

## **LIST OF ABBREVIATIONS**

**APDs** Abnormal Paired Differences

**AR** Abnormal Returns

**AvgPreCAR** Average pre-merger cumulative abnormal returns

**AvgPoCAR** Average post-merger cumulative abnormal returns

**CARs** Cumulative Abnormal Returns

**CPDs** Cumulative Paired Differences

**DEA** Data Development Analysis

**EPS** Earnings per Share

**FDI** Foreign Direct Investment

**FTC** Federal Trade Commission

**HMEA** High Merger Activity Era

**LMEA** Low Merger Activity Era

**M&A** Mergers and Acquisitions

**Pre M&A CAR** Pre-merger and acquisition cumulative abnormal returns

**PSIC** Pakistan Standard Industrial Classification

**ROA** Return on Assets

**ROI** Return on Investment

**SIC** Standard Industrial Classification

## **EXECUTIVE SUMMARY**

Mergers and acquisition form an integral part of today's corporate world because it provides a medium through which corporations' and organizations' thirst for growth and expansion can be quenched. Though motives for mergers and acquisitions may vary from firm to firm and region to region but there is same basic underlying objective to diversify, to expand and to grow. However decades of research has shown that despite the worldwide popularity of mergers and acquisitions among corporations a most likely medium of diversification, many mergers and acquisitions fail to achieve strategic and organizational objectives associated with leading to a worldwide failure rate of 70 to 90 percent in most cases. This study attempts to investigate the strategic factors that play a significant role in contributing towards the success of mergers and acquisition and also aims to analyze if mergers and acquisitions result in wealth creation for shareholders in the financial as well as non-financial sectors of Pakistan encompassing a cross sectional sample of 29 firms. The results regarding shareholder wealth creation analyzed graphically have yielded mixed results and have been inconclusive with some firms showing positive and significant cumulative abnormal returns post-merger. In addition to this it has also been found through various parametric and non-parametric tests that pre-merger market performance, relative size of the firm, organizational age and industry commonality are significant factors contributing towards the post-merger success of the merger or acquisition while market share prior to merger is insignificant in determining the success of the merger. Relative size and organizational age affects post-merger success negatively while pre-merger market performance is positive and significant.

*Keywords:* Strategic factors, relative size, cumulative abnormal returns, market model, firm performance, shareholder wealth.