

Strategic Growth via Mergers & Acquisitions : An Empirical Study of Post-Acquisition Performance

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Abstract

Purpose : The study aimed to evaluate the effects of mergers and acquisitions (M&As) on acquiring firms' performance, addressing conflicting claims by various researchers. It began with a review of merger theories and proposed alternative research methods to better reflect the true impact of M&As on firm performance.

Methodology : The study analyzed changes in post-acquisition stock prices, net profits, and sales of acquiring firms using cross-sectional data from 27 randomly selected acquisitions completed between 2007 and 2020. Both parametric and non-parametric tests were conducted to draw reliable conclusions.

Findings : The results indicated that instead of relying on short-term data, scholars should use data from a broader period to assess the impact of M&As. Long-term studies confirmed that M&A strategies were effective in achieving growth and market power. The findings resolved previous conflicts in the literature, showing that longer-term data aligned with merger theories, whereas short-term data often produced misleading results.

Implications : The study provided insights into the true effects of M&As on business survival and growth. It suggested that investors seeking long-term benefits should invest in purchasing businesses and holding their shares for a considerable amount of time, and it provided advice for future studies.

Originality : Most prior studies relied on short-term data (1 year post-M&A). This study employed both short-term and longer-term data (3 years post-M&A) using multiple performance metrics, offering a novel research design that was the first of its kind in this field.

Keywords : mergers and acquisitions, corporate restructuring, corporate strategy, financial performance, paired samples *t*-test, sign test

JEL Classification Codes : D53, G34, L1, O16

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Mergers and acquisitions (M&As) are critical aspects of corporate finance and strategic management (Marks & Mirvis, 2011). They are deemed to improve the efficacy and efficiency of the firm, as claimed in various theories of mergers. However, does the situation play out? Is the merging or acquiring company able to enhance its profits? Is there any improvement in the shareholders' wealth following the merger and acquisition? This paper attempts to validate the above questions. It intends to examine the influence of M&As on the acquired firm's short-term (1-year post-M&A) and long-term (3-years post-M&A) profitability by studying its post-M&A profits.

In the last two decades, India has seen many waves of M&As, each with its crests and troughs. The New Economic Policy of 1991, which revised the Monopolistic and Restrictive Trade Practices (MRTP) Act of 1969, deserves credit for this. This opened up new options for the Indian market and gave much-needed exposure to the global economy. Foreign investment became substantially less burdensome, and India began encouraging the import of raw resources. The amendments to the MRTP Act 1969 allowed firms the liberty to fix their location, capacity, technology, etc., to maximize their efficiency. This enabled M&As to become the most sought-after growth strategy, allowing businesses to avoid resource duplication by merging and, as a result, lower total costs. Since then, India has seen numerous M&A agreements.

Myriad theories of M&As exist in academia, showcasing them as one of the best corporate restructuring strategies available in the business world. However, is this strategy as good as it is deemed? Is it truly the most formidable weapon in the corporate world's arsenal? To investigate the claims of the current mergers and acquisition theories and provide answers to the concerns above, comprehensive, objective research must be carried out. Verification is necessary to determine whether M&As are truly able to add value for the new or acquiring firm or whether they are merely hokum.

Most studies on M&As have put the highest emphasis on the share price performance of the merged/acquired firm before and after the merger. Even if the majority of them have chosen to use stock price as their variable of choice, there is still a great deal of discrepancy between the results that the studies above have produced. Some of them (viz., Andreou et al., 2012; Arik & Kutun, 2015; Chen et al., 2022; Chen et al., 2023; Cho & Moore, 2023; Ding et al., 2017; Doytch et al., 2011; Glambosky et al., 2020; Goel & Thakor, 2010; Kuvandikov et al., 2020; Liu et al., 2022; Lozada et al., 2022; Luypaert & Van Caneghem, 2017; Ranju & Mallikarjunappa, 2018; Siegel & Simons, 2010) witnessed an increase in shareholders' value post-merger and thus opined that M&As led to value creation, while other researchers (viz., Bonaime et al., 2018; Bommaraju et al., 2018; Borodin et al., 2020; Ghosh & Dutta, 2014; Hussain & Loureiro, 2023; Mahesh & Prasad, 2012; Nguyen & Nguyen, 2022; Rahman et al., 2018; Shirasu, 2018; Sufian et al., 2012; Umashankar et al., 2022; Wang, 2024) declared M&As as value destroyers. This disparity in the findings can be attributed to the fact that a company's stock price can be affected by multiple elements, namely, macroeconomic factors such as inflation, recession, and the oh-so-recent COVID-19 pandemic. Since the management of the merged/acquiring company has no control over these factors, it places the share price at the mercy of the market forces and becomes subject to immense volatility.

These variables cause many researchers to falsify their findings. To portray the true and fair effects of M&As, we must look into the operating performance of the merged/acquiring company, as this is an honest indicator of the inner workings of the management and financial health. Many scholars and practitioners primarily rely on short-term data to assess the success or failure of M&As, focusing on immediate post-merger financial metrics like stock prices, earnings per share (EPS), and profitability ratios. This short-term outlook is problematic since M&As are time-consuming procedures that take years to fully integrate and realize synergy. It implies that short-term analysis results can frequently result in incorrect conclusions.

Although a number of studies have examined the immediate financial and operational effects of M&As, there is still a substantial knowledge vacuum on the long-term results. There are conflicting findings regarding how M&As affect a firm's value because research has shown inconsistent or even negative outcomes in the early

aftermath of M&As. However, the full realization of synergies, strategic benefits, and market expansion often takes an extended period. Few studies have examined the long-term effects of M&As, and this gap in the literature offers a chance to rethink the examination of M&As from a long-term viewpoint.

Thus, to bridge this gap, this paper uses cross-sectional data and answers the following question: “Do mergers and acquisitions contribute to shareholder value and profitability in the long term, and why is short-term analysis insufficient for evaluating their success?” Finally, this study compares the results obtained from the analysis of three variables: Net profit, net sales/revenue from operations, and share price. This study will add empirical evidence supporting the efficacy of M&As in increasing the firm's value, thus contributing to the body of existing literature. It will encourage a move toward long-term assessments by highlighting the drawbacks of short-term assessments and the dangers of relying solely on share price as an indicator of an entity's performance.

Justification for the Research

As cross-border M&As and M&As generally increase in frequency and incorporate sustainability and ESG considerations, businesses are putting more emphasis on long-term strategic advantages than on short-term financial results. Furthermore, M&As are essential for innovation and competitiveness in technologically disrupted businesses like the tech sector, where the full advantages take time to materialize. The velocity of M&A activity has been further boosted by the economic recovery following the COVID-19 pandemic as businesses restructure for future growth. As a result, it is critical to assess their success across long periods. As a result, long-term M&A analysis is essential for understanding the full impact of these complex transactions, aligning with the current global emphasis on sustainability, technological advancements, and strategic value creation. A thorough analysis based on data from a longer period with more variables is strongly justified for portraying the genuine benefits of M&As, even though researchers are unsure of the precise effects of M&As on company performance.

Literature Review

“Are mergers and acquisitions beneficial or detrimental?” This has been a topic of discussion for ages. Although a lot of research has been done, it is unclear if M&As increase or decrease wealth. Do they make the business more profitable? We must consider the challenge presented by these questions. These have long been studied to determine their impact on various economic and organizational outcomes, but the debate remains on whether they truly add value, particularly in the long term. The real consequences of M&As, particularly their strategic and synergistic benefits, frequently take time to manifest, despite the fact that some studies concentrate on immediate post-merger performance or short-term cash gains. While some studies demonstrate mixed or negative short-term consequences, others occasionally identify good long-term effects, giving this literature review a glimpse of the uncertainty and confusion surrounding the impact of M&As on business performance.

A significant number of studies have centered on short-term outcomes. For example, Goel and Thakor (2010) examined US merger waves from 1995 to 2007 and found that earlier acquisitions within a wave tended to yield higher bidder returns. However, they also noted that the returns diminished as the wave progressed, which emphasizes the temporal variability of M&A outcomes. Similarly, Rahman et al. (2018) analyzed the impact of M&As on the returns of Pakistani banks and found negative cumulative average abnormal returns (CAAR) for acquiring firms, indicating that short-term market reactions to M&As may often be negative. Subiyanto (2020) observed that acquisitions in Indonesia's cement sector turned out to be value killers. Prakash (2017) found that targets suffered losses in Indian M&As while acquirers gained marginal advantages, suggesting that Western M&A concepts may not be fully applicable in India. These results, however, can be misunderstood as indicating the overall effectiveness of M&As while, in fact, they merely capture the initial volatility of these intricate deals.

Studies conducted in India by Mahesh and Prasad (2012) and Ghosh and Dutta (2014) revealed no appreciable financial improvement in the telecom and aviation industries following M&As, respectively. This brings to light a prevalent problem in M&A literature: the dependence on short-term financial indicators, such as market share, profitability ratios, and EPS, is inappropriate to reflect the underlying benefits of M&As because integration and strategy alignment require time to generate synergies. Gala and Bhattacharya (2022) used neural network models to analyze M&As and found that acquiring firms often overpay during M&As, realizing less synergistic gains than anticipated, with no significant value creation for shareholders post-acquisition.

M&As have generally shown mixed outcomes when observed in the short run. Subeniotis et al. (2012), for instance, discovered significantly positive abnormal returns for target companies but either negligible or negative returns for acquiring corporations. This result confirms the commonly accepted notion that goals usually result in immediate benefits for shareholders. Similarly, Leepsa and Mishra (2012) analyzed Indian manufacturing M&As and found improvements in some profitability ratios, such as return on capital employed (ROCE), but no significant changes in return on net worth (RONW). Leepsa and Mishra (2012) and Sinha et al. (2010) expressed differing views on the effectiveness of M&A initiatives. These conflicting findings indicate that a longer observation period is required to fully realize the benefits since they highlight the early difficulties in post-merger integration and synergies.

Roy (2019) and Tauseef and Nishat (2014) are two such studies that highlighted the variation in shareholder wealth impacts just after a merger. Roy's study of Indian mergers between 2004 and 2018 revealed that while mergers increased shareholder wealth, value addition after the merger was far lower than it was before the merger. This emphasizes the necessity of adopting a long-term perspective once more since the merger's actual value may not be reflected in short-term gains or losses.

On the other hand, M&As show a more obvious route to wealth generation when considered broadly. Studies that adopt a longer time frame, such as Andreou et al. (2012) on the freight transportation industry and Cui and Leung (2020) on US acquiring firms, found that M&As lead to significant synergistic gains. Andreou et al. (2012) highlighted that vertical mergers generate synergistic value by enhancing supply chain control, which is only realized after several years of integration. Similarly, Cui and Leung (2020) showed that managerial ability plays a crucial role in unlocking the long-term benefits of M&As, with improvements in key financial metrics like return on assets (ROA) and market-to-book ratios becoming evident over time. Further evidence of long-term benefits can be seen in cross-border M&As. Arik and Kutan (2015) and Erel et al. (2012) demonstrated that cross-border mergers, while initially complex due to regulatory, cultural, and operational differences, ultimately lead to value creation through increased market access and enhanced strategic capabilities. Erel et al. (2012) found, in particular, that companies from nations with rising stock markets and appreciating currencies were more likely to be acquirers, indicating the strategic advantages that become evident over a longer horizon.

Additionally, Borodin et al. (2020) highlighted that while profitability might deteriorate in the short-term post-M&As, particularly in stock-financed deals, cash-financed deals were more successful over time. This suggests that the financing structure of M&As plays a significant role in determining their long-term success, another factor that may not be evident from short-term analysis. Furthermore, Limaye and Pednekar's (2017) study of M&As in India discovered that real performance outperformed nominal performance over the long run, particularly in the IT and automotive industries. This implies that M&A transactions can increase shareholder wealth, especially when inflation is taken into consideration.

The length of time needed to accomplish complete integration and realize synergies is one of the primary reasons M&As sometimes call for a long-term outlook. A study on the merger of ICICI Bank supported the notion that M&As require time to demonstrate genuine value by demonstrating that while there was short-term shareholder displeasure, strategic alignment increased long-term financial performance (Wajid et al., 2019). Marks and Mirvis (2011) emphasized the importance of cultural and organizational integration in determining the

success of M&As. They pointed out that despite advances in corporate restructuring, M&A success rates have only modestly improved, largely due to the complexity of post-merger integration. Jin et al. (2015) examined M&As in the Chinese real estate industry. M&As enhanced economic performance by promoting the adoption of new technologies, but scale efficiency gains took time to materialize.

Andreou et al. (2012) stated that because vertical mergers provide businesses greater control over their supply chains, they usually produce synergistic benefits, though these advantages take time to manifest. The complexity of post-merger integration, particularly in industries with complex supply chains or regulatory environments, means that immediate financial performance metrics may not capture the full scope of the benefits. Similarly, research on the Malaysian banking industry by Sufian et al. (2012) revealed that revenue efficiency stayed the same in the short term despite improvements in cost and profit efficiency. This underscores the significance of assessing M&As over a long period in order to capture all performance elements.

The question of whether or not M&As are advantageous is still being studied in recent years, and the conclusion is still unclear. Julian (2020) revealed that companies failed to increase corporate performance after M&A. Borodin et al. (2020) and Malik et al. (2019) proved that the financial performance of banks in Pakistan deteriorated after M&A. Hussain and Loureiro (2023) opined that higher competition led to lower acquirer returns while Wang (2024) stated that M&As increased insolvency risk, particularly through geographic diversification and market risk.

Research Gap

The current literature has a common flaw in that it relies too much on event-based studies and short-term financial indicators, which frequently result in the conclusion that M&As are either unproductive or yield inconsistent results. However, the true strategic and financial benefits of M&As, particularly those related to synergies, integration, and long-term market positioning, take time to manifest. Studies such as those by Andreou et al. (2012), Cui and Leung (2020), and Erel et al. (2012) highlighted the value of long-term analysis by showing that M&As result in substantial long-term profits, especially when analyzed from the perspectives of strategic fit and post-merger integration.

Scholars should switch from short-term event studies to long-term performance evaluations in order to properly determine the worth of M&As. This will help us fully comprehend how M&As affect market positioning, employment, productivity, and firm performance. M&As take a lot of time; thus, their effectiveness should be evaluated over time rather than using data that are available right after the merger. This change in viewpoint will offer a more thorough comprehension of how M&As eventually support business expansion and market efficiency.

Studies examining the long-term impacts of M&As in India are not well documented in the literature. The majority of research was conducted over a brief period and used stock market performance as a criterion to assess whether an M&A program was successful or not. Gulen and Ion (2016) and Stock and Watson (2012) noted that a firm's stock price can be affected by myriad micro/macroeconomic elements that are not under the management's control. Stock prices have occasionally fallen and then risen sharply in a brief period (such as during the recent COVID-19 outbreak), leaving the companies vulnerable to market forces. This leads to improper analysis. Thus, this study attempts to see the effects of M&A in the short (1-year post-acquisition) and the long run (3-year post-acquisition) while incorporating three variables that constitute a firm's performance: net profits, share price, and revenue from operations/net sales.

Objectives of the Study

- (1) To study the short-term (1-year post-merger) effect of M&A on the performance of the acquiring firm.
- (2) To study the long-run effect of M&A (3 years post-merger) on the performance of the acquiring firm.

Short- and long-term performance will be measured based on the following metrics:

- ↳ Consolidated net profits.
- ↳ Net sales/revenue from operations.
- ↳ Movement of share price.

Methodology

Analysis has been done on strategic M&A transactions involving Indian companies. Conglomerate mergers have been discarded as such deals are generally done keeping diversification in mind; reaping the benefits arising from economic synergy is outside their agenda. M&A deals materializing over 13 years, from 2007 to 2020, constitute the sample of the study. Only companies listed on the Indian stock market have been used in this study. Net profits have been used to measure the operating performance of the companies involved in the study. Four net profit figures at different points in time, namely, net profits preceding the year of M&A, net profits for the year of acquisition, net profits one year after the acquisition, and net profits three years after the acquisition, have been used. For ease of analysis, absolute net profit figures have been converted to relative change by taking “net profit for the year of acquisition” as the base. The above strategy has also been replicated with the net sales/revenue from operations and share price figures.

The net profit and sales/revenue from operations figures have been carefully extracted from the companies' annual reports and other reliable websites such as moneycontrol.com and tickertape.in. The companies' prior and post-merger share prices have been extracted from the Historical Stock Prices section of the Bombay Stock Exchange website. Since the study aims to see both the short-term as well as long-term effects of M&As, net profit after one year of acquisition and net profit after three years of acquisition have been used. Both parametric as well as non-parametric statistical methods, such as paired samples *t*-test and two related samples sign test, have been used for analysis, respectively. The paired samples *t*-test and sign test allow for the comparison of a firm's performance before and after M&A, providing a robust way to assess changes over time. The paired samples *t*-test compares the means of two related groups—such as financial metrics before and after M&A—making it ideal for analyzing whether there is a statistically significant difference in performance post-merger. The sign test, being non-parametric, is useful when the data do not meet normal distribution assumptions, offering a simple yet effective way to analyze directional changes in performance. Both tests provide complementary insights, making them suitable for evaluating the long-term impact of M&As.

Hypotheses

This study aims to empirically test the hypotheses mentioned below using statistical analyses:

- ↳ H_0 : M&A does not cause any change in the performance of the firm.
- ↳ H_a : M&A causes a substantial change in the firm's performance.

Data Analysis and Results

The sample for this study consists of 27 randomly chosen mergers and acquisitions completed throughout the 13 years above, from 2007 to 2020. All the acquiring companies analyzed in this research are listed on the Indian Stock Exchange as it not only helps facilitate data collection (share price, net profit, etc.) but also helps avoid irrelevant and minor deals. Data relating to share price and profit figures taken at specific intervals were obtained from reputable sources (moneycontrol.com and tickertape.in.). Outputs derived from SPSS using the data exclusively have been used in the following paragraphs. 2 Related samples sign test and paired samples *t*-test have been implemented to derive the conclusions. Analysis has been done using both to overcome the limitations and utilize the power of non-parametric and parametric tests.

Short-Term Effect of M&A on the Performance of the Acquiring Firm (1 Year After the Deal)

Non-Parametric Test (2 Related Samples Sign Test)

The net profit, share price, and net sales reported a year prior to the acquisition have been compared to the net profit reported a year following the acquisition in order to observe the short-term impacts of M&As. Table 1 shows that out of 27 deals, 16 increased profitability, while the other 11 reported a decline in profitability. However, 17 acquisitions recorded an appreciation in share prices as opposed to 10, whose share prices declined. In terms of net sales, 22 companies saw an increase in revenue from operations, while 5 companies reported a decline.

Table 2 shows the computed *p*-values for the above pairs are 0.441, 0.248, and 0.002, respectively. The *p*-value of only one of the three pairs is significant at the 5% level. The above output from SPSS suggests we retain the null hypothesis (H_0) from the purview of net profits and share price while accepting the H_a for net sales. In layperson's terms, in the short term, M&As did not cause any substantial change in net profits and share price. Only the sales figures of the acquiring entities improved significantly in the short term.

Table 1. Comparison of Pre-M&A and Post-M&A Performance

Performance	Short-term Analysis		Long-term Analysis	
Metrics	1 year before M&A to 1 year post M&A		1 year before M&A to 3 years post M&A	
	Increased	Decreased	Increased	Decreased
Net Profit	16	11	22	5
Sales	22	5	27	0
Share Price	17	10	18	9

Table 2. Sign-Test Short Term (For a Period of –1 Year to +1 Year)

	Test Statistics ¹		
	Net Profit	Share Price	Net Sales
Z	–0.770	–1.155	–3.079
Asymp. Sig. (2-tailed)	0.441	0.248	0.002

Note. ¹ Sign test at a 5% level of significance.

Parametric Test (Paired Samples *t*-test)

The paired samples *t*-test also replicates the results portrayed by the above sign test. The paired *t*-test has been shown as under:

$$t = \frac{\bar{d}}{\frac{s}{\sqrt{n-1}}}$$

where,

\bar{d} = Average differences between the pairs,

s = Standard deviation of the differences between the pairs,

n = Sample size.

While analyzing short-term data, i.e., the *t*-value is calculated using the same pairs mentioned above. Table 3 shows a *t*-value of 0.395, 1.625, and 2.98, respectively. Again, we are greeted with similar findings and are led to accept the null hypothesis (H_0), meaning M&As do not add to the firm's short-term profitability and shareholders' wealth creation, while accepting the H_a and stating that M&A significantly affects the firm's sales (Also shown by the sign-test).

Thus, in the short term, it is seen that the acquirers do not gain much from the acquisition. These findings are similar to other researchers (viz., Ghosh & Dutta, 2014; Kuriakose et al., 2009; Loughran & Vijn, 2012; Mahesh & Prasad, 2012; Rahman et al., 2018). The share price and net profit do not rise after the M&A program. The period is too short to make such claims. The year succeeding the acquisition is when the acquirer has to deal with most of the anomalies of the acquired firm. Most initial teething issues are addressed during this stage, from absorbing losses to managing human resources. However, we need to examine the results based on the data analysis of an enhanced period.

Table 3. Paired Samples *t*-test : Short-Term (For a Period of –1 Year to +1 Year)

Test Statistics ²			
	Net Profit	Share Price	Net Sales
<i>t</i> -value	0.395	1.625	2.98
Sig. (2-tailed)	0.696	0.116	0.006

Note. ² *t*-test at a 5% level of significance.

Long-Term Effect of M&A on the Performance of the Acquirer (3 Years After the Deal)

Non-Parametric Test (2 Related Samples Sign Test)

Analyzing data three years after the M&A made a few revelations. In the long run (see Table 1), out of 27 deals, 22 increased profitability, while only a meager 5 reported a decline in profitability; whereas, 18 acquirers saw an appreciation of stock price as opposed to 9, whose share price declined. The sales figures were intriguing; all 27 companies forming the sample reported an increase.

Table 4 shows the computed *p*-values for the above pairs, which are 0.002, 0.124, and 0.000, respectively. The *p*-value of two of the three pairs is significant at the 5% level. The above output from SPSS suggests we accept the alternate hypothesis (H_a) from the purview of net profits and sales while retaining the null hypothesis for the share

Table 4. Sign-Test Long Term (For a Period of –1 Year to +3 Years)

	Test Statistics ³		
	Net Profit	Share Price	Net Sales
Z	–3.079	–1.540	–5.004
Asymp. Sig. (2-tailed)	0.002	0.124	0.000

Note. ³ Sign test at a 5% level of significance.

Table 5. Paired Samples t-test : Long-Term (For a Period of –1 Year to +3 Years)

	Test Statistics ⁴		
	Net Profit	Share Price	Net Sales
t-value	5.37	2.891	3.356
Sig. (2-tailed)	0.000	0.008	0.002

Note. ⁴ t-test at a 5% level of significance.

price. Simply put, M&As did not cause any substantial change in the stock price of the acquirers, while the net profits and net sales experienced a considerable change.

Parametric Test (Paired Samples t-test)

When the paired samples *t*-test is run on long-term data, the actual effects of an M&A program start to reveal themselves. Table 5 shows the *t*-values of the above pairs as 5.37, 2.891, and 3.356. All these three values are significant at the 5% level. This translates to rejecting the null hypothesis (H_0) and accepting H_a .

Findings

This study is a testament to the fact that a firm cannot reap all the benefits of an M&A program in a short period. Such corporate restructuring strategies come with much financial baggage; they have to deal with many integration challenges initially, which take a toll on their performance in the short term. Problems such as duplicate departments, excess human resources, shifts in work culture, etc., need substantial time to iron out. Yadav and Mohania (2020) have highlighted several post-merger challenges, including post-merger restructuring, struggles for financial stability, differences in organizational culture, and employee layoffs. Similarly, Mainrai and Mohania (2020) discussed issues such as the need to learn new policies and procedures while simultaneously unlearning old ones, as well as the stepmotherly treatment by the management of the merged entity. Once these intricacies are dealt with, the firm can finally consolidate itself and reap the actual benefits of an M&A in the coming years. These findings are similar to other researchers, who revealed that M&As are beneficial in the long run (Aljadani & Toumi, 2019; Cui & Leung, 2020; Doytch et al., 2011; Putri & Suryaningrum, 2021; Roy, 2019). Thus, it can safely be said that in the long run, M&As can significantly increase the acquiring firm's net profit, share price, and sales. Thus, while analyzing M&As, the firms must be given at least 3 to 5 years to let their plans come to fruition; any analysis of M&As using data spanning less than two years is bound to paint the M&A in a bad light.

Implications

This research offers valuable insights for managers and executives involved in mergers and acquisitions by

highlighting the importance of adopting a long-term perspective when evaluating the success of M&A transactions. Instead of focusing solely on short-term financial metrics, managers should recognize that post-merger integration, synergy realization, and strategic alignment take time to materialize. National Bank's experience during the COVID-19 pandemic highlights the unique operational and strategic challenges faced by firms post-merger. This emphasizes the importance of adaptive management strategies in the face of unforeseen crises, such as the pandemic, which can impact asset quality, liquidity, and morale (Mohania & Mainrai, 2020). By shifting the focus from the immediate effect of M&A to sustainable long-term performance, managers can better allocate resources and monitor key indicators that predict sustainable growth, ensuring M&As deliver their intended value.

This research also urges policymakers to develop frameworks to incentivize firms to focus on sustainable and long-term value creation. By encouraging transparency in post-merger reporting, especially regarding integration progress and synergy realization, the government can help prevent these high-value investments from turning rogue. Additionally, policies that promote collaboration between merging entities, such as regulatory guidance on cultural and organizational fit, can lead to more successful M&As with lasting positive impacts on the industry. Retail investors who wish to earn as much as possible in the near future should book their profits (if any) before the deal because the share price does not increase for a year after an M&A. However, since we can see that M&As have been successful in creating long-term wealth for shareholders, long-term investors will gain from keeping low and staying involved for the future. The same reasoning applies to managers of mutual funds as well.

Conclusion

The advantages of M&A advocated in merger theories, such as eliminating competition, consolidating market power, and generating synergy, are all fundamental truths. Unfortunately, many studies, based on short-term data, tagged many high-value corporate acquisitions as failures. This paper shows that a quick study based on short-term data is most likely to fail to unfold the truth because all such benefits do not occur instantly; rather, all these benefits take considerable time to materialize. Based on data spanning a longer time frame, the study finds that the majority of M&As significantly increase firm value and performance as strategic actions. The fact that the acquiring company is more focused on post-merger integration and human factors management in the early post-acquisition period than on quickly increasing earnings and firm value further supports the idea that a short-term study cannot accurately represent the facts.

Limitations of the Study and Scope for Further Research

The findings of this study have to be seen in light of some limitations. First, the study uses financial data of mergers consummated over a long period (2007–2020); accidentally, the data corresponding to this period is subject to many global economic events and crises, such as the Subprime crisis (2007–2009), European Debt Crisis, (2009–2010), and the recent COVID-19 pandemic (2020). Therefore, the data might be skewed more than usual. Finally, the sample size of the study may need to be larger.

Future research should incorporate more variables to understand the effect of M&As rather than solely focusing on the financial yardsticks. Scholars can study M&A from multiple other viewpoints, such as human resources, taxation, etc. Deals can be segregated based on industry, valuation, and mode of payment. In subsequent studies, scholars should check which of the merger theories better explains the results of contemporary M&A.

Authors' Contribution

Sherab Wangdi prepared the manuscript and statistically analyzed the data using SPSS 25. Raju Paul extracted papers from myriad sources and collected and segregated the data. Dr. Dipen Roy conceptualized the idea. All three authors finalized and proofread the manuscript.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript.

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