EVENT STUDY METHODOLOGY IN M&A RESEARCH:
EVIDENCE FROM DEVELOPED AND
EMERGING CAPITAL MARKETS

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Abstract

The current article contains a review of contemporary empirical studies which examine efficiency
of mergers and acquisitions through event studies. The article contains analysis of developed and
emerging capital markets. The major approaches to assess the impact of mergers and acquisitions
on the company value are envisaged in the context of target firms and acquiring firms, as well as the
combined impact. The article shows that the studies based on the data from developed and emerging
capital markets tend to use primarily short-term event studies.

The analysis performed gives evidence that in the academic literature there is still no definite an-
twer whether mergers and acquisitions create value for the firm’s shareholders or not. The results
obtained by the researchers vary not only for developed or emerging capital markets but also for dif-
f erent time periods. Potential reasons for this fact may be found in differences in the samples to be
examined, geographies of mergers and acquisitions deals, industries where the companies engaged
in mergers and acquisitions operate, windows which are used to calculate implied and generated
abnormal return, as well as differences in time periods (short-term or long-term event studies).

The analysis performed on the basis of emerging capital markets demonstrates that the obtained
results are very close to those obtained on the basis of firms from developed capital markets when
they were at the same period of their development.

Key words: mergers and acquisitions, M&A efficiency, company value, cumulative abnormal return (CAR),
target company, acquiring company

JEL: G14, G30, G34

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