic = 0.24), on day +2 is 0.02% (t-statistic = 0.01), on day +3 is 0.45% (t-statistic = 0.24), on day +4 is 0.13% (t-statistic = 0.07), on day +5 is 0.01% (t-statistic = 0.00), on day +6 is 0.24% (t-statistic = 0.13), on day +8 is 0.25% (t-statistic = 0.13), on day +10 is 0.29% (t-statistic = 0.15) but all of them are statistically insignificant with associated t-statistics as represented in parentheses.

The estimated results for daily abnormal returns lead to conclude that returns are mixed before cross-border acquisitions by the emerging countries multinationals in developing countries. But one day before the acquisition announcement daily abnormal returns turn to positive 0.25% and can be attributable to either leakage of the acquisition information or inside trading. Nevertheless, daily average abnormal returns further

increased 0.33% on announcement day that shows that shareholders of the emerging countries multinational companies perceived cross-border acquisitions announcements as a good sentiment and held stocks and even possibly bought more stocks in the market. This sentiment remained intact till the end of day +6 and then daily average abnormal returns fell into negative territory on day +7 and may be caused by other market sentiments.

**Table 4. 1 Estimated Acquiring Companies Abnormal Returns (ARs) Around the Event Dates: (%)**

Event Time	AR (%)	t-statistics	Significance
-10	-0.33	-0.18	Insignificant
-9	-0.31	-0.16	Insignificant
-8	-0.30	-0.16	Insignificant
-7	-0.13	-0.07	Insignificant
-6	0.09	0.05	Insignificant
-5	-0.63	-0.34	Insignificant
-4	-0.02	-0.01	Insignificant
-3	-0.09	-0.05	Insignificant
-2	-0.07	-0.04	Insignificant
-1	0.25	0.13	Insignificant
0	0.33	0.18	Insignificant
1	0.46	0.24	Insignificant
2	0.02	0.01	Insignificant
3	0.45	0.24	Insignificant
4	0.13	0.07	Insignificant
5	0.01	0.00	Insignificant
6	0.24	0.13	Insignificant
7	-0.10	-0.05	Insignificant
8	0.25	0.13	Insignificant
9	-0.01	-0.01	Insignificant
10	0.29	0.15	Insignificant

Note: \*, \*\* and \*\*\* represent significance at 1%, 5%, and 10% significant levels, respectively.

Meanwhile, results as given below in Table 4.2 represent cumulative abnormal returns (CARs) of the emerging countries acquiring multinationals on the cross-border

acquisition announcements in the other emerging countries and it represents total effect of the cross-border acquisitions announcement of the emerging countries multinationals in other emerging countries. Cumulative abnormal returns (CAR) are estimated for subsamples and for the event windows of (-5, 5), (-2, 2), (-1, 1), (0,2), (0,5), (0,10), (0,20), (-10,10), (-20,20), and (-30,30) around cross-border acquisition announcements. The cumulative abnormal returns (CARs) for event windows (-5, 5) are 0.843% but insignificant with associated t-statistic (= 1.010). Results also represent that cumulative abnormal returns for event window (-2, 2) are 0.990% and significant with associated t-statistic (=1.830) at 10 percent significance level. Similarly, statistical results represent that cumulative abnormal returns for event window (-1, 1) are 0.424 percent and statistically significant with associated t-statistic (=2.439) at 5 percent significance level. Contrast to it, cumulative abnormal returns (CAR) for two-day (0, 2), as given below in Table 4.2, is estimated 0.330 percent and is insignificant with associated t-statistic (=0.782). Table 4.2 exhibits that five-day (0, 5) cumulative abnormal returns is estimated 1.4 percent and is significant with associated t-statistic (= 2.353). Similarly, cumulative abnormal returns for ten-day (0, 10) is estimated 2.071 and is significant with associated t-statistic (= 2.452), and for twenty-day (0, 20) cumulative abnormal returns is estimated 3.629 percent and is significant with associated t-statistic (=3.629). Statistically positive and significant cumulative abnormal returns around cross-border acquisitions announcements by emerging countries multinational companies (EMNCs) in other emerging countries lead to conclude that acquiring multinational companies of the emerging country earn short-term abnormal substantial positive returns on cross-border acquisition in other emerging economies. In addition, results indicate that estimated cumulative abnormal returns for forty-day (-20, 20)

and sixty-day (-30, 30) are -0.039 percent and -0.811 percent, and both are insignificant with associated t-statistics -0.023 and -0.410, respectively.

**Table 4. 2 Estimated Acquiring Companies Cumulative Abnormal Returns (CARs) Around the Event Dates: (%)**

<b>CAR Range</b>	<b>Cumulative Abnormal Return (CAR)</b>	<b>t-statistic</b>	<b>Significance</b>
CAR (-5,5)	0.843	1.010	Insignificant
CAR (-2, 2)	0.990	1.830***	Significant
CAR (-1, 1)	0.424	2.439**	Significant
CAR (0, 2)	0.330	0.782	Insignificant
CAR (0, 5)	1.400	2.353*	Significant
CAR (0, 10)	2.071	2.452*	Significant
CAR (0, 20)	4.494	3.629*	Significant
CAR (-10, 10)	0.533	0.464	Insignificant
CAR (-20, 20)	-0.039	-0.023	Insignificant
CAR (-30, 30)	-0.844	-0.410	Insignificant

Note: \*, \*\* and \*\*\* represent significance at 1%, 5%, and 10% significant levels, respectively.

## **4.2 CROSS-BORDER ACQUISITIONS BY THE EMERGING COUNTRIES MULTINATIONALS IN DEVELOPED COUNTRIES**

On the other hand, the daily average abnormal returns (ARs) of the acquirers of the emerging countries on cross-border acquisitions in developed countries around the acquisition announcement have been estimated by using model (4) and results estimated from there are represented in Table 4.3. The daily average abnormal returns (ARs) of acquirers of the emerging countries on cross-border acquisitions in developed countries are

estimated for the estimation window of (-10, 10) or in other words from day -10 to 10 day. Further, statistical results indicate that daily average abnormal returns for acquiring firms' shareholders are mix means negative on certain days and positive on the other days before and after the cross-border acquisition announcements. Further, results indicate that daily average abnormal returns of the emerging countries acquiring firms' shareholders on cross-border acquisitions in developed countries are estimated negative before the cross-border acquisitions announcement on day -10 ( $= -0.04\%$ ) and insignificant with associated t-statistic ( $= -0.02$ ). Similarly, average abnormal return on day -9 is estimated  $-0.14\%$  but insignificant with associated t-statistics ( $= -0.06$ ). Later, daily average abnormal returns of the shareholders of the emerging countries acquiring firms turn into positive and eight day before the acquisition announcement or in other word on day -8 and is estimated  $0.20\%$  but insignificant with associated t-statistic ( $= 0.08$ ). Likewise, results indicate positive but insignificant average abnormal returns of  $0.16\%$  (t-statistic  $= 0.07$ ) and  $0.08\%$  (t-statistic  $= 0.03$ ) on day -7 and day -6, respectively. The estimated average daily abnormal returns turn into negative on day -5 and are  $-0.08\%$  but insignificant with associated t-statistic ( $= -0.03$ ). Then, daily average abnormal returns are estimated positive  $0.01\%$  (t-statistic  $= 0.00$ ) and  $0.46\%$  (t-statistic  $= 0.19$ ) on day -4 and day -3, respectively, and both are statistically insignificant as mentioned by the associated t-statistics given in parentheses. Additionally, results demonstrate that daily average abnormal returns of emerging countries acquiring firms' shareholders are estimated negative  $-0.02\%$  two-day before the acquisition announcements and insignificant with associated t-statistic ( $= -0.1$ ). In the meantime, results reveal that daily average abnormal returns of the emerging countries acquiring firms' shareholders turn to positive and estimated  $0.04\%$  one day before the announcement

day but insignificant with associated t-statistic ( $= 0.02$ ). This finding lead to conclude that cross-border acquisitions by emerging countries multinationals were expected by the investors and led them either to hold stocks of the acquiring companies or it can be because of information leakage that could have been initiated inside trading. Statistical results also indicate positive daily abnormal returns of 0.34% but insignificant with associated t-statistic ( $= 0.14$ ) on announcement day, which reflects that emerging countries acquiring companies shareholders responded positively on cross-border acquisitions in developed countries news but of no-importance as the estimated returns are statistically insignificant. Similarly, results represent positive daily abnormal return of 0.47% one day after the announcement day or in other words day +1 but statistically insignificant due to associated t-statistic ( $=0.19$ ). Afterwards, negative daily abnormal returns of the acquirers of the emerging countries are estimated -0.16% (t-statistic = -0.07) and -0.16% (t-statistic = -0.07) on day 2 and day 3, respectively, but statistically insignificant with associated t-statistics as represented in parentheses, respectively. Statistical results also demonstrate that from here till the end of event window on day +10, daily average abnormal returns are mix or in other words are alternatively positive and negative, and statically insignificant and estimated as; day 4 ( $= 0.14\%$ ), day 5 ( $= - 0.13\%$ ), day 6 ( $= 0.02\%$ ), day 7 ( $= 0.25\%$ ), day 8 ( $= - 0.19\%$ ), day 9 ( $= - 0.20\%$ ), and day 10 ( $= - 0.025$ ), respectively.

The estimated results for daily abnormal returns lead to conclude that daily average abnormal returns are mix before cross-border acquisition announcement by the emerging countries multinationals in developed countries. But one day before the acquisition announcements daily abnormal returns turn to positive 0.04% and can be attributable to either leakage of the acquisition information or inside trading. Nevertheless, daily average



abnormal returns further increased 0.34% on announcement day which illustrates that shareholders of the acquirers took cross-border acquisitions announcement as good news and held stocks and even possibly bought more stocks in the market. Additionally, this positive sentiment remained intact one day after the cross-border acquisition announcement by the emerging countries multinationals companies (EMNCs) in developed countries. But daily average abnormal returns fell into negative territory on day 2 and on day 3 due to some other probable announcements after the acquisition announcement or by reason of other market sentiments.

**Table 4. 3 Estimated Acquiring Companies Abnormal Returns (ARs) Around the Event Dates: (%)**

Event Time	AR (%)	t-statistics	Significance
-10	-0.04	-0.02	Insignificant
-9	-0.14	-0.06	Insignificant
-8	0.20	0.08	Insignificant
-7	0.16	0.07	Insignificant
-6	0.08	0.03	Insignificant
-5	-0.08	-0.03	Insignificant
-4	0.01	0.00	Insignificant
-3	0.46	0.19	Insignificant
-2	-0.02	-0.01	Insignificant
-1	0.04	0.02	Insignificant
0	0.34	0.14	Insignificant
1	0.47	0.19	Insignificant
2	-0.16	-0.07	Insignificant
3	-0.16	-0.07	Insignificant
4	0.14	0.06	Insignificant
5	-0.13	-0.05	Insignificant
6	0.02	0.01	Insignificant
7	0.25	0.10	Insignificant
8	-0.19	-0.08	Insignificant
9	-0.20	-0.08	Insignificant
10	-0.05	-0.02	Insignificant

Note: \*, \*\* and \*\*\* represent significance at 1%, 5%, and 10% significant levels, respectively.

Meanwhile, statistical results, as given in Table 4.4 represent cumulative abnormal returns (CARs) of the subsamples of the emerging countries acquiring multinationals companies on the cross-border acquisition announcements in the developed countries. Additionally, cumulative abnormal returns represent total effect of the cross-border acquisitions announcement of the emerging countries multinational companies in developed countries. Cumulative abnormal returns (CARs) are estimated for subsamples for event windows of (-5, 5), (-2, 2), (-1, 1), (0,2), (0,5), (0,10), (0,20), (-10,10), (-20,20), and (-30,30) on cross-border acquisitions announcements. Statistical results indicate that cumulative abnormal returns (CARs) for event window (-5, 5) are 0.896% and insignificant with associated t-statistic (=1.465). These positive results indicate that investors and shareholders of the acquiring firms of the emerging countries multinationals are bearing in mind cross-border acquisitions in developed countries as positive and either hold or buy more stocks around acquisition announcements but insignificant. This leads to conclude that cross-border acquisition announcement by the emerging countries multinationals companies has no impact on short-term abnormal returns.

Results also represent that cumulative abnormal returns for event window (-2, 2) are 3.009% and significant with associated t-statistic (=7.248) at 1 percent significance level. Similarly, estimated results indicate that cumulative abnormal returns (CAR) for event window (-1, 1) are 0.849 percent and significant as mentioned by associated t-statistic (=2.618) at 1 percent significance level. Meanwhile, cumulative abnormal returns (CAR) for two-day event window (0, 2), as given below in Table 4.4, is estimated 0.336% and is insignificant with associated t-statistic (=1.073). Table 4.4 exhibits estimated five-day event window (0, 5) cumulative abnormal returns and it is 0.488 percent and is

insignificant with associated t-statistic ( $=1.071$ ). Similarly, cumulative abnormal returns for ten-day (0, 10) is estimated 0.312 percent and is insignificant with associated t-statistic ( $=0.529$ ), and for twenty-day (0, 20) cumulative abnormal returns is estimated 0.103 percent and is insignificant with associated t-statistic ( $=0.127$ ). In addition, results indicate that estimated cumulative abnormal returns for forty-day (-20, 20) and sixty-day (-30, 30) event windows and are 0.040 percent (t-statistic = 0.036) and -1.287 percent (t-statistic = -0.949), respectively, and both are statistically insignificant with associated t-statistics as given in parentheses.

Statistical results, as discussed above, lead to the findings that cumulative abnormal returns CAR (-2, 2) and CAR (-1, 1) of acquiring firms' shareholders of the emerging countries around cross-border acquisitions in developed countries are statistically significant. Moreover, these findings indicate that shareholders of the acquiring firms of the emerging countries earn positive returns around cross-border acquisitions announcement in developed countries. These findings failed to reject second null of positive acquiring multinationals of the emerging country earn short-term abnormal positive returns on cross-border acquisition in developed countries or in other words accepts the second hypothesis that acquiring multinational of the emerging country earn short-term abnormal significant positive returns on cross-border acquisition in developed country. And abnormal short-term returns patterns of the emerging countries acquiring multinationals on cross border acquisitions in developed countries are not like abnormal short-term abnormal returns of the developed countries multinational patterns on cross-border acquisitions. These findings are aligned with Yuce and Ng (2005) but differ from findings of (Yuce, 2016), (Cakici et al., 1991; Campa & Hernando, 2004; Eckbo &

Thorburn, 2000; Goergen & Renneboog, 2004; Kiymaz & Baker, 2008; Malatesta, 1983; Maquieira et al., 1998; Moeller et al., 2005; Schwert, 1996; Seth et al., 2000).

**Table 4. 4 Estimated Acquiring Companies Cumulative Average Abnormal Returns (CARs) Around the Event Dates: (%)**

<b>CAR Range</b>	<b>Cumulative Abnormal Return (CAR)</b>	<b>t-statistic</b>	<b>Significance</b>
CAR (-5, 5)	0.896	1.465	Insignificant
CAR (-2, 2)	3.009	7.248*	Significant
CAR (-1, 1)	0.849	2.618*	Significant
CAR (0, 2)	0.336	1.073	Insignificant
CAR (0, 5)	0.488	1.071	Insignificant
CAR (0, 10)	0.312	0.529	Insignificant
CAR (0, 20)	0.103	0.127	Insignificant
CAR (-10, 10)	0.997	1.243	Insignificant
CAR (-20, 20)	0.040	0.036	Insignificant
CAR (-30, 30)	-1.287	-0.949	Insignificant

Note: \*, \*\* and \*\*\* represent significance at 1%, 5%, and 10% significant levels, respectively.

### **4.3 THE IMPACT OF TARGET COUNTRIES POLITICAL STABILITY, ACQUIRERS SIZE, LEVERAGE, AND OWNERSHIP ON SHORT TERM ABNORMAL RETURNS OF EMERGING COUNTRIES MULTINATIONALS**

This section of the current study investigates the relationship between short-term abnormal returns of EMNCs on cross border acquisitions in other emerging and developed countries, respectively, proxied by CAR(-1, 1) and factors such as political stability

(Holburn & Zelner, 2010) proxied by protection to the shareholders in target nations (TARGETPS), legal framework (Ciobanu, 2015) proxied by protection to investors in target nations (TARGETLF), size (Moeller, Schlingemann, & Stulz, 2004) of emerging countries acquirers gauged by total assets (LnTA), leverage used by the emerging countries multinational acquirers proxied by total debt (LnTD), and ownership proxied by percentage share-acquired (SHAREACQUIRED).

For this purpose, estimated short-term abnormal returns of EMNCs on cross border acquisitions in other emerging and developed countries are, separately, used from Table 4.2 and Table 4.4, respectively, as independent variable. On the other hand, factors such as political stability proxied by protection to the shareholders in target nations (TARGETPS) and legal framework proxied by protection to investors in target nations (TARGETLF) are obtained from the Global Competitiveness Index 2017-18<sup>3</sup>. Also, used natural logarithm of size of emerging countries acquirers gauged by total assets (LnTA) and natural logarithm of leverage used by the emerging countries multinational acquirers proxied by total debt (LnTD) is obtained from Bloomberg Terminal. At the end, data about the ownership proxied by percentage share-acquired (SHAREACQUIRED) by EMNCs on cross-border acquisitions in other emerging and developed countries, respectively, is obtained from Reuters SDC Platinum 4.0.4.0.

This relationship is estimated by employing fixed-effects panel regression and estimated results are represented in two-sections. Whereas, Section I represents estimated results, as given below in Table 4.5, about the relationship between short-term abnormal

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<sup>3</sup> World Economic Forum, Global Competitiveness Index 2017-2018. Retrieved from, <http://reports.weforum.org/global-competitiveness-index-2017-2018/>

returns proxied by CAR (-1, 1) and political stability (TARGETPS), legal framework (TARGETLTF), size of emerging countries acquirers (LnTA), leverage used by the emerging countries multinational acquirers (LnTD), and ownership proxied by percentage share-acquired (SHAREACQUIRED) on cross-border acquisitions by EMNCs in other emerging countries. Then, Section II represents estimated results, as given below in Table 4.6, about the relationship between short-term abnormal returns proxied by CAR (-1, 1) and political stability (TARGETPS), legal framework (TARGETLTF), size of emerging countries acquirers (LnTA), leverage used by the emerging countries multinational acquirers (LnTD), and ownership proxied by percentage share-acquired (SHAREACQUIRED) on cross-border acquisitions by EMNCs in developed countries.

In first section, estimated results indicate that political stability proxied by protection of shareholders is inversely related ( $= -2.43E-15$ ) and statistically significant ( $p\text{-value}=0.000$ ) to the short-term abnormal returns of the EMNC on cross-border acquisitions in other emerging countries proxied by CAR (-1, 1). Further, it indicates that one-point change in political stability proxied by protection of shareholders reasons  $-2.43E-15$  percent decline in short-term abnormal returns of EMNCs on cross-border acquisitions in other emerging countries. Similarly, estimated statistical results indicate that inverse ( $= -3.63E-17$ ) but insignificant ( $p\text{-value}=0.8686$ ) relationship does exist between legal framework proxied by protection to investors in target nations (TARGETLTF) and short-term abnormal returns of EMNCs proxied by CAR (-1, 1). Additionally, estimated results indicate that one-point change in political stability of the target countries proxied by protection to the investors (TARGETLTF) reasons decline of  $-3.63E-17$  percent in short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in

other emerging countries though of no importance or in other words legal framework does have an impact on short-term abnormal returns. The country level factors such as political stability and legal framework of target nations dampen short-term abnormal returns of EMNCs on cross-border acquisitions in other emerging countries due to mounted uncertainties.

Meanwhile, estimated results indicate that elasticity coefficient of short-term abnormal return as estimated by CAR (-1, 1) of EMNC with respect to size of emerging countries acquirers gauged by total assets (LnTA) is estimated ( $= 1.10E-15$ ) and statistically significant ( $p\text{-value}=0.0598$ ). Further, it indicates that one percent change in LnTA or one percent increase in size of acquirers positively affects  $1.10E-15$  percent in short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in other emerging countries amid expected growth prospects. Similarly, elasticity coefficient of short-term abnormal return as estimated by CAR (-1, 1) of EMNCs with respect to leverage used by emerging countries acquirers proxied by total debt (LnTD) is estimated ( $= -1.14E-15$ ) and significant ( $p\text{-value}=0.0280$ ). Further, it indicates that one percent increase in use of leverage by emerging countries' acquirers affects  $1.14E-15$  percent decline in short-term abnormal returns of EMNCs on cross-border acquisitions in other emerging countries due to less-developed financial markets that exposes the emerging countries acquirers to more financial risk. On the other hand, results represent that ownership proxied by percentage share-acquired (SHAREACQUIRED) has inverse ( $= -6.91E-16$ ) but statistically insignificant ( $p\text{-value}=0.2801$ ) relationship with short-term abnormal returns of the EMNCs on cross-border acquisitions in other emerging countries. Further, it indicates that one percent more acquiring ownership proxied by percentage

share-acquired has 6.91E-16 percent negative impact on short-term abnormal returns proxied by CAR (-1, 1) of the emerging countries multinationals on cross-border acquisitions in other emerging countries but of no importance or in other word has no impact on short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in other emerging countries.

From the statistical results, as represented and discussed above, this study has found that factors such as political stability proxied by protection to the shareholders in target nations (TARGETPS) has negative and aligned with (Lee, 2018), legal framework proxied by protection to investors in target nations (TARGETLF) has inverse though insignificant or in other words no effect, size of emerging countries acquirers gauged by total assets (LnTA) has positive, leverage used by the emerging countries multinational acquirers proxied by total debt (LnTD) has inverse, and ownership proxied by percentage share-acquired (SHAREACQUIRED) has direct although insignificant or in other words no effect on short-term abnormal returns of EMNCs proxied by CAR(-1, 1) on cross-border acquisitions in other emerging countries.



**Table 4. 5** Relationship between CAR (-1, 1) and Political Stability (TARGETPS), Legal Framework (TARGETLF), Size of Acquirers (LnTA), Leverage (LnTD), and Share-acquired (SHAREACQUIRED) on Cross-Border Acquisitions by EMNCs in other Developing Countries.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TARGETPS	-2.43E-15*	5.23E-16	-4.648396	0.0000
TARGETLF	-3.63E-17	2.18E-16	-0.166536	0.8686
LNTA	1.10E-15**	5.70E-16	1.939911	0.0598
LNTD	-1.14E-15*	5.00E-16	-2.285412	0.0280
SHAREACQUIRED	-6.91E-16	6.30E-16	-1.095639	0.2801
C	0.424000	2.33E-15	1.82E+14	0.0000

Note: \*, \*\* and \*\*\* represent significance at 1%, 5%, and 10% significant levels, respectively.

In second section, estimated results indicate that political stability proxied by protection of shareholders is inversely related ( $= -8.72\text{E-}15$ ) and statistically significant ( $p\text{-value}=0.0000$ ) to the short-term abnormal returns of the EMNC proxied by CAR (-1, 1) on cross-border acquisitions in developed countries. Further, it indicates that one-point change in political stability proxied by protection of shareholders reasons causes a decline of  $-8.72\text{E-}15$  percent in short-term abnormal returns of EMNCs on cross-border acquisitions in developed countries amid mounted uncertainty about expected returns. Similarly, estimated statistical results indicate that inverse ( $= -1.08\text{E-}14$ ) and statistically significant ( $p\text{-value}=0.0000$ ) relationship does exist between short-term abnormal returns of EMNCs proxied by CAR (-1, 1) and legal framework (TARGETLF) proxied by protection to investors in target nations. Additionally, estimated results indicate that one-point change in legal framework of the target countries proxied by protection to the investors (TARGETLF) causes decline of  $-1.08\text{E-}14$  percent in short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in developed countries. The

country level factors such as political stability and legal framework of target nations dampen short-term abnormal returns of EMNCs on cross-border acquisitions in developed countries due to mounted uncertainties and this pattern is like cross-border acquisitions by emerging countries in other developed countries.

Meanwhile, estimated results indicate that elasticity coefficient of short-term abnormal return as estimated by CAR (-1, 1) of EMNC with respect to size of emerging countries acquirers gauged by total assets (LnTA) is estimated ( $= -6.84E-15$ ) and statistically significant ( $p\text{-value}=0.0001$ ). Further, it indicates that one percent change in size of emerging countries acquirers gauged by total assets (LnTA) negatively affects  $6.84E-15$  percent in short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in developed countries amid inefficient use of assets or in other words low return on assets. This finding is contrary to positive relationship between size of EMNCs acquirers and short-term abnormal returns on cross-border acquisitions in other emerging countries as was found in the last section.

Similarly, elasticity coefficient of short-term abnormal return as estimated by CAR (-1, 1) of EMNC with respect to leverage used by acquiring EMNCs and proxied by total debt (LnTD) is estimated ( $= 6.14E-15$ ) and significant ( $p\text{-value}=0.0001$ ). Further, elasticity coefficient indicates that one percent increase in leverage proxied by total debt (LnTD) positively affects  $6.14E-15$  percent in short-term abnormal returns of EMNCs on cross-border acquisitions in developed countries and due to expectations that emerging countries acquirers, now, have access to established capital markets. This finding is contrary to relationship between short-term abnormal returns of EMNCs and leverage used by emerging countries acquirers on cross-border acquisitions in other emerging countries. On

the other hand, results represent that ownership proxied by percentage share-acquired (SHAREACQUIRED) has direct ( $= 1.48E-15$ ) but statistically insignificant ( $p\text{-value}=0.4594$ ) relationship with short-term abnormal returns of the EMNCs on cross-border acquisitions in developed countries. Further, it indicates that one percent more acquiring ownership, through cross-border acquisitions by EMNCs, proxied by percentage share-acquired has  $1.48E-15$  percent positive impact on short-term abnormal returns proxied by CAR (-1, 1) of the emerging countries multinationals on cross-border acquisitions in developed countries. And this result is like cross-border acquisitions by EMNCs in other emerging countries and it is represented and discussed in the last section.

From the statistical results, as represented and discussed above Section II, this study has found that factors such as political stability (TARGETPS) proxied by protection to the shareholders in target nations, legal framework (TARGETLF) proxied by protection to investors in target nations, size of emerging countries acquirers gauged by total assets (LnTA) have inverse and significant impact on short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in developed countries and this can be due to overpayments by overconfidence managers (Malmendier & Tate, 2008), less homework and accepting negative synergies. Contrary to it, leverage used by the emerging countries multinational acquirers proxied by total debt (LnTD) has direct and significant relationship with short-term abnormal returns of EMNCs on cross-border acquisitions in developed countries. On the other hand, ownership proxied by percentage share-acquired (SHAREACQUIRED) by EMNCs has no impact on short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in developed countries.

**Table 4. 6** Relationship between CAR (-1, 1) and Political Stability (TARGETPS), Legal Framework (TARGETLF), Size of Acquirers (LnTA), Leverage (LnTD), and Share-acquired (SHAREACQUIRED) on Cross-Border Acquisitions by EMNCs in Developed Countries.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TRGETPS	-8.72E-15*	1.19E-15	-7.350343	0.0000
TARGETLF	-1.08E-14*	1.82E-15	-5.950970	0.0000
LNTA	-6.84E-15*	1.70E-15	-4.015646	0.0001
LNTD	6.14E-15*	1.56E-15	3.946947	0.0001
SHAREACQUIRED	1.48E-15	1.99E-15	0.741776	0.4594
C	0.849000	1.08E-14	7.87E+13	0.0000

Note: \*, \*\* and \*\*\* represent significance at 1%, 5%, and 10% significant levels, respectively.

## **CHAPTER 5**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 CONCLUSIONS**

The current study investigates short-term abnormal returns of emerging countries multinationals acquirers on cross-border acquisitions in other emerging and developed countries. For this objective, the current study employs market return model approach and then uses the event study to estimate short-term abnormal returns of the emerging countries acquirers and used daily data for the period of January 01, 2010 to March 31, 2018. Statistical results lead to conclude that shareholders of the emerging countries acquirers earn short-term positive and statistically significant abnormal returns on cross-border acquisitions in other emerging countries. These findings that acquiring firms earn positive returns are consistent with findings of (Yuce & Ng, 2005) but differ from findings of (Yuce, 2016), (Cakici et al., 1991; Campa & Hernando, 2004; Eckbo & Thorburn, 2000; Goergen & Renneboog, 2004; Kiymaz & Baker, 2008; Malatesta, 1983; Maquieira et al., 1998; Moeller et al., 2005; Schwert, 1996; Seth et al., 2000).

Similarly, results conclude that shareholders of the acquiring firms of the emerging countries earn short-term positive and statistically significant returns on cross-border acquisitions in developed countries. And abnormal short-term returns patterns of the emerging countries acquiring multinationals on cross border acquisitions in developed countries are not like abnormal short-term abnormal returns of the developed countries multinational patterns on cross-border acquisitions. These findings are consistent with findings of (Yuce & Ng, 2005) but differ from findings of (Yuce, 2016), (Cakici et al., 1991;

Campa & Hernando, 2004; Eckbo & Thorburn, 2000; Goergen & Renneboog, 2004; Kiyamaz & Baker, 2008; Malatesta, 1983; Maquieira et al., 1998; Moeller et al., 2005; Schwert, 1996; Seth et al., 2000).

The current study also investigates the relationship between short-term abnormal returns proxied by CAR (-1, 1) of EMNC on cross border acquisitions in other emerging and developed countries, respectively, and factors such as political stability, legal framework, size of emerging countries acquirers, leverage used by the emerging countries multinational acquirers, and ownership acquired by EMNCs. From statistical results, the current study concludes that factors such as political stability has inverse, legal framework inverse though insignificant, size of emerging countries acquirers direct, leverage negative, and ownership has no impact on short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in other emerging countries. Moreover, concludes that factors such as political stability, legal framework, and size of emerging countries' acquirers have inverse, leverage direct, and ownership has no effect on short-term abnormal returns of EMNCs proxied by CAR (-1, 1) on cross-border acquisitions in developed countries.

## **5.2 IMPLICATIONS**

The implications of the current study are of great importance both for the acquirers and investors of the emerging countries because it filled the gap in the existing body of the knowledge by investigating, for the first time, the abnormal returns of the emerging countries multinational companies (EMNCs) on cross-border acquisitions in other emerging and developed countries. Therefore, investors can insight short-term abnormal return patterns on the announcement of cross-border acquisitions by the emerging countries multinational

companies (EMNCs) in other emerging and developed countries. Further, implications of the current study can help to anticipate response of the market participants on the news of cross-border acquisitions by the emerging countries multinational companies (EMNCs) in developing and developed countries. Henceforth, keeping in view the short-term positive abnormal pattern of the acquirers of the emerging countries multinationals on cross-border acquisitions, smart investment decisions can be made to achieve synergies, efficiencies, access on skilled labor, access on low cost capital, higher sales, and access on technology that will ultimately increase the wealth of the shareholders.

### **5.3 LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH**

Limitations of the current study are to cross-border acquisitions of the emerging countries multinationals in developing and developed countries, but more research work can be undertaken to investigate the impact of industry-wise cross-border acquisitions. Also, current study is limited to examine the cross-border acquisitions of the emerging countries multinationals of the public companies in other developing and developed countries, however more empirical research can be undertaken to examine the effects of cross-border acquisitions in private sectors. At the end, empirical research work can be undertaken to investigate the long-run returns of emerging countries multinationals acquirers on cross-border acquisitions in developing and developed countries. When dealing with emerging markets there are limitations of the deals not going through due to Political influence, or changing political environments – mention limitation of measuring political circumstances

More empirical research can be undertaken by adding the impact of cross-border mergers by the emerging countries multinationals on short-term abnormal returns in developing and developed countries. Similarly, research work can be undertaken to examine the long run impact of the cross-border mergers and acquisitions by the emerging countries multinationals on the efficiencies and profitability. A competitive study can be undertaken to investigate the competitive impact of cross-border acquisitions when acquirers are from emerging countries versus acquirers are from developed countries. Empirical work on cross-border M&A versus domestic M&A by the emerging countries multinationals can help to find abnormal return patterns, separately, on announcement. The current study has been undertaken to examine abnormal returns of ECMNCs around cross-border acquisitions announcements in other emerging and developed countries, but studies in future can add regression that controls for time and fixed effects as well. Further, the regression will try to uncover the impact after controlling for characteristics of the acquirers and targets and hence can identify the abnormal return unbiased from other factors that could be the reason for that. Further, competitive study can examine short-term abnormal returns of acquirers of developed and developing countries when they acquire firms in other developed and developing countries, respectively. More competitive study can examine short-term abnormal returns of acquires of developed and developing countries when they acquire firms in other developed and developing countries in the same industry or in the different industry, respectively. Since the current study examines short term abnormal returns of emerging countries multinationals on cross-border acquisitions in other emerging and developed countries so more empirical research can be undertaken to investigate the average abnormal return of the portfolio incorporating arbitrage opportunity surrounding the announcement.



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