Journal of International Business and Economy (2021) 22 (2): 80-101 (22 pages)

Kanika Dhingra

RECONSTRUCTING LITERATURE FOR DETERMINANTS OF CROSS BORDER INBOUND AND OUTBOUND MERGERS AND ACQUISITIONS: A REVIEW STUDY

ABSTRACT

Mergers and acquisitions (M&A) are a crucial phenomenon, which is ever growing since the 1990s. The area of M&A gained a momentum, which is visible by increase in number and value of M&A deals. There can be many reasons for which the firms are involved in this inorganic activity very actively. It is thought-inciting that seeking what can be major factors which are determining the M&A in an economy. Though the firms are entering into domestic, inbound and outbound deals aggressively, the literature for inbound and outbound mergers and acquisitions is not rationalized and sufficient. The study has taken Scopus as database to extract the research papers on determinants of M&A from 1996 to 2021. This study brings out the growing literature on determinants of inbound and outbound mergers and acquisitions. The findings are suggesting that the factors of cross border inbound and outbound M&A can be considered generalizable for the countries exceptionally there can be some factors like R&D intensity, marketing expenses which cannot be used commonly in all sector-specific and country-specific M&A deals.

Keywords: Determinants, Mergers and acquisitions, Inbound, Outbound, International business, Bibliometric

Kanika Dhingra
Institute for Integrated Learning in Management (IILM) and Indian Institute of Foreign Trade (IIFT)

Correspondence: Kanika Dhingra
Assistant Professor at IILM and Research Scholar, Indian Institute of Foreign Trade (IIFT)
E-mail: kdhingra01@gmail.com

https://doi.org/10.51240/jibe.2021.2.4

INTRODUCTION

M&A a mode of corporate restructuring, has fascinated lot of corporates due to its numerous benefits. For firms though it is a profitable deal but also equally challenging and a complex process which needs due diligence. When a firm is entering foreign boundaries, it will be a very significant decision impacting different stakeholders including shareholders, employees, management, customers. By one decision, the firm can confront its profits, sales, demand, growth, assets, control in one go. Becoming global is not an easy task but not impossible. The reputation of M&A has now 151 golden years added to its history.

When reviewed from the literature, it was observed that the area of M&A research is mostly studied in the subjects of finance, international business and strategy management. Study was also found in the areas like accounting, sociology, human resource management, economics and law, Cartwright and Schoenberg (2006); Buckley, Forsans, and Munjal (2012); Gugler, Mueller, and Weichselbaumer (2012); Miller, Hitt, and Solmador (2013), Stiebale (2013). The research was more inclined towards USA, UK and other developed nations. The research on domestic M&A, Shimizu, Hitt, Vaidyanath, and Pisano (2004); and Green Field FDI, Neary (2007) is depicting the prevalence of domestic M&A as well as Greenfield FDI among the firms. Earlier literature on determinants of FDI was limited in context that there was no distinction made on modes of FDI, i.e., FDI entering in an economy by way of M&A or greenfield investment, Shimizu, Hitt, Vaidyanath, and Pisano (2004), Canabal and White (2008), Hijizen, Görg, and Manchin (2008). On the other hand, the literature on cross border M&A is limited specifically when described in terms of inbound and outbound M&A deals, Moskalev (2010), Reis, Ferreira, and Santosh (2013).

In literature of international business studies, M&A is termed as the dominating, as well as the most prompt, mode to get enter into global boundaries, Alba, Park, and Wang (2009). Cross-border M&A includes minimum of two corporates who belong to different countries, Buckley and Casson; (1976); Pablo (2009). According to Shimizu, Hitt, Vaidyanath, and Pisano (2004), in a cross-border acquisition, the headquarters of the acquired firm and target firm are stationed at different nations. Kang and Johansson (2000) states that cross border M&A can be inward or inbound M&A, and other type can be outward or outbound M&A. The inbound M&A includes when the local firm is acquired by the foreign company and outbound M&A involves a transaction when the local firm acquired the foreign firm leading to outflow of FDI. The features of M&A deals are hostile or friendly deals, cash or stock deals, valuation of the target firm, which is a complex process, Hopkins (1999); Moeller, and Schlingemann (2005).

The number of takeovers and leveraged buyouts (LBOs) declined initially in 1990s, since then the number of cross-border M&A is increasing consistently, Andrade, Mitchell, and Stafford (2001); Holmstrom and Kaplan (2001). The value of cross-border M&A increased by five times during the 1990s. Scholars studying M&A have studied the trends, significant characteristics of M&A, comparing pre- and post-merger performance of merged entity, Stewart, Harris, and Carleton (1984). But the literature on the reasons or motives behind inbound and outbound M&A, together known as cross-border M&A is limited. The research study will proceed by explaining motivations of study followed by the research methodology. After that literature review and historical analysis is penned, the study elaborates the country-specific, firm-specific and industry-specific determinants. In the next subsection, findings are discussed and finally the paper has been concluded.

MOTIVATIONS OF THE STUDY

Success of M&A is dependent on the legal and regulatory laws, economic growth and performance, taxation system, political system which includes corruption, role of financial institutions, accounting system, cultural factors, location factors and investors protection of host nations. There are review studies done for performance analysis of cross-border M&A, Tuch and O'Sullivan (2007); Martynova and Renneboog (2008) and also bibliometric studies by researchers for M&A, Ferreira, Santos, de Almeida, and Reis (2014).

Also, the studies on cross-border M&A for Indian corporates are very limited. Soon when the economic reforms were launched, M&A were booming in India leading to a thought that this will destroy Indian market, on the contrary, Indian firms got benefits by M&A, Dhingra and Kapil (2020). The firms have an option to expand by means of organic mode or inorganic mode via M&A. That creates an opportunity to study what are the characteristics of corporates which are seeking cross-border M&A rather than growing by domestic M&A or through organic mode. Since there is a lack of study on review of determinants of inbound and outbound M&A determinants. The main objective of this paper is thus to study the determinants of cross-border (inbound and outbound) M&A.

RESEARCH METHODOLOGY

The research methodology adopted includes systematic review of the research papers, which consists of a process to select the papers based on mentioned criteria, organising them and presenting the information gathered by analysing the same for examining the determinants of inbound and outbound M&A. **The studies related to determinants of inbound M&A, cross-border M&A determinants, determinants of outbound M&A were selected from the period of 1996 to 2021.** The database for including the studies for review is taken as Scopus, being a database offering extensive studies related to M&A. There was a total of 450 research studies, out of which 200 studies are related to determinants of M&A are cherry-picked.

REVIEW OF LITERATURE AND HISTORICAL ANALYSIS

The motives for FDI in an economy suggested by traditional theory includes the resource driven FDI, market driven FDI and efficiency motivated FDI, Dunning (1977, 1993). The traditional theory elaborated the FDI standpoint for developed nations, but for emerging economies like India, more research is to be initiated. In order to deepen the literature on M&A, the researchers need to explore more for emerging nations, Marks and Mirvis (2011); Bello and Kostova (2012); Barbopoulos, Marshall, Maclnnes, and McColgan (2014). The techniques like comparative strategic management can be used to assess the strategies adopted by the corporates of advanced (or developed) nations and corporates from developing nations, Luo, Sun, and Wang (2011). Also, the research areas can include the drivers of foreign mergers and acquisitions in developing nations, motivation factors for diversification in global acquisitions, determinants of M&A in emergent nations, comparison of M&A motives for domestic and outbound M&A, effect of legal environment and policy changes on M&A strategies.

According to Neto, Brandão, and Cerquira (2010), the macro- economic factors of FDI are explored a lot by the researchers but the studies on geography or location explicit factors are inadequate. Less studies are available to investigate cross-border M&A determinants at country level, Globerman and Shapiro (2005).

The firm-specific variables of cross-border M&A, studied by Louri (2001) including net profitability, indebtedness and capital labor ratio impacts entry size positively but then inventory ratio and liquidity ratio impacts M&A entry negatively. According to Dhingra (2019), the main determinants of M&A are differences in firm characteristics and the host country environment or factors.

COUNTRY-SPECIFIC/MACROECONOMIC DETERMINANTS

Openness level or trade restrictiveness of a country

Giovanni (2002) defines the openness level of an economy as a proxy for less trade restrictions in a country. According to him, openness level can be evaluated in terms of ratio of sum of imports and exports to GDP of a country. Giovanni further claims that the nations which have better openness and less trade restrictions appeal more FDI and M&A as the trading cost lowers down. The same claims that high level of a country's openness is associated with more FDI are made by Culem (1988); Janicki and Wunnava (2004); Aminian, Campart and Ptisfer (2005) and Kamaly (2007).

Neto, Brandão and Cerquira (2010), established positive association between all types of inward and outward investment in form of FDI and M&A with openness level, country's governance structure and economy size. Asghar and Gupta (2018) in same context urged economy openness, size of market, natural resources, technology upgradation to be main determinants of outbound acquisitions from India to European countries.

Economic growth or GDP

Kiymaz (2004) has given insights on the macroeconomic variables like economic development of target country, exchange rate, size of economy, objectives of control in the case of US and foreign nations, explaining the benefits to transferor and transferee companies in cross border M&A. It was observed that studies are done for both inter-region and intra-region M&A. Danzon, Epstein and Nicholson (2004) commended on M&A effective entry into an economy by using log of GDP and GDP growth rate as proxy for size of economy, where GDP growth is capturing economic prospects in future, as suggested by Rossi and Volpin (2004); Globerman and Shapiro (2005). They further split the M&A cases of world in small size and large size firms (on the basis of enterprise value).

Due to rapid growth in an economy, input and output markets become unstable, the investors get an opportunity to earn profits by acquiring the resources for M&A. Based on that, they concluded that growth of a nation has positive impacts on M&A, FDI, and greenfield investments, Culem (1988); Serven and Solimano (1993); Globerman and Shapiro (2005).

Exports

Literature signifies the importance of home country exports in determining inbound and outbound M&A in an economy highlighting that there is a complementary relation among both, Markusen (1984). Pfaffermayr (1994) found that there exists a positive relationship between exports and FDI (inbound and outbound) in Austria in a study from 1964 to 1991. On the same lines, Clausing (2000) reported that US MNCs have significant a positive relation with outbound M&A. Liang, Li, and Li (2018) substantiated that the exports coefficient is significant and positive for inbound and outbound M&A in Asia. He also stated that fuel export of home and host country are also an important resource seeking determinant of inbound and outbound M&A in Asian countries.

Legal and governance environment

Globerman and Shapiro (2005) specified that governance environment is an important indicator of inward and outward FDI. As good governance countries attract FDI flows and at the same time, they develop firms which are capable of striving in foreign competitive environment. Governance environment includes political, legal and institutional nature of an economy. Governance index to measure the governance environment of an economy was created by Kaufmann, Kraay, and Zoido- Lobaton (1999). It is a compound index comprised of nation characteristics like legal and regulatory policies, political environment, macro-economic policies and corruption. This index is significant for FDI, M&A, greenfield investment. Greenfield investment is updated consistently by Kaufmann, Kraay, and Mastruzzi (2007).

Trade terms

According to Giovanni (2002), if cross border M&A is considered as an alternate to trade then geographical distance between two nations which is a proxy of trade cost should be positively related to M&A activities, given that the trade terms and policies of a nation is clearly defined. Also, Giovanni incorporated bilateral trade as a component which represents various kinds of RTAs (Regional Trade Agreements), which can either facilitate trade or have limited scope in trade facilitation. The four different types of RTAs included by Giovanni in his study were FTA (Free trade agreement), service agreement, customs union and other trade agreement. This, he considered as a solution to the increase in trade cost with the increase in distance.

Information quality

Information quality is an important part of determinants of M&A, there may exists asymmetric information among the Firms of two different nations, Gordon and Bovenberg (1996). Martin and Rey (2001) put this into consideration that information cost is also important to look upon while moving for cross-border M&A. According to them, transaction and information costs which are "iceberg costs" while doing assets trade among nations, operations and similar costs are also existing in M&A deals.

Taxation regimes

There are different types of taxes levied on firms and corporates for their economic activities such as FDI, M&A, greenfield investment. According to Hines (1997) USA inward and outward FDI are impacted by various forms of taxes. The taxes are levied on all the kinds of capital inflows and outflows including FDI, FPI (Foreign Portfolio Investment) and foreign debt, Razin, Sadka, and Yuen (1998). Giovanni (2002) clarified in his study that corporate tax rate in a nation is taken as proxy for taxation effects, but this cannot give specific results as there can be issues related to MNCs specific taxes, double taxation, tax treaties among nations, tax credits, issue of transfer pricing. So, the taxation policies should be framed by government to encourage M&A and FDI.

Exchange rate volatility

In 1980s US dollar depreciation has caused lot of FDI inflows in USA, Cushman (1985); Froot and Stein (1991) and Blonigen (1997). In their studies, Cushman (1985) has taken exchange rate volatility as independent variable whereas Froot and Stein (1991) and Blonigen (1997) have considered exchange rate appreciation or depreciation as independent variable to study exchange rate impacts on M&A. All the three studies concluded that the currency of a nation when depreciates brings FDI inflows in economy. But Liang, Li, and

Li (2018) claimed that bilateral real exchange rate is not significant in inbound and outbound M&A. Ibrahim and Raji (2018) stated that there is a negative but not significant relationship between exchange rate and cross-border M&A.

Skill abundance

Giovanni (2002) used aggregate human capital for evaluating relative skills abundance in an economy. Dhingra and Kapil (2019) quoted that domestic and inbound M&A are favored towards skilled and productive labor countries.

Shared language

Liang, Li, and Li (2018) concluded that inbound and outbound M&A sales are positively related with common language and colony dummies, it ensures that a shared official language among nations can increase M&A.

Cultural distance

Teerikangas and Very (2006) stated that distinctiveness in culture of two nations, to whom the acquirer and target company belong to is impacted in form of success or failure of M&A. Liang, Li, and Li (2018) culture including common influence can positively impact M&A inflows and outflows.

Location or geographical distance

Liang, Li, and Li (2018) ensured that inbound and outbound M&A are negatively impacted by distance or location remoteness.

Stronger investor protection

Investor protection is needed in a country so as to encourage domestic and foreign investors and firms to invest in a country. Rossi and Volpin (2004) claimed that improved accounting standards, corporate governance rules and strong investor protection can result in increased number of M&A in a country. They also specified that premium paid for M&A will be huge in cash or stock and also more hostile takeovers will take place in countries having better investor protection.

Size and wealth of nations

A well-known fact established by empirical studies that size and wealth of two nations involved in global entry impact the M&A activities. Giovanni (2002), evaluated the size and wealth of nations in terms of real income and real per capita income, which is positively associated with FDI inflows and outflows. Globerman and Shapiro (2005), argues that the nations large in size attract maximum inbound and outbound M&A and FDI.

Number of domestic market M&A

The foreign firms entering India for business can be attracted by the number of the domestic market M&A implying more business growth and potential in Indian market or market of an emerging economy, Dhingra and Kapil (2021).

Financial market prosperity

Vasconcellos and Kish (1998) remarked in their study of cross border M&A between USA and EU including Italy, UK, Germany, and France, that stock market prices and bond yields impact encouragingly M&A in a country. Ali-Yrkko (2002) elucidates Finnish country and other country M&A are dependent on the number of firms listed on stock markets.

Agbloyor (2011) studied M&A in 14 African countries and concluded that financial markets are drivers of M&A. He also confined only development of a nation banking sector impacts M&A positively but stock market growth does not impact M&A activities. Wilson and Vencatachellum (2016), states that M&A in Africa are same as Asian countries and South America, and M&A in these countries are highly motivated by international stock market and international bond yields.

FIRM-SPECIFIC AND INDUSTRY-SPECIFIC DETERMINANTS

Size of firm

Large size corporates achieve more in market than smaller size firms, Penrose (1959). Firm size is associated with market power of a firm which can either leads to efficiencies or inefficiencies thereby impacting the decision of a firm to expand, Shepherd (1986). Kumar and Siddharthan (1994) proved that firm size impacts export intensity of a firm which can generate profits or funds further inducing it to enter into mergers and acquisitions. Firms large in size have varied abilities which create prospects for them to earn economies of scope and scale, Majumdar (1997). Market power increases for a large size firm which lessens the uncertainty and costs for foreign debts of the firm, thus the size of the firm can have linear or nonlinear positive associations with M&A activities, Lubatkin and Shrieves (1986).

Age of a firm

The age of a firm can be explained as the number of years from its incorporation year till current date. It shows the experience the firm has got during that time duration and the learning it has got by doing. The firm has gained abilities and various capabilities which ensures the validity and correctness of the firm's decision leading to make the firm competitive in the market. Firms which are older and experienced enjoy learning advantages and better performance. On the other hand, the firms which are younger are more flexible and receptive to the fluctuating environment, Marshall (1920).

On the contrary, Chanqi and Ningling (2010), finds that the firm's age does not affect significantly the performance of Chinese firms in cross-border M&A. Thomas and Narayanan (2017) expressed that firms involved in M&A are having more experience. Mahajan, Nauriyal, and Singh (2018), argues that the age of the firm has a significant negative relationship with M&A activities.

Tobin's q or q ratio

The acquirer firms have low value of Tobin's q which shows that such firms have less future growth, Duflos and Pfister (2008). Acquirer firms in pharmaceutical and biotechnology sectors have low value of Tobin's q, Danzon, Epstein, and Nicholson (2007). Blonigen and Taylor (2000); Dessyllas and Hughes (2005) confirmed that the firm's decision to merge or acquire depends on Tobin's q value.

Degree of leverage

M&A is an investment activity which, similar to other investment activities, is impacted by the degree of leverage or debt to equity ratio. Myers (1977), states that the firms which have high degree of leverage are involved in fewer investment activities. Jensen (1986), argues that the firms which already have cash flows in excess, if makes more investments, would be checked and reduced. According to Andrade and Stafford (2004), a negative association exists between leverage and the number of M&A by a firm.

Profitability of a firm

Brozen (1951), elaborates that a firm in order to sustain as the market leader should continue to retain and invest funds or earnings in the business. Also, he found that the firms having sufficient earnings can maintain and change the older technology with sophisticated technology. According to internal financing theory, if a firm takes debts, it is risky in nature and requires commitment in long run. Else, the firms which earn well can easily finance investments in form of M&A. A firm, if has less profits before tax and low debt ratio, becomes a target in M&A activities and gets acquired by other firms as acquirers select not so well-off target firms, Erdogan (2012).

Volatility of earnings

When a firm has smooth cash flows it means its earnings are not volatile which makes shareholders satisfied as per corporate risk management theory. Das, Raskhit, and Debasish (2009) states that the firms can smooth cash flows of business by expanding product lines, increasing sales, offering discounts, diversifying into new markets. The earning volatility can be evaluated by coefficient of variation of PBT (Profit before Tax), Barton and Gordon (1988); Kasozi (2010). Earning volatility is an indicator of poor performance of the firm, that is why managers do not reveal firm's total earnings to the shareholders, Waymire (1985). Due to volatility, the performance of the firm deteriorates then the future performance of the firm cannot be predicted, Dichev and Tang (2009). So, the firms should try to keep earning volatility in check. Empirical studies are also piloted to examine the impacts of earning volatility on M&A.

The firms can reduce the volatility in earnings by acquiring the resources needed to compete in the business. M&A can be one of the appropriate strategies to increase the market share of firms, improve profitability, acquire resources which further reduce the earning volatility. This was supported by Agnihotri (2013), that the firms experiencing high earning volatility take this as a crucial matter and acquirer firms thereby acquire the resources and assets which recovers its earnings.

Financial reporting system

Aevoae, Dicu, and Mardiros (2018), found that certain target firms applied GAAP (Generally Accepted Accounting Principles) in reporting the financial statements and other target firms used IFRS (International Financial Reporting Standards), and the acquirers were found to be looking for related companies which are reporting profits accurately as well as the productivity of employees found to be high.

Research and development (R&D) potency of the firm

M&A being a vital decision for a firm is affected by R&D initiatives. Cohen and Levinthal (1990) have given the concept of "absorptive capacity", as per which the firm can advance its knowledge and capabilities by developing inhouse R&D which further helps the firm to gain and utilize the knowledge from the external world. With the knowledge of the external world, a firm can easily choose the right target firm. Blonigen and Taylor (2000) specified that the technology sector firms select one option out of both choices, the firm either decides to develop inhouse R&D or acquire the firms having high R&D intensity or most innovative. Technology or R&D imports and inhouse research and development are considered corresponding to each other, Siddharthan (1992).

Intangible assets (viz know-how, technology & managerial skills)

Intangible assets which include know-how, technological progress and best managerial capabilities and skills. Intangible assets are an important determinant of firm's ability to undergo cross-border M&A, Hymer (1976); Caves (1971); Dunning (1977).

Fear of patent cessation or excess capacity

M&A are a tool to either expand or shrink the business in terms of capacity utilization. So, both kinds of impacts, positive and negative impacts of capacity utilization, can be found with M&A activities. Andrade and Stafford (2004) commended that when a firm is about to close or saturated then it can look for other firms which are having excess capacity, thereby mentioning that there exist negative and significant associations between capacity utilization and M&A activities. In another study, they emphasized that when studied for period after liberalization, associations between capacity utilization and M&A are found to be significant and positive. Liang, Li, and Li (2018) confined those emerging Asian nations are more inclined towards manufacturing rather than technology motive for M&A. They found that the relationship between the number of patent applications and M&A activities is significant in Asia.

Product differentiation or advertisement intensity

Entering into international markets by pharmaceutical industry MNCs from India is serving two of their major purposes, to diversify in new markets and to acquire resources. Product differentiation is proxied by advertisement intensity. Firms in order to recognize the economies of scale and scope, try to increase portfolio of their products and spend money on advertisement expenditures as these are positively associated with the increase in M&A activities by the firm, Pradhan (2010). Louri (2001) stated that the low advertisement intensity, serves as obstruction to entry in new markets or international markets.

Foreign (MNE) affiliation

Danzon, Epstein, and Nicholson (2007) gave a standpoint that the firms in pharmaceutical industry involved in merger with other foreign national firms in order to access new markets and they are less interested in getting acquired in comparison to domestic market firms. Zelenyuk and Zheka (2006) confirmed that there is a negative relationship between foreign affiliation and the efficiency of a firm. Beena (2008) also asserted that R&D, exports play a crucial role in the firms which are foreign market affiliated.

Firm affiliation to business groups

Business group affiliation is considered as an important means to expand the business as explained by Khanna and Palepu (1997); Ghemawat and Khanna (1998). All over the world there are different business groups namely, Spanish Group, Indian Business Group. These groups have firms as members which are running independently and legally also not related but they are related in terms of some formal and informal connections, sometimes connected through resource access and thus their actions match in business situations, Khanna and Rivkin (2001). The foundation for becoming a part of business group is explained by Khanna and Palepu (2000). Business groups have sufficient resources and high-risk moderation capacity in comparison to standalone firms as they reduce insolvency, controlling or monitoring costs, Hoshi, Kashyap, and Scharfstein (1990).

FINDINGS

The review of the studies confirmed that the over the period the significance of determinants of M&A and the firm characteristics as a motivator for M&A altered, keeping in view that the circumstances for factor's importance can be different in various countries. On the same outlines, Dhingra and Kapil (2021); Wang and Moini (2012) state that the constant determinants of M&A cannot be positioned for an economy, the determinants keep on changing their importance for a country, an industry or a firm as the research keeps on evolving theoretically and empirically.

According to Li, Li, and Wang (2016) the developed nations served the purpose of the source and destination for the M&A deals. But as per the review of the studies and UNCTAD (2016), the trend is now changing as the emerging Asian countries market share and the share of India as developing nations is increasing in the cross-border M&A. Though the participation of Asian countries is increasing in M&A, there are no sufficient existing strong literature studies for it. The earlier research is majorly talking about the studies of developed nations M&A.

The study enriches the literature pool in the given ways: firstly, the meaning of cross-border M&A explained in the study is a more elaborated definition. Secondly, the determinants for both inbound M&A as well as outbound M&A are reviewed. Thirdly, all the possible determinants of cross-border M&A are explained for emerging markets in comparison to developed markets. Fourthly, the findings are suggesting that the factors of cross-border inbound and outbound M&A can be considered generalizable for the countries exceptionally there can be some factors like R&D intensity, marketing expenses which cannot be used commonly in all sector-specific and country-specific M&A deals.

CONCLUSION AND IMPLICATIONS

When synthesized the strategy, finance as well as the international business literature, most of the M&A studies elaborated the following common determinants of the inbound and outbound cross-border M&A - **country (host country) specific determinants:** GDP, GDP growth rate, exchange rate tax treaties, cultural distance, geographical or location distance, exchange rate, legal and regulatory rules, financial market, exchange rate, political uncertainty, economy-openness; **industry specific determinants:** advertising intensity, technological development, salesforce strength, cost effectiveness or economies of scale; **firm specific determinants:** firm age or experience, firm size, firm performance indicators like Tobin q, accounting system, multinational affiliation, business group affiliation, R&D expenditure, leverage, capacity utilization, firm profitability, earning volatility, Shimizu, Hitt, Vaidyanath, and Pisano (2004); di Giovanni (2005); Boateng, Naraidoo, and Uddin (2011). Also, one of the findings reported by Shimizu, Hitt, Vaidyanath, and Pisano (2004) based on KPMG survey is that only 17 percent of cross-border M&A increased the shareholding value whereas 53 percent of cross-border M&A destructed shareholding value. Knowing the failure rate of M&A, corporates are still persuaded to enter M&A deals. This enticed the quest for reviewing the reasons for corporates chasing M&A strategy. The factors determining M&A lead the procedure of M&A, and it provides the details regarding to the results of M&A in terms of what assets, resources, technology or specific advantage is acquired. It provides a ground to further explore what are the main motives of firms engaging in M&A. For outbound deals, certain country-specific studies like Das and Kapil (2011) explained that India and China acquisitions are adopting same traditional approaches of deal types for M&A. But the domestic M&A and inbound M&A deals have significant differences in India and China. Thus, this study summarises that determinant of cross-border inbound and outbound M&A is a theme which requires more knowledge and insights of the researchers and scholars.

REFERENCES

A. and G. O. White, III. 2008. Entry mode research: Past and future. *International Business Review* 17 (3): 267–284.

Aevoae, G. M., R. Dicu, and D. Mardiros. 2018. How do the foreign direct investments flow? The case of the cross-border M&As in the European Union. *Accounting and Management Information Systems* 17 (4): 641.

Agbloyor, E. K. 2011. Financial markets and cross border mergers and acquisitions in Africa. Available at SSRN 1914478

Agnihotri, A. 2013. Determinants of acquisitions: An Indian perspective. *Management Research Review.*

Alba, J. D., D. Park, and P. Wang. 2009. Corporate governance and merger and acquisition (M&A) FDI: Firm-level evidence from Japanese FDI into the US. *Journal of Multinational Financial Management* 19 (1): 1–11.

Ali-Yrkko, J. 2002. Mergers and acquisitions – reasons and results. Discussion Papers No 792, Etla – *The Research Institute of the Finnish Economy,* Helsinki.

Aminian, N., S. Campart, and E. Ptisfer. 2005. Macroeconomic determinants of cross-border mergers and acquisitions: European and Asian evidence. Paper presented at the International Conference, University of Le Havre.

Andrade, Gregor, Mark Mitchell, and Erik Stafford. 2001. New Evidence and Perspectives on Mergers. *Journal of Economic Perspectives* 15 (2): 103–120. doi:10.1257/jep.15.2.103

Andrade, G. and E. Stafford. 2004. Investigating the Economic Role of Mergers. *Journal of Corporate Finance* 10: 1-36.

Asghar, Z. and P. K. Gupta. 2018. Analysis of India outbound FDI determinants using gravity model approach. In Annual Conference on Finance and Accounting (pp. 43-53). Springer, Cham.

Barbopoulos, L., A. Marshall, C. MacInnes, and P. McColgan. 2014. Foreign direct investment in emerging markets and acquirers' value gains. *International Business Review* 23 (3): 604-619.

Barton, S. L. and P. J. Gordon. 1988. Corporate strategy and capital structure. *Strategic Management Journal* 9: 623-632.

Beena, P. L. 2008. Trends and perspectives on corporate mergers in contemporary India. *Economic and Political Weekly,* 48-56.

Bello, Kostova, D. C. Bello, and T. Kostova. 2012. From the Editors: conducting high impact international business research: the role of theory. *Journal of International Business Studies* 43 (6): 537-543.

Blonigen, A. 1997. Firm specific assets and the link between exchange rates and foreign direct investment. *American Economic Review* 87: 447–465.

Blonigen, B. A. and C. T. Taylor. 2000. R&D intensity and acquisitions in high-technology industries: evidence from the US electronic and electrical equipment industries. *The Journal of Industrial Economics* 48 (1): 47-70.

Boateng, A., R. Naraidoo, and M. Uddin. 2011. An analysis of the inward cross-border mergers and acquisitions in the UK: A macroeconomic perspective. *Journal of International Financial Management & Accounting* 22 (2): 91-113.

Brozen, Y. (1951). Invention, innovation, and imitation. *American Economic Review* 41 (2): 239–257.

Buckley, P. and M. Casson. 1976. The future of the multinational enterprise. London: Palgrave Macmillan.

Buckley, P., N. Forsans, and S. Munjal. 2012. Host-home country linkages and host home country specific advantages as determinants of foreign acquisitions by Indian firms. *International Business Review* 21: 878–890.

Cartwright, S. and R. Schoenberg. 2006. 30 years of mergers and acquisitions research: Recent advances and Future opportunities. *British Journal of Management* 17 (S1): 1-5.

Caves, R. E. 1971. International corporations: The industrial economics of foreign investment. *Economica* 38 (149): 1. https://doi.org/10.2307/2551748

Changqi, W. and X. Ningling. 2010. Determinants of cross-border merger & acquisition performance of Chinese enterprises. *Procedia-Social and Behavioral Sciences* 2 (5): 6896-6905.

Clausing, K. (2000). Does multinational activity displace trade? *Economic Inquiry* 38 (2): 190–205. https://doi. org/10.1093/ei/38.2.190

Cohen, W. and D. Levinthal. 1990. Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly* 35: 128-152.

Culem, C. G. 1988. The locational determinants of direct investments among industrialized countries. *European Economic Review* 32: 885–904.

Cushman, D. O. 1985. Real exchange rate risk, expectations, and the level of direct investment. *Review of Economics and Statistics* 67 (2): 297–308.

Danzon, P. M., A. Epstein, and S. Nicholson. 2004. Mergers and acquisitions in the pharmaceutical and biotech industries. NBER Working Paper N. 10536.

Danzon, P. M., A. Epstein, and S. Nicholson. 2007. Mergers and acquisitions in the pharmaceutical and biotech industries. *Managerial and Decision Economics* 28 (4/5): 307-328.

Das, B., D. Raskhit, and S. S. Debasish. 2009. *Corporate restructuring: Merger, acquisition and other forms.* Himalaya Publishing House.

Das, A. and S. Kapil. 2011. Analysis of cross-border and domestic M&A deals in technology sector in India and China. *Transnational Corporations Review* 3 (2): 148-163.

Dessyllas, P. and A. Hughes. 2005. R&D and patenting activity and the propensity to acquire in high technology industries. *ESRC Centre for Business Research*, University of Cambridge.

Dhingra, K. 2019. An analysis of mergers and acquisitions in Indian pharmaceutical industry. *Amity Global Business Review* 72.

Dhingra, K. and S. Kapil. 2019. Determinants of mergers and acquisitions, a tool in vuca in business: A review study. *International Journal of Advanced Science and Technology* 28 (19): 321-330.

Dhingra, K. and S. Kapil. 2020. Mergers and acquisitions in pharmaceutical industry, a challenge in vuca world. *Test Engineering & Management* 82: 5819-5831.

Dichev, I. D. and V. W. Tang. 2009. Earnings volatility and earnings predictability. *Journal of Accounting and Economics* 47 (1): 160-181.

Duflos, G. and E. Pfister. 2008. Searching for innovations? The technological determinants of acquisitions in the pharmaceutical industry. CES Working Papers, *Centre d' Economie de la Sorbonne*, Paris, series 2008.57.

Dunning, J. H. 1977. Trade, location of economic activity and the MNE: A search for an eclectic approach. In B. Ohlin, P. Hesselborn, P. M. Wijkman, editors, *The international allocation of economic activity*. London: Palgrave Macmilla.

Erdogan, A. I. 2012. The determinants of mergers and acquisitions: Evidence from Turkey. *International Journal of Economics and Finance* 4 (4): 72-77.

Ferreira, M. P., J. C. Santos, M. I. R. de Almeida, and N. R. Reis. 2014. Mergers and acquisitions research: A bibliometric study of top strategy and international business journals, 1980–2010. *Journal of Business Research* 67 (12): 2550–2558.

Froot, K. A., J. C. Stein. 1991. Exchange rates and foreign direct investment: An imperfect capital markets approach. *Quarterly Journal of Economics* 106 (4): 1191–1217.

Ghemawat, P. and T. Khanna. 1998. The nature of diversified business groups: A research design and two case studies. *The Journal of Industrial Economics* 46 (1): 35-61.

Globerman, S. and D. Shapiro. 2005. Assessing international mergers and acquisitions as a mode of foreign direct investment. *Governance, multinationals and growth* 68-99.

Gordon R. H. and A. L. Bovenberg. 1996. Why is capital so immobile internationally? Possible explanations for capital income taxation. *American Economic Review* 86 (5): 1057-1075.

Gugler, K., D. Mueller, and M. Weichsel Baumer. 2012. The determinants of merger waves: An international perspective. *International Journal of Industrial Organization* 30 (1): 1-15.

Hines, J. R. 1997. Tax policy and the activities of multinational corporations. *Fiscal policy: Lessons from economic research* 401-445.

Holmstrom, B. R. and S. N. Kaplan. 2001. Corporate governance and merger activity in the US: Making since of the 1980s and the 1990s. *Journal of Economic Perspectives* 15: 121-144.

Hopkins, H. D. 1999. Cross-border mergers and acquisitions: Global and regional perspectives. *Journal of International Management* 5 (3): 207-239.

Hoshi, T., A. Kashyap, and D. Scharfstein. 1990. The role of banks in reducing the costs of financial distress in Japan. *Journal of Financial Economics* 27 (1): 67-88.

Hymer, S. H. 1976. *The international operation of national firms: A study of direct foreign investment.* Cambridge, MA: MIT Press

Ibrahim, Y. and J. O. Raji .2018. Cross-border merger and acquisition activities in Asia: The role of macroeconomic factors. *Studies in Economics and Finance.*

J. di Giovanni. 2002. What drives capital flows? The case of cross-border M&A activity and financial deepening, *Center for International and Development Economics Research* Working Paper No. C: 02-122.

Janicki, H. P. and P. V. Wunnava. 2004. Determinants of foreign direct investment: Empirical evidence from EU accession candidates. *Applied Economics* 36: 505-509. https://doi.org/10.1080/00036840410001682214

Jensen, M. C. 1986. Agency costs of free cash flow, corporate finance, and takeovers. *The American economic review* 76 (2): 323-329.

Kamaly, A. 2007. Trends and determinants of mergers and acquisitions in developing countries in 1990. *International Research Journal of Finance and Economics* 8: 16-30.

Kapil, S. and K. Dhingra. 2021. Understanding determinants of domestic mergers and acquisitions through literature review. *Indian Journal of Finance and Banking* 6 (1): 31-57.

Kang, Nam-Hoon and Sara Johansson. 2000. Cross-border mergers and acquisitions. OECD Science, Technology and Industry Working Papers. *Paris: Organisation for Economic Co-operation and Development.* http://www.oecdilibrary.org/content/ working paper/ 137157251088.

Kasozi, J. 2010. Capital structure practices of listed firms in South Africa. paper presented at *International Research Symposium in Services Management*. 24-27 August.

Kaufmann, D., A. Kraay, and P. Zoido-Lobatón. 1999. Aggregating governance indicators, Policy Research Working Paper No. 2195, World Bank, Washington, DC.

Kaufmann, D. Kraay, A. and M. Mastruzzi. 2007. Governance matters VI: Governance indicators for 1996-2006, *World Bank Policy Research Department* WP 4280. Retrieved February 16, 2008, from http://info.worldbank.org/governance/wgi2007/

Khanna, T. and K. Palepu. 1997. Why focused strategies may be wrong for emerging markets. *Harvard Business Review* 75 (4): 41-48.

Khanna, T. and K. Palepu. 2000. Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups. *Journal of Finance* 55 (2): 867-891.

Khanna, T. and J. W. Rivkin. 2001. Estimating the performance effects of business groups in emerging markets. *Strategic Management Journal* 22 (3): 45-74.

Kiymaz, H. 2004. Cross-border acquisitions of US financial institutions: Impact of macroeconomic factors. *Journal of Banking & Finance* 28 (6): 1413–1439.

Kumar, N. and N. S. Siddharthan. 1994. Technology, firm size and export behaviour in developing countries: The case of Indian enterprises. *The Journal of Development Studies*, 31 (2): 289–309.

Liang, Q., N. Li, and J. Li. 2018. How are the determinants of emerging Asia's cross-border mergers and acquisitions inflows different from outflows? *Asian Economic Papers* 17 (1): 123-144.

Li, J., P. Li, and B. Wang. 2016. Do cross-border acquisitions create value? Evidence from overseas acquisitions by Chinese firms. *International Business Review* 25 (2): 471–483.

Louri, H. 2001. Entry through acquisition: Determinants of multinational firm choices. *Review of Industrial Organization* 19: 199-209.

Lubatkin, M., and R. Shrieves. 1986. Towards reconciliation of market performance measures to strategic management research. *Academy of Management Review* 11 (3): 497-512.

Luo, Y., J. Sun, and S. L. Wang. 2011. Emerging economy copycats: Capability, environment, and strategy. *Academy of Management Perspectives* 25 (2): 37-56.

M., and L. Renneboog. 2008. Spillover of corporate governance standards in cross-border mergers and acquisitions. *Journal of Corporate Finance* 14 (3): 200–223.

Mahajan, V., D. K. Nauriyal, and S. P. Singh. 2018. Efficiency and its determinants: Panel data evidence from the Indian pharmaceutical industry. *Margin: The Journal of Applied Economic Research* 12 (1): 19-40.

Majumdar, S. 1997. The impact of size and age on firm-level performance: Some evidence from India. *Review of Industrial Organization* 12 (2): 231–241. https://doi.org/10.1023/A:1007766324749

Marks, M. L. and P. H. Mirvis. 2011. Merge ahead: A research agenda to increase merger and acquisition success. *Journal of business and psychology* 26 (2): 161-168.

Markusen, James R. 1984. Multinationals, multi-plant economies and the gains from trade. *Journal of International Economics* 16: 205-226.

Marshall, A. 1920. *Principles of Economics, 8th Edition*. London: Macmillan.

Moeller, S. B. and F. P. Schlingemann. 2005. Global diversification and bidder gains: A comparison between cross-border and domestic acquisitions. *Journal of Banking & Finance* 29: 533–564.

Moskalev, S. A. 2010. Foreign ownership restrictions and cross-border markets for corporate control. *Journal of Multinational Financial Management* 20 (1): 48-70.

Myers, S. C. 1977. Determinants of corporate borrowing. *Journal of financial economics* 5 (2): 147-175.

Neary J. P. 2007. Cross-border mergers as instruments of comparative advantage. *Review of Economic Studies* 74 (4): 1229–1257.

Neto, P., A. Brandão, and A. Cerqueira. 2010. The macroeconomic determinants of cross border mergers and acquisitions and greenfield investments. *IUP Journal of Business Strategy* 7 (1/2): 21.

Oberhofer H. and M. Pfaffermayr. 2013. Firm growth in multinational corporate groups. *Empir Econ* 44 (3): 1435–1453.

Pablo, E. 2009. Determinants of cross-border M&As in Latin America. *Journal of Business Research* 62: 861–867.

Penrose E. 1959. The theory of the growth of the firm. Basil Blackwell: London. Shephard, William G. assessing 'predatory' actions by market shares and selectivity. *The Antitrust Bulletin* Spring 1986: 1–28.

Pfaffermayr, M. 1994. Foreign direct investment and exports: A time series approach, *Applied Economics* 26: 337-351.

Pradhan, J. P. 2010. Strategic asset-seeking activities of emerging multinationals: Perspectives on foreign acquisitions by Indian pharmaceutical MNEs. *Organizations and Markets in Emerging Economies* 1 (2): 9-31.

Reis, N. R., M. P. Ferreira, and J. C. Santos. 2013. Institutional distance and cross-border mergers and acquisitions completion: A conceptual framework. http://www3.eeg.uminho.pt/economia/ nipe/ iibc2013/ 4.2.pdf (accessed 11-Dec-2013).

Rey, H. and P. Martin. 2001. Financial super-markets: Size matters for asset trade. *National Bureau of Economic Research.*

Ossi, S. and P. F. Volpin. 2004. Cross-country determinants of mergers and acquisitions. *Journal of Financial Economics* 74 (2): 277-304.

Serven, L. and A. Solimano. 1993. Debt crisis, adjustment policies and capital formation in developing countries: Where do we stand? *World Development* 21 (1): 127-140.

Shimizu, K., M. A. Hitt, D. Vaidyanath, and V. Pisano. 2004. Cross-border mergers and acquisitions: Reviews and research issues. *Journal of International Management* 10 (3): 307–353.

Siddharthan, N. S. 1992. Transaction costs, technology transfer, and in-house R&D: A study of the Indian private corporate sector. *Journal of Economic Behavior and Organization* 18: 265–271.

Stewart, J. F., R. S. Harris, and W. T. Carleton. 1984. The role of market structure in merger behavior. *The journal of industrial economics* 293-312.

Stiebale, J. 2013. The impact of cross-border mergers and acquisitions on the acquirers' R&D—Firm-level evidence. *International Journal of Industrial Organization* 31 (4): 307-321.

Teerikangas, S. and P. Very. 2006. The culture–performance relationship in M&A: From yes/no to how. *British journal of management* 17 (S1): 31-48.

Tuch, C. and N. O'Sullivan. 2007. The impact of acquisitions on firm performance: A review of the evidence. *International Journal of Management Review* 9 (2): 141–170. https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1468-2370.2007.00206.x

Vasconcellos, G. M. and R. J. Kish. 1998. Cross-border mergers and acquisitions: The European–US experience. *Journal of Multinational Financial Management* 8 (4): 431–450.

Wang, D. and H. Moini. 2012. Motives for cross-border mergers and acquisitions: some evidence from Danish firms. University of Wisconsin–Whitewater and Aalborg University.

Waymire, G. 1985. Earnings volatility and voluntary management disclosure. *Journal of Accounting Research* 23 (1): 268-295.

Wilson, M. K. and D. J. M. Vencatachellum. 2016. Determinants of cross border mergers and acquisitions targeting Africa: 1991-2011. *Tech. rep. Economic Research Southern Africa.*

Zelenyuk, V., V. Zheka. 2006. Corporate governance and firm's efficiency: The case of a transitional country, Ukraine. *J. of Prod. Anal.* 25: 143–168.

Zhang, Xiaoxi, and Kevin Daly. 2011. The determinants of China's outward foreign direct investment. *Emerging Markets Review* 12 (4): 389–398.