THE EFFECT OF LONG-TERM MARKET PERFORMANCE ON THE SHAREHOLDER WEALTH: EVIDENCE FROM INDIA

Debi Prasad Satapathy
Assistant professor, Centurion University of Technology and Management, Odisha

Abstract:
The study has empirically examined the wealth effects of mergers and acquisitions in the Indian capital market focusing on mergers and acquisitions. The paper has taken a sample of 383 domestic mergers and acquisitions specifically more than fifty percent of shares acquired by the acquiring companies for the period 2004-2014.The study has used to analyse the long-term market performance namely for Buy-and-hold-abnormal-return (BHAR) and Calendar time: Fama-French-3-Factor methodology. Our findings suggests that results showing negative long-term abnormal returns should be analysed with attention. These results may vary with market condition and characteristics.

Keywords: *Abnormal return, BHAR, Mergers and acquisitions*

Introduction:

While most of the existing literature evidence on short-term returns immediately, few studies has been conducted on long-run post-acquisition returns. Most of the studies in western literature had concluded that acquiring firm has experienced significant negative abnormal return following the acquisition in one to three years. The long run underperformance by acquiring firms had reported in literature leaving a debatable situation and advocating that the result report because of methodological issues. Most of the long-term studies has been conducted predominantly from western countries like US, UK, Canada, and France. Most of the studies in western countries in long-term stock market performances has described negative returns to the acquiring companies' shareholder. The result reported in the context of long-run stock market performance has been debated for the methodological issues like choice of benchmark and use of buy-and-hold abnormal return (BHAR) methodology. The literature in Indian context is scarce in perspective to long-term stock market performance.

Literature Review:

Table 1: Overview of Studies on Long-term Stock Market Performance in Abroad

Authors	Sample Periods	Sample Size	Market	Methodology	Event Window (Month)	Findings
Mandelker (1974)	1941-1962	241	US	Two-factor market model	[0,40]	Negative abnormal return but