

## Mergers and Acquisitions in Selected Frontier Markets of Asia

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### Abstract

*This paper aims to provide contemporary and comparative information on mergers and acquisition activities. The findings have shown that Vietnam is very active in mergers and acquisitions activities, for instance in Vietnam 2946 transactions were announced, and 2114 completed in the last decade. Furthermore, Vietnam has a distinctive element of merging local firms; Out of top 20 deals, in 18 transactions target firms and acquirer both were from Vietnam. On the other hand, Sri Lanka has the highest percentage of completed M&A transactions in the last decade compared to Pakistan and Vietnam. In case of Pakistan, the findings suggest that Pakistan has had the highest number of value-based Mergers and Acquisitions deals in comparison to Sri Lanka and Vietnam. Interestingly, even though the number of transactions is higher compared to Sri Lanka and Vietnam; however, mergers and acquisition have had no significant impact on the profitability of Pakistan companies.*

**Keywords:** mergers, acquisitions, frontier market

### Abstrak

*Penelitian ini bertujuan untuk memberikan informasi terkini dan komparatif mengenai kegiatan merger dan akuisisi. Temuan pada penelitian ini telah menunjukkan bahwa Vietnam sangat aktif dalam kegiatan merger dan akuisisi, misalnya di Vietnam 2946 transaksi diumumkan dan 2114 telah selesai dalam dekade terakhir. Selanjutnya, Vietnam memiliki unsur khas untuk menggabungkan perusahaan lokal; Berdasarkan 20 transaksi teratas, pada 18 perusahaan target transaksi dan yang akan dilakukan keduanya berasal dari Vietnam. Di sisi lain, Sri Lanka memiliki persentase transaksi M & A terlengkap dalam satu dekade terakhir dibandingkan dengan Pakistan dan Vietnam. Dalam kasus Pakistan, temuan tersebut menunjukkan bahwa Pakistan memiliki jumlah transaksi Merger dan Akuisisi berdasarkan jumlah tertinggi dibandingkan dengan Sri Lanka dan Vietnam. Menariknya, meski jumlah transaksi lebih tinggi dibanding Sri Lanka dan Vietnam; Namun, merger dan akuisisi tidak memiliki dampak signifikan pada profitabilitas perusahaan Pakistan.*

**Kata Kunci:** merger, akuisisi, pasar perbatasan

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## Introduction

Past research shows that the volume of Mergers & Acquisitions (M&A) has expanded in developed markets. Initially, it was a United States (US) business phenomenon, but now many companies use M&A activities across the globe to pursue various objectives of the organization to grow in the market (Gaughan, 2005; Ma et al., 2009). In comparison with the US market, deals of M&A in emerging and frontier markets of Asia are different in two ways. Firstly, emerging and frontier markets do not possess a developed legal system, which could protect the shareholders' interests and the consumers' welfare, because of the weak legal environment and weak law enforcement affecting the interests of shareholders (La Porta et al., 1999; Ma et al., 2009). Secondly, there is a considerable difference of culture and corporate governance between developed and developing markets that lead towards difference in the organizational structure of the companies (Denis and Mc.Connell, 2003; Ma et al., 2009; Kwok, 2006).

In frontier markets, there is an absence of readily available databases on M&A, and in comparison with other well-developed economies, frontier markets have fewer transactions of M&A because of limited scope. Nevertheless, over the last few decades, some of the Asian frontier markets have performed enormously in the global economic integration process and got the attention of various academicians and investors (Ma et al., 2009; Wright & Peng, 2005). In Asia, there are many economically prominent dominant countries and Pakistan, Sri Lanka and Vietnam are among them. In recent years the trend has changed, economies of Pakistan, Sri Lanka, and Vietnam are continuing to grow and have become an essential destination for foreign direct investments (FDI). The three countries have seen a massive rise in the number of M&A activities during the last decade; the reason is that the Asian countries are really attractive for the developed countries. These developing countries in Asia are offering various advantages to potential investors, which includes steady economic growth, increasing trend in entrepreneurial class, continuously improving financial systems, developing infrastructure, single digit inflation, growing number of skilled labors, vast domestic markets and expanding capital markets. In the past, authors have created comprehensive reports on FDIs in South Asia, and they stated that the year 2009 was an exceptional year because of the many M&A deals which were announced but not executed, and later on, they canceled because of the global recession and economic crisis. M&A transactions positively associate with the international equity markets (Joshi, 2008)

The term 'merger' holds both the activities consolidation and acquisition activity. In this research M & A is considered as the single business occurrence. Schweser (2012) explained that there could be many motives behind the M&A. The purposes of companies behind their M & A elaborate below: First, synergy: Many firms merge with other companies to outperform in the market. Mergers with these motives have potential to add or create value. It could be because of economies of scale or cross product selling. Second, growth: The merging or acquiring companies may have the motive of external growth; this is comparatively a secure option; because organic growth is riskier than merging or acquiring an already established firm which possesses has established goodwill. Third, increasing market share: Firms usually have a motive of expanding their market share or having more power in

the market this is why they typically merge or acquire. This activity could be possible through vertical or horizontal integration. Fourth, acquiring for resources: Companies usually merge their firms to get unique capabilities or resources. Resources consist of patents, trademarks, raw materials or technology. Fifth, unlocking hidden value: M&A deals are made to achieve better management or to have reorganized the organizational structure of the organization, breakups or liquidations.

There have been many studies conducted on M&A in Asia. But specifically, countries from frontier markets are have not been taken into account. The current topic of M&A is yet to study in countries of Asian Frontier market. In this study, we will try to address the gap by examining M&A activities in Pakistan, Sri Lanka, and Vietnam, from January 2007 to December 2016. The objective of the study is to identify and bring more knowledge of M&A mainly focusing Asian Frontier Markets. This study aims to provide contemporary information on M&A activities in Pakistan, Sri Lanka, and Vietnam and their comparison. Another objective is to identify the impact of M&A activities on a Pakistani listed firms' profitability; to assess their pre-mergers and post-mergers position.

The present study contributes to the literature by providing contemporary information of M&A in Pakistan, Sri Lanka, and Vietnam; and to investigate the profitability of post-merger performance in the financial sector of Pakistan. After reviewing numerous research articles, it found that Asian Frontier Markets neglected so far. Our study is an attempt to address the gap by analyzing M&A activities in Pakistan, Sri Lanka, and Vietnam over the ten years; focus is on comparing the three countries and to look at the growth of M&A activities in a more explicit manner.

## Method

The data used in this study collected from Thomson Financial Service's Worldwide Mergers and Acquisitions database. The database is considered the most comprehensive, authoritative, up-to-date and detailed global source of information for M&A. We analyzed M&A transactions listed in the database that were announced between January 2007 and December 2016, in which the target firm or acquirer located in Pakistan, Srilanka or Vietnam. The data will be analyzed using descriptive statistics. This technique will give a brief description of the practice of mergers and acquisitions in frontier markets of Asia.

## Result and Discussion

In the last decade, M&A deals have expanded increasing intensely in Pakistan, Sri Lanka, and Vietnam. As shown in Table 1, the number of M&A deals announced and realized has been increased rigorously. Talking about Pakistan, it can observe that in 2007 number of deals announced were just 25 in a whole year and comparing it with the previous year, i.e., 2016, its found that the number of deals announced was almost doubled to 42. Fluctuations in the number of activities announced are also noted likewise in the year 2011, where the number of M&A announced were dropped to 12, which is the lowest point in the last decade.

Table 1. M & A activities in Pakistan, Sri Lanka, & Vietnam

Years	Pakistan				Sri Lanka				Vietnam			
	Announced	Completed	Pending	Withdrawn	Announced	Completed	Pending	Withdrawn	Announced	Completed	Pending	Withdrawn
2016	42	15	23	4	37	24	11	2	474	304	163	7
2015	36	17	17	2	27	23	4	0	367	254	108	5
2014	29	13	13	3	68	53	13	2	201	144	56	1
2013	18	9	7	2	37	29	7	1	180	123	56	1
2012	17	11	5	1	35	27	8	0	233	173	56	4
2011	12	5	7	0	25	21	4	0	272	217	53	2
2010	27	11	13	3	64	51	12	1	229	172	53	4
2009	45	28	12	5	55	51	4	0	183	147	32	4
2008	41	31	9	1	16	13	3	0	97	85	11	1
2007	25	18	7	0	18	15	3	0	36	30	6	0
<b>Total</b>	<b>292</b>	<b>158</b>	<b>113</b>	<b>21</b>	<b>382</b>	<b>307</b>	<b>69</b>	<b>6</b>	<b>2272</b>	<b>1649</b>	<b>594</b>	<b>29</b>

Calculation Table 1	Total	Pakistan	Sri Lanka	Vietnam
Announced	2,946	10%	13%	77%
Completed	2,114	7%	15%	78%
Pending	776	15%	9%	77%
Withdrawn	56	38%	11%	52%

Taking Sri Lanka into account, there is also an upward growth trend in M&A activities from the year 2007 to 2016, which can see from the Table 1. In 2007, only 18 M&A deals were announced out of which 15 were realized and none of them were withdrawn. If we compare the data with the previous year, the number of transactions was increased to 37; double of 18 in 2007. Out of 37 deals that were announced in 2016, 24 activities execute and only two were withdrawn.

Sri Lanka has performed well in 2014, where the number of activities of M&A was at the highest point of 68, which was dropped in 2015 but in 2016 its again at an increasing pace with only a few withdrawals. In the last decade, 382 deals announced in total, out of which only six were withdrawn. Vietnam is also performing really well in the last decade, starting with 2007, there were only 36 announced M&A activities out of which none of them were withdrawn. Considering 2016, there are 474 announced M&A deals, which is almost 13 times more than in 2007. Looking at the ratio of withdrawn deals there are only seven deals from 474 announced deals, which reveal that Vietnam is providing a suitable environment for foreign firms to perform M&A activities.

**Table 2. Total M & A Activities in Pakistan, Sri Lanka, & Vietnam (Jan 2007 – Dec 2016)**

	Announced	Completed	Pending	Withdrawn
Pakistan	292	158	113	21
Sri Lanka	382	307	69	6
Vietnam	2,272	1,649	594	29
Total	2,946	2,114	776	56

The impact of global financial recession has significantly benefitted the frontier market Asian countries, since we can observe that in the year 2008 and 2009, M&A deals were at their top positions, in Pakistan there were 41 to 45 announced activities, in Sri Lanka there were 55 announced activities in 2009 and as far as Vietnam is concerned it started increasing sharply from the year 2008 and 2009; the number of deals announced were 97 in 2008 and 183 in 2009. While comparing it with 2007 it is a lot more because in 2007, announced activities were only 36.

**Table 3. Percentages of M & A Activities in Pakistan, Sri Lanka and Vietnam (Jan 2007 – Dec 2016)**

	Completed	Pending	Withdrawn
Pakistan	54%	39%	7%
Sri Lanka	80%	18%	2%
Vietnam	73%	26%	1%

Considering Table 2 and Table 3, it can be visibly easily seen that in the last decade from Jan 2007 to Dec 2016, more than 50%, which is 158, announced M&A deals in Pakistan were realized and only 7% i.e., 21 were withdrawn. Table 3 and 4 also shows that in Sri Lanka, 80% of the M&A announced deals were realized which make up to 307 activities and only 2% of the announced deals were withdrawn from the period January 2007 to December 2016 which makes up to 6 activities only. As far as Vietnam is concerned, more than 70% of the announced M&A activities were realized in the last decade from 2007 to 2016 and those activities makes up to 1649 deals. Seeing, at the withdrawn side, some where somewhere around 1% of the announced M&A activities were withdrawn which makes up to 29 activities only in the last ten years' time period.

According to the data analyzed, we have found that from the period January 2007 to December 2016, most M&A transactions were announced in Vietnam i.e., 77% if we add all the announced mergers; completed percentage is also huge in Vietnam, which is 78 in comparison with Pakistan and Sri Lanka.

**Table 4. Merger and Acquisitions Deals in Million Dollars (Jan 2007 – Dec 2016)**

	Completed	Pending	Withdrawn
Pakistan	9,957	7,027	2,930
Sri Lanka	2,818	2,095	723
Vietnam	8,792	6,707	2,085
Total	21,567	15,829	5,738

Table 2 and Table 4 shows M&A activities volume and transactions over the last decade from January 2007 to December 2016. It is observed that there were 292 transactions announced in Pakistan over the last decade with a total value of \$9,957 million, out of which deals of \$7,027 million were completed, which is 39%. Looking at the Sri Lanka, its been observed visibly from the table 3 that in Sri Lanka there were 382 transactions of M&A announced with the total value of \$2,818 million and from the total announced, \$2,095 million transactions were realized which makes up to 307 or around 20% activities in the last decade. M&A activities from Vietnam accounted for 2272 announced transactions over the period which makes up to \$8,792 million, out of which 1649 transactions were realized i.e., 73% or \$6,707 million. Apparently, Sri Lanka's market is more active in M&A transactions in comparison to Vietnam and Pakistan.

**Table 5. Percentages of M & A Deals in Pakistan, Sri Lanka and Vietnam (Jan 2007 – Dec 2016)**

	Announced	Completed	Pending
Pakistan	46%	44%	51%
Sri Lanka	13%	13%	13%
Vietnam	41%	42%	36%

This is revealed from the Table 5, that Pakistan has a highest contribution in the total volume of all the three countries of Asian Frontier Markets all together. In terms of percentage Pakistan has 46% contribution of announced M&A transactions in \$21,567 million. Similarly, Pakistan is also having the highest percentage in completed transactions over the period of time from 2007 to 2016, which constitutes of 44% of the total completed transactions by all the three countries of Asian Frontier Market. Considering other two countries, table 6 shows that after Pakistan, Vietnam is active in completing M&A transactions with 42% of the total completed transactions by the three countries and in terms of percentage Sri Lanka has got the lowest of 13% in the total announced, completed and pending transactions in comparison with Pakistan and Vietnam.

**Table 6. Mergers & Acquisitions by The Industry of Target Firms**

	Pakistan	Sri Lanka	Vietnam	Total
Services	739	990	2,073	3,801
Financial	34	387	1,534	1,955
Natural Resources	55	72	629	756
Energy & Infrastructure	12	258	809	1,079
Food & Beverage	3	216	1,366	1,585
Automobile	-	105	51	156
Building & construction	-	391	1,392	1,783
Electronic & Machinery	-	215	44	259
Pharmaceutical	-	26	42	68
Textile	-	103	80	183
Other	2	-	-	2
<b>Total</b>	<b>844</b>	<b>2,763</b>	<b>8,020</b>	

Economy of the three countries are not significantly different, because all the three countries are from Asian Frontier Market and possess almost the similar characteristics in terms of exchange rate, GDP growth rate, labor force, etc. however, their activities of M&A are significantly different in multiple industries of target firms in Pakistan, Sri Lanka and Vietnam. Table 6 and 7 shows the comparison of industry's target firms in US dollars and in percentages of all the three countries; Starting with the service industry, such as telecommunication services, brokerage services, advertising and marketing, casinos and gaming, health care, home furnishing, hospitals, hotels and lodges, internet and Information Technology, recreation and leisure, professional services, real estates, publishing, travelling & tours, etc. and they accounted for over 85% of the M&A value in Pakistan which means \$738 million, in comparison with Sri Lanka and Vietnam the percentage is 36% which makes up to \$990 million and 26% i.e., \$2,073 million respectively. Looking at the percentages in service industry Pakistan is at highest percentage but in amounts of US dollars Vietnam is leading.

**Table 7. Percentages Mergers & Acquisitions by The Industry of Target Firms**

	Pakistan	Sri Lanka	Vietnam
Services	87%	36%	26%
Financial	4%	14%	19%
Natural Resources	7%	3%	8%
Energy & Infrastructure	1%	9%	10%
Food & Beverarage	-	8%	17%
Automobile	-	4%	1%
Building & construction	-	14%	17%
Electronic & Machinery	-	8%	1%
Pharmautical	-	1%	1%
Textile	-	4%	1%

About 4% of the target firms from Pakistan were in Financial Industry while in comparison 14% of the target firms are from Sri Lanka and 19% of the target firms of financial industry are from Vietnam. Financial Industry includes Banks, credit institutions, asset managements, and other financials. Considering their value proposition in US dollars, about \$34 million M&A transactions were made in Pakistan's financial industry, \$387 million deals were brought up by Sri Lankan targeted firms in financial industry and Vietnam is leading with \$1,534 million transaction from targeted firm in financial industry.

In the industry of Agriculture and Natural Resources, such as metal, mining, paper and forest products, chemicals, alternative energy resources, etc. 7% of the Pakistani firms were targeted for M&A; value in total was \$55 million. 3% of the Sri Lankan firms were targeted for M&A activities, however the size of the deal was \$72 million and Vietnam

has the highest percentage of 8 with the total value of \$629 million. In Vietnam, the amount of targeted firms in Energy sector is also high in comparison with the other two countries, Vietnam has a percentage of 10 and whose value is \$809 million. Energy and Infrastructure includes, Power, oil and gas. Sri Lanka has a percentage of 9 with the amount of \$258 million and Pakistan is at lowest in this sector, which is 1% or \$12 million M&A transactions.

Looking at the Table 7, we have observed that many Sri Lanka firms are targeted for M&A transactions in several industries, likewise 8% in Food, Beverages and other consumer products, 4% in automobile, which the highest among the three countries, 14% in building and construction, 8% in electronics and machinery (i.e., health care equipment, computers, accessories, computer parts and wireless devices), 1% in pharmaceutical and 4% in textile industry. Table 7 reveals the targeted firms in Vietnam for activities of M&A; these activities are from various industries; about 17% of the target firms from Vietnam were in food, beverage and other consumer products industry, 1% in automobile industry, 17% from building and construction, 1% from electronics and machinery, pharmaceuticals and and textile.

The largest deal during the last decade in terms of dollars was of \$758 million, in which Warid Telecom Private Ltd (Pakistan) was acquired by Singapore Telecommunications Ltd (Singapore) with the method of acquisition of partial interest in June, 2007. The second largest deal among the top 20 deals over the period was of \$749 million, BP PLC- Oil & Gas Assets acquired by the United Energy Group Ltd (Hong Kong) in December 2010. The third largest transaction of M&A is relating to a banking industry, in which a Malaysian Bank, May Bank acquired partial interest of Muslim Commercial Bank Private Ltd (Pakistan) in May 2008. The deal was of \$673 million. Table 9 also shows other 17 largest transactions of M&A, and the value of these transactions varies from \$125 million to \$448 million over the last decade. In other 17 largest transactions, Pakistan is the acquirer in three deals. Among the 14 deals China, Netherland and United Kingdom are the involved in the six transactions as acquirers. In rest of the 8 transactions among top 20; Egypt, Switzerland, Oman, Malaysia, United States and Kenya are involved. Therefore, mostly M&A transactions were cross border transactions.

The largest deal in Sri Lanka was of \$299 million completed in April 2008. In this deal Sri Lanka Telecommunication PLC was acquired by Global Telecommunications Holdings NV, a Netherland based company. The second largest deal was completed in October 2009 in which Emirates Telecommunications Group Co PJSC (United Arab Emirates) acquired assets of Tigo Private Ltd (Sri Lanka). The deal was worth of \$207 million. The third largest transaction involved AIA Group Ltd (Hong Kong), which acquired majority assets of AVIVA NDB Insurance PLC of Sri Lanka, the deal was completed in September 2012 and the deal was of \$109 million. Other acquirers include Singapore, United Kingdom and Mauritius.

Vincom JSC completed the first largest deal in Vietnam on 5th October 2011 in which Vinpearl JSC acquired; the worth of the deal was of \$815 million. The second deal was of

\$600 million in which Masan Consumer Group was acquired by Masan Group Corporations in January 2016. The third largest deal was again involving two Vietnamese firms, Vincom Center A Ho Chi Minh was acquired by Vietnam Infrastructure & Property Development Group Corp in \$472 million. The deal was completed in June 2013. Interestingly in the last decade, two other firms were also acquired by Vietnam that were not Vietnamese firms, one was from Bangladesh, which was acquired by Viettel Corp (a Telecommunication Company) and Viettel Corp from Haiti also acquired one.

**Table 8. Economic Profile of Pakistan, Sri Lanka & Vietnam**

	Pakistan	Sri Lanka	Vietnam
Ease of doing business rank	144	110	82
Foreign Direct Investment (in millions)	\$ 2,761	\$ 636	\$ 4,018
Corruption Index (points)	32	36	33
Corruption rank	116	95	113
Inflation rate	3.66%	6.90%	4.30%
Total population (in million)	194	21.2	92.7
GDP Per Capita	\$ 1,143	\$ 3,638	\$ 1,685
Annual growth rate of GDP	4.71%	5.30%	5.10%
Labor force (millions)	61.04	8.21	54
Unemployment rate	5.90%	4.20%	2.11%
Exchange rate	PKR 104.30	LKR 148.44	VND 22,760.18
Exports (in millions)	\$ 1,808.32	\$ 897	\$ 16,700
Imports (in millions)	\$ 5,030.67	\$ 1,670	\$ 17,500

Discussing about the economic profiles in Table 8 three countries will enable us to better understand, compare and contrast the multiple transactions of M&A completed in three countries from January 2007 to December 2016. Table 8 provides a concise economic overview of Pakistan, Sri Lanka and Vietnam, its apparent all the three countries are different in terms of size of the population and per capita income. For instance, Population of Pakistan is significantly larger than the population of Sri Lanka and Vietnam. Taking GDP per capita, Sri Lanka has the highest value of \$3638, then Vietnam has the value of \$1685 and Pakistan is at the lowest among all, which is \$1143.

Similarly, looking at the annual growth rate of Gross Domestic Product all the three countries, Sri Lanka has the highest growth rate of 5.30% in the year 2016. Vietnam has the rate of 5.10% and Pakistan's GDP is growing at the rate of 4.71% annually. In terms of ease of doing business, World Bank has generated a ranking system from 1-190 on which Pakistan has 144<sup>th</sup> rank which shows that environment of doing business in Pakistan is complex, Sri Lanka is at 110<sup>th</sup> rank, which reveals that doing business in Sri Lanka is also not easy however, its regulations are less complex in comparison with Pakistan. Vietnam

is at 82<sup>nd</sup> rank which means Vietnam has much easy and simpler regulations in terms of doing business this is why we have noted many M&A activities completed in the last decade. Table 12 also shows the foreign direct investments in the year 2016, according to the numbers Vietnam got \$4,018 million investment from foreign countries only in 2016. Pakistan has stood 2<sup>nd</sup> in terms of foreign direct investment which is \$2761 million in the year 2016 and Sri Lanka has got the lowest FDI among all the three which is \$636 million; there could be several reasons of the low foreign direct investments in Sri Lanka despite of having such good ranking in ease of doing business and annually growing rate of GDP at 5.30%.

Table 8 also talks about the inflation rate in the year 2016, Pakistan has the lowest inflation rate in all the three countries which is 3.66%, Vietnam has a greater percentage of inflation in comparison with Pakistan which is 4.30%, and Sri Lanka has the highest percentage among all the three countries of Asian Frontier market which 6.90% in 2016. In the year 2016, United States, United Kingdom, United Arab Emirates, China, Korea and Japan were the major trading partners to Pakistan, Sri Lanka and Vietnam. In 2016, Vietnam has the highest exports of \$16,700 million in comparison with Pakistan and Sri Lanka. Pakistan has exports of \$1808 millions in 2016 and Sri Lanka has exports of \$897 millions. Taking imports into consideration, Vietnam has \$17,500 millions imports which is greater than the imports of Pakistan and Sri Lanka all together, Pakistan has the imports of \$5030 millions in 2016 and Sri Lanka has the imports of \$1670 millions in the year 2016.

The data shows the averages of return on equity and return on assets of those Pakistani firms that are listed on the Pakistan Stock Exchange. These two ratios are profitability ratios that show how many returns a company is generating while investing in assets and equity. In the above tables it can be seen visibly that post-merger averages of ROA and ROE were increased in few firms, but the effect is not significant i.e., we can conclude that firms perform well but their profitability is not enhanced significantly after M&A activities which is in support with the argument of latest study by (Rashid & Naeem, 2017) which says that there is no significant impact on firms profitability after M&A.

Among several strategies of growth M&A is one of the essential characteristics of the strategies. According to (Weston & Mulhrin, 2004), through M&A firms can overcome efficient use of limited resources. It is believed that M&A are expected to fuel up the rate of growth of business and they're important to improve the competitiveness of firm and the performances of managers also (Huh, 2015). M&A are considered as the best way to expand the boundaries of ownership by many firms (Dash, 2010). Similarly, firms also pursue M&A to increase their market power, diversification, and efficiency, achieve internationalization and to get financial, operational and managerial synergies (Petitt & Ferris, 2013; Moeller & Brady, 2007). Recently owing, globalization, liberalization, improvements in technology and competitive business environment, M&A are becoming more important throughout the world (Leepsa & Mishra, 2014; Usman, et al, 2010). Highly concentrated markets can provoke firms to seek alliances where firms can find cheap ways of production so that overlapping costs will be reduced and synergies can be exploited. Firms are pressurized to seek alliances with the firms that can benefit them with intangible assets like goodwill or patents

that those can be acquired and absorbed. Moreover, government policies are also influencing M&A through trade liberalization, regulatory reforms, and privatization; by providing new opportunities and increased availability of favorable targets of M&A.

Mergers and acquisitions can be freely grouped in the following factors: *First*, Macroeconomic factors. Supply and demand of M&A is influenced by economic growth. In home country, economic growth enhances the prices of equity and consequently the earnings; hence increases the pool of available capital for investments abroad. *Second*, industry level factors. Recently large-scale mergers have been likely to be concentrated in major sectors. Intense pressures from market and intense competition are experienced by these sectors globally because of decreasing oil prices, rapidly changing technology, and/or deregulations (telecommunications & banks), excess capacity in key markets (automobiles).

*Third*, firm-level factors. Competitive edge usually arises when a firm possesses particular intangible assets, including production skills and knowledge, brand name/goodwill, superior capabilities of management and marketing. A firm having more intangible assets possesses stronger incentive to utilize them by diversifying geographically or internationalizing. A research focusing on M&A between four European countries and the United States and (Vasconcellos and Kish, 1998) summarizes motivating forces of M&A at the firm level. Through M&A firms can acquire well-skilled labors and technological assets.

*Fourth*, Technological factors. Expansion and developments in technology is likely to grow the range and duration of corporate control, which leaves us to the optimum size of the firms even larger than it could have been previously possible. More dominant and prominent market positions can be achieved through M&A, and even multinational firms can expand in terms of size effectively with M&A beyond the borders whilst preserving their flexibility, and efficiency in their management style through new communication technologies and new information. Conversely to this, firms are being forced to co-operate and make alliances through unions and M&A in the global market, in order to bear the elevated expenses of Research & Development for new products and services, attached with the risks of rapidly changing technological environment. The recent course of M&A in media and information industries, telecommunication shows the effects of entities to cater new markets, which are created by technologies specifically from the growth of Internet, and to offer more globally integrated services.

*Fifth*, government related factors. M&A deals are growing at a rapid pace this is due to incentive of investments and liberalization of movements of international capital through FDI, which have greatly promoted M&A activities. Privatization is also contributing to cross-border merger activity by increasing M&A targets and opening up economies to increased competition.

During the last few decades a number of studies on M&A have been conducted with theories have been proposed and tested empirically. The studies include validating the economic impact of mergers on industry consolidation; shareholders value addition and

post merger performance of companies. Several measures have been used to analyze the outcomes of a merger including short and long term impact of merger announcements, effect on shareholders' value etc. (Mantravadi and Reddy, 2008). Healy et al. (1990) found that operating performance has been significantly improved for acquiring firms following mergers. Morck et al. (1990) tested for managerial self-interest indirectly by arguing that managers with such behaviour will either diversify or buy growth firms. Since this type of acquisition strategy is associated with reduced shareholders' wealth, manager's self interest drove these M & A. Miftah and Wibowo (2017) suggest merger as one of the alternative strategies to accelerate the growth of Islamic banking industry in Indonesia.

However, melding culture in a merger may be costlier and difficult when there is less difference between the size of acquirer and the target. Smaller targets may be offered a larger bid premium and relative size of target and acquirer is an important determinant of bid premium. As per available literature Afza and Yusuf (2012) concluded that cost efficiency has increased following M&A in Pakistani Financial market, however; that efficiency gain in cost is negligible.

## **Conclusion**

This study has provided the contemporary information on M&A activities in Pakistan, Sri Lanka and Vietnam from January 2007 to December 2016. This papers have observed that number of deals of M&A have increased significantly and having an upward growing trend; the value of the transactions has also been increased in all the three countries. In the near future, it is likely that these activities of M&A will expand in these countries for the reasons mentioned below: (1) Increased FDI in the three countries over the years; (2) Economic growth rate has also increased and Infrastructure is also developing during the period in the three countries; (3) Expansion of the trade and investment and globalization will continue to expand in Asian Frontier Markets; (4) Foreign firms are investing and will continue to invest in these countries because of cheap labors and these countries have large domestic markets; (5) There is a trend of privatization and deregulation of the key industries in the three countries which will definitely attract foreign firms to take part in these countries and their industries; (6) These countries have vast pool of opportunities because there is potential to develop these countries using their natural resources effectively and efficiently.

Increasing trend in M&A activities in Pakistan, Sri Lanka and Vietnam are providing opportunities to other potential firms from Asia, America, Middle East and Europe. Increased activities in M&A in these countries are also providing challenges and threats to the other countries that are not involving themselves in M&A transactions. Now the policy implications include the following: Investors should consider the implications of cultural differences between an acquiring firm and a target company. Assessment should also be done to reveal corporate culture gaps and potential for cultural clashes.

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