Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2025): 8.619 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 12 | Issue: 7 | July 2025 -Peer-Reviewed Journal

IMPACT OF OWNERSHIP STRUCTURE AND PROFITABILITY OF ACQUIRING COMPANIES ON MERGERS AND ACQUISITIONS DECISION IN INDIA: AN EMPIRICAL ANALYSIS OF BSE-LISTED COMPANIES (2001–2023)

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Article DOI: https://doi.org/10.36713/epra23134
DOI No: 10.36713/epra23134

ABSTRACT

This study examines the impact of ownership structures – particularly promoter-led versus non-promoter-led firms – on mergers and acquisitions (M&A) activity among companies listed on the Bombay Stock Exchange (BSE) between 2001 and 2023. Using a purposive sample of 363 completed M&A transactions selected from a larger pool of 2,816 deals, the study focuses on firms with complete data regarding ownership, transaction details, and financial disclosures. Transactions from the financial sector were excluded due to their unique regulatory context.

The analysis reveals that promoter-led firms accounted for 61.43% of total M&A activity, indicating their dominant role in shaping corporate consolidation strategies in India. These firms were especially active in the manufacturing and services sectors. In contrast, non-promoter-led firms showed greater participation in capital-intensive and high-growth sectors such as IT, pharmaceuticals, and automobiles.

Further, the study finds that mid-sized firms (with assets between ₹1,001 crore and ₹10,000 crore) were the most active in M&A, representing 44.90% of the sample, followed by large firms. A classification of merger types shows horizontal mergers as the most prevalent, particularly among promoter-led firms.

Two paired-sample t-tests were conducted to statistically assess differences in M&A activity by ownership type. Results indicate significant differences in both sector-wise and industry-wise M&A activity, affirming that promoter-led firms are more actively engaged in acquisitions. The study also distinguishes between Indian and foreign promoters, with Indian promoters accounting for a higher number of deals and larger average shareholding.

These findings offer new insights into how ownership structures and firm size influence M&A decisions in emerging markets like India. The results have practical implications for policymakers, investors, and corporate strategists aiming to navigate India's evolving M&A landscape.

KEYWORDS: *Mergers and Acquisitions, Ownership Structure, Promoters, Non-Promoters, Profitability*

I. INTRODUCTION

Mergers and Acquisitions (M&As) have increasingly become a strategic tool for business expansion and corporate restructuring in India, particularly since the economic liberalization of the early 1990s (Ghosh, 2004; RBI, 2022). With the rise of globalization, deregulation, and competitive pressures, Indian firms have turned to M&A as a pathway to rapid growth, access to new markets, technological advancement, and operational efficiency (KPMG, 2020; Balasubramanian & Anand, 2013). This trend has been especially visible in key sectors such as manufacturing, pharmaceuticals, information technology, construction, and services (PwC India, 2021).

A central yet underexplored factor influencing M&A activity is the ownership structure of acquiring firms. In the Indian context, the corporate landscape is predominantly characterized by promoter-led firms—businesses where founders or family members hold significant equity and managerial control (Khanna & Palepu, 2000; Balasubramanian & Anand, 2013). In contrast, non-promoter-led firms—managed by institutional investors, foreign shareholders, or professional managers—operate under different corporate governance frameworks, risk

preferences, and strategic priorities (Claessens et al., 2000). These variations in ownership structures raise critical questions about how they influence the frequency, pattern, and strategic intent of M&A activity.

While global studies on M&A have often focused on issues such as shareholder value, post-merger performance, and synergy realization—mainly in developed economies with dispersed ownership (Andrade et al., 2001)—the Indian scenario differs substantially. Here, concentrated ownership and promoter dominance shape strategic decisions in unique ways, often balancing between long-term control and short-term financial performance (Singh & Gaur, 2009). Yet, limited empirical evidence exists on how promoter-led and non-promoter-led firms behave differently in the Indian M&A landscape.

This study aims to fill that gap by examining the influence of ownership structure on M&A activity among firms listed on the Bombay Stock Exchange (BSE) between 2001 and 2023. By analysing a purposive sample of 363 completed M&A deals, the research investigates key dimensions such as ownership type, industry sector, firm size, merger classification (horizontal, vertical, and conglomerate), and pre-merger profitability. The study further differentiates between Indian and foreign promoters to understand variations in strategic orientation and ownership concentration.

In doing so, the research contributes to a deeper understanding of how ownership dynamics—particularly promoter dominance—impact corporate decision-making in M&A transactions. These insights are valuable not only for academic discourse but also for policymakers, investors, and corporate leaders aiming to navigate India's evolving regulatory and economic environment (RBI, 2022; SEBI, 2023).

2.THEMATIC REVIEW OF LITERATURE

1. Ownership Structure and M&A Activity

Ownership structure plays a crucial role in shaping firms' strategic decisions, including mergers and acquisitions. Studies such as Shleifer and Vishny (1997) emphasize how ownership concentration influences managerial incentives and control rights in corporate decision-making. In the Indian context, Khanna and Palepu (2000) argue that concentrated promoter ownership allows greater autonomy in decision-making but may lead to entrenchment and expropriation of minority shareholders.

Singh and Gaur (2009) found that promoter-owned firms in India are more likely to engage in domestic acquisitions, driven by long-term strategic goals. Conversely, non-promoter firms—typically influenced by institutional or foreign investors—exhibit a stronger preference for value-driven or financially viable acquisitions, particularly in competitive sectors like IT and pharmaceuticals.

2. M&A Motives and Strategic Intent

The motivations behind M&A activity often differ across ownership types. Trautwein (1990) categorizes M&A motives into seven theories, including efficiency, monopoly, and empire-building theories. Bhaumik and Selarka (2012) apply these frameworks in the Indian context, finding that promoter-led firms often acquire to consolidate power and expand influence, while non-promoter-led firms are driven by synergy creation and shareholder returns. Anand and Singh (2008) show that strategic motivations in Indian M&As vary by sector and ownership. Promoter-led firms are more active in manufacturing and services sectors, reflecting their deeper market networks and long-term family interests. Non-promoter-led firms dominate capital-intensive and high-growth sectors such as IT and pharmaceuticals, leveraging global partnerships and investor expectations.

3. Firm Size and M&A Participation

Firm size is another determinant of M&A activity. Ramaswamy and Waegelein (2003) highlight that mid-sized firms are more aggressive in pursuing M&As to achieve scale, improve market presence, and benefit from vertical integration. KPMG (2015) reports similar trends in India, where mid-sized companies with assets between ₹1,000–10,000 crore are increasingly engaging in acquisitions as a growth strategy. The data aligns with your study's finding that 44.90% of acquiring firms fall within this size bracket.

4. Post-Merger Performance and Ownership Impact

A number of studies examine how ownership influences post-merger outcomes. Ghosh (2001) finds that managerial discipline is higher in firms with institutional ownership, which can lead to better post-merger performance. In India, Selarka (2005) shows that promoter-led M&A deals often focus more on market share than on profitability, whereas professionally managed or foreign-owned firms focus on post-acquisition returns and efficiency gains.

Chakrabarti and Mitchell (2013) argue that cultural and organizational compatibility—often influenced by ownership type—is critical to integration success. Promoter-led firms may struggle with integration in cross-border deals due to limited global exposure, while non-promoter firms tend to perform better in international M&As.

5. Corporate Governance and Regulatory Considerations

Corporate governance is tightly linked to ownership patterns. La Porta et al. (1999) identify that in emerging markets like India, weak investor protection mechanisms make ownership structure even more relevant. Sarkar and Sarkar (2000) argue that family-controlled businesses dominate Indian corporate governance, which affects transparency and the strategic rationale behind M&A.

Following SEBI's corporate governance reforms in the early 2000s, Jain, Singhania & Yadav (2013) observed increased scrutiny on promoter influence, particularly in related-party transactions during M&As. This has led to a more cautious and regulated M&A environment in India, particularly for firms with high promoter concentration.

3. RESEARCH GAP

While numerous studies have examined mergers and acquisitions (M&As) in India, most have overlooked the impact of ownership structure, particularly the distinction between promoter-led and non-promoter-led firms. There is limited empirical evidence comparing these ownership types in terms of sectoral participation, merger types, and firm size. Additionally, few studies use long-term data (2001–2023) or apply statistical tests (like paired t-tests) to measure differences in M&A behaviour. The role of Indian vs. foreign promoters and the influence of profitability and firm size in relation to ownership is also underexplored. This study addresses these gaps by analysing 363 BSE-listed firms to understand how ownership patterns shape M&A strategies in the Indian context.

4. RESEARCH OBJECTIVES

1. To analyse the influence of promoter and non-promoter ownership structures on the frequency and pattern of M&A decisions in Indian firms.
2. To examine sectoral trends in M&A activity under different ownership types.
3. To classify M&A transactions (horizontal, vertical, conglomerate) based on ownership patterns.
4. To evaluate the role of firm size in driving M&A participation across promoter and non-promoter firms.
5. To assess pre-merger profitability in relation to ownership structure.
6. To compare M&A strategies between Indian and foreign promoter-led firms.

5. HYPOTHESIS OF THE STUDY

1. Null Hypothesis (H_0):
There is no significant difference in M&A activity between promoter-led and non-promoter-led firms.
2. Null Hypothesis (H_0):
Ownership structure does not significantly influence industry-wise M&A activity between promoter-led and non-promoter-led firms.

6. METHODOLOGY

This study adopts a quantitative and analytical research design to investigate the impact of ownership structure—particularly promoter-led versus non-promoter-led firms—on merger and acquisition (M&A) activities in India from 2000 to 2023. The objective is to examine whether ownership characteristics significantly influence M&A decisions and to what extent such differences manifest across sectors and firm sizes.

- **Data Source and Sampling Procedure**

Secondary data was collected from reputable sources including CMIE Prowess, Bombay Stock Exchange (BSE) corporate announcements, and official company financial disclosures. From a total population of 2,816 completed M&A deals, a purposive sampling technique—a type of non-probability sampling—was employed to select a focused and relevant sample of 363 companies. The sample selection was governed by the following criteria

1. The acquiring firm must be listed on the BSE.
2. The M&A transaction must have occurred within the 2000–2023 period.
3. Complete and verified data must be available on:
    - Method of financing
    - Announcement and execution dates
    - Deal value and ownership details

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Furthermore, transactions from the financial sector were excluded, owing to their unique accounting and regulatory standards which may affect comparability.

❖ Statistical Technique and Equation

To test the hypothesis regarding ownership influence, a paired sample t-test was applied. This test is suitable for comparing the mean M&A activity between two related groups: promoter-led and non-promoter-led firms. The test statistic (t) is calculated using the formula:

$$t = \bar{y} / (s / \sqrt{n})$$

Where:
$\bar{y}$ = Mean difference between paired observations
s = Standard deviation of the differences
n = Number of observations

❖ Variables Considered

Key variables included:

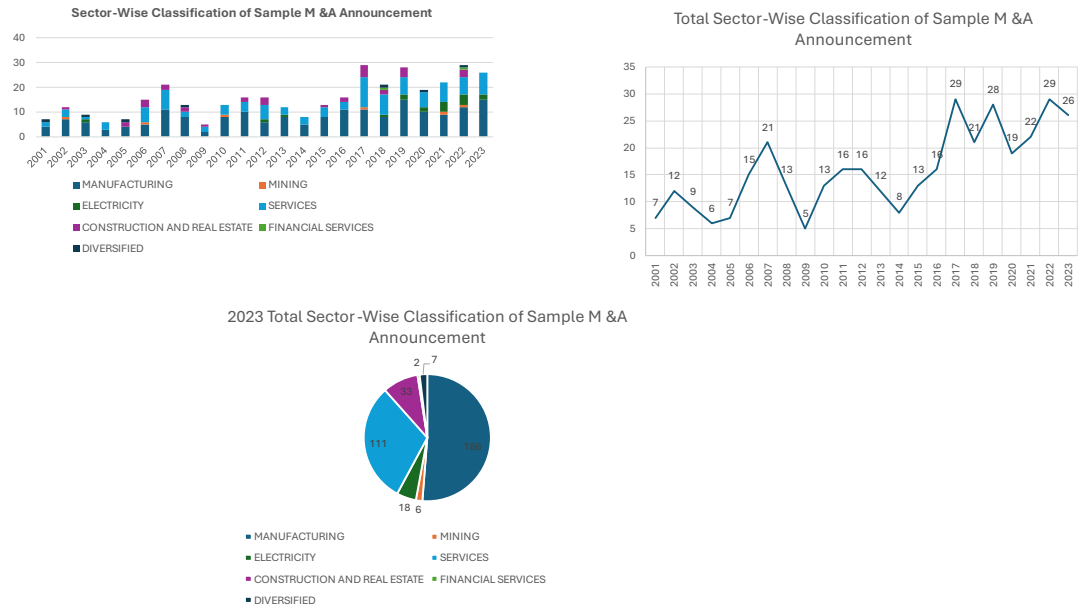
- Ownership Type (Promoter vs. Non-Promoter)
- Number of M&A Deals
- Industry Classification
- Merger Type (Horizontal, Vertical, Conglomerate)
- Pre-merger Profitability
- Firm Size

These variables were selected to align with the study's objectives and provide a multidimensional view of M&A patterns.

❖ Rationale and Scope

The use of a structured methodology and statistical testing ensures reliability and replicability of findings. Exclusion of financial firms avoids distortion due to sector-specific norms, while purposive sampling ensures that only firms with comprehensive and consistent data are analysed. This approach enables the study to draw valid inferences about the strategic role of promoters in M&A decisions.

Graph 1: Sector-Wise Classification Of Sample M & Announcement



Source: Author's compilation based on data from *CMIE Prowess Database*

The analysis of M&A announcements from 2001 to 2023 reveals a clear dominance of the manufacturing sector, which accounted for 186 out of the total 363 deals, highlighting the sector's strong consolidation trends. The services sector followed with 111 announcements, reflecting its growing role in the Indian economy, especially in recent years. Construction and real estate (33), electricity (18), mining (6), diversified (7), and financial services

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(2) made up the rest, with relatively lower activity. The yearly trend shows fluctuations in M&A activity, with notable dips in 2004 and 2009, and peak activity in 2017, 2020, and 2022, each recording 29 deals. From 2015 onward, there has been a visible upward trend, suggesting increased investor interest and sectoral diversification. Overall, the data indicates that while manufacturing remains central to India's M&A landscape, the services sector has become increasingly significant, and deal activity has grown stronger in the post-2015 period.

Table 1: Ownership Pattern-wise classification of Horizontal, Vertical and Conglomerate Merger

Sl.No.	Type of Merger	Promoters	Non-Promoters	Total
1	Horizontal	126	84	210
2	Vertical	32	12	44
3	Conglomerate	65	44	109
	Total	223	140	363

Source: Author's compilation based on data from *CMIE Prowess Database*

Table 1 presents the ownership pattern-wise classification of different types of mergers—Horizontal, Vertical, and Conglomerate—based on the participation of promoters and non-promoters. It is observed that horizontal mergers dominate the merger landscape, accounting for 210 cases out of a total of 363 mergers, which is approximately 57.85% of the total. Among these, promoters were involved in 126 cases, while non-promoters contributed to 84 cases.

Vertical mergers are relatively fewer, totalling 44, with 32 by promoters and only 12 by non-promoters, showing that promoter-driven initiatives are more common in vertical integrations.

Conglomerate mergers accounted for 109 cases, where promoters were involved in 65 cases and non-promoters in 44 cases. This indicates a moderate presence of both ownership types in diversification-based mergers.

In summary, promoters are the dominant participants in all three types of mergers, contributing to 223 of the total 363 mergers (61.43%), suggesting that most merger decisions are initiated or driven by internal stakeholders. Non-promoters contributed to 140 cases (38.57%), showing their significant but secondary role in merger activity.

Table 2: Classification of firms on the basis of size of firms

Sl. No.	Size of the Firm (₹ Crore)	Number of Firms	Percentage (%)
1	0 – 50	17	4.68
2	51 – 100	10	2.75
3	101 – 500	59	16.25
4	501 – 1000	49	13.50
5	1001 – 10000	163	44.90
6	Above 10000	65	17.91
Total		**363**	**100.00**

Source: Author's compilation based on data from *CMIE Prowess Database*

The table categorizes 363 firms based on their size in terms of total assets or turnover (measured in ₹ crore). The majority of firms, 163 in number (44.90%), fall in the ₹1001–10000 crore range, indicating a strong presence of large-scale enterprises in the M&A sample. This is followed by 65 firms (17.91%) that are very large, with a size above ₹10000 crore, showing notable participation of corporate giants. Medium-sized firms in the ₹101–500 crore bracket make up 16.25%, while 49 firms (13.50%) are in the ₹501–1000 crore range. Smaller firms—those in the ₹0–50 crore and ₹51–100 crore categories—together constitute only about 7.43% of the sample. Overall, the data suggests that large and very large firms dominate the M&A space, reflecting their stronger financial capacity and strategic interest in consolidation and expansion.

Table 3: Classification of Sample Firms by Size and Ownership Pattern

Size of the Firm (₹ Crore)	Promoters	Non-Promoters	Total
0 – 50	10	7	17
51 – 100	8	2	10
101 – 500	40	19	59
501 – 1000	29	20	49
1001 – 10000	97	66	163
Above 10000	39	26	65
Total	**223**	**140**	**363**

Source: Author's compilation based on data from *CMIE Prowess Database*

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The table presents the distribution of 363 firms involved in M&A activity, classified by firm size and ownership pattern. A majority of the firms, 163 (44.90%), fall within the ₹1001–10000 crore size range, with 97 promoter-led and 66 non-promoter-led firms, indicating that large firms are the most active in M&A. This is followed by 65 firms (17.91%) in the above ₹10000 crore category, where promoters also dominate (39 out of 65). Medium-sized firms between ₹101–500 crore and ₹501–1000 crore collectively account for 108 firms, showing balanced participation from both promoters and non-promoters. Smaller firms, in the 0–50 crore and 51–100 crore brackets, make up only 27 firms in total, indicating limited M&A activity among small-scale enterprises. Overall, the data clearly shows that M&A activity is largely concentrated among medium to large firms, and promoters are the primary drivers across all firm sizes.

Table 4: Distribution of Sample Companies based on Year of Incorporation and ownership pattern

Year of Incorporation	M&A by Promoters	M&A by Non-Promoters	Total M&A	% of Total
Before 1950	27	41	68	18.73
1951 – 1971	25	17	42	11.57
1972 – 1990	70	43	113	31.13
After 1991	101	39	140	38.57
Total	**223**	**140**	**363**	**100**

Source: Author's compilation based on data from *CMIE Prowess Database*

The table highlights the distribution of Mergers and Acquisitions (M&A) announcements based on the year of incorporation and type of ownership. Out of a total of 363 M&A announcements, the highest number—140 cases (38.57%)—came from firms incorporated after 1991, reflecting increased activity in the post-liberalization era. Among these, promoters played a dominant role with 101 announcements. The period between 1972 and 1990 saw the second-highest number of deals at 113 (31.13%), also largely driven by promoters (70). Older firms incorporated before 1950 contributed 68 announcements (18.73%), with non-promoters taking the lead here. The lowest M&A activity occurred in the 1951–1971 period, with only 42 cases (11.57%). Overall, promoters were responsible for 223 M&A deals, significantly more than non-promoters (140), indicating that promoters have consistently been the key decision-makers in M&A activity across all time periods.

Table 5: Sector And Ownership Pattern-Wise Classification Of Sample M&A Announcement

Sector	Promoters	Non-Promoters	Total
Manufacturing	109	77	186
Mining	6	0	6
Electricity	16	2	18
Services	68	43	111
Construction and Real Estate	22	11	33
Financial Services	0	2	2
Diversified	2	5	7
Total	**223**	**140**	**363**

Source: Author's compilation based on data from *CMIE Prowess Database*

The table presents the sector-wise distribution of Mergers and Acquisitions (M&A) announcements based on ownership patterns—Promoters vs Non-Promoters. Out of a total of 363 M&A deals, 223 (61%) were initiated by promoters, while 140 (39%) were by non-promoters. The manufacturing sector dominated the landscape with 186 deals, of which 109 were promoter-led and 77 by non-promoters, reflecting its central role in industrial consolidation. The services sector followed with 111 deals, showing balanced participation from both ownership types (68 by promoters and 43 by non-promoters). Other active sectors include construction and real estate (33 deals) and electricity (18 deals). Mining and diversified sectors had low activity, while financial services recorded the least, with only 2 deals, both from non-promoters. Overall, the data shows that promoters are the primary drivers of M&A activity across most sectors, especially in manufacturing and services.

Table 6: Classification of Sample Firms Based on Profitability and Ownership Structure

Sl. No.	Profitability (%)	Promoters	Non-Promoters	Total No. of Firms
1	Less than 0% (<0%)	33	6	39
2	0% to <10%	103	84	187
3	10% to <15%	36	22	58
4	15% to <20%	19	7	26
5	20% and above (>20%)	32	21	53
	Total	**223**	**140**	**363**

Source: Author's compilation based on data from *CMIE Prowess Database*

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The Table presents a classification of 363 firms involved in M&A activity based on their profitability levels and ownership patterns. The data reveals that a significant portion of the sample—187 firms (51.52%)—reported moderate profitability ranging between 0% and less than 10%, with promoter-led firms accounting for 103 and non-promoter-led firms accounting for 84. Notably, 39 firms (10.74%) reported losses (profitability less than 0%), and a majority of these (33) were promoter-led, indicating that promoters often continue to pursue M&A even in financially distressed situations, possibly as part of long-term strategic objectives. Meanwhile, 58 firms (15.98%) recorded profitability between 10% and less than 15%, followed by 26 firms (7.16%) in the 15% to less than 20% range. Firms with very high profitability (20% and above) comprised 53 cases (14.61%), showing active M&A participation even among the most profitable firms. Across all profitability categories, promoter-led firms dominate the sample (223 out of 363), suggesting their central role in strategic decisions regardless of financial performance. In contrast, non-promoter-led firms show higher participation in moderately to highly profitable categories, reflecting a greater emphasis on financial stability and value-driven acquisitions.

Table 7: Classification of promoters on the basis of Indian and Foreign Promoters

Promoters	No. of Companies	Average holding (%)
Indian Promoters	190	69.23
Foreign Promoters	33	65.01
Total Promoters	223	65.02

Source: Author's compilation based on data from *CMIE Prowess Database*

The classification of promoters based on their origin—Indian and foreign—reveals significant insights into ownership patterns among firms engaged in mergers and acquisitions. Indian promoters account for a substantial majority, representing 190 companies, and hold an average shareholding of 69.23%. This indicates a strong concentration of ownership and control in the hands of domestic promoters, reflecting their dominant role in strategic decision-making. In contrast, foreign promoters are associated with 33 companies and hold an average stake of 65.01%. Although their numbers are smaller, foreign promoters still maintain significant control in their respective firms, suggesting active participation in high-value or strategic sectors. Overall, when combined, the total of 223 promoter-led firms demonstrates an average promoter shareholding of 65.02%, highlighting the central role of promoter ownership in shaping corporate governance and acquisition strategies in the Indian capital market.

7.RESULTS/ANALYSIS AND DISCUSSION

Table 8. Statistical Test of Ownership Influence on M&A Decisions"

Statistic	Value
Mean (Promoters)	9.6957
Mean (Non-Promoters)	6.0870
Variance (Promoters)	35.8577
Variance (Non-Promoters)	13.0830
Observations	23
Pearson Correlation	0.1629
Hypothesized Mean Difference	0
Degrees of Freedom (df)	22
t Stat	2.6741
$P(T \leq t)$ one-tail	0.0069
t Critical one-tail	1.7171
$P(T \leq t)$ two-tail	0.0139
t Critical two-tail	2.0739

Source: Data compiled from the CMIE Prowess Database.

The t-test compares the mean values of M&A activity between promoter-led and non-promoter-led firms across 23 paired industry observations. The mean for promoters is 9.70, while for non-promoters it is 6.09, indicating that promoter-led firms are, on average, more actively involved in mergers and acquisitions.

The t-statistic is 2.6741 with 22 degrees of freedom, and the two-tailed p-value is 0.0139, which is less than the 0.05 significance level. This indicates that the difference in means is statistically significant. Since the calculated t-statistic (2.6741) is greater than the critical t-value (2.0739), we reject the null hypothesis that there is no difference between the two group means. The Pearson correlation between the paired observations is 0.1629, indicating a weak positive correlation between promoter and non-promoter activity across sectors. There is a significant difference in M&A activity between promoter-led and non-promoter-led firms, with promoters

showing higher involvement. The results suggest that ownership structure plays a key role in influencing M&A activity across sectors.

Table 9: Paired Sample t-Test Comparing Industry-wise M&A Activity Between Promoter-led and Non-Promoter-led Firms

Statistic	Value
Mean (Promoters)	5.439
Mean (Non-Promoters)	3.415
Variance (Promoters)	31.702
Variance (Non-Promoters)	14.499
Observations (Both Groups)	41
Pearson Correlation	0.6186
Hypothesized Mean Difference	0
Degrees of Freedom (df)	40
t Stat	2.9224
P(T ≤ t) one-tail	0.0028
t Critical one-tail	1.6839
P(T ≤ t) two-tail	0.0057
t Critical two-tail	2.0211

Source: Author's compilation based on data from *CMIE Prowess Database*
The paired sample t-test compares industry-wise M&A activity between promoter-led and non-promoter-led firms, based on 41 paired observations. The mean number of M&A announcements is 5.439 for promoter-led firms and 3.415 for non-promoter-led firms. This indicates that, on average, promoter-led firms are involved in more M&A activities across industries.

The t-statistic is 2.9224 with 40 degrees of freedom, and the p-value (two-tailed) is 0.0057, which is less than the standard significance level of 0.05. Therefore, the difference in means is statistically significant. The null hypothesis (that there is no difference between the two means) is rejected, and we conclude that promoter-led firms are significantly more active in M&A transactions compared to non-promoter-led firms. The Pearson correlation between the two paired samples is 0.6186, indicating a moderate to strong positive correlation in industry-wise M&A activity between the two groups. There is a statistically significant difference in M&A activity between promoter-led and non-promoter-led firms across industries, with promoters playing a more dominant role. The results support the view that ownership structure influences merger and acquisition behaviour.

8. FINDINGS

1. Dominance of Promoter-Led Firms:
    - Promoter-led firms accounted for 61.43% of total M&A activity, indicating their strategic dominance in India's corporate landscape.
    - These firms were most active in manufacturing (48.88%) and services (30.49%), sectors that are central to India's industrial and economic growth.
2. Industry-Wise M&A Trends:
    - The manufacturing sector led M&A activity with 186 out of 363 deals, followed by services (111), construction and real estate (33), and electricity (18).
    - Promoters were more involved in all major sectors except financial services, where non-promoters initiated both deals recorded.
3. Merger Type and Ownership:
    - Horizontal mergers were the most common (57.85% of all mergers), suggesting consolidation within the same industries.
    - Promoter-led firms were predominant across all types—horizontal (126), vertical (32), and conglomerate (65)—indicating strategic expansion across various dimensions.
4. Firm Size and M&A Activity:
    - Firms in the ₹1001–10,000 crore range were the most active acquirers (44.90% of total), followed by firms above ₹10,000 crore (17.91%).
    - This trend highlights that medium and large firms are leveraging M&As for growth, market expansion, and competitive advantage.
5. Ownership Structure and M&A Activity – Statistical Evidence:

- Two paired sample t-tests reveal statistically significant differences in M&A activity between promoter-led and non-promoter-led firms:
  - Sector-wise test: t = 2.9224, p = 0.0057
  - Industry-wise test: t = 2.6741, p = 0.0139
- These results confirm that promoter-led firms are significantly more involved in M&A transactions.

6. Indian vs. Foreign Promoters:
   - Out of 223 promoter-led firms, Indian promoters represented 190 firms with an average stake of 69.23%, while foreign promoters held 65.01% on average across 33 firms.
   - Indian promoters continue to exert dominant control, especially in traditional and domestic sectors.
7. Temporal Trends in M&A Activity:
   Firms incorporated after 1991 contributed the highest to M&A activity (38.57% of deals), reflecting the influence of liberalization and economic reforms.
   Older firms (before 1950) were more active under non-promoter leadership, suggesting legacy firms operate under more diversified ownership.

9.SUGGESTIONS

1. Strengthen Governance in Promoter-Led Firms:
   - Since promoters play a dominant role in M&As, ensuring transparency, accountability, and compliance with SEBI norms is critical to protect minority shareholder interests.
   - Regulatory bodies should increase oversight on related-party transactions and valuation mechanisms in promoter-driven deals.
2. Encourage Institutional and Foreign Investor Participation:
   - Non-promoter-led firms have shown strategic discipline and value-focused acquisitions. Policymakers could incentivize greater foreign institutional participation to diversify ownership structures and improve corporate governance.
3. Promote M&A Participation Among Smaller Firms:
   - Smaller firms (₹0–100 crore) account for less than 8% of M&A activity. Government and financial institutions could develop tailored financial instruments and advisory support to encourage consolidation among small-scale industries.
4. Sector-Specific M&A Facilitation:
   - Manufacturing and services sectors dominate, but underrepresented sectors like electricity, mining, and financial services could benefit from sectoral reforms, relaxed regulations, and innovation incentives to promote strategic M&As.
5. Policy Support for Mid-Sized Firms:
   - Mid-sized firms (₹1001–10,000 crore), being the most active in M&A, should be provided targeted policy support, such as easier access to capital, tax benefits on acquisitions, and fast-track approval processes.
6. Enhance Disclosure Standards:
   - Uniform and timely disclosure of M&A deals, financing modes, and ownership structures can boost investor confidence and facilitate better market evaluation of corporate strategies.
7. Promote Horizontal and Vertical Integration in High-Growth Sectors:
   - Policymakers should encourage strategic M&As in high-potential sectors like pharmaceuticals, renewable energy, and digital services through incentives and streamlined regulatory frameworks.

CONCLUSION

This study provides strong evidence that ownership structure plays a significant role in shaping M&A activity among Indian firms listed on the BSE from 2001 to 2023. Promoter-led firms were found to be more active in initiating mergers and acquisitions, particularly in manufacturing and service sectors, highlighting their strategic role in corporate expansion. In contrast, non-promoter-led firms showed greater presence in capital-intensive and high-growth industries like pharmaceuticals and IT. The classification of mergers revealed a dominance of horizontal mergers, with promoter-led firms playing a leading role. Firm size also emerged as a key determinant, as most active acquirers belonged to the ₹1,001–10,000 crore category, indicating that mid- to large-sized companies drive most consolidation efforts. Furthermore, the analysis shows that Indian promoters dominate the M&A landscape in both volume and shareholding, while foreign promoters, though fewer in number, maintain significant ownership stakes in high-value sectors.

Overall, the findings suggest that ownership patterns—especially promoter control—and firm characteristics like size and sector strongly influence the direction and nature of M&A activity in India. These insights are valuable for policymakers, investors, and corporate strategists seeking to understand corporate growth behaviour in emerging markets.

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