Private information implications for acquirers and targets in horizontal mergers

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ABSTRACT

The paper presents a robust theory centered in Private information to assuage event study literature and confirm with Acquirer gains in Bank M&A. The ability of larger firms lies in investments in Intellectual capital, harnessing soft information and critically, purloin value in the deal through bargaining based on its own and the Target's specific Private information. Recent literature has affirmed that private targets within the core industry generate Positive returns for acquirers, realizing the value of Private information through deal making.

Recent evidence from large Bank mergers producing large Bidder gains and the robust theory of private information presented herein is likely to renew confidence in the merger and acquisitions strategy and deflect from theoretic literature relying on earlier analysis reflecting on event studies as a tool and on the effectiveness of M&A strategies for these acquirers based in limited gains in the Event study literature.

The paper presents theoretic models centered around private information of both acquirer and targets and defend a robust theory supporting the large impact strategy of Mergers evidenced in Horizontal mergers in line with recent literature. As evidence, the paper utilizes the Private information construct to explain intuitive results verified in the literature

Banking markets present a unique opportunity in robustly recreating results based on this theory especially in growth memes presented by Asian markets. Foreign portfolio exits are significant opportunity losses for Global players and may not be justified by myopic short-term responses to a new policy superstructure.

Keywords: Mergers and Acquisitions, Corporate Governance, Private Information, Asia, India, growth, Information asymmetry, Horizontal mergers

Table of Contents

1. Why do Acquirers prefer M&A strategies?

Mergers and Acquisitions are an attractive external growth strategy. While managers may prefer the strategy, criticism finds its basis in literature in event studies that have consistently provided mixed evidence regarding the viability of the Mergers and Acquisition strategy. A different stream of literature aligns with comparing this inorganic strategy with other internally generated growth options while its basis in Corporate Finance Theory is established by Bradley (1988), Rhodes-Kropf et al (2004), and Rossi and Valopin (2004). Roll (1984) who tables the Hubris hypothesis. In Banking M&A US bank acquirers show abnormal returns in the '90s after the enabling law around Universal Banking while other consolidations of banks across state lines may not have created economies of scale or scope. In Europe, Acquirers do get an allocation of the deal gains, typically because of consolidation of branches across countries and a transfer of corporate governance memes as bigger banking brands take hold in Europe.

Event studies establish that value creation is achieved in M&A, yet it usually leans towards the usurping of gains by the Targets. Mergers & Acquisitions are frequently criticized as a large ticket strategy that do not deliver gains. Frequent problems cited in M&A relate to post closing integration and lack of synergy gains or planned growth in profitability not panning out because of unseen roadblocks to reduction in operating costs and the harassment and issues around labor cuts. While the effect of executive compensation in inducing more frequent M&A cannot be denied (Bliss and Rosen, 2001) the strategy may have been benefitted from this tilt. The evidence of self-interest may result in questions of corporate governance in reviewing the robustness of a theory linking corporate governance and agency to motivations of acquirers in producing successful large M&A and in establishing the primacy of the size and focus advantage in such deals i.e. showing that bigger companies as acquirers may be better equipped to harness gains from mergers and acquisitions.

The success of an M&A strategy gets tougher to recognize in some industries vis-a-vis others. We find in a review of data from Bank M&A that the strategy is still value accretive to acquirers and suggest an Information Economics based explanation for the same. Our initial sample showed double digit gains for Indian acquirers and we look forward to proving similar results with a larger Asian sample.[1]

Recent literature includes efforts by Ahern (2012) in establishing that Dollar gains to Acquirers dominate Target gains. Before us, Goddard, Molyneux et al (2012) research Asian and Latin American Bank M&A, yet find the significant gains for Acquirers and leave it on the table, not discussing the post GFC scenario and motivations of both Emerging Market and US/European bank Acquirers. Kolaric & Schiereck (2013) similarly present data from a Latin American sample, yet study only targets located in these markets. Borochin, Ghosh et al (2016) provide an information asymmetry based explanation for value creation in Bank M&A but prefer that Targets make most of the gains providing the reasons for the same phenomena.

Global Economics dictate large benefits of mergers and acquisitions around economies of scale and oligopolistic competition that translate to lower costs and higher profitability.

[1] Sample will tentatively be 130 Asian Bank M&A from 2006-2016

Mergers also ally the firm with a better portfolio of Markets and strategic knowledge that again allows the firm to improve its product market portfolio and deliver large gains to stakeholders.

As large growth automatically serves a better risk mitigation we are not concerning ourselves in this analysis with other low risk adventures like Joint Ventures and Alliances and discuss the future inorganic growth of firms using Mergers & Acquisitions implying a change of ownership and asset augmentation for the acquirers and new owners of the firm

Our work is designed to augment the literature of Corporate Finance and references to multinationals and strategy are implied about the Corporate Finance literature spawned in the tradition of Jensen and Meckling (1976) Agency Theory, O'Hart and Moore (1990) Property rights and Ownership of the Firm and Williamson (1988). The merger waves are described as proven by Rhodes Kropf et al (2004) and the neo classical theory evidenced first in Maksimovic and Philips (2001).

In a study of 24 M&A transactions in Indian Banks during the period 2006 -2015, we earlier find evidence for both bidder and target gains that are used here to specify points of comparison in Global US and European markets. These gains reflect on the continuing advantage of M&A as an impact strategy, foreign bank exits from India, Asia and other growth markets and global policy imperatives advantaging the banking superstructure. Our study shows foreign portfolio exits are significant opportunity losses for Global players and may not be justified by myopic short-term responses to a new policy superstructure. The 2014 Kotak ING merger produces a 13.47% CAR in the 0 to +15 event window and 23.8% in the longer-range window till trading stops in the ING Groups' India subsidiary. Large Bank mergers produce large Bidder gains that allow a renewed confidence in the merger and acquisitions strategy and deflect from unfortunate advances in theoretical analysis based in earlier analyses reflecting on event studies as a tool and on the effectiveness of M&A strategies for these acquirers based on negative gains in the Event study literature.

Goddard et al (*ibid*) have earlier validated acquirer gains in Banking Sector M&A in Asia but seem to ignore acquirer gains and leave these gains unexplained in consistency with event study literature in US and Europe. We find significant acquirer gains in 24 Banking sector M&A deals in India.[2] We establish that horizontal mergers are likely to see acquirer gains in a sample of Indian Banking sector deals and here we establish closer links with Corporate Finance theory in using this evidence to debunk views in the literature serializing lower abnormal gains for acquirers into views discouraging acquirer managers from utilizing such a powerful strategy in another concurrent paper (Mittal and Garg, 2016). Now, we look to present information theoretic models centered around private information of both acquirer and targets and defend a robust theory supporting the large impact strategy of Mergers evidenced in Horizontal mergers. We use our example of banking sector M&A in the emerging markets to drive home the views explained by the theory.

The literature accepts that stock swaps are cost effective for an acquirer as acquisition currency and in Mittal and Garg (*ibid*) we have established a framework for the value effectiveness of a horizontal merger evidenced in the use of stock swaps in Indian Bank mergers yielding double digit returns.

[2] We are currently working on a larger sample of 130 Asian Banking M&A across nine jurisdictions in the recent period (January 2006- October 2016) to establish and confirm the viability of Horizontal mergers as an impact strategy

Caiazza et al (2012) analysis of determinants of mergers and acquisitions and Caiazza(2013) case study analysis of the Exxon Mobil merger may drive our future research efforts on our chosen sample of Bank M&A. Jap, Gould et al (2016) present the merger of ANZ with NBNZ to define the parameters of a successful merger rich in intangibles and hence information rich contexts. We analyze Information asymmetry evidenced in Private information of both the Acquirer and Target, and propose to utilize the Information Asymmetry construct of Masulis(2013) as well as other Information asymmetry measures in the recent literature as presented in the following literature review.

2. Recent Information Theoretic explanations of the Mergers & Acquisition phenomena

Officer (2009) is one of the earliest documents that invests in the information asymmetry explanation driving acquirers to private targets and emerging market targets with larger idiosyncratic return volatility measuring individual volatility and R&D intensity as a measure of difficult to value firm components not dissimilar from the literature in accounting on valuation of intangibles. They measure gains in stock swaps, a finding we are in general agreement in this paper. We expect horizontal mergers, like the ones in the banking sector to be unaffected by the signaling of cash as a means of financing and stock swaps to retain their valuation premium because of continuing growth with or without the deal making. As banking sector is well regulated and ownership maybe capped in jurisdictions like India, there are no concerns around dilution of ownership using fresh stock as acquisition currency. Moeller et al(2007) attempts decoding opinion diversity in the decision-making coding. Chira et al(2016) study influencing market signals and agency relationships in canceled deal comparing private and public targets. The study also shows that stock offers with low announcement returns are more likely to be canceled. They compare the alternative common information hypothesis and find for the deal makers learning from the market reaction.

Payment methods are one of the more widely discussed results in studies paying heed to the deal causation structure. A stock swap shares ownership and post-acquisition gains causing an assumption of fairness and symmetry to hold between the acquirer and target. Luypaert et al (2017) refine their view of division of gains between acquirer and target as well as the payment consideration (cash vs stock) and find in favor of acquirer returns for opaque targets supported by the private information advantage of acquirers in their own industry. They however consider acquirers paying cash to retain this advantage in valuations. In an earlier work, Luypaert et al (2013) consider 1762 announcements between 1994-2011 relating opacity with lower analyst coverage that favor acquirers gains and allows the unmitigated use of stock as acquisition currency in the markets for corporate control.

In the earliest compatible theory, we consider the study of agency conflict in completed M&A deals. Cornett et al (2003) examine corporate governance motives and establish the advantage of horizontal mergers by considering a narrow definition of diversifying M&As within bank acquisition markets and highlight the fundamental relevance of corporate governance and agency considerations in information theoretic explanations. Palia (1991) in his published dissertation works, establishes the easy connection between such manager shareholder conflict and the comparison of manager and shareholder incentives before, during and after deal negotiations. Burkart et al(2006) study adverse selection as agency conflict defining managerial incentives as a product of legal protection and thus incentives for monitoring in regulation. The lack of such monitoring incentives leads to low corporate governance regimes finding increasing incidence of ownership concentration and discovering an inverted U curve between the degree of legal protection and the ownership concentration. This may be as better legal protection also after an extent dulls monitoring incentives.

Adverse Selection was introduced early in the literature and is commonly ascribed to transactions without necessitating the discussion of a Private Information gradient in the deal mechanics. We continue ascribing Adverse selection to private and public targets in current analyses. Reuer and Ragazzino(2008) use proportion of stock in a deal to allocate risk of Adverse selection and the use of alliances and IPOS as risk mitigation in the analysis of this adverse selection risk. On the other hand, Alexandridis et al (2008) put their faith in the Belief asymmetry hypothesis to define the valuation gradient not so much different from the leverage effect in valuation. They find a positive relation between the belief asymmetry (valuation by optimists during uncertainty) and Abnormal returns to explain the lack of a post event return. Harris (2014) uses a treatment effects model to model endogenous selection into mergers and capture heterogeneity in the semiconductor industry and shows excellent efficiency gains in horizontal mergers and finds the same for cross border acquisitions as well as gains for experienced acquirers or the second acquirer following in a similar deal mechanics as it deals better with uncertainty. All these relationships can be explained by a Private information model that would also describe away the prejudices in the literature against an effectively managed well sized acquirer being able to successfully pursue a M&A strategy.

Continuing in the same vein, Croci et al (2017) considers the specific case of squeeze outs employed by acquirers with majority control and realizes that the strategy ensures gains for the residual shareholders because of litigation as a response for the corporate governance endgame by a powerful acquirer. Du et al (2015) follow in the stream of literature connecting acquirer returns in CBAs initiated by Chinese acquirers in trading nations' domiciles, where State ownership and intangibles measured by R&D interact and the salience of institutional distance is established as a source of Acquirer gains. Bonin and Louie (2016) focus on banking industry and comment on the loyalty of Foreign banks in Emerging Europe using their conduct of business in the region. Coy and Garcia-Feijoo(2015) consider the impact of Financial risk on markets for corporate control comparing a firm's leverage strategy in and around internal and external growth strategies and finds in favor of Mergers and Acquisitions being viable for larger firms.

As evidenced in private company valuations, information asymmetry primarily depresses the valuation of private companies. It is also easily established theoretically that private information of an acquirer in his industry and perhaps with respect to the target company's prospects, performance and hence valuation improves the acquirers' chances of a successful deal. A stream of literature in the last decade has extracted value from business discussions around IPOs, Lock ups in SEOs (Masulis et al, 2013), and Mergers and Acquisitions to theorize effectively around information flows. Private firms make good targets especially if the Acquirer has Private information in the industry and can create a value enhancing opportunity.

Borochin, Ghosh et al (2016) acknowledge the relation between information asymmetry and firm value in M&A strategy highlighting the now established change in the target's information environment as information is shared about the target and investors act on their internal motivations to gather public and private information about the target. The literature till now has found unique idiosyncratic proxies for the information asymmetry and analyzed various effects based on this dispersal of information asymmetry in the Target. Ayukawa (2012) builds an alternative model of the firm using Hart and Holmstrom model of the lateral firm that allies with the model of information mechanics we propose as he models deal making around a technology advantage which examine integration, cooperation , non-integration and non-cooperation between two managers pursuing a deal, coordinating both monitoring levels and private benefits (low level incentives). Also relevant are Principal agent models in Contract design discussing and optimizing Executive incentives, moral hazard and benefits derived from effective organization design. Moeller et al(2007) look at the offers made across classifications of public and private firms, for cash and stock offers and find them to be same in value once controlled for idiosyncratic volatility, a proxy for Private information of the firm.

In our theory development section (Section 5) we show the usefulness of our theoretical construct in robustly examining other M&A phenomena. The information theoretic basis contributes to the examination of M&A strategy as contagious and hence alliteratively to the formation of merger waves as evidenced in Rhodes-Kropf(*ibid.*). Starks and Wei(2013) add the interplay of Corporate governance in determining the use of stock in CBA. Acharya et al (2010) discover talent heterogeneity in Private Equity deal exits, evidence critical to Private information based structures in Corporate Governance that prove their importance to value creation. There is a vast stream of Corporate governance literature that determines the various interplays that have been examined in the M&A strategy and we hope to robustly explain in our theory. This becomes critical in our work as Internal systems of Corporate Governance may even replace the discipline of markets for corporate control (Netter et al, 2009; Tian et al, 2011). We may address such items of Corporate Governance in further research but this paper lays the groundwork for the same. Westphal and Zajac(2013) conception of socially situated and socially constituted agency and a framework of Behavioral Corporate Governance may also be robust to our Private information based theoretical framework as Corporate Governance structures do not function in isolation. Fields et al (2017) show firms value Directorial experience and gain from it in Acquisitions & Mergers. In Section 4, a firm's Information structure transmits Private information and establishes through this information structure modeled in the Corporate Governance of the firm to value creation in deal making and we lay down the parameters that reflect the robustness of our theoretical construct in markets for corporate control.

Mergers become value accretive in many cases because of use of stock as currency, accepted early in the literature as overvalued stock, enabling the transaction for Acquirers in the manner of Rhodes-Kropf et al (2004). Once we ascribe such opportunism to the value premium for the Acquirer, however it becomes easy to see the literature progressing to a misuse of managerial incentives and private benefits of control ascribed to CEO's use of the strategy. A recent Doukas and Zhang(2013) discussion uses Ohlson(1995) residual income measures to assess long term performance of bank mergers. This study is one of the few that specifically measures the growth option before the use of the strategy and reviews the role of behavioral and managerial incentives in motivating bank mergers. Baxamusa et al (2015) decode information availability through Network centrality and find Targets on whom better information is available as generating better returns. Acquirer's network centrality is negatively correlated to announcement returns. This network centrality in product markets and supply chains is akin to a symmetric distribution of information.

Masulis (2015) have created an information asymmetry factor structure that is robust and shows the impact of private information available in Financial and company information. However limited, this knowledge measure can work into current data and probably explain some of the expectations of acquirers from creating an M&A deal canvas and converting such opportunity.

The following section of the literature review reiterates the basic variables of interest as verified in recent literature as well as the methodology literature for event studies. We do not distinguish between studies attending to the phenomena around Cross Border acquisitions, or around the generic markets for Corporate control as we establish the primary tents of our theory directly in section 4 and 5. Section 3 is thus optional for those ascribing to tour evinced interest in Information theoretic explanations. After that we present the section of theory development and Hypotheses[3]

3. Defining success in Mergers & Acquisitions

Erel, Liao and Weisbach(2012) review international data and discover the incidence of Cross Border M&A to be 45% in 2007 almost twice as a percentage of all deals in one decade from 1998. Cultural and geographic differences increase the cost of a merger but the bane is likely to be regulatory oversight especially in sectors like Banking. Also at issue there in are different Corporate Governance regimes and correlated changes in Global Capital markets which because of different local regimes still imply vast differences in valuations across exchange rates, stock market movements and macroeconomic market assumptions. Weitzel and Kling(2012) show Acquirers can engender Positive Abnormal returns as in more than 10% deals, targets accept negligible or even negative takeover premiums not always for earnouts.

Certain differences in cross border M&A transcend cross border concerns as acquirers tend to be situated in overvalued markets and this even exchange rates in Erel et al(2012) are valued higher in the acquirer country.

Assuming our intent to survey Indian and Chinese Bank M&A along with jurisdictions of Singapore, Hongkong, Malaysia, Indonesia, Taiwan and Thailand, which preliminarily seem to follow similar motivations for acquirers we also neglect the tax effects of international or domestic mergers which can be referred in Makaew(2010) and others. Beccalli and Frantz(2013) identify the same determinants in Targets and Acquirers using a multinomial logistic framework. Targets have lower cash flows, are inefficient, illiquid and may be undercapitalized. We remove distress cases from our sample to review our hypotheses regarding horizontal mergers in the pursuant empirical work and thus present other simple causal links with success that may be perused in the new theory. A common thread in other studies including Erel(2014) is that acquirers have low cost of capital which we find as liquidity rather than compared to targets.

[3] We propose to complete this paper with empirical evidence from Banking M&A in the recent ten-year period establishing a sample of horizontal mergers

Merger Waves and other long-range literature

Rhodes-Kropf and Vishwanathan(2004) discuss the presence of Merger waves and relate it to periods of overvaluation in stock markets in line with literature that describes industry specific waves that relate to long lulls in M&A Activity followed by waves of high activity also verified in IPO firms, Hovaikimian and Hutton(2009) are primarily motivated by a rush for low hanging fruit reduction and reduction of frictions as financing becomes available to acquirers for bigger growth plans and stock is used as acquisition currency.

Global M&A literature is also influenced by merger motivations around Productivity shocks as explained by Maksimovic and Philips(2001).

Literature on cash and stock financing of the deal also clarifies the components of the Financing to be motivated by the power equation between the acquirer and the target as also the reliance on a shorter time to completion in more cash deals. Derivatives provide sweeteners to the target firm to sweeten the acquisition. Custodio(2014) provides an interesting analysis where the post-merger q ratio of the firm is mostly responsible for a diversification discount in conglomerates q ratio and reduction of goodwill in these cases makes this discount disappear. Diversification acquisitions are proven to be loss makers especially in cross border acquisitions intuitively from perceived problems of cultural and institutional distance.

There is also the pertinent issue of growth in valuation through splits and divestments on which we would like to develop follow on research as they are also key inorganic strategies for firms to optimize valuations and maximize stakeholder value. The q ratio has been used in the literature in event studies discriminating between high growth firms and low growth firms (who do not need cash for internal investments). We do not comment on the appropriateness or otherwise of the methodology but expect technology and other transmission mechanisms in industry and in geographical domains to retain explanatry power.

Industry wise impact of M&A

Recent literature confirms that factors studied early in the M&A literature continue to be important. Industry concentration drives M&A activity as evidenced in Florian and Schiereck (2014) for gaining market share in concentrated industry and increasing conglomerate presence in fragmented industry.

Deal Time to completion

Luypaert and Maeseneire(2015) study another aspect that is secular for M&A in analyzing the gains from the deal. They find the deal time to completion is affected adversely by deal complexity and hostility as well as the size of the deal. Stakeholder support is critical to reducing these timelines and delivering deal benefits. Also, the study shows that experienced acquirers make a positive difference to their deal completion rates and time to completion.

Deal making in a recession

Chung(2015) expands on the literature stream that shows macroeconomic impacts on the acquisition decision as one affecting deals with target companies overladen with debt or whose growth options are no longer good during a recession.

Tse and Soufani (2001) show how macroeconomic conditions impact Bidder and target returns in merger activity terms and that targets are expected to respond to restructuring.

Financial Independence

As ticket sizes of mergers increase and stock market overpricing supports formation of merger waves, bidder returns remain challenged by key deal characteristics like the Financial independence of the target, more likely in larger targets.

Jindra and Moeller(2015) identify targets that have lesser dependence on external finance and find in favor of lesser deal completion and higher premiums. This goes to traditional event study literature ascribing lower returns to bidders in response to concerns on overpricing and hubris in the bid, overtaking explicit and implicit deal synergies. This also corresponds to lower valuations for private companies and the related Pre-merger IPO literature.

Financing the deal

Staying with Cash and Stock financing of deals, IPOs are not only used as a defense against hostile takeovers, but also continue to be important means of financing a deal. A cash component of an acquisition usually ensures deal completion and an effective time to completion. Stock Financing usually follows overpriced stock markets and recent IPOs, the latter of which is expected by investors to be like fairly priced cash bid takeover financing as in Hovakimian and Hutton(*ibid.*).

However, effects of using Cash to sweeten the deal are likely become more adverse in such value deal making in larger acquisitions especially in a recession as Cash is scrounged from Working Capital flows (Aktas et al, 2015) to reduce debt and interest costs. As we review cross border emerging market acquirers, this fallacy shows itself as a key determinant of deal financing given the added pressures of weak currencies in determining optimum borrowing to finance the large deal.

Pricing

Vladimorov(2015) studies the financing methods of cash bids and finds overbidding by acquirers with easier access to financing.

Important variables impacting Success in M&A

Holl et al(1997) provided an assessment of failed mergers also evidenced in other literature that shows mergers more likely to fail across unrelated industries (asymmetric information effects). Building on success in cheap valuations of Targets, Cross Border M&A can benefit from localized crises as we discuss later from Makaew(2010). Sources of overbidding have been discussed in Aktas, Bodt and Roll(2013) with inferential priority to controlling bidding as a key to account for uncertainty in post-merger integration and ensure real synergy forecasts.

Baker and Wurgler(2012) show the importance of crossing previous highs for targets in increasing the probability of completing a deal. While this negatively impacts bidder announcement returns, it also allows them to explain the better returns in a stock market required on a consistent basis to create industry wide waves. This also biases the pricing of a target to its historical stock performance.

Size effects

Moeller et al(2004) find the size effect to be a determinant of differences between abnormal returns made by bidders. This indicates size of the bidder is a proxy for risk that varies with size and hence diversification of business and inability therefore to benefit from a horizontal merger in a specific industry target. We however decode the deal mechanics in the information structure to unlock the intuitive advantages of a larger size for the acquirer.

Spin offs and Reverse mergers

As in Maksimovic and Phillips(*ibid*.), the literature depends on Spin off and sell off data to comment on deal success. However independent abnormal returns of these events' announcements remain highly positive from the realized improved valuations for the divested units/ wrong undone.

Reverse mergers remain an attractive sell off option for private firms despite its recent misuse by Chinese firms for cross listing and financing considerations for expansion in the US.

Efficient Contracting

A key to success in M&A apart from financing and time to completion considerations, and key to the deal is Contracting mechanisms from Hart (1990) and Williamson (1988). Markets for Corporate control remain sensitive in market perceptions to real advantages accruing from control. A new flexible payout contract makes payments to target investors contingent on post- merger performance (Cain et al., 2011).

Serial acquirers

Aktas, de Bodt and Roll(2012) find evidence in favor of the same acquirers making consecutive deals in the markets for corporate control. However, the learning from deal making effectively brings down abnormal returns for acquirers even over the lifetime of the same CEO. Lower CARs are evidenced in the fourth or fifth acquisition by the same company from 1.5% CAR in the first deal to only 0.5% as more aggressive deals are priced correctly by the firm owing to its experience.

Innovation

Bena and Li(2014) discover the pattern of innovation synergies in large M&A deal from related R&D. This synergy is neglected and does not lead to deal success when the firms are in the same product markets. Innovation and R&S are information sensitive and increase the intangible assets incidence in combining firms.

Deal process

Gomes et al(2013) discuss the requirement of perfect information across the laborious M&A process. A lack of post-closing integration and miscommunication of deal objectives is frequently cited a s a key reason for failure of a merger to prove the expected gains.

Synergy Forecasts

Certain jurisdictions require bidders to share expected synergies every time they bid in the defined calendar enforced by the regulator where multiple bidders are involved(e.g. UK)

Dutordoir et al(2014) show synergy disclosures in 345 deals in a sample of 2000 deals. Synergy disclosures improve the market reception of the deal and frequently include operational cost benefits from post-closing integration that may not account for cultural and institutional differences

Dutordoir et al show synergy gains to be 5% higher after synergy disclosures.

Government Policy and Regulatory superstructure

The emerging market deals could prefer effective government support because of linkages with domestic currency and multilateral trade flows. As Indian Multinationals bid for larger acquisitions, they benefit from a uniform government policy favoring them. Popli and Sinha(2014) present the detailed timeline of regulatory policy changes in the takeover code. India for example provides a custom regime for requisite approvals and is consistent in execution for aspiring multinationals.

Rossi and Valopin(2004) confirmed in the tradition of Laporta et al that M&A Activity is significantly larger in countries with better accounting standards and stronger shareholder protection. Markets in India are also favored by another institutional characteristic like that of the US in provision of deep and liquid financial markets that provision better information flows. This is likely to signify a better calibration of market event studies over a chosen estimation period, an information leakage period (pre-announcement returns) and announcement returns for both bidders and targets.

European M&A frequently sees adverse interventions in the deal even as developed markets reach a situation where most horizontal mergers within the industry which lead to efficiency are actually rejected by antitrust considerations.

Cross Border M&A

Cross Border M&A has grown with a consistent share of more than three quarters of global FDI flows and Emerging Market M&A has grown from $17 Bln in 2003 to more than $170 Bln or 40% of deal flows (Lebedev, 2014)

The incidence of cross border M&A seems to be approved in higher degrees of intangible assets as in Chari et al(2010) and effectively implies a premium on Research and Development and acquisition of patents. As Rossi and Valopin(*ibid.*) posit, the likelihood of a target in a cross-border M&A increased in the early period a decade ago if the target belonged to a low shareholder protection country. This is also confirmed by other event studies of cross border M&A where the higher returns of the bidder are nullified if the target belongs to a common law country where more information and returns must be shared with the target by the international bidder.

Mateev and Andonov(2016) use a sample spanning 2003-2010 including 38 European countries. They study the impact of transaction type, Financing (payment method), legal status and homogeneity (of business).

In the European sample, domestic bidders outperform cross border bidders, but that is specific to fears of cultural and regulatory troubles in Trans-European activity. The lower return for cross border acquirers is evidenced strongly in relation to strength of investor protection in the target country.

We study cross border M&A in line with the development of the phenomena in the global markets. Developed market MNCs were the first to prefer M&A for market acquisition and in line with institutional distance in the new markets as a measure of control. This control became a precondition for transfer of intangibles like brands and patents. Antras , Desai and Foley(2009) show that MNC activity in FDI increases in weaker protection as they prefer control through ownership in markets with weaker investor protection mechanisms to enable technology transfer. Dikova(2010) and Dikova(2012) show the measurable impact of institutional distance in the two regimes as a determinant of cross border M&A.

Erel, Liao and Weisbach(2012) use a comprehensive sample of cross border acquisitions and note expectedly that 75% of the acquirers are from the US, and 80% of the targets are outside the US and 96% of the deals have a private target while 26% of the deals feature a private acquirer. The sample covers the period from 1990 -2007. Cultural differences and country level governance differences can be treated as multicollinear for our purposes and a consistent difference can be expected at the country pair level and the bidder country level. They note that bidders are from developed markets in this period and prefer targets with lower accounting standards.

Alexandridis et al(2010) find bid premiums are lower at 31% in bidding contests outside US, UK and Canada compared to over 40% in these countries. Confirming a better bidder environment for cross border acquisitions. This bidder premium is better even for uphill flows (Chari et al, 2012) where the targets are in the US but bidders are from established Emerging Markets like India and China.

We analyze the literature for evidence of merger effects unique to emerging market targets and proceed to the developing markets for corporate control featuring aggressive Emerging market bidders especially from India and China. Given the institutional distance to the US we assume for our purposes the same differential exists for Indian and Chinese bidders and targets to the US and Europe. In fact, India may prefer deeper and Financially liquid asset markets relating to public companies. Thus, for both bidders and targets, the announcement returns are significant irrespective of bidders being from developed markets or from the domestic market. It is also pertinent that when the target is listed in the domestic market, investors may prefer that the bidder is from a developed market or is otherwise gainfully engaged in the deal in terms of knowledge and market acquisition. Where the bidder is in the market for complete control, the pricing becomes a key to announcement returns as a gauge of such intentions and assessment.

Innovation

Stiebale(2016) can get a diverse sample from a study of cross border acquisitions within Europe and finds that innovation flows are one way, in that Innovation in the target is stopped in favor of better R&D gains post-merger in the bidder country. This could account for an interest of Indian and Emerging MNEs to acquire businesses in the developed markets and receive higher abnormal returns for the bid.

Multiple Bidders

In Cross Border M&As(CBA), one finds that the presence of multiple bidders can have a deleterious impact on the timeline for the deal. The impact of this extended timeline is yet to be studied in the literature and provides an excellent opportunity to measure the persistence of the higher abnormal returns evidenced for bidders. The Deal success is directly likely to be affected as overbidding is constrained in developed market targets even for larger acquisitions in presence of a Financial crises or an industry specific failure concomitant to a lack of growth in mature industries in developed markets. Expectedly, emerging market bidders may be circumspect and avoid overbidding, leading to early withdrawal in bidding contests. Adverse selection becomes more highly visible in the multiple bidder scenario.

Acquisition of Private firms

Eije and Wiegerinck(2010) note the differences in cross border acquisitions of private firms for bidders in the EU , comparing acquisitions in both China and the USA and notice differences in law regime in the style of Laporta et al in the literature differentiating between Civil code and common law countries in favor of the latter. In fact, for common law firms, larger acquisitions generate better bidder returns on announcement. Thus, for acquisitions in China there are no bidder returns while bigger returns are generated for acquisitions in the US. This is probably like effects for India and other Emerging market multinationals as they distinctly prefer making acquisitions in developed markets like the US.

Banking markets

DeYoung (2010) reviews the differences in banking M&A in the US and Europe. While efficiency gains are likely for both bidders and targets in the US in the post 90s analysis because of a large-scale restructuring, results from Europe may be more valid for cross border acquisitions in and out of Emerging markets because of active regulatory participation in all aspects of deal making. European M&A studies reveal a larger efficiency gain in targets after a merger that requires an isolated analysis of gains for bidders and targets in specific event study construction.

Becher (2000) underscores the importance of choosing the right event windows and the inclusion of pre-announcement periods in Banking M&A.

Pasiouras et al (2011) apply a multinomial logit estimation to a sample of 1400 Commercial banks in 15 EU denominations and confirm that both Acquirers and targets are significantly larger and less cost efficient (and hence more gains from the external growth strategy) and targets usually have lower growth prospects and profitability. This may be not true universally depending on our chosen information considerations or on simple product market imperatives. Again, we are careful to remove all distressed candidates from our sample and that is one of the reasons we choose a recent sample of bank acquisitions in accompanying empirical literature.

Institutional ownership

Andrio et al(2014) study the impact of institutional investors in M&A deal making in the UK where institutional investors increases the chances of a target being cross border and larger in size with a bid for full control.

However, it remains to be seen if institutional representation on the company board is empowered to effect decisions positively in emerging market acquirers. The surfeit of institutional investors for example may not be equally active unless controlled for better Corporate Governance scores. We discuss more results about monitoring from blockholders closer to our issues of information asymmetries and corporate governance.

Emerging Market M&A

Lebedev et al (2014) review the literature on Cross border acquisitions with special emphasis on transactions in and out of Emerging markets.

Pricing the acquisition

Emerging markets are likely to see bidders overbidding when dealing with targets in Emerging markets for the premium of market acquisition while takeover premiums may be smaller for bidders from Emerging markets especially making large acquisitions in Developed markets

Financing costs in Emerging Market M&A

Indian MNCs and Emerging Market MNCs in general may be more active during global crises because of the value available in larger acquisitions. E.g. Tata's Jaguar acquisition. Emerging market bidders may rely on such crises to ensure value for stakeholders as cash is not likely to be available for financing. It is unlikely that these bidders also advantage from higher stock market valuations for global deals for the same reasons and LBO financing plays are likely to be critical for the larger acquisitions required to prove economy of scale and accrue value advantage from the strategic acquisition over the long term. As home currencies are weaker, cash should be preserved for local country businesses and independent leverage undertaken for financing the international deal likely in stronger currency like the Dollar, Euro or Pound Sterling. It is likely that IPO financing is used in private firm acquisitions with controlled valuations.

Succeeding in Large Deals

Aktas, deBodt and Roll(*ibid.*) find it curious enough to investigate mega deals as deal sizes have indeed being going up for mergers and acquisitions, especially those originating from India and China. Dimpolous et al(2014) discuss a takeover auction model for preemptive bidding. However, the preemptive bidding committed by Indian MNCs like Bharti in Africa(2011) may not correspond to similar auction models as domestic M&A as the requirement for value bidding in such deals is paramount given the high sensitivity of their investors and currency related reasons discussed above.

Emerging market Targets

Sharma and Raat(2016) review 125 transactions with East European targets to determine the newer phenome of Emerging Market M&A where bidders gain from an acquisition in weaker accounting and legal jurisdictions.

Acquirers from Western Europe and UK acquire these firms in a window spanning 2000-2011 and targets in EE return a three-day CAR of 1.26%. Here a significant effect is seen from the relative size of the acquirer

Thenmozhi and Narayanan study both Emerging market acquirers and targets and find Emerging market acquirers do not prefer to cross into unknown institutional/ cultural regimes and prefer similar regimes.

Emerging market Bidders (Acquirers)

Bidders from India and China prefer to make larger acquisitions in absence of trade benefits and to harness the knowledge and skills. Horizontal mergers are more likely to be successful in a cross-border M&A especially with the targets in a developed market. As discussed, this still means that bidders are conscious of their home currency and are less likely to over bid in an international acquisition.

The requirement of efficient contracting also leads to better prospects in a horizontal merger. In the absence of synergy forecast commitments, the acquirers may also be slower in transferring innovation and may mistakenly proceed assuming an extended time to completion of the benefits that escalates costs in case of deal failures. Contracts may also require buyback clauses as frequently a sell off from the acquired assets is required de rigeur.

Financing the deal is a key parameter for the bidder in uphill deals as efficient deal making requires gaining complete control and not staying invested in the deal without acquiring control. Chari (2012) confirms that bidding pre-emptively for a larger target also requires downstream restructuring in the target. There is an obvious concurrent advantage of knowledge acquisition while domestic markets acquired are prized and continue without further innovations.

Nicholson and Salaber (2013, 2016) compare Chinese and Indian acquirers across event study returns and try to pin down longer-term M&A performance in the ASEAN region. They find in favor of M&A undertaken during the crisis period in an analysis of longer term performance which declines due to the uncertain nature of the strategy.

They confirm the propensity of acquirers to choose targets of disproportionate size in developed markets that reward shareholders better in event studies.

Bhagat, Malhotra and Zhu(2011) use a sample of 700 firms from 2000-2008 including 24 acquisitions with a value of more than $1 Billion and find the bidder returns positive and related to the strength of corporate governance in the target , which again shows stakeholders prefer to enter developed markets. Duppatti & Rao(2015) use a similar sample of 30 Outward FDI deals (M&A).

Government Policy and Us vs Them

Economic nationalism (Erel, 2012b) is significant in jurisdictions like France which becomes a deal breaker in international M&A such as the acquisition of Arcelor by Mittal. This intervention by target governments may extend deal time to completion and impact deal terms unfavorably not allowing markets for Corporate control to work symmetrically.

Sonenshine(2011) shows that regulators frequently intervene in transactions that may be of positive value because of efficiency gains

Beneficial impact of government

Chinese SOEs have been active in making cross border acquisitions. Indian SOEs have been limited to more resource Industry acquisitions from BHEL and ONGC etc. However, it may still be likely that government enterprises from India also undertake CBA s in specific industries and complete a sectoral story where it may not have leading Private sector players that have the capacity to go multinational. These SOEs or PSEs may see better CARs in case they have the right story to convince investors of the value of the international acquisition.

Event studies

Event studies have traditionally favored the analysis of merger and acquisition values to investors in both short horizon and long horizon event studies. Dynamic panel regressions are otherwise employed in Corporate Finance Literature to study trends delineated in time series and cross-sectional models and often used in determining fixed effects. However, to analyze the market impact of announcements, one needs to determine a coherent estimation period often from -200 to -30 days and a pre-announcement period may be valid for announcements where market rumors are expected to make an impact between -10 to -1 days. The

Announcement day return is computed either in a short 0, +1 window or from -2 to +2 when a staggered impact is expected in the market. Event contamination is a key consideration as event clustering frequently confounds multiple impacts and due considerations may be made in selection of the data without such contamination by excluding data from firm with other key announcements in the period. The daily returns may be standardized using the Patell (1976) model or other well explained models as discussed in Campbell, Lo and Mackinlay(1997) and pertaining to Boehmer(1991) and others. These achieve robustness required across cross sectional variation and improve the effective power of the test. Availability of a well sized sample and a definite level of returns also improves the power of the test and makes the determined results valid for prediction models. Multinomial logit models may be employed then to discover the causation and size of the effects in pooled and cross-sectional regression.

Aktas, Bodt and Cousin(2007) discuss event contamination in detail though their correction for event contamination is not required.

Fraser and Kolari(2011) reference their own widely accepted methodology for event studies. Here they measure welfare of customers consequent to bank mergers.

Bidder and Target Abnormal returns

As discussed in the literature, Bidder return are smaller in domestic M&A. However, this effect is not standard across jurisdictions. In certain jurisdictions in Europe and Australia, bidder returns are higher. These also depend on the requirement of information sharing with the target investors as that implies sharing of more of the merger gains with the target in CBA.

Success and valuation of targets and acquirers

Deal completion in M&A has been traced to various factors including means of financing and industry commonness of acquirer.

Unfortunately, overbidding is a required characteristic is domestic M&A to enhance chances of deal completion and leading to a Winner's curse formulation in the literature with the target gaining most of the value gains from the merger transaction.

Hubris, Synergies and other models of M&A theory

The specific merger theories in the Corporate Finance literature rely on markets for Corporate control and the free cash flow hypothesis of Jensen et al in the tradition of the agency theory of the firm. Managers are expected to act in their self-interest. The synergy from a Merger transaction can be a determinant when the managers do not have a play in the market for control and the firm may bid according to the profits from the combination of the two firms, leading to synergies on the deal. Bidding may be led by hubris of markets are efficient as bidders need to bid over the fair value of the transaction and the efficient markets have already valued the target fairly.

4. Hypotheses

In this theoretical presentation, we propose to test the following hypotheses:

Hypothesis 1: Larger firms have the skills and knowledge required to successfully grow using external strategies of acquisitions and mergers, but only within their own industry (Horizontal mergers)

This implies that Larger firms in the industry can travel across geographical domain to find a suitable target that fits with its assumptions and speculations about the future to enable profitable risk taking. These firms are not precluded to being from a developed country or emerging country but are defined by a Private information gradient where their established skills & frameworks and corporate governance & managerial decision-making inflections that allow them to make superior decisions about timing, price (deal negotiations) and the post acquisition synergies and structures most likely to achieve value creation

Hypothesis 2: It is possible for equal sized large firms to successfully complete a deal in the presence of superior Private information in the potential acquirer about the industry or even for the larger firm to be the target in the presence of a Private information gradient.

Superior Private information allows the potential acquirer to find targets that have a stable and effective performance and not rely on picking up smaller or distressed firms in the markets for corporate control to ensure value creation using the external growth strategy. The Private information may belong to a single visionary individual leader or in the soft information and private information constructs of the potential acquirer firm.

Hypothesis 3: The Private information of the Target may be available to acquirers before any bid is made for the targets in the markets for corporate control. This substantive Private information may become public information once a bid is made.

The Private information gradient that enables deals may be enhanced by the existence of Private information about the target in the potential acquirer. While analysis in the Acquirer may lead to some Private information about targets in the industry, specific Private information may be created by the markets of labor mobility and movements of customers, suppliers and key executives as well as dynamic social networks of the managerial pool of the potential acquirer.

This Private information of the Acquirer may be distinct from its superiority achieved in the Private information gradient because of its own skills and knowledge about the industry. Firms that are likely in the center of Industry networks of customers and suppliers are likely to have a lesser store of Private information and be templatized targets for other players in the Industry in the absence of a specific store of Private information.

Hypothesis 4: It is possible for knowledgeable firm managers to create and package selective Private Information about themselves and position themselves for a well functioning acquirer and / or private investors in the markets for corporate control with effective transfer of control.

In an intangible rich environment where cultures and value systems are built using soft information, a valuable sharing of information in the markets for corporate control is likely to be distinguishable from noise and may not realize a further value discount in consequent deal negotiations while allowing the target to choose from a set of probable acquirers that can be good vehicles for target managers’ future private information about the industry. Though valuable investors may be present and interested in making stake acquisitions, we are concerned only with acquirers that pay the control premium for effective control in the post acquisition firm. The target form may also be agreeable to a deal on reasonable terms and not over optimize its premium in the markets for corporate control notwithstanding the presence or absence of personal managerial incentives yet in the absence of high powered incentives that we accept to be likely to lead to corrupt, fraudulent or personally ingratiating decision making at the expense of the firm.

Hypothesis 5: It is possible by using alternate Private information constructs in the available data, to measure and value the Private information gradient rewarding better equipped managers and firms in public markets and other markets of corporate control with consistently higher valuations.

This enables potential acquirers to stay ahead of the curve and be suitably motivated to lead the industry to higher growth while disseminating better governance regime knowledge and industry best practices and learning new ways to reach new goals even as ordinary players achieve *average* industry levels of growth and success.

5. Information structure, intangibles and non-Financial information

We discuss a theoretical bound of private information and Information asymmetry led deal mechanics, so it is in the research interest to introduce the various elements of this information that creates the Information Asymmetry or a Private information gradient defining acquirers and targets as well as managerial and stakeholder conflicts that ally with the deal mechanics to establish alternative theoretical constructs to measure motivations and value or allocate merger gains.

The literature on capturing accounting information for intangibles has been progressing in identifying Intangible measures like R&D, Brands and measuring Information asymmetry and mispricing in firm valuation because of the preponderance of intangibles. Banking industry is in fact a sophisticated user of Earning Management and hence led by frequent innovation in the industry it has created more Information asymmetry even as accounting tries to improve to ensure transparency for its equally demanding investors and shareholders and the industry's sophisticated levels of Corporate governance typified by its standalone certification of banking clients' corporate governance. Even as investment bankers, they continue their certification of clients' performance and transparency in equity and debt issuance. Cooper and Krish (2014) measure banking sector pay and securitization information including the impact of the crisis through bank ratings. Hong Su and Wells (2015) find that the distinction in the recognition of internally generated intangibles (expensed) and externally acquired ones in IFRS is hardly useful. Ciftci et al (2015) look at the phenomena of artificial losses created by R&D expensing for firms richer in intangibles and find valuation differences explained by their abandonment option while R&D intensive profit and loss firms' differences are explained in conservative accounting. Gu and Wang(2005) have measured informative analysts' forecasts against the information complexity of a firm and realized the importance of intangible assets of the firm.

The extant intangibles puzzle has probably necessitated a definition of Information structure in the organization adding specific values for Intellectual Capital that may measure HR Capital, and Structural and Relationship capital. We prefer the construct of Private Information that transacts based on superior information based on one of more of these variables but usually independently measurable from Event study data. A large slice of this idiosyncratic specialized information that may arise from individual skill and/or information adventures also gets clubbed with risk management and risk measurement, which here endogenously cycles through opacity and reliability issues of this information as excessive risk because of the reliance on Financial markets and the patient wait for research based validation of this exclusive information. Such actionable information may be translated into hard bargaining, better realized forecasts and other measures of individual skill not evidenced in pooled statistical studies.

This individual skill and soft information has probably mistakenly been tapped in analyses of CEO incentives and actions as research literature evolves to capture the uncertainty and risk around strategic actions and evaluates value creating strategies. Consequently, measures of CEO incentives, Corporate governance and to an extent Institutional moderation of such actions and gains are cogent to the purposes of defining the value and extent of Private information and its advantage in terms of a gradient between two deal making parties.

Piekkola (2016) shows a measure of intangible capital of a firm and matches the measure to market value to discover the value addition in GDP from intangible performance and expenditure based capital. Caruso (2015) and others tackle goodwill impairment in the post acquisition environment.

Voluntary disclosures and non-financial information

Karim, Pinsker and Robin (2013) clarify the role of Voluntary disclosures as they get impacted by the internal information structure of the firm by measuring disclosures of non-financial information by private and public firm managers and the effect of size of the firm.

Markets for Corporate Control

Masulis et al(2007) review the evidence after the re-regulation of the US markets and find that the introduction of Anti-Takeover provisions increase empire building in Targets as firms are no longer disciplined by the markets for corporate control.

Chen & Dempere (2009) employ a logit regression model to explicitly discover the dampening relationship of equity compensation plans on bank acquisitions and the relationships of other Corporate Governance variables like D&O reputation and ownership.

Capron & Shen (2007) review private and public targets and assuage the results on Private information enhancing returns. They find acquirers preferring private targets within their industry(horizontal mergers) and public targets already assessed in markets for corporate control for valuation for diversifying mergers and for acquiring targets in industry richer in intangible assets.

Hagendorff (2008) discover a relationship in banking M&A between the announcement returns and level of investor protection in the target and argue as was traditional that this is compensation for increased appropriation by insiders.

Hernando (2009) find that EU bank acquisitions find more domestic acquirers for targets with higher inefficiencies while Cross Border Acquirers prefer public listed targets. Their discussion of targets in concentrated markets may also be amenable to a more idiosyncratic information model in our approach.

Premiums paid for targets in Markets for Corporate Control are not just subject to bargaining tricks and moral hazard under Private information but the availability of value for whatever reason will always be created because of Private information of the acquirer that may be specific to the target or the industry.

Hagendorff (2010) confirm in their analyses of both regulatory supervision (outside monitoring) and board monitoring including CEO-chair duality, that under stricter banking regulation board independence and diversity positively affect acquisition performance. As shown earlier in the literature, these selected variables could be hiding more critical information effects that can be measured in tests of information asymmetry and are yet more amenable to a theoretical paradigm of information (different from its usage in Economics of Stiglitz(2001) and others.

Private Benefits of Control

Early literature studies such as Cornett and Tehranian(2003) direct their attention to Agency conflicts in trying to define Information asymmetry and finds that merger and acquisitions are defensible and the quest for private benefits of control do not result in uneconomic decisions. It may however be that managers engage in coordination mechanisms that are motivated by low powered incentives that may be subsumed by soft information.

Outside Monitoring

Kose, Mehran et al use an index of outside monitoring using the bank's subordinated debt rating, its NPLs to proxy for the intensity of monitoring provided by subordinated debt holders and the BOPEC rating for intensity of regulatory monitoring. Harris, Madura et al (2013) instead use just outside block holders to measure outside monitoring and study the role of agency during an M&A negotiation. They discuss the role of effective monitors in preventing agency conflict in deal negotiations.

Gaspar, Massa et al (2005) find that short term institutional shareholding in the Target results in the reduction of Abnormal returns by 3% and establish that informed ownership improves governance and Acquirer returns around M&A. Gaspar et al(2007) goes on to show how an adverse selection discount is created in the acquirer for less informed traders and rides back the good governance effect gained by the company.

Ahmed (2015) confirm in a recent 18-year sample till 2013 that conservative bidders prefer public firms but within industry and prefer to use stock. Our theory will find returns affected by use of public targets at the cost of private targets. However, that would also depend on other industry characteristics and using such results rather than discussing a uniform parameter that can measure the reasons for heterogeneity in demographic and informational terms makes a better research imperative.

Similarly results in Mateev and Andonov(2016) between Domestic and Cross Border Acquirers that rely on investor protection differences may have more homogenous Private information reasons in consideration of our theory.

Similarly, discussions of ownership structure in Bennedsen(2010) and others that discuss incentives and entrenchment effects are ignoring private information in measuring the seeming homogenous behavior of family firms, blockholders, low cash flow and high intangibles valuation or measuring the value discount and likely the behavior in acquisitions.

Corporate Governance

As outlined in section 2, almost all aspects of Corporate Governance need to be associated with Information asymmetry and will be vetted by our approach to Private information causing gains.

Chen(2015) reads in the effects of an informed board structure on CEO changes that influence both performance and risk taking.

CEO compensation and incentives

Marsh et al(2015) and many others have created event study designs to review outgoing CEO stock option grants and in this case post acquisition CEO option exercise(incumbent). Odds of option exercise increase in a post-acquisition Logistic regression, increasing with tenure and acquisition experience, showing his confidence in his own contribution and in the case of outgoing CEOs confirming moral hazard and backdated grants.

Measuring Information Asymmetry

In Masulis (2015) they create a measure to proxy for the information asymmetry in the markets for corporate control. We consider measures used in the literature, such as target idiosyncratic volatility, target size, target R&D expenses, indicator for intra-industry deals, target tangibility, target abnormal accruals and the distance between merging firm headquarters and Using factor analysis create a single information asymmetry factor that captures a significant portion of the common variability among these variables. They divide our sample into high and low information asymmetry groups. Karpoff, Lee and Masulis (2013) again use this AI factor to separate effects and we find the construction robust. We similarly look to reducing control variables into not one but two vectors allowing for directional effects to separate and combining firm specific and macroeconomic control factors from the literature. In similar vein, we favor using a Corporate Governance measure using PCA to separate firm specific and Macro measures into positively correlated and negatively correlated factors (inflation) if required as indices are not readily available for Indian and Asian public firms.

In Morck(2004) we prefer the use of ln(1-R2/R2) [4] as a measure of private information harnessed during the deal negotiations. This information will be most valid for the first deal in the industry

Campbell and Nagel(2015) show the use of Inverse Mills Ratio in the Heckman's two step estimation as Private information, except when it takes the form of an omitted variable with a clear deterministic influence on the results as discussed in our theory of Private information.

They confirm the use of IMR from Li and Prabhala (2007) as expected private information who do not discuss its use in the presence of a determining role in the results.

[4] There is a large body of measure referring R2 in the chosen market model as a measure of inverse of informativeness or synchronicity where Private information of the firm is more efficiently incorporated. We refer Kelly (2014) as a handy reference for more on the measure.

Event studies remain robust to valuing merger gains and measure long run performance gains as well as accurately reflect both short term and long-term value creation in M&A. We leave that discussion for another paper though we outline some of the accepted corrections in the methodology literature in the previous section.

6. Theory Development

Its easily seen in private company valuations that information asymmetry primarily depresses the valuation of private companies. Theoretically, then it becomes clear that private information of an acquirer in his industry and perhaps with respect to the target company's prospects, performance and hence valuation improves the acquirers' chances of a successful deal. We have discussed the recent literature around information flows in Section 2 and now turn to a robust theory of Private information to measure the stock/flow of information and look at a few key results.

Private firms make good targets especially if the Acquirer has Private information in the industry and can create a value enhancing opportunity. The Target can in turn reach out to investors/Investment Banks and go public to remove the information asymmetry. In either scenario, the revealing of the Private information will engender other firms in the Industry to become targets or become public companies with investors appropriating information from the first firm 's information registration to create an influencing/controlling interest in a similar universe of firms at a better value or allowing these targets to adopt takeover defence and become public with higher value accreting to equity.

This is removal of Information asymmetry and has been more easily measured and thence as is obvious from a literature review in Section 2, if Private information is assumed to be regarding the target, it can be easily taken care of. Here is where, we hope to make a contribution by delineating what is Private information and establishing the Private information gradient which accretes advantage to Acquirers from being better informed about themselves, the industry and being positioned to create industry benchmarks and follow them riding their success in the core industry or probably when trying to make a turnaround with better informed investors and entering the market for corporate control to pursue a growth strategy to repair damage from early misadventures. In this paper, we focus on the theory and talk about allied work that will be in line with this theoretical construct.

In the case of public targets, Acquirers may still benefit from private information regarding the potential targets and create a value enhancing deal. The target however expects a better Valuation premium now that as a public firm it has been valued and the control premium is correspondingly flatter. In either case, the following companies that utilize this spillover of information to plan IPO/Takeovers/Divestiture also create variously a bandwagon effect, contagion (in the M&A strategy) or conventionally a Merger Wave. As mentioned in Rhodes Kropf et al (2004) this Merger Wave relies on periods of overvaluation as Acquirers are comfortable above a nominal threshold level of value in using stock as an acquisition currency.

In this construct, however, because of endogenous growth and/or Private information advantages about the Industry the Acquirers' value premium may be sustainable for long periods in the market allowing it to create a serial acquisition strategy and otherwise use its stock to purloin further value from external growth strategies. Also, it is easy to see that with increasing experience in using that Private information, even as this private information becomes public, the acquirer may be able to retain his advantage as his experience in making profitable acquisitions increases.

This experience resides in the experience of executives, the CEO as well as Board members. The organizational experience will also reside in soft information (As presented in Campbell and Loumioti, 2013) in the rank and file of the organization with each acquisition. The strategy relies on ensuring a Value discount/ avoid overvaluation for the potential target and this locks in long term value creation that shows up in higher abnormal returns in event studies in Asian Bank M&A in our sample. Even a fair valued deal that does not necessarily offer a Valuation discount for the target may earn good abnormal returns at the announcement and in both short term and long-term valuation as value creation from synergy gains is factored in. The same gains would easily be available to larger firms in other industries in view of their larger access to Intellectual Capital and other intangibles and better internal controls likely to be seen in such firms because of adoption of Corporate Governance, access to internal capital markets and coordination between internal managers as well as the existence of soft information in the organization harnessed within the framework of Private information of the industry. Thus, in the case of horizontal mergers, within any industry it is easier for larger firms to establish a Value premium, use stock as Acquisition currency.

In any given industry, the pioneer and the initial followers create a market and produce goods or services based on their market surveys, strategic plans and innovation needed to create such marketable goods or services, reach customers and create relationships or provide value added services to retain them. As these firms grow they create a value system and evolve in Corporate Governance methods and processes, they develop complex Organizational Communications designed to be transparent to investors and customers as well as opaque to its specific competitive advantages or organizational secrets. They also develop HR systems to recruit, train and retain employees. For an intangibles rich sector, more common in the modern world, people practices are more developed as also there is a likely increase in the provision of services. This firm specific technology is constituted of its Information structure including soft, private and public information as well as Organizational structures, systems and process that present the tangible structure frequently measured for the quality of Financial and non-financial information that propagates the firm to its customers, suppliers, employees, investors and all other stakeholders. The latter is what is commonly understood as measured information and is likely to more be amenable to become industry wide information and similarly become the body of market information for all firms in any given market.

The firm thus creates information as well as assimilates public information but most important it generates Private information from the use of firm specific technology as well as the overall industry technology which based on its private skill sets, becomes Company specific private information about its competitors and products and services related to its markets.

The firm's managers transact for the firm, negotiate deals and build its brand by representing the firm in public markets or to its specific customers. In these interactions, it assimilates Private information of its customers' in terms of their skills and technology as well as their specific details of structure, systems and processes that generate idiosyncratic risk and create its business in the markets. This information of the customers' is mostly in the form of soft information as the firm develops expertise in specific sectors based on beachhead customers and designs attitudes that propagate the firm value system and culture and with strength of markets and time the firm's Private information of its environment helps it accumulate and improve firm specific technology and gain competitive advantage. Thus, its firm specific technology is a store of Private information about itself and its stakeholders as well as its private information and approach to public information (attitudes) about its competitors and all industry players in the immediate and global geographical domain, its understanding of science, technology, systems and innovations and its parametrization of the future of the industry and result sets of each of the applicable strategies. This Private information encompasses its most productive response to market and industry uncertainty, its inflections and proactive and reactive direction sets for macroeconomic trends and its set of profit maximizing strategies. It includes understanding of its limitations, its shortcomings, its reputation and separately it also lays store to its managers' reputation. As growth is also an important strategic outcome and managerial compensation as well as the difference between promised and delivered return to shareholders relies on its analysis of growth , its determinants and its preferred response to macroeconomic environments and harnessing uncertainty to create firm specific growth and industry leadership, this Private information also determines the firms' choice of external or internal strategy in creating or buying assets to address future growth.

While the information asymmetry results in higher cost of capital in the target and depresses its value, its dispersal guarantees substantial wealth effects for both acquirer and target as sharing of the wealth around the deal is made possible because of the Acquirer's specific private information about the deal, target valuation and industry mechanics allowing it to structure an advantageous deal specifically in the presence of value pursuant to exogenous and endogenous causation in the information environment increasing the availability of the target at a reasonable value. This is especially likely in the absence of competition.

When an industry is growing, it has constant innovation and is growing in new markets and/or products and less likely but concurrently selling more of its existing product to its existing customers. Let us consider a firm A in this industry I. During the growth period, it is making constant Capital expenditure investments from internal accruals as well as external capital. This is truer of the largest firms in the industry who get to be more closely identified with the industry and define industry best practices and targets. As the markets for labor mobility develop later the leading firm or firms is able to generate more Private information and generate a valuation premium. This valuation premium allows it to cheaply access capital and thus sustain the valuation premium making its stock neither overvalued nor easily available to others in markets for corporate control. As is seen in markets for corporate control, more than one bidder is likely to be interested in them and likely to pay a much higher premium than requited and necessarily more such deals are eventually canceled and withdrawn for disagreements about valuation.

In our view of Private Information

$$P_I(A) > \bar{P}(I)$$

Where the first represents Private information for the firm A. Also, initially

$$\bar{P}(I) \sim P_I(A)$$

i.e. Private Information of A is all that is defining the industry wins, till other firms very quickly catch on and it becomes industry information when it grows idiosyncratically in each firm.

Firm A can be the dominating player in the industry or with time it may become one of 4-5 other firms in the industry with a fragmented structure but where these 4-5 firms all share distinct characteristics as setting industry best practices and/or efficiently generating profits consistently.

On the other hand, as is also seen in some recent research, in the larger industry the firms that are just better than Average , while not underperforming eventually do not invest in innovation or growth and if they hold cash surpluses or some market share >0, they become easy targets in the markets for Corporate control.

Let us consider a firm B, that is also holding Private information but is growing at Industry rates of growth and is growing at single digit rates. If this firm grows its equity base, it will spread its lower value over larger number of shares and dilute its valuations and to avoid being a target B is more likely to invest in share buybacks and probably become private to find better avenues for growth and leadership. If it is otherwise satisfied, it could probably on the strength of existing customers be offered an acquisition by A who has chosen an external growth strategy to supplement / focus on taking care of business growth as it grows its reputation. This reputation also includes the individual reputation of its managers and its hiring, while B's managers also have a good reputation individually and are aware that they could steepen the gradient or rate at which they grow their reputation if they took care of business.

$$P_I(A) > \bar{P}(I) > P_I(B)$$

$$G_B(I) = \bar{P}(I) – P(B) > 0$$

$$G_A(I) = P(A) – \bar{P}(I) > 0$$

Also

$$G_A(M) = P(A) – P(B) >> 0$$

And is the motivation for merger for A as the deal gradient G(M) makes it likely that B will be available for a fair value

Also, a set of firms in Acquirers will include A and others. Some of these others who may otherwise be good potential Investment Bank clients may be pressured by exogenous events to migrate to the set of firms in targets in a geographical domain or over their entire firm because of such exogenous events including liquidity , reputation damaging events or financial distress per se. However, financially distressed firms in the ordinary case would be easily identified because of primary ineptitude and bad reputation of its managers.

The Industry's stock of Information becomes public first as investors look at product and market information at the industry level. However, this information stock which came largely from the initial Private information of that firm set including A which created the products and the markets as entrepreneurs and innovators and grew it to an industry. Also the P(I) or the Private information of the Industry as seen in anecdotal evidence from the Banking industry, is non-zero and is specialization information shared by a few or at most all managers of the same industry.

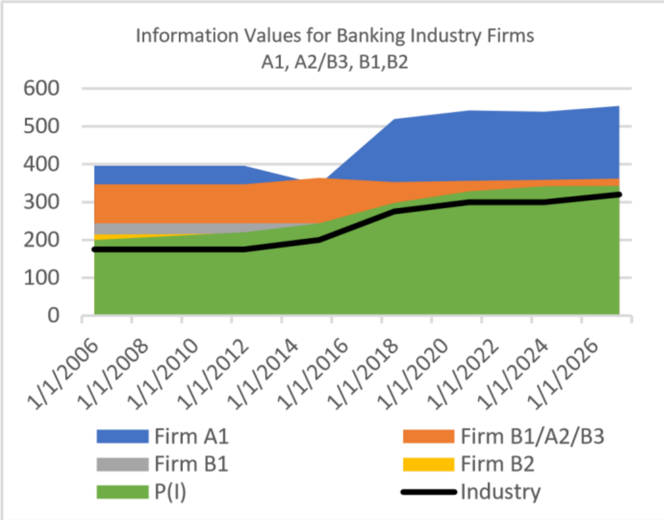

Figure 6-1. The Information structure of the firms in an industry. The data is user generated and does not refer to exact indicator data from the chosen Information asymmetry measures Here for understanding the stock of industry information is shown as a black line in the same graph. The information structure may usually refer only to the Private information of firm and industry over and above this stock.

The information sharing within the industry is rapid while the pace of sharing to investors is significant but may be kept hidden because of the private information of innovation and complexity of understanding required. This sharing may be forced by regulators but our history teaches us that regulation is indeed an inefficient option and will likely share information of public interest as may be generated at the end of a period than on a day to day basis and may only include aggregated information and not deal based information. However, efficiency of markets is not contingent on this sharing of information as investors have their own private information channels and markets may still be found to be efficient at least in the semi strong hypotheses, with a meaningful drift satisfying evaluation of impact alternatives based on each investor's own Private information and analyses. [5]

Private information of any firm bay be negative to illustrate the loss of utility of such information while the Private information of the industry may not be less than 0 as the Industry , a viable industry and the Investors and managers will usually refer to this common

[5] Figure 6-1 reflects a notional information structure of the banking industry through years 2006-2026. *The data is user generated and does not refer to exact indicator data from the chosen Information asymmetry measures Here for understanding the stock of industry information is shown as a black line in the same graph. The information structure may usually refer only to the Private information of firm and industry over and above this stock.*

public information contexts for communications and research in the markets for corporate control while updating their Private information's and that of each other.

Arguments between investors, information media, institutions, firm managers and the Board will require a higher level of Private information at any time. More advantaged Firm managers like the CEO, would be able to create advantageous Private information for use in Markets for Corporate control as potential acquirers while Targets will be able to share Private information if so choose to enter markets for corporate control. This includes Private placement information and memoranda communicating RFI and/or choice of investment banker/advisor.

As is obvious from the discussion above, Hypothesis 1 is intuitive and simple to effect as fact in such an environment. Firm A will able to accrue size, scale and profits and be one of the larger firms when undertaking an acquisition led strategy.

Now, consider firms A1 and A2 in figure 6-1. A2 likens to B# and may flexibly be either depending on whether the Banking industry in this case is fragmented or dominated by more than one player in an oligopoly. Its status also depends on largely its idiosyncratic strategy as leader/follower and attitudes can be gleaned by investments in intangibles and proportion of new product sales. A1 and A2 can be involved in a merger and/or the smaller rival maybe able to gather better Private information and get the Private information gradient to its advantage to act as the dominant acquirer in the acquisition.

Also, while this information structure evidences more of the generation of Private information in the industry, the private information of a private entrepreneur and innovators may be shared as private information readily allowing targets choice in entering the markets for corporate control. A bid announcement is likely to cause ordinary information spillovers that will benefit first the Private information of the industry and then to a lesser but viable extent become common public information thru information media and discussions on the viability of the bid.

Potential Acquirers and managers may be able to generate private information about firms B1, B2 and others to create a bid for these firms. Private equity(Angels) and High Yield debt investors and advisors (LBO issuers) may be able to create bids with elements of debt discipline or valued fairly in equity to ensure gains to Acquirers and cause information sharing on such bids by both Acquirers and Targets. Again, this information will include some Public information but a lot will be Private information also relying on different opinions of investors and specialists in the Industry before reaching the status of common public information (more likely post deal, but of interest to information about the industry and likely to engender further deals). Viable markets for corporate control would need both Hypotheses 1 and 2 as well as 3 and 4 to allow for both Acquirers and Targets to have different Private information and not just beliefs associated with utilities. Our construct of information, already proven in the use of different Financial and NFI data in research around markets for corporate control thus may not mirror Economic theories of information or of beliefs and utilities' abstractions. To that extent, we are proud to present a grounded theory.

Also, allied empirical evidence from our other study, shows that growth premiums are real as they explain tangible acquirer returns in large bank industry transactions at the cost of global players exiting after the crises from proven untapped markets in Asia.

We now look at other research propositions using empirical data in the extant literature in the light of our construct. A discussion of the salient variables proven is presented hereunder:

Our theory seems not sensitive to concentrated or fragmented industry while allowing the common-sense result of enabling larger players in concentrated industry. This is likely contingent on the ability gradient mirrored inside the Private information gradient the firm can create for itself in the industry because of its people, systems, strategies and processes yielding profits. The Private information of each firm and its managers enables deal negotiations that can be quick or protracted around the differences in perceived value and synergies likely to be delivered in a tangible timeframe. However, Private information is likely to be time sensitive as market structure may change and others benefit from similar private information generated independently. However, conservative bidders are likely to be keeping larger gains for themselves in the post-acquisition scenario and may be aided by events like a recession or industry specific disruption in picking up profitable deals in the markets for corporate control.

Despite the evidence against larger targets based on their likely Financial independence once they achieve a threshold size, the presence of idiosyncratic private information about themselves and others including Private information residing in managers, it is likely to have vibrant profitable deal making between larger firms.

The use of stock, given the premium accorded to larger players with better private information is likely to be more effective as a mode of financing. However, the use of stock is likely a poorer choice in cross border acquisitions as overvalued currencies allow use of cash as also the likely choice of exit by target promoters in case of dominant firm specific technology of the acquirer and the ambition for sharing control

Also, unrelated diversifications can easily be foretold to be failures unless the case of a conglomerate with managers specialized in unrelated deal making and coordinating middle managers to handle industry specific technology and thus private information (as in TCE/ Hart and Holmstrom)

Flexible earnout contracts can help manage deal costs at the front end and allow managers not just to engender private benefits of control but to allow better sharing of future profits using stock or back end earnout contracts. Challenges remain with contract specifications given different level of regulation in each geographical domain. Economic nationalism is a required parameter to consider during CBA and level of investor protection a consistent theme in such decision making as the gradient of corporate governance allows acquirers to be surefooted about easy gains in the initial post acquisition scenario.

Learning and Innovation would be key in this theory of Private information as information intensive arguments and discussions are more than likely to allow better learning in managers and board members who face such decisions repetitively.

Endogeneity, heterogeneity and Adverse selection

As mentioned in the previous section, a measure of information asymmetry as a residual measure, frequently results in misspecification as it is a defining variable in the deal negotiations. The information asymmetry is not only the result of absence of information on a target resulting in a valuation discount, but also in common valuation errors giving rise to more than defensible conservatism in valuation, use of discount factors and the use of real options among available valuation technologies. It is primarily the result of Private information about the target and Private information about the industry in the potential set of acquirers. It can be the result of and alleviated by Private information of the target about itself which it can share within the industry or with selected managers and investors on a continual basis till it becomes or if it becomes private information.

Endogeneity is more visible in the limits to the use of variables in Corporate Finance literature. Even with the use of extended panel data and use of cogently braced indices for variables constructed around Corporate Governance and other critical variables in the markets for corporate control, it is very difficult to build or even attempt a complete model without compromising the results. Thus, the risk of an omitted variable increase and this cogent theory may hopefully replace the confusion of variables with a single homogenized variable that can isolate the predictive power of different financial data variables into managerial skill and private information.

Heterogeneity again is a critical property in any specification trying to create a control data or matched sample for the study of deal specific information. Private information by its nature may add to the heterogeneity except in the property of soft information and tangible information sharing whence individual variables retain meaningful predictive power. Acharya (2010) shows a good example of heterogeneity relevant in Private information.

Corporate Governance

As the primacy of Private information takes hold, one expects critics to shift towards the often defaulted and now often feared managerial agency issues with the primacy of deal negotiations based in Private information. However, given the technical proficiency of the Private information involved it may become unlikely to create such corruption / fraud and purloining of personal benefits of issues in profit making deals. Low powered incentives as explained in Hart and Holmstrom's theory of the firm (Ayukawa, 2012) and originally by Williamson (1988) are more rational even in the presence of Private information. Managers may prefer agency reasons but may find it inconvenient to press through during cost sensitive negotiations and value creation is likely to be preserved.

However, because of the presence of Private Information Corporate governance becomes inordinately critical in managing the process of target selection, valuation and deal initiation, negotiation and completion. Depending on the chosen processes, Directors and managers will perform effective due diligence for all parts of the deal process to ensure valuation offered is value creating and get feedback from Private networks and experience as well as organizational learning and soft information. However, the challenges of siloed decision making and seeing only one part of the deal at one stage or in one manager's / committee's domain is highlighted and if the process is not well monitored and in the absence of key deal enablers, internal negotiations may lead to irreparable breakdowns in the value creation process.

Burkart (2006) and Cornett (2003) identify key corporate governance variables and simultaneously highlight challenges in enabling key empirical research in the area. Corporate Governance intuitively will substitute passive gradients in regulation and investor protection regimes to deliver value creation and propagate a sustainable organization. The challenge here is to combine a multitude of variables that reflect the status of Corporate governance and allow meaningful research to benefit the larger manager and investor community.

7. Empirical Evidence

Empirical results in the accompanying literature, covering 130 bank acquisitions in Asia with a secular double digit annual sales growth (topline) in the sample, are expected to be in line with our hypotheses[6] In the completed sample of 24 Indian bank mergers we see effects of learning, double digit gains for recently Public acquirers acquiring both Private and public corporations and affirming the strength of Corporate Governance systems and firm specific technology in winning deals that make value creating mergers and negotiations. These deals show evidence of value pricing and based on transparency of synergy disclosures and potential for skilled managers managing transitions and creating and propagating brands in the post-acquisition scenario, showcase the effectiveness of M&A as an impact strategy especially within their core industry (horizontal mergers) in the accompanying literature.

Our perusal of merger data for 130 Asian Bank M&A in the last decade shows a growth rate of at least 9% in banking firms in the region (either as target or as acquirer) and as much as 20% in many cases. This kind of pace makes growth critical to building confidence and motivation in managers and investors to pursue external growth strategy as they build up skills and experience at a faster rate. The resulting valuation premium for firms in these markets is also usually seen to be more idiosyncratic and less in common flow with the market or explained by beta in the market models.

Kang and Kim (2010) show foreign ownership in the host from the information asymmetry perspective reflects in the chosen governance structure post acquisition as cultural distance makes for weaker governance incentives. However, expected theory may not be transposable or invertible from the US/developed market perspective either.

Indian market is well developed in markets for corporate control and in financial markets and information sharing to preserve optimal information asymmetries imitating managerial discretion yet we would not say private benefits of control as they may make efficient decisions to develop their power in the organization and accountability to owners and stakeholders of the firm. Other Asian markets are in different stages of reform, with China making the most capital-intensive reform effort and dollarization in some economies accelerating good and bad reforms while enclaves like Singapore start and live with optimum governance and reform built into the structure

[6] The Empirical tests and results are expected to be updated in accompanying papers and referenced in the next revisions (targeted for August 2017)

8. Implications for Research

The status of current research encourages the use of Private information constructs in motivating analyses of firm specific options for acquisitions and mergers. While users of such constructs have historically defaulted to completely qualitative forms of research, the consistency of these definitions and constructs present a powerful opportunity to set right the ship and bridge the divide between obfuscating statistics and real time strategic investments and decision making in the firm.

Research has currently touched on Director Networks and selection of targets and acquisitions in the data but the level of accuracy need to separate the grain from the chaff is challenged mostly in the endogeneity and heterogeneity faced in the sample of acquirers, environmental impacting events and larger idiosyncratic firm specific risk. A reliable method for evaluating this impact of idiosyncratic risk than just Adverse selection or Information asymmetry has encouraged researchers and a specific theory that delineates this Private information as a variable in the specification is likely to make clearer motivations for acquisitions and the difference between winners and losers without the need for obscure or overtly complex or weakly relevant variables.

The information environment of a firm is signaled directly by its Financial information and statements made by managers to public stakeholders. The level of transparency and skill required to present and analyze this information must be separated from herd-behavior and a firm level habit to keep the information consistent and relevant to current business conditions. The responsibility for this is shared equally by investors with Private information on the firm, the analysts following the firm and the managers of the firm responsible for making financial and non-financial disclosures to engender confidence in the firm's ability to manage uncertainty.

Despite the availability of consistent and well accepted valuation tools and methodologies, the importance of Private information of the firm has only increased. This engenders more responsibility for managers, shareholders and analysts. This also reflects critically in Asia where growth is endogenous to the assumptions made by a firms' managers where higher idiosyncratic risk is found in firm valuations that may not be just because of Corporate Governance memes or cultural barriers but also reflect a dynamic scenario that leads to even more heterogeneity as firm managers succeed in creating innovation and competitive advantage.

Our theoretic structure of Private information clarifies the expectation of endogeneity and heterogeneity in Corporate Finance theory specifications and prefers an alternative to theories of noise and volatility in prices as objective controls as used in the markets literature. Prices to a certain extent, and Balance sheet data and other Financial information are Bayesian constructs and represent the conditional facts at a certain point in time and it is possible to disaggregate noise and volatility into individual, tangible items of information at the firm level and theoretical discuss them at an even more detail microstructure level.

The Information structure of the markets, however well informed and open to soft information and private information of investors and analysts also keeps falling prey to a herd mentality. As Dr Schiller recently mentioned at the AEA, it is sensitive to narrative epidemics as word of mouth creates and propagates panics, imagined entities and crimes to otherwise rational investors. The objectivity of Private information on the other hand analyses such random acts for and against competitotrs, industry and chosen investments to allow us to discriminate reality from imagination and ascribe a fair value to it. Assumptions about future industry and firm environment are required to be robust to foul play of the mind and accurately reflect in discount factors, growth assumptions and business predictions of you and your suppliers and customers to be reliable private information that can be used to make profitable opportunities.

The role of institutional investors and thence proxy advisory firms is not necessarily clear at this point. In our view, outsider monitoring does have a role to play in ensuring an information environment of the firm, not dissimilar to that of effective regulation and many industries may choose to make it easier for themselves and others by creating Self-Regulatory Organizations to share the regulatory burden and increasingly become self-disciplined as the pace of innovation in an intangible rich environment makes only industry level information topical enough to manage the role of correcting errant firms and managers. Bear Stearns and Washington Mutual that were propped up/saved because of regulatory efforts during the GFC were effectively managed thru the process by Private information shred between executive bankers and regulators and the struggles of innovation having created an information chasm between bankers, their incentives and the products and risk created by Banking products that could not keep moral hazard at bay as the industry outstripped then current regulation.

The role of Academics similarly needs to be enhanced in the future environment to work with firm insiders to create and update valuation memes and robustly analyze the impact of dynamic changes to the information environment. Economists and engineers need to work together on details (market design) and realize the importance of information that needs to be captured in detail and such information which is aggregated into the firms' Private information advantage that instead resides in implicit information.

Asymmetric information exists because of both Private information and for dealers(traders) and investors because of industry specific knowledge and idiosyncratic reasons are added to the flow of information each time informal networks share information. It would be wrong to generalize this sharing of information except using outcome parameters like Orders, Prices and Financial and non-Financial disclosures made by the firm as well as product and market knowledge from other disciplines. Markets for corporate control thus remain the ultimate arbiters of the value of this information.

9. Conclusions

Current Asian data on Bank mergers and acquisitions can help rehabilitate the M&A strategy as its value creation is proved in a consistent growth environment. The theory of Private Information presented herein associates real actors and processes from deal initiation, deal negotiation, information asymmetries and adverse selection, regulatory events to the Private information of both Acquirers and targets reflecting skills, knowledge and idiosyncratic information of the deal environment and thus ability to strike a fair deal and ensure deal synergies. Such a focused task implies ordinary herd behavior may impact the strategy adversely and thus the strategy may win its due place in the literature by the clear capture of value in markets for corporate control and an accurate measure of Private information as a deterministic variable in the specification.

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