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UNDERSTANDING DETERMINANTS OF DOMESTIC MERGERS AND ACQUISITIONS THROUGH LITERATURE REVIEW

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ABSTRACT

For a firm entering into M & A is sometimes a choice and other times it is a compulsion. But if a Corporate wants to grow, it has to undergo organic as well as inorganic growth in form of M & A. The study of determinants of Mergers and Acquisitions has thereby become of utmost importance and relevant in times of intense competition among Firms. The current study explores the determinants of mergers and acquisitions for Domestic deals in India in comparison to other nations. The determinants can be categorized into firm-specific, macro-economic, strategic determinants, financial determinants. Thorough research is done by following a rigorous process from exploring the papers to synthesizing the research. The study also gives insights regarding how the relevance of factors determining mergers and acquisitions is changing in India with an impact of COVID-19 and other global level uncertainties.

Keywords: Domestic Mergers, Acquisitions, Determinants, Inbound M & A, COVID-19.

JEL Classification Codes: F23, F65, G34, L25.

INTRODUCTION

Expansion of business is an imperative decision which is taken by the Firms who crave to increase customer base, so, as to further enhance the sales or profitability. Firms at this point of judgement either decide to focus on strength of internal processes or instead enter the new markets by the means of Greenfield or Brownfield FDI. Greenfield investment involves creation of new assets however Brownfield FDI or Mergers and Acquisition (Domestic as well as Inbound) leads to modification in control of the target Firm, Koerniadi et al. (2015). "A merger refers to two companies joining together, generally through shares exchange, as peers to become one single firm to run the business. An Acquisition involves a purchaser company (Acquirer) that buy the shares or assets like a plant, a division of business or whole company (Target Company) by making the payment in cash, shares or assets." Merger involves parleys among Target Company (Board of Directors) and Acquirer Company, as it a friendly transaction taking place. In Acquisition the Local Firm get converted into affiliate of Foreign Company.

Entering new economy by Greenfield investment offers risk of starting from beginning which together with time and efforts investment does not guarantee success. Though Brownfield investment in form of Mergers and Acquisition entry into the new markets has its own benefits and drawbacks, but these can prove to be an engine of growth if handled and processed diligently. M & A are an important characteristic of Corporate Restructuring in form of different types of arrangements like Mergers, Acquisitions, Amalgamations and Hostile Takeovers. They had emerged as Mergers waves, which were pragmatic since 1880s directing European Markets Mergers and now the recent wave which begun following Financial Crisis of 2009 was ended in first half 2020 by pandemic, Covid 19 lockdowns, Galpin (2021). Whereas the second half of 2020 has witnessed record deal leap. Historically, when the economies became globalised, the developing nations were entering into M & A, the developing nations like India got engaged fervently in bigger and substantial deals to contest with advanced nations. The success rate of acquisition in terms of shareholders wealth maximisation is less than 20 percent (Economist, 1999). Even then the marathon of Corporates to enter into Mergers and Acquisitions deals has not slow down, which stimulates the researchers to find the answer to the question: What are the determinants of mergers and acquisitions? Whether determinants are same for Domestic, Inbound and Outbound merger and acquisitions? These questions specifically later one is a research space yet to be explored upon.

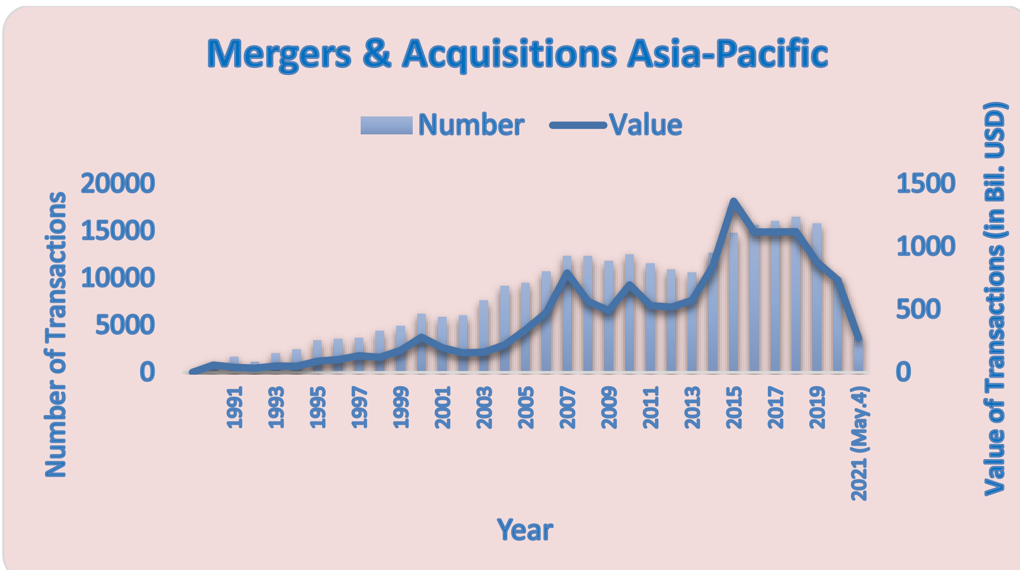


Figure 1. Number & Value of M&A Asia-Pacific
Source: IMAA analysis, 2021

Asian Countries always striving for growth have observed mergers and acquisitions activities from middle of 1990 year, the deals have increased from 954 to 3,551 in number till May 4, 2021 (IMAA). India also participated in the merger activity from 1991, subsequently to liberalisation and globalisation reforms. It is worth noting that the number of Mergers and Acquisitions have increased substantially from 115 deals in 1996 to 798 till 2020 (IMAA). In comparison to other years like in 2018, when the number of deals were all time high at 1870; Covid 19 has pulled down the activities of Mergers & Acquisitions by dipping the number of mergers activity. On the other hand, the value of merger and acquisition have increased from 1.6 Billion USD to 33.299 Billion USD in 2021 whereas in 2018 it was, 119.77. The number of hostile Takeovers in 2021 in India has got reduced to only 3 in count due to Covid situation prevailing in the economy.

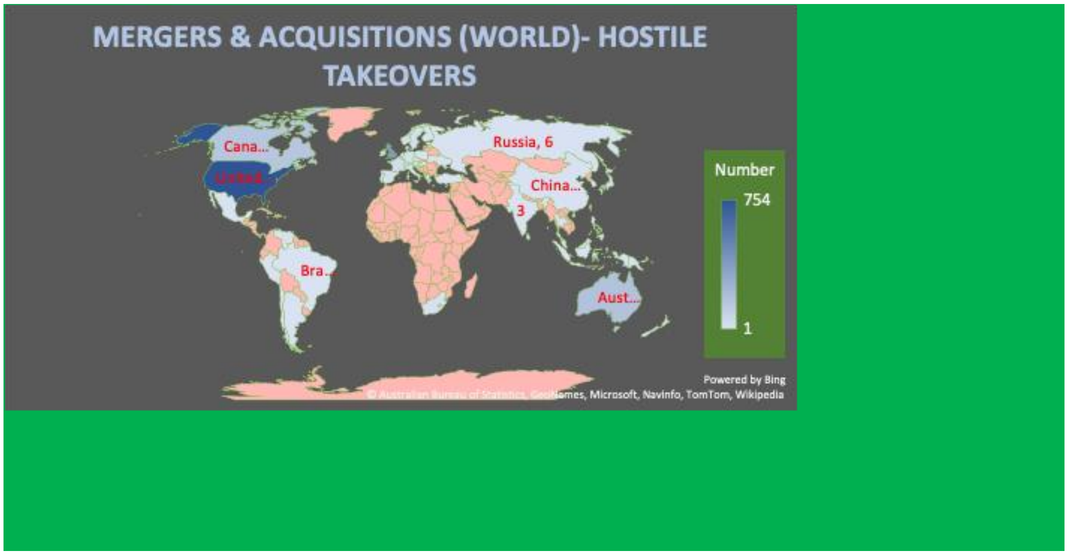


Figure 2. Number of Mergers & Acquisitions (World)- Hostile Takeovers
Source: IMAA analysis, 2021

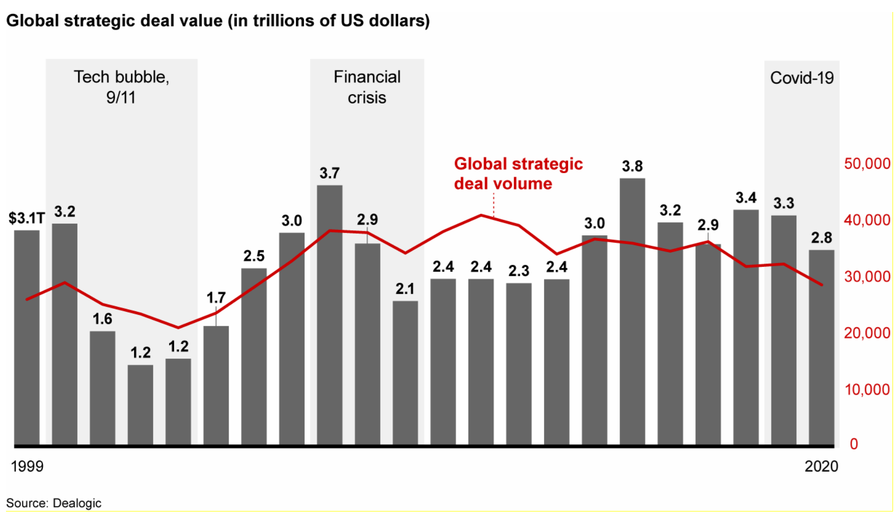


Figure 3. Strategic Deal Value (World) in Trillions US Dollars

Since, in acquisition, the acquirer firm takes the control of the assets as well as the business of the other firm even when both the firms are still independent beings, the control has got changed. The term Acquisition is defined in MRTP Act, 1969 as the Acquirer should have the voting power of 25 percent or more in the acquired entity. On the other hand, initial threshold limit for acquisition or takeover according to Old SEBI Regulation of Takeover was 15 percent which has been now improved to 25 percent of voting power in the target firm as per SEBI (SAST) Regulations, 2011. An acquisition can be minority where 10 to 45 percent voting right shares are with the Acquirer or majority, where 50 to 99 shares are with the Acquirer. The payment made for the merger and acquisition can be in form of cash, stock or hybrid (cash and stock). A swap ratio is fixed among both the companies. Corporate Restructuring in form M & A has long term both positive and negative impacts on firm as well as the stakeholders including the Human Resources, Shareholders and value of the firm.

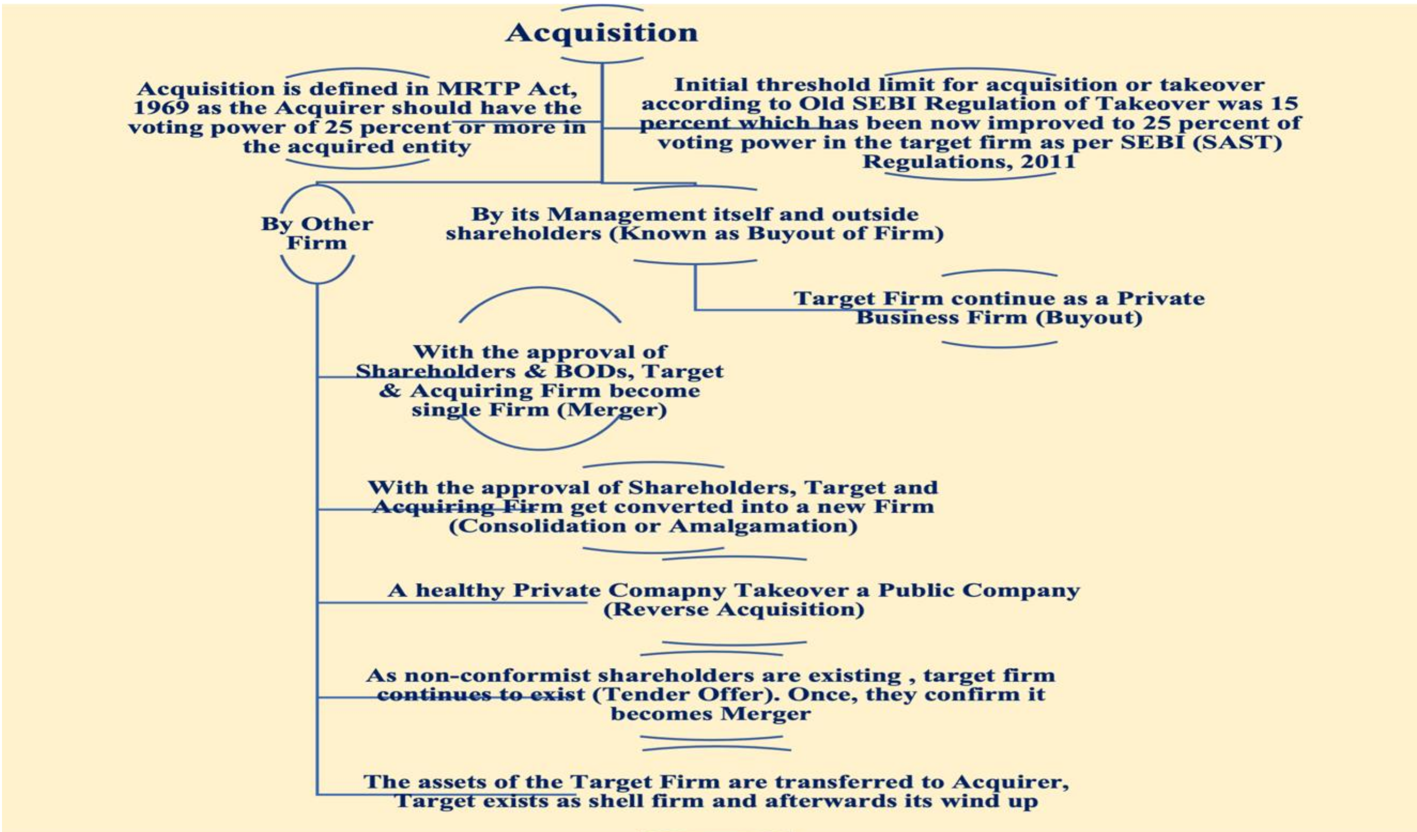


Figure 4. Types of Acquisitions
Author's own compilation

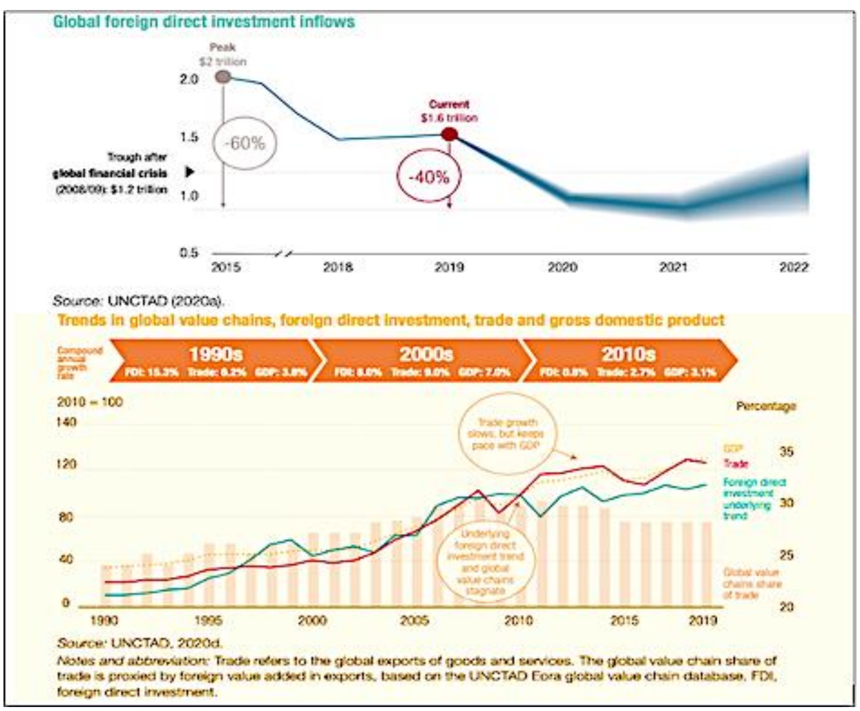


Figure 5. Global foreign direct investment inflows
Source: UNCTAD

MOTIVATION FOR THE STUDY

The increase in mergers activity, though has slow down during 2021 than past years but still insistently occurring in Asian regions as well as India. Incidence of Mergers and Acquisitions is studied in developed economies, Rhodes-Kropf and Vishwanathan (2004) and in case of developing economies like India studies are fewer. These can be some of the reasons to study the factors determining M & A in Inbound and Domestic context as it can give clarity for the reasons of restructuring of the corporates at such an immense level.

Also, Indian Markets are more involved in cross border acquisition with the changes in SAST, 2011. The reasons for which Indian firms are expanding through M & A is very much different from the motives of developed nations. Most of the times, the developing economies are globalising to seek resources or technology. On the other hand, the developed nations are engaged in activity for gaining ownership and seeking markets. The theory development for mergers and acquisitions in India is also in emerging stage. With handful of research and studies, this area specifically is demanding more research, in context of domestic as well as inbound M & A. Corporate Restructuring is an attractive activity, which can be better understood by studying the characteristics of Firms and Industry involved in the same. Though there is research on these characteristics, still there is a gap in terms of the comparison of Firms characteristics for domestic acquisitions and inbound acquisitions. According to Li et al, 2016, initially there was a trend of mergers and acquisitions in developed nations, which has now shifted towards the increase of developing nations M & A activities. M & A studies are vast and catered in different areas starting from strategy, finance, international business, economics, and marketing, human resource aspect. The focus of our study is a try to fill the gap existing in field of international business and finance, in terms of studying the motives of domestic M & A and inbound M & A.

The studies existing in exploring determinants of Cross Border M & A are numerous, many studies are profounding giving sturdy findings (Globerman & Shapiro, 2005, Rossi and Volpin (2004)). The studies which are explicitly explaining determinants of Domestic and Inbound Mergers and Acquisitions for India, an emerging nation are insufficient, giving a base to delve more into this topic.

RESEARCH METHODOLOGY AND PROBLEM STATEMENT

This study is an attempt to carve a comprehensive literature for determinants of Domestic Mergers and Acquisitions in India. For in-depth analysis of the same, the search criteria of research papers included is based on search criteria specified we found, piles of research done in Mergers and Acquisitions, i.e., from huge database of 820 studies in different perspectives, retrieved from databases like Emerald, Elsevier, EBSCO, ProQuest, Science Direct from year 1985 till 2021 (Table 1). From this database, 60 studies are taken into framework to analyse further for determinants of Domestic Mergers & Acquisitions which are characterised broadly into Country Specific, Firm Level Specific, Industry Specific, Deal Specific Characteristics, and Macro- Economic Factors (Table 2). The inclusion and exclusion criteria are taken into contemplation while compiling the studies. The research papers are retrieved by searching different keywords related to determinants of mergers and acquisitions. The studies are related in terms of the factors studied but empirically the definitions of the factors included are different in terms of proxy factors selected. Also, the conclusion and the results are different in pointing the significance of the factors. So, we can say that the determinants of mergers and acquisitions are still lacking in stating similar conclusions. This further serves as noteworthy gap for research.

Table 1: Search of Literature from Source

Databases	**Key Words**	**Countries**	**No. of Papers**
Emerald, Elsevier, EBSCO, ProQuest, Science Direct	Determinants of M & A, Determinants of Mergers and Acquisitions, Determinants of Acquisitions, Determinants of Country specific Factors of Mergers & Acquisitions, Determinants of Domestic Mergers and Acquisitions, Macro-economic factors of M & A, Firm level determinants of Mergers and Acquisitions	India, Denmark, USA, China, Romania, Netherlands, Switzerland, United Kingdom, Greece, Botswana, Egypt, Kenya, Nigeria, South Africa, Tunisia, Malaysia, Singapore, Thailand, Vietnam, Turkey, Northern Europe, Other Developed and Developing Nations	60

Author’s Compilation

Table 2. Determinants of Mergers and Acquisitions in Literature

Type of Study	**Inclusion Criteria**	**Exclusion Criteria**	**Period of Study**
Firm Specific Determinants, Deal Specific Characteristics, Industry Specific Factors, Financial Factors, Market Specific Factors, Macro-Economic Factors, Country Specific Factors	The studies related to Determinants of Developed Nations, Developing Nations, Indian context are included. Secondly, studies involved in determinants of domestic, inbound and outbound mergers and acquisitions are reviewed.	The studies related to Performance of Mergers and Acquisitions are not taken into analysis.	1985-2021

Author’s Compilation

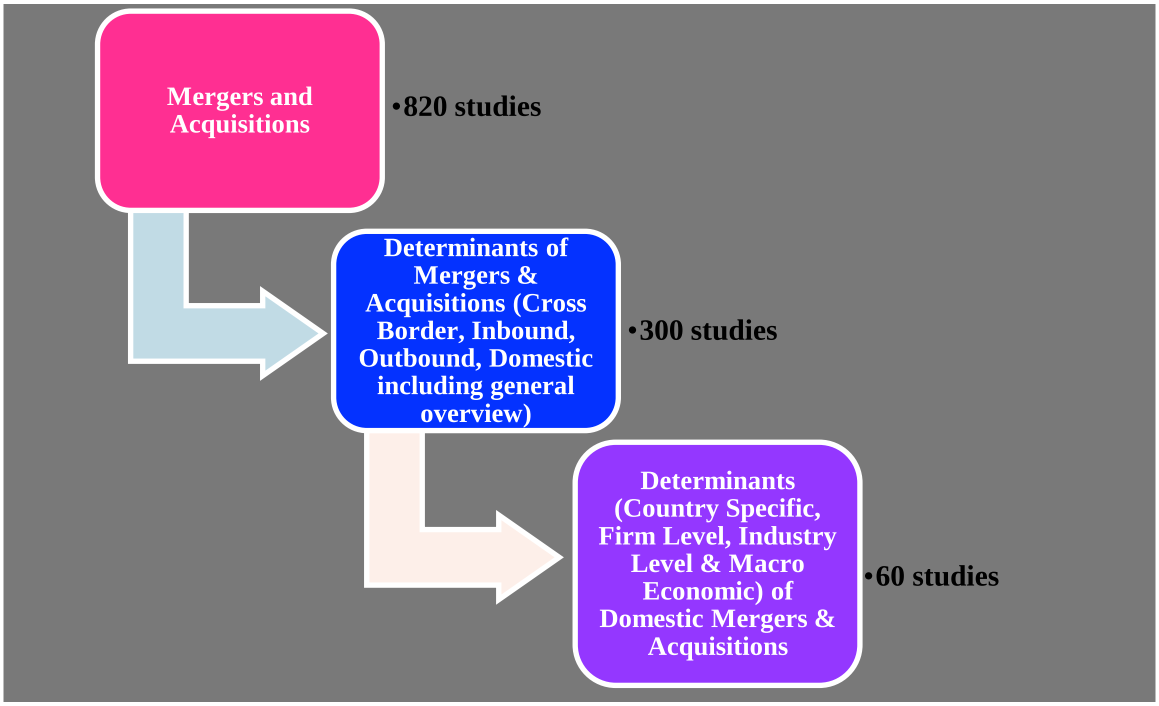


Figure 6. Conceptual Model
Author's Compilation

THEORETICAL CONTEXT

Mergers and Acquisitions can be driven by a lot of causes. In general, Acquirer Company can Weigh up the Target Company in terms of a gainful venture or an alternate investment. The regular topic of research for the scholars in mergers and acquisitions area is studying the benefits or motives of the firms including expanding markets, adding new product lines, acquiring R & D, knowledge and skills seeking, providing effectual management for running business and handling the assets of the Firm. M & A is considered as an investment activity, thereby depicting that the factors affecting investment decisions in business are also considered as factors impacting mergers and acquisitions. On the contrary, Simons (1992) concluded firm is not considering cost involved in merger but for corporates, M & A is as a part of long term strategy for seeking benefits.

There exist different theories of M & A which describes the motives of Mergers and Acquisitions, these theories are summed up by Buckley et al. (2007) and Trautwein (1990). According to Buckley, FDI is determined by four purposes including, search for new market, search for an asset, for achieving efficiency, for natural resource. On the same lines, Trautwein stated that Mergers and Acquisitions are driven by empire building model, efficiency model, valuation model, process model and monopoly model. Dunning (2013) in his eclectic theory explained that the firms are interesting in entering foreign markets only when it has ownership advantages as these benefits leads to increase in the propensity of mergers activity on the basis of location advantages. There are researchers who disagree with Dunning by stating that the eclectic theory is insufficient to explain M & A occurrence. Mathews (2017) has given LLL (linkage, learning & leverage model) in this regard, whereby he elaborated that firms from emerging markets are skipping levels of internationalization by ensuring strategic assets through Joint Ventures, Strategic Alliances and other modes. Mathew has named these firms as late comers which can grow by seeking for strategic assets. Johanson and Vahlne (1977), Johanson and Vahlne (2020) in Upsala Model, referred to closeness of domestic firm to the foreign market as key factor to enter into international markets On the basis of existing theories and models, determinants of M & A are explored by the researchers.

Danzon et al. (2004) have studied the determinants of M & A on the basis of Firm Size, i.e., large and small firm proxied by the enterprise value. They concluded that the small firms seek M & A as strategy to stabilise their financial condition and large firm seek M & A for fulfilling their excess capacity which is there due to factors like fear of patent expiration, channel gaps, cash to sales ratio, MNE affiliation, Tobin's q, firm size. Factors responsible for Corporate Restructuring in India are also explained by Venkiteswaran (1997). Regarding the trend of M & A, research by Kumar (2000) has shown that 35% of acquirer firms purchase local Firms as Joint Ventures, 5% acquirer firms had enhanced their share in own subsidiaries and less than 10% mergers are for patents mergers. India being emerging nation is growing rapidly by entering global markets or allowing other country firms to engage in M & A with India. Due to which, it's very much required to study the firms characteristics which are involved in Corporate Restructuring particularly, M & A. The firms are either growing organically or by domestic M & A or by means of cross-border mergers and acquisition. The literature is lacking in differentiating the characteristics of firms involved in M & A domestic or cross border.

Before 1990s theories revolved more around domestic market, but after economic reforms in India, cross border M & A deals came into the trend. Researchers like Shimizu et al. (2004), Shimizu (2016), Cartwright and Cooper (1995), Cartwright (1998) stated that studies were getting more inclined towards the cross border deals. They also defined that with passage of time, Mergers and Acquisitions are getting popular among different disciplines. Cartwright (1998) elaborated that initially the research on M & A started from domestic transactions in USA. Further Haleblian et al. (2012) confirmed that 1990s was the year from which, researches were revolving around cross border of Europe then in Asia and after that most of the studies for international deals in emerging markets. Mergers & Acquisitions are considered as inorganic growth strategy for a firm, much research has been done in developed as well as developing economies. In developed economies, the studies are diverse starting from research by Kogut and Singh (1988) and Nkongolo et al. (2010), acquisition having certain determinants is a means to go global, post-acquisition benefits by Bhagat et al. (2002), Barakat et al. (2020), Bhagat and Bolton (2019) performance of acquisitions by Arens and Brouthers (2001). On the other hand, studies by Contractor et al. (2014), Gubbi et al., 2010, Chittoor (2009) for developing economies concluded that strategic asset seeking is the main motive of M & A, though there are other reasons also for going global.

Shimizu et al. (2004) observed that the meaning of cross border mergers and acquisitions must be broadened as according to them domestic deals also have similar characteristics like that cross border deals. In the same line, the research by Noelia- Sarah Reynolds and Teerikangas (2016) elaborated differentiating clearly between domestic M & A. and Cross Border M & A is challenging because the firms involved in domestic M & A also pretend they scope includes international market. According to Sarah, this directly has an impact on experience of employee by creating a stress and emotional turmoil on them, on these grounds they claimed that pure domestic mergers and acquisitions is an illusion. On the contrary, international M & A are being distinguished by the researchers on basis of cultural challenges, Stahl and Voigt (2008), Teerikangas and Very (2006), language barriers Welch et al. (2005), Varra et al. (2010), institutional boundaries, Geppert et al. (2013), these are the international variables which do not impact domestic deals as they are more of routine and unvaried in nature.

Another area of differentiation in studies in context of domestic and cross border deals are regarding the performance or value creation by these activities. In comparison to developed economies, the developing economies have over performed (Gubbi et al. (2010), Chakrabarti, (2001)) which is opposite of general views that developing economies do not perform well. Captivatingly, according to the findings of Kang (1993), Markides and Ittner (1994), foreign acquisition have affirmative performance in comparison to domestic deals. The studies also differentiates among domestic deals and cross border deals by elaborating that FDI Inflows are impacted by uncertainty in domestic or local economic policy whereas uncertainty in global economic policy enhances FDI inflows in economy, Nguyen (2019), Nguyen and Vu (2021). Regarding the differences in type of payments made by the firms at the time of M & A, it can be paid in cash or stock or hybrid, though it is observed by the researchers that the shareholders of previous firms are interested in receiving cash as via stock the synergy risk can pass on the investors in firms. On these theoretical contexts, it's fascinating as well needed that the factors impacting Domestic M & A as well the motives determining Cross- Border deals should be studied thoroughly as well as empirically.

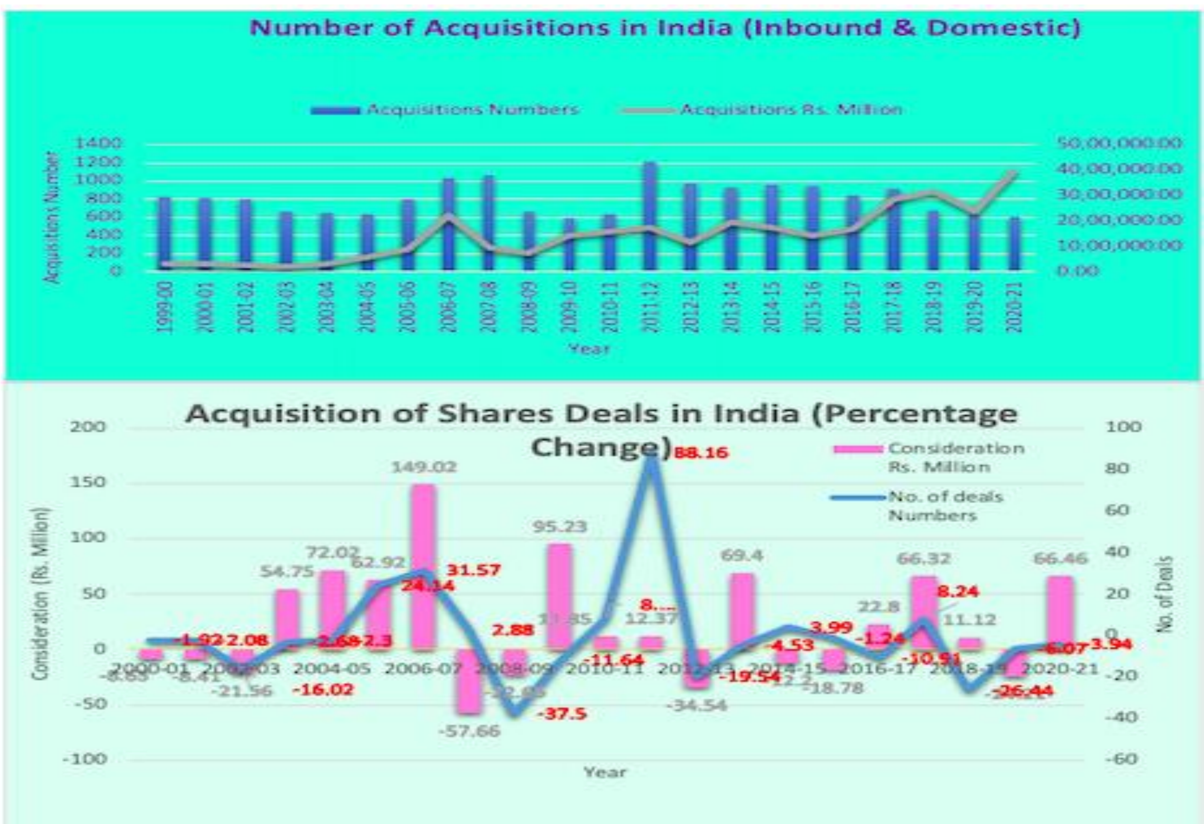
DETERMINANTS OF DOMESTIC MERGERS & ACQUISITIONS

Mergers and Acquisitions initiated in India with industrial policy reforms in 1991, it was further expediated by removal of restrictions in MRTP Act, 1969 then changes in FERA, 1993 followed by FEMA, 2000, it was checked upon by Competition Policy Act, 2002 to prevent dominance by Cartels or Mergers and Acquisitions, so, that these activities do not curtail healthy competition among Firms. The economic reforms, 1991 improved the firm level stiffness. According to Basant (2000) India's domestic firms have positively responded to the economic policy changes and growth of economy by steadily undertaking M & A activities domestically as well as by off shore investments or deals. This is a reply by the corporates to ever growing competitive environment. Gantumur and Stephan (2007) stated that the IT firms in global economy consider technical know-how to be a critical factor to achieve success in comparison to other factors like firm size etc. The trend of increase in domestic mergers and acquisitions can be clearly seen from Figure. 7

Source: CMIE, 2021

Figure 7. Number and Value of Mergers in India

Capron and Shen (2007) and Ahuja et al., 2001 stated that resource seeking motives as well as the knowledge seeking motives were main motives of merger and acquisition by a firm. As, knowledge along with resource leads to operational synergy and provides economies of scale which further improves performance of firm after acquisition. Another motive explained by Stigler (1968) was mergers for monopolistic powers. According to World Investment Report, 2007, the motives for acquisitions in developed countries are different from that of developing economies. As per report even the firms have changed their role post liberalisation, the firms of developing countries, which were target earlier now are acquirer. Khanna and Rivkin (2001) explored that the developing countries have scarcity of factors like good management, sophisticated technology, funds due to economy's legal and political environment flaws. Due to which developing economies seek developed economies for assets and resources (Strategic Assets seeking theory) whereas, Hitt et al., 2009, Hitt et al. (1996) confirmed that developed economies enter into M & A to use their existing capacity and for entering new markets. Fortanier and Tulder (2010) in their study found that the acquisitions in China and India are dependent on technology seeking motives as technology can be easily attained by acquisitions at less cost than by licensing. Rasiah et al. (2010) conclude that all the three country firms, India, Brazil and China want to attain intellectual assets (strategic resources) through acquisition which was further confirmed for BRIC countries. This was also explained in theory given by Moon and Roehl (2021), Imbalance Theory of Weak Competitive Advantage, as per this, the firm in order to complete the gap between needed and present resources, enter into merger and acquisitions. Indian Firms enter into M & A in developed countries mostly due to lack of business essential factors which is because of difference in institutional environment of both the types of economies, Madhok and Keyhani (2012).



Source: CMIE, 2021

Figure 8. Number, Value & Consideration of Acquisitions in India

According to IMPA Insights 2016, in India, the sectors which are more prominent in M & A in previous four years include Mining, Energy, Utilities, Telecommunications, FMCG, Pharmaceuticals. It has been observed that M & A activities are driven by objectives like gaining market power, entering new geography, market access, to access channel of distribution as well as technological motives which cannot be the sole motive. Due to surge in competition in liberalisation in financial sector, capital flow has increased which is aiding M & A for domestic firms, which is further helping firms in re-building the core competencies, Vyas and Narayanan (2012). Mangers in Indian Firms are not clear about the reason their firms should enter into mergers and acquisitions, whether they are entering to access resource, R & D, location, also the awareness about the process for various types of M & A is not there. Additionally, the consultant firms hired by the Indian firms for M & A are having imperfect expertise. Moreover, the planning part is good and the implementation part is weaker in context of M & A for the Indian firms, Bhattacharya (2019). Also, Christensen et al. (2011) explained that Managers in Indian firms should draw out detailed procedure regarding the process to be followed and resource to be acquired. Pandya and Sisombat (2017) stated that M & A fastens firms to realize gains of market share and decrease in cost which leads to improvement after merger, Pandya and Sisombat (2017). Pandya (2018) also confirmed that after 1990s, the mergers and acquisition activities have increased in India but the non-manufacturing sector role in mergers and acquisitions have decreased. According to UNCTAD and IMAA, the number of M & A deals in India has increased as well as value of M & A has also increased to a significant extent. According to Dhingra and Kapil (2019), the firms involved in domestic as well as Inbound M & A are motivated by different factors. They clarified that the motives can vary from resource seeking theory, Boateng et al. (2008), Institutional theory, Nayyar (2008), Strategic Asset factor, Entrepreneurship Theory. They further elaborated that Tech- Based Firms got motivated by resource and asset seeking, FMCG for resource and market entry, Pharma Sector and Healthcare sector by resource, market and strategic asset motive, Banking or Finance Sector for Institutional Theory and resource seeking. Denyer and Tranfield (2006) claimed that a sector can have specific drivers for M & A which are not applicable in other sector. According to Denyer, a systematic literature can explain it effectively with the help of diverse literature.

After LPG in 1991, there were important policy changes which were introduced by government of India to enhance Research & Development and for security of IPR. TRIPS was intended to give to the first discoverers or inventors. M & A was also facilitated by new provisions in Companies Act, 2013. Dhingra and Kapil (2020) concluded that after economic reforms of 1991, a thought was that Foreign MNEs can lead to destruction of markets in India by acquiring Indian Firms. But contrary to that Indian firms have succeeded when got merged with foreign firms thereby creating synergistic benefits for both the firms. Wilson (2003) stated that India as well as China are growing fast and have prosperous future growth, due to which, the survival of firms and achieving success at the same time in the markets has become difficult. As per the study of Yagil (1996) and Dhingra (2019) there are two main drivers of firm for M & A in international markets, the firm differentiation (including the strategy of firm and resources of firm or firm size) and Country differentiation (Characteristics of host country of firm- significant factors considered include, country openness and country risk). ***The determinants of Domestic Mergers and Acquisitions can be concluded as:***

Macro-Economic Determinants

Ramakrishan (2010) and Kumar (2009) explored that M & A has two major dimensions, first is determinants of M & A and the post-acquisition performance. The variables of host country, which support M & A activities are political environment, economic environment, cultural or social environment, institutional environment, legal protection for investors, openness of country, strategic assets, Group Affiliations of economy. FDI flows are impacted significantly by the economic environment of host nation. According to Nenova (2002), the economies which have strong legal rules for protection of the investors, the frequency of M & A is more there. Bris and Brisley et al. (2008), Bris and Cabolis et al. (2008) concluded that if two economies have same type of investor or shareholder protection, then there are high chances of M & A between them. Bertrand et al. (2007) clarified that Acquisition Cost which consists of the host country's prevailing tax rate, Financial Market openness and about laws also impact M & A occurrence. Ali-Yrkko (2002) emphasised the importance of GDP, No. of corporates listed on Stock Exchanges of country, market capitalisation in M & A activities. Laamanen (2007) stated that the decisions of M & A are dependent on factors like economic as well as political risk of economy. In study by Bhargavi et al. (2016) market size of host economy is taken as GDP of host nation. Studies of Kravis and Lipsey (1982), Chakrabarti (2001), Buckley et al. (2007) confirmed that market size of an economy is considered as an important location determinant of M & A as it generates cost effectiveness in terms of economy of scale and labor specialization.

According to Athreye and Kapur (2009) after exploring market and resources, the next significant determinant of M & A is strategic assets for improvement in technology. Balasubramanyam and Forsans (2010), Pradhan and Karl (2010), Kaartemo (2007) confirmed that the strategic assets play a vital role as this aids the firm specific gains while going for mergers and acquisitions. Bhargavi et al. (2016) has included R & D expenses by host economy, Patent filing, Trademark filing and secondary school enrolment ratio in strategic assets. Bhargavi et al. (2016) had proxied GDP deflator as measure of Inflation and Corporate taxes as the components of Economic Environment of host nation. Schneider and Frey (1985) concluded opposite relationship among Inflation and FDI flows. According to Baniak and Cukrowksi (2005) and Dunning (2009), FDI is attracted by the Institutional Environment of host nation and weak institutional environment impact FDI negatively. Pradhan and Karl (2010) examined that in case if a Firm belongs to weak institutional environment of a country then even political risk may not create a limitation for FDI. Also, researchers like Root and Ahmed (1979), Schneider and Frey (1985), Chakrabarti (2001) and Dunning and Lundan (2008) confirmed political stability of a nation as utmost important factor for FDI. Mata and Portugal (2000), Mata and Portugal (2004) and Ilmakunnas and Topi (1999) noted that macroeconomic factors impact FDI inflow and outflow. As per them, factors like sunk cost has positive impact but factors like labor cost and advertisement intensity have negative effect on FDI and M & A.

Moreover, it was also observed by the researchers that the cultural environment of a host nation also has bearing on M & A activities. Leamer and Storper (2001) clarified that Cultural environment which included geographical distance between India and other country impacts the occurrence of mergers and acquisitions. Common Language among host nation and home nation, which is also a part of Cultural environment acts as a significant determinant of M & A (Barkema and Vermeulen (1998), Kogut and Singh (1988) and Evans et al. (2000)). Likewise the number of Indian Firms mergers and acquisitions are growing in USA, UK, Germany, Denmark and other European as well American countries, this is showing one of common language English between India and host country, to some extent possible for these M & As. Gastanaga and Nugent (1998) and Chakrabarti (2001) claimed that a country openness can lead to increase in FDI, where openness is measured by proxy of percentage of Trade in GDP. Country openness can be defined as removal of unnecessary barriers on imports & exports of a country.

Group Affiliations like a country if member of groups like ASEAN, Commonwealth countries, G15 and G20 impact the acquisitions in India is studied by few researchers. Murtha and Lenway (1994) states that if a home country has bilateral treaties or is member of international bodies, thereby maintaining global relations impacts as motivation for M & A activities. The acquirer companies are also entering into M & a with the target companies who are related to them in terms of accounting practices by following IFRS, which are universally followed instead of local GAAP. Srivastava (2018) stated that in order to apprehend merger and acquisition more rigorously, in place of following emotional approach rational approach should be followed as proposed by Srivastava in RERC MA Theory. George et al. (2016) explained that firms when enter into related mergers and acquisitions, look for the activities are related or not and on the basic of deal value, productivity of the other company, whereas in case of unrelated M & A, financial position of company is taken into account and not productive capacity

While comparing with India, the M & A studies are studied more in China. Factors driving M & A are country specific as well leading to differences in the number and deal value of M & A in a country. Mergers and Acquisitions are dependent on different factors like GDP, common language, culture, financial markets. All mergers cannot be successful always, Dhingra (2019). Due to scarce literature on determinants of M & A in India specifically, more study need to be done, as well as more M & A research should be conducted in emerging nations.

Financial Market Variables

Liang et al. (2016) found that the motives of mergers and acquisitions in emerging Asia is different from the motives of corporate restructuring activities in Asian nations in various forefronts. The financial determinants including the home country's stock market performance and capitalization can motivate M & A but the credit provided by financial institutions and banks in form of private credit as not impacting M & A activity in these Asian nations. Also, they stated that liquidity in stock market is negatively impacting M & A activity from Asia to other regional areas. According to them, the Asian nations are intrigued by the economic growth in terms of high GDP growth, market size, that means they are exploring other nations for seeking new markets, on the other hand GDP growth and GDP of host nations are found not significant for mergers and acquisitions activity in domestic acquisitions by Asian nations. As domestic acquisitions are not done for motivated by new markets and nor efficiency related motivation, which is lower cost of labor in host nations. As per their study both the types of M & A domestic as well as cross border in Asia and non-Asian nations are motivated by fuel seeking. The technology motive (or resource leading motive) is found insignificant for both domestic & cross border M & A in Asia and non-Asian nations. Common language is found significant in both the categories domestic & cross border M & A. Whereas, financial openness and institutional environment of host nation is statistically significant for cross border M & A in Asia and Non- Asian nations. The variables like patent applications, exports were found negatively associated with M & A activity in both domestic and cross border transactions.

Erel et al. (2012) documented the different factors which impact positively mergers and acquisitions include, distance between locations, stock market performance in form of high returns, market to book ratio, accounting disclosure, home country currency appreciation, bilateral trade. Brooks and Jongwanich (2011) explored in his study that private bond market do not support M & A, except that all the other financial determinants impact M & a positively in the emerging nations under study. Rose (2000) explained that the M & A activities are impacted in terms of volume of trade if both countries have common currencies. Kamaly (2007) pointed out that the determinants which enhance the mergers and acquisitions activity in emerging nations are Stock index (S&P 500), trade or country openness, currency depreciation, interest rate depreciation. Di Giovanni (2002) confirmed that the ten motives which facilitates M & A activities are: Financial depth, Financial or country openness, for resources, for market, for assets, for efficiency, real exchange rate, quality of institutions, cultural similarity, location distance.

Strategic Determinants

Most of the times firms want to undergo M & A due to the synergy gains associated with these, even when there is no guarantee of post-acquisition success. Berkovich and Narayan (1993) stated that operational synergies are a significant driver of M & A. Chatterjee (2007) concluded that operational synergies makes the process of integration difficult which cannot be copied easily by the competitors leading to gains. Vasilaki and O' Regan (2008) explained the importance of the role played by the management of the firms in terms of the commitment to the process of M & A thereby generates returns and synergistic gains. Seth (1990) further explained that the synergy is created due to economies and cost effectiveness, which are achieved as outcome of M & A thereby leading to enhanced market power of the Firm. According to Suk Byun et al. (2013) research of determinants of M & A was fixated towards country related, firm related and industry related factors whereas less studies were defined for emerging nations of Asia, Duppati and Rao (2015).

Researchers like Dunning (1993), Caves (1996) were more concerned about exploring the factors which are making a location favorable for global production. Lall (2002) concluded that the research is highly inclined towards identifying the country specific, industry specific and firm specific factors for FDI in general and considered that all types of modes of FDI are motivated by same factors. Kang and Sara (2000), Letto et al. (2001), Chen and Findlay (2002) clarified that though maximum proportion of FDI is created through M & A but the studies related to cross border M & A are limited. Certain studies exploring the determinants of M & A specifically are been done. (Globerman et al., 2005, Di Giovanni (2002). Beena (2004) find out that firms merge with same group firms to prevent themselves from takeovers and to merge their control as well. Hi- tech industries in classification of OECD which includes Pharmaceutical Sector as well is a sector which is systematized sector. This sector has features of intense competition, oligopoly market, patent rules, R & D expenses are high, Innovations in process as well as product resulting in unforeseen outcomes. With the present restraints, Pharmaceutical firms grow organically together with inorganically, where, they enter Mergers and Acquisitions and Strategic Alliance. This help them grow globally and also fulfilment of the restraints they have like patents, resources. Indian government is also facilitating mergers and acquisitions in the all the industries including pharmaceutical, which is a national importance industry.

Firm Specific Determinants

Many studies have tried to explain the determinants of mergers and acquisitions by evaluating firm specific determinants and the industry specific determinants. For achieving synergistic benefits also M & A are undertaken by firms. Maquieira et al. (1998) observe mergers in years 1963 to 1996 in US where they found significant synergistic benefits in conglomerate M& A and not so significant synergistic gains in non-conglomerate M & A. Bradley et al. (1998) reported that mergers when successful leads to gain in combined firm value at least less than 10 percent. One more reason to enter merger and acquisition is to have benefits in form of efficiency. Rhoades (1998) explored this efficiency benefits in case of Banks mergers in USA where 50 percent i.e., 4 out of 9 bank got the efficiency gains. Bruner, 1988 noted another determinant of M & A, which is Capacity of excess cash, capacity of debt. Laamanen, 2007 stated that financial performance and target firm's market value are significant firm level factors of acquisitions. De Santis et al. (2004) study the dependent variable in the study as the no. of mergers and trade cost as independent variable to explain M & A determinants. Jayadev and Sensarma (2007) evaluated occurrence of mergers and no. of mergers in India in their study. This approach gives additional information regarding M & A determinants. In most of the acquisitions, managerial capability and financial position as well as performance of the firms are prime determinant of M & A. Worthington (2004) states the target firm factors like asset quality, credit unions and managerial competencies impact the mergers and acquisitions. Hunter et al., 2000 explored that the acquirer firms select target firm on the basis of financial health including debt facility. On the contrary, Danzon et al. (2007) concluded that the small size firms which do not have financial soundness and the large firms which have access capacity in form of future risk of patent expiration are fascinated to enter into M & A. Golbe and White (1988) found that the acquirer consider the purchase or replacement value of assets of target firm as important motive of M & A. Andrade et al., 2001 confirms that the gains of mergers and acquisitions is in the form of profit and financial efficiency of the merged entity.

Helen Louri, 2001 explained in detailed manner that the variables which impact M & A include: Net profitability, Ratio of capital and labor, net profit (positive impact), Inventory ratio and Liquidity ratio (negative impact). They further stated that earlier variables including growth, profit of firm, market concentration are not impacting entry size of firm considering M & A whereas Research Development expenses of firms positively impact. Andrade et al. (2004) used the dependent variable, investment in mergers as proxy variable for M & A, which is a continuous variable in the study. To enhance the study the dependent variables were taken as occurrence of M & A, i.e., a qualitative variable and the frequency of M & A, which is a discrete variable. For occurrence of M & A, logistic regression and for number of M & A, count data regression was applied (Rudra Jayadev and Sensarma (2007). Erdogan (2012) confined the variables impacting M & A to PBIT and debt equity ratio of the firm. The research has evolved around the firm specific factors and financial factors thereby showing that these are an attractive motive for firms to enter M & A. Whereas there are rare studies which show that the acquirer firm has certain specific characteristic which motive them to perform merger activity. Dermine (2003) the main motivation behind merger activity was neither traditional nor the interest income related activities, which is altogether a different motive from general motives of M & A.

Das and Kapil (2015) confirmed that the firm who have characteristics of financially strength, low debt and elevated market capitalization acquired the other firm frequently. Das and Kapil (2011) stated that the deal characteristics of both Indian and Chinese Firms deal types were not found to be significantly different statistically. Agrawal and Sensarma (2007), found the importance of industry specific determinants of mergers and acquisitions activity in Indian Firms. They have taken occurrence and no. of mergers as proxy variable for M & A activity. Results were contrary to earlier existing results that industry shocks are not significantly impacting M & A whereas the variables like cash flow, market concentration and the growth prospect for firm impact M & A activity. Beena (2008) explored mergers and acquisition by taking the data of 115 firms in manufacturing industry of India from 1995 to 2000 and the sample consists of 84 Indian domestic acquisitions and 31 foreign shareholding firms which were acquired. She confirmed that the performance of acquired firms have shown positive signs in respect of exports but the capacity of the operation have shown negative signs in terms of expansion or efficiency. Basant and Mishra (2016) explained that though trend of firms depending on mergers and acquisitions have increased but firms are still dependent on internal technology, research and development and other factor. On the other hand they stated that the firms are exploring the foreign or FDI linked technology or inflows for growth. They attempted to identify the determinants of Mergers and acquisitions in in Pharmaceutical Industry in India, they have shown that the firm specific factors are most significant factors of M & A activity. They have used statistical test like panel probit model and panel ordered probit model in study.

On the other side of this relevant topic, the industry specific determinants also impact together with firm specific determinants of mergers and acquisitions. Brealy and Myers (2003) stated that merger waves are found by the researchers to operate within industries. Mitchell and Harold (1996) confirmed that merger and acquisitions are clustered in industries and they then connected and further evaluated this industry clusters of M & A by Industry shock in respect of economic level shocks, technology level shocks, government system and regulatory shocks. But, there are diverse results for the causes of these mergers waves. Rhodes-Kropf and Viswanathan (2004) stated that the causes of mergers and acquisition waves are behavioral in nature. Jovanovic and Rousseau (2002) concluded that the firms with high value of Tobin q takeover firms with low Tobin q. Also, Harford (1999), Harford (2005) documented that the cash available with the firm is also related with the internationalisation or M & A activity.

COVID 19 & MERGERS AND ACQUISITIONS

COVID 19 pandemic together with the prescribed lock down in Indian States has impacted the number of mergers and acquisitions significantly, i.e., the deals have decreased from 461 deals in 2019 year to 382 deals in 2020 year and further it is following downward trend in 2021 as well. Also, the inbound mergers and acquisitions in India in terms of value has increased in year 2013 to highest around 30 percent more than from year 2019, outbound mergers and acquisitions declined by 13 percent in value. There were changes in the policies governing mergers and acquisitions of India with other countries. While China has a significant and negative impact of these policies due to which the deals have slow down among these countries. Cross border deals have a declining result of the policies which came out from the government due to COVID 19. On the other hand, the domestic mergers and acquisitions was positively impacted by the policies, resulting in M & A in banking sector, retail sector whereby, public bank M & A was approximately 25 percent of the mergers and acquisition activity in 2020. The impact of private equity funds on mergers and acquisitions in India has increased and reported to be approximately half value of mergers and acquisitions in 2020. It is presumed by the policy makers and researchers that the impact of COVID 19 vaccination will be positive on the mergers and acquisitions leading to increase in investments.

SUCCESS OR FAILURE OF MERGERS AND ACQUISITIONS

A major issue which is faced by the international investors while investing in M & A in India is that they are having misunderstanding regarding the system which govern M & A, Indian Judicial System and acts, regulations. The firms mostly adopt deals which are regulated by English or Foreign Law as they think that following Indian Law may result in risk and adversities. Most of the times, Government of India is pro-active in making and amending laws for motivating the commercial arbitration transactions which are of global nature. Also, Mumbai is considered as location in India for commercial arbitration transaction of international nature. The firms involved in mergers and acquisitions often have limiting beliefs regarding the fact that interim relief can be provided systematically by Indian Courts. Government of India have worked a lot to improve court system and to grant foreign arbitral awards in ease out manner. The other problems which the investors are facing while entering mergers and acquisition with Indian firms include: unsatisfactory due diligence process in industries demanding specific regulation, not writing down the transaction document properly in terms of outcomes expected out of M & A, at the closing of negotiation- involving and expressing the investors about the compliances and regulation to be adhere while closing and post-closing the deal. The advisors and legal managers should be asked to identify difficulties in the regulations and approval of process of M & A. The information which is specifically price sensitive which can invite insider trading if leaked or published related to listed firms which are target firms, should be handled very carefully. India is in initial stages of deal making through technology, the enforced working remotely because of COVID 19, more online tools and platforms are adopted. Future prospects are showing that for completing due diligence procedure, AI will be involved. Digitalized Technology can prove to be beneficial in post-merger performance and processes as well in aspects related to employees and other operations. One of the limitations in defense sector as 49 percent FDI as allowed in this sector earlier now allowed up to 74 percent by automatic route. For Insurance industry up to 100 percent FDI is allowed. Also, the changes in legislations include the control to heightened for FDI from China. For restricting the opportunistic M & A of Indian Companies from Chines Companies in times of COVID-19, FDI regulations was changed, now the government of India approvals will be needed for the same priorly. According to harsh et al., 2021, the approvals form concerned authorities and regulatory bodies will be needed for sectoral investments.

COVID-19 together with the enforced lock down in India lead to slow down of economy but on the other hand the timely amendments by Government of India and by concerned regulatory authorities which are business friendly in nature has been a sigh of relief for the firms. Intriguingly, Indian companies are exploring new areas and economies due to their enhanced production capabilities and is growing at fast pace as a substitution to production by the China Firms. The studies related to international investment confirmed that the nations which adopted LPG during end of 1980s have paced up in the field of Cross Border as well Domestic M & A. India also got motivated by to outgo for investment in form of M & A abroad. Firms in India are creating income in form of exports and FDI from 1990s.

CONCLUSION AND DISCUSSION

Firms entering into corporate restructuring in form of Mergers and Acquisitions is a topic which is researched by the researchers, policy makers as well different international organizations, the focus was on greenfield investment as well M & A there. After reviewing the literature, the exact determinants cannot be defined in form of a fixed frame, as these determinants are having specificity for a particular country, firm and industry, also the research on the topic is ever green which keep on updating in terms of empirical results. It can be noted that information related to macro-economic factors, industry related factors and firm related factors are available and can be used to search new avenue like research for determinants of mergers and acquisition in India, study for determinants of domestic and inbound mergers and acquisitions in India. As, when relevant factors are taken into study, it becomes much easier for explaining the outcome and determinants of M & A. The years 2019, 2020 and 2021 were most challenging years for business firms in whole world and also for Indian Firms due to COVID-19 Pandemic and geo- political stress which resulted in tensions and uncertainties related to USA elections, 2021 Israel- Palestine Crisis. The situation in one nation has ripple effect on other nation FDI and mergers and acquisition activities as location factors are also a significant determinant of M & A. Inspite of all the unfavorable circumstances and with some positive factors in term Indian government's business amicable policies, Indian Firms have grown in terms of domestic deals and cross border deals during 2020. The value of deals crossed $82 billion which is 22.9 percent increase from the year 2019 deal value. Fascinatingly, the market for mergers and acquisitions has bounce back to recovery and growing sustainably in 2021.

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