

Ownership Structure and Mergers and Acquisitions: Evidence from India

Satyabrata Sahoo

Research Scholar

Vinod Gupta School of Management

Indian Institute of Technology Kharagpur

Kharagpur, West Bengal, India

Ssatyabrata102@gmail.com, Satyabrata.sahoo@iitkgp.ac.in

Chandra Sekhar Mishra

Professor

Vinod Gupta School of Management

Indian Institute of Technology Kharagpur

Kharagpur, West Bengal, India

csmishra@vgsom.iitkgp.ac.in

Abstract

This paper explores the role of institutional ownership on key aspects of merger and acquisition (M&A) activity in India, an increasingly important emerging market. Using a comprehensive sample of 545 Indian M&A deals, our findings reveal that institutional ownerships are positively associated with superior post-acquisition performance, reflecting their disciplining role in monitoring corporate performance. The study also suggests the important role of institutional ownership for a higher propensity for cross-border deals and shorter completion deal timelines. By distinguishing between investor types and evaluating multiple outcomes, Overall, the results underscore the growing governance role of institutional investors in emerging markets and offer valuable insights for managers, regulators, and investors alike.

Keywords

Mergers and Acquisitions, Institutional ownership, Acquirer performance, DII, FII, India

1. Introduction

The role of institutional ownership in shaping corporate decisions has garnered substantial scholarly attention over the past few decades, particularly in the domain of mergers and acquisitions (Stulz et al., 1990, Ambrose and Megginson, 1992, Chen et al., 2007, Ferreira et al., 2010).. As capital markets in emerging economies mature, the influence of institutional investors—both domestic and foreign—has become increasingly pronounced in disciplining corporate governance, enhancing strategic alignment, and mitigating agency conflicts (Shleifer, A., & Vishny, R. W. 1986; Chen et al. 2007)). This influence becomes particularly crucial in emerging markets like India, where institutional investment has surged in the post-liberalization era, and the governance landscape continues to evolve (Bhaumik, S.K., & Selarka, E., 2012). Despite the growing volume of M&A transactions in India, empirical work examining how institutional ownership shapes the contours and outcomes of such transactions remains relatively sparse.

M&A activity is inherently complex, involving large-scale resource commitments, long-term strategic shifts, and significant information asymmetry. Institutional investors, by virtue of their financial sophistication and monitoring capabilities, are uniquely positioned to impact critical aspects of the M&A process—including target selection, deal structuring, and post-merger integration. Their active involvement may help mitigate agency problems, limit managerial entrenchment, and drive acquisition strategies that align with shareholder interests.

This study contributes to the literature by examining the role of institutional ownership across four core dimensions of M&A in the Indian context: post-acquisition acquirer performance, deal size, cross-border acquisition likelihood, and time taken to complete deals.

First, we explore how institutional ownership influences post-merger acquirer performance. Our results suggest that higher institutional ownership, especially from foreign institutions, correlates positively with superior post-acquisition performance. This finding aligns with the monitoring hypothesis, wherein institutional investors improve managerial accountability and discipline, reduce information asymmetries, and help avoid value-destroying acquisitions (Shleifer and Vishny, 1986; Bushee, 1998; Hartzell and Starks, 2003; Ferreira and Matos 2008; Dimitris Andriosopoulos, Shuai Yang, 2015, Yang et al., 2023).. The enhanced post-deal outcomes reflect more rigorous due diligence, better synergy realization, and efficient post-merger integration processes.

Second, we examine the propensity of firms with institutional backing to engage in cross-border acquisitions. Cross-border deals offer access to new markets and capabilities but come with added complexities related to regulatory frameworks, cultural differences, and operational integration. We find that foreign institutional ownership significantly increases the likelihood of such international deals, suggesting that these investors not only tolerate but may also encourage global expansion strategies. Their international experience and global investment perspectives likely embolden firms to pursue strategic cross-border growth. This result supports the previous literature (Dimitris Andriosopoulos, Shuai Yang, 2015, Yang et al., 2023).

Finally, we analyze how institutional ownership affects the time required to complete an acquisition. Deal duration serves as a proxy for procedural rigor and the intensity of pre-closing scrutiny. Our results indicate that institutional ownership is associated with longer deal timelines. While prolonged deal durations might seem inefficient at first glance, they likely reflect heightened governance mechanisms, more thorough due diligence, and increased transparency, especially when foreign institutional investors are involved.

Collectively, our findings provide compelling evidence that institutional investors, by virtue of their governance role, shape not only the outcomes but also the characteristics and trajectories of M&A transactions in India. These results are consistent with and extend existing literature in developed markets (e.g., Ferreira and Matos, 2008; Erel et al., 2012), reinforcing the monitoring role of institutional investors and highlighting their governance function in emerging market contexts. In addition, our work supports studies such as Almazan, Hartzell, and Starks (2005) and Bushee (1998), which emphasize the differential monitoring intensity across investor types.

Our study offers several key contributions to the literature. First, we bring an India-centric perspective to the global discourse on institutional ownership and M&A, addressing a significant gap in emerging market research. Second, by disaggregating institutional ownership into foreign and domestic categories, we provide nuanced insights into the distinct monitoring and strategic influence exercised by these investor classes. Third, we enrich the literature by investigating four underexplored yet critical dimensions of M&A outcomes in tandem, offering a holistic perspective that enhances both academic understanding and practical relevance. In sum, this study provides a comprehensive examination of how institutional ownership affects M&A activities in an emerging economy, demonstrating that such ownership exerts a significant and positive influence on acquirer performance, promotes cross-border expansion, and elongates deal completion time due to increased scrutiny.

The remainder of this paper is organized as follows. Section 2 reviews the relevant literature and outlines the hypotheses, Section 3 describes the sample, Section 4 presents the empirical results, Section 5 provides the conclusions.

1.1 Objectives of the study

This study examines how institutional ownership affects M&A activities in an emerging country like India. First, we examine the role of institutional ownership in post-acquisition accounting operating performance. We also study the role of institutional ownership in the deal completion time period and the likelihood of a cross-border deal. It reaffirms the strategic importance of institutional investors in driving effective corporate governance and value-enhancing acquisitions in the dynamic Indian market.

2. Literature Review and Hypothesis Development

Institutional investors are recognized as key players in shaping corporate governance and firm-level decision-making. Institutional investors with substantial shareholdings can monitor management through either “voice” or “exit” mechanisms. Through voice, they invest in acquiring information and actively engage with managers during key events to influence decisions and strengthen corporate governance (Shleifer and Vishny, 1986; Hartzell and Starks, 2003). The monitoring hypothesis suggests that institutional investors serve as effective monitors of

management, mitigating agency conflicts and aligning managerial actions with shareholder interests (Shleifer & Vishny, 1986). Bushee (1998) differentiates between transient and dedicated institutional investors, noting that long-term-oriented institutions are more likely to advocate for strategies that enhance firm value, including prudent acquisition decisions.

Empirical evidence supports the notion that institutional ownership improves acquirer performance. For instance, Ferreira and Matos (2008) find that institutional investors—particularly foreign ones—are associated with better corporate governance and higher firm valuation. Doukas and Kan (2008) demonstrate that foreign institutional investors encourage value-enhancing cross-border acquisitions by imposing higher governance standards. This is especially relevant in emerging markets, where foreign investors may provide discipline and expertise lacking in the domestic investor base. Based on this rationale, we propose the following hypothesis.

Hypothesis 1: Acquirers with higher institutional ownership experience superior post-acquisition operating performance.

The time taken to complete a merger or acquisition deal is an important indicator of deal complexity, regulatory scrutiny, and the due diligence process. Institutional investors can influence deal duration by demanding transparency, risk assessment, and compliance with governance norms.

Field and Karpoff (2002) find that deals involving significant institutional ownership tend to experience longer completion times due to heightened scrutiny and detailed evaluations. This is more pronounced when foreign institutional investors are involved, as they often require adherence to international standards, detailed disclosures, and legal verifications. Their focus on risk management and value protection may delay execution but enhance deal quality.

Hypothesis 2: Acquirer firms with higher institutional ownership tend to facilitate faster deal execution.

The role of institutional ownership in cross-border M&A decisions is complex and multifaceted. Erel et al. (2012) find that foreign institutional investors are generally more supportive of cross-border acquisitions, motivated by a desire for international diversification and exposure to growth markets. Their global orientation and experience with different regulatory environments make them more open to strategic expansions across borders. Moreover, they bring in higher governance standards and push for greater due diligence and strategic alignment.

In contrast, domestic institutional investors may exhibit a home bias, preferring local transactions due to better informational access and perceived lower risk (Dharan & Ikenberry, 1995). They may resist cross-border deals if the risks of integration or political instability are deemed too high. This divergence in preferences may also stem from differences in incentives—foreign investors may value global diversification benefits, while domestic investors may prioritize stability and risk aversion.

Hypothesis 3: Higher foreign institutional ownership is associated with an increased likelihood of firms to engage in cross-border acquisitions.

3. Data and Methodology

3.1 Sample selection

We collected our sample M&A data from the Refinitive SDC platinum M&A database, and the period covered was April 1, 2000, to March 31, 2020. Following past literature (Golubov et al., 2015; Masulis et al., 2007), we apply the following restrictions: 1) The acquirer is an Indian listed company; the target firm is a public, private, or subsidiary firm. 2) The deal status of the acquisition should be completed. 3) Before the acquisition, the ownership of the acquirer should be less than 50% in the target company and subsequently acquire more than 50% ownership. 4) The minimum deal value should be more than \$1 Million. 5) The accounting data should be available from the CMIE ProwessIQ database. 6) We exclude multiple deals announced by the same acquirer on the same day. After filtering our total sample firm comprises 545 M&A deals. We compute the proportions of foreign institutional ownership, domestic institutional ownership, and total institutional ownership for each firm at the end of the fiscal year preceding the deal announcement, following the methodologies of Aggarwal et al. (2011) and Cornett et al. (2007).

3.2 Variable definition

3.2.1 Dependent variable

Following prior work (Li et al., 2018; Masulis & Simsir, 2018; Suk & wang, 2021) we used two deal performance variables: $\Delta ROA3$ and $\Delta Sales3$. The reason behind employing these two measures is to capture the post-acquisition performance in comparison to the pre-acquisition result. $\Delta ROA3$ represents the difference between the average return on assets (ROA) of the acquiring company in the three years following the completion of a deal and the ROA of the acquiring company in the year before the announcement of the deal. Similarly, $\Delta Sales3$ indicates the difference between the average net sales of the acquiring company's assets in the three years following the completion of a deal of the acquiring company and in the year before the announcement of the deal. Both performance metrics are used to measure the long-run operating deal performance of the acquirer company. Besides, we have also taken the number of days taken to complete the deal as key dependent variables to measure the impact of institutional ownership and separately both the DII and FII on the variables (Andriosopoulos & Yang, 2015).

3.2.2 Independent variable

The key independent variables of the study are Institutional ownership, Domestic institutional ownership, and foreign institutional ownership. Consistent with Aggarwal et al. (2011), Cornett et al. (2007), and Bhaumik & Selarka, (2012), we calculate the proportions of foreign, domestic, and total institutional ownership for each firm based on holdings at the fiscal year-end preceding the deal announcement.

3.2.3 Control variable

There are two categories of variables that we examine in relation to bidder returns: bidder firm-specific characteristics and deal characteristics. Based on previous studies (Faccio & Masulis, 2005; Gao & Mohamed, 2018; Harford, 1999; Lang et al., 1991; Masulis et al., 2007), we account for a battery of control variables in our multivariate analyses. The acquirer attributes that we consider are firm age, firm size, M/B, leverage, sales growth, and Operating Cashflow. The deal characteristics include relative size, cross-border deal, All stock, All Cash, Toehold, Competing Bidder, public, private, industry relatedness, and public status of the acquirer. We also include a dummy if both the acquiring and target firms belong to the high-tech industries as defined by (Loughran & Ritter, 2004). All firm characteristics are assessed at the fiscal year-end that precedes the acquisition announcement date. The Appendix includes the definitions of these variables, while Table 2 displays their summary statistics.

4. Models and Empirical analysis

4.1. Descriptive statistics

Table 1 presents the descriptive statistics for the key variables used in this study, which explores the relationship between institutional ownership and acquisition performance among Indian acquirers. The sample comprises 545 firm-year observations from Indian publicly listed firms involved in acquisition deals.

Institutional ownership, measured as the proportion of shares held by institutional investors (*Insti_Hold*), averages 22.1% with a median of 19.4%, indicating a moderately high presence of institutional investors in Indian firms. This ownership is further disaggregated into domestic institutional investors (DII) and foreign institutional investors (FII), which account for mean holdings of 8.8% and 14.1%, respectively. The primary dependent variable, acquisition performance, is proxied by the three-year change in return on assets ($\Delta ROA3$) and revenue growth ($\Delta Sales3$). The average change in ROA over the three-year post-acquisition period is 12%, with a substantial variation ($SD = 0.193$), indicating that while most firms experience modest improvements, a few realize substantial performance gains. Similarly, sales growth over three years shows a mean of 66.1%.

Table 1. Descriptive Statistics

	N	Mean	Median	SD	Min	Max	1st Perc.	Median	99th Perc.	Skewness	Kurtosis
Insti_Hold	485	.221	0.194	.163	0	.884	0	.194	.587	.55	2.673
DII	480	.088	0.068	.082	0	.393	0	.068	.38	1.403	4.923
$\Delta ROA3$	545	.12	0.087	.193	-.221	.908	-.221	.087	.908	1.939	8.437
$\Delta Sales3$	545	.661	0.421	.83	-.477	3.95	-.477	.421	3.95	1.868	7.199
FII	449	.141	0.101	.125	0	.797	0	.101	.471	1.067	4.182

Size	545	4.266	4.303	.921	-.699	6.791	1.791	4.303	6.313	-.412	4.541
Lev	545	.456	0.454	.223	.032	.937	.032	.454	.937	.102	2.157
PB	500	4.418	3.375	3.762	.35	16.5	.35	3.375	16.5	1.444	4.786
OCF	545	.084	0.087	.099	-.197	.316	-.197	.087	.316	-.233	3.585
Age	545	3.267	3.258	.75	0	4.745	1.099	3.258	4.663	-.544	3.783
Growth	531	.21	0.157	.334	-.502	1.494	-.502	.157	1.494	1.435	7.19
Hightech	545	.154	0.000	.361	0	1	0	0	1	1.916	4.67
Allstock	545	.211	0.000	.408	0	1	0	0	1	1.417	3.007
Allcash	545	.772	1.000	.42	0	1	0	1	1	-1.3	2.69
Tenderoffer	545	.04	0.000	.197	0	1	0	0	1	4.671	22.815
Comp_Bid	545	.004	0.000	.061	0	1	0	0	0	16.417	270.504
Toehold	545	.097	0.000	.297	0	1	0	0	1	2.719	8.391
Target_Pub	545	.237	0.000	.425	0	1	0	0	1	1.239	2.535
Target_Pvt	545	.431	0.000	.496	0	1	0	0	1	.278	1.077
Cross_Bor	545	.35	0.000	.478	0	1	0	0	1	.627	1.393
Relatedness	545	.602	1.000	.49	0	1	0	1	1	-.416	1.173
Time Taken	390	1.473	1.526	.324	-.367	2.106	.094	1.526	1.953	-2.153	11.282
Deal Size	506	6.836	6.636	1.968	1.591	13.673	3.174	6.636	11.59	.481	2.884
Relative Size	506	.301	0.050	.692	.001	3.685	.001	.05	3.685	3.657	16.561

(The table presents descriptive statistics of the variables used in this empirical study. The sample consists of 471 deals announced between April 1, 2000 and March 31, 2020 in India. All variables are collected in the previous fiscal year. Detailed descriptions of all variables and data sources are provided in Appendix A. All continuous variables are winsorized at the 1% and 99% levels).

Control variables capture firm and deal characteristics. The average firm size (log of total assets) is 4.27, and the average leverage ratio (Lev) is 45.6%. Firms have an average operating cash flow-to-assets ratio (OCF) of 8.4%, Growth opportunities, measured by PB ratio and Sales Growth, indicate a few high-growth firms. In terms of deal characteristics, 15.4% of the deals involve high-tech targets, 21.1% are all-stock financed, and 77.2% are all-cash deals. Tender offers and competitive bids are rare, occurring in only 4% and 0.4% of the cases, respectively. Approximately 9.7% of acquirers had a toehold (pre-acquisition stake), and 35% of deals are cross-border in nature. The average time to complete a deal is approximately 1.47 years, suggesting that while most deals are completed within the expected timeframe, a few are expedited.

Overall, the data reveal considerable heterogeneity in both institutional ownership and acquisition performance, justifying further empirical investigation into whether and how institutional investors—particularly domestic and foreign institutions—contribute to post-acquisition outcomes in the Indian context.

4.2. Institutional ownership and M&A operating performance

The primary objective of this study is to evaluate the relationship between institutional ownership and the post-acquisition operating performance of Indian acquirer firms. To investigate the relationship between institutional ownership and acquirer operating performance, we run the following model:

$$\text{Post acquisition OPF}_i = \alpha + \beta_1 \text{Inst_Own} + \beta_2 \text{Controls}_i + \beta_3 \text{YDUM}_i + e_i \quad \dots \text{Eq(1)}$$

Table 2 presents the results from OLS regressions estimating the effect of institutional ownership on changes in firm performance, measured by three-year changes in return on assets ($\Delta ROA3$) and sales growth ($\Delta Sales3$), while controlling for firm-specific and deal-specific factors with year fixed effects.

Table 2. Institutional ownership and post-acquisition operating performance

	(1)	(2)	(3)	(4)	(5)	(6)
Variables	$\Delta Sales3$	$\Delta ROA3$	$\Delta Sales3$	$\Delta ROA3$	$\Delta Sales3$	$\Delta ROA3$
Insti_Hold	0.3551*	0.1141**				
	(0.2147)	(0.0489)				
DII			0.2207**	0.1713**		
			(0.0994)	(0.0799)		
FII					0.3303**	0.1260**
					(0.1545)	(0.0561)
Size	-0.1073**	-0.0115	-0.1203***	-0.0108	-0.0973**	-0.0060
	(0.0491)	(0.0097)	(0.0447)	(0.0091)	(0.0494)	(0.0112)
Lev	-0.0354	0.0079	0.0619	0.0135	-0.0561	0.0166
	(0.1860)	(0.0379)	(0.1795)	(0.0377)	(0.1845)	(0.0408)
PB	0.0338***	0.0108***	0.0329***	0.0105***	0.0329***	0.0105***
	(0.0095)	(0.0025)	(0.0095)	(0.0026)	(0.0091)	(0.0026)
OCF	0.8687*	0.2621**	0.9263**	0.2674**	1.2948***	0.3182***
	(0.4458)	(0.1098)	(0.4442)	(0.1104)	(0.4546)	(0.1176)
Age	-0.0844*	-0.0136	-0.0811*	-0.0126	-0.1082**	-0.0153*
	(0.0462)	(0.0089)	(0.0479)	(0.0092)	(0.0472)	(0.0093)
Growth	0.2025	0.0550*	0.2152	0.0548*	0.0960	0.0311
	(0.1489)	(0.0325)	(0.1485)	(0.0326)	(0.1305)	(0.0316)
Hightech	0.1919*	0.0880***	0.2247**	0.0891***	0.2152*	0.0965***
	(0.1100)	(0.0264)	(0.1091)	(0.0267)	(0.1119)	(0.0275)
Allstock	-0.3663	-0.0453	0.1073	-0.0366	-0.5200	-0.0722
	(0.4751)	(0.0485)	(0.2017)	(0.0541)	(0.5328)	(0.0536)
Allcash	-0.6465	-0.0932**	-0.2059	-0.0851*	-0.7306	-0.1068**
	(0.4456)	(0.0431)	(0.1638)	(0.0484)	(0.5078)	(0.0479)
Tenderoffer	0.0999	0.0121	0.1408	0.0145	0.0494	0.0010
	(0.1704)	(0.0466)	(0.1692)	(0.0469)	(0.1665)	(0.0491)
Comp_Bid	-0.3869**	0.0056	-0.4198***	0.0015	-0.3370*	0.0131
	(0.1514)	(0.0449)	(0.1355)	(0.0446)	(0.1999)	(0.0585)
Toehold	-0.0586	-0.0218	-0.0458	-0.0206	-0.1299	-0.0338
	(0.1223)	(0.0254)	(0.1245)	(0.0256)	(0.1194)	(0.0268)
Target_Pub	0.0263	-0.0070	-0.0203	-0.0079	0.0777	0.0047
	(0.1294)	(0.0249)	(0.1263)	(0.0251)	(0.1257)	(0.0255)
Target_Pvt	-0.0560	-0.0246	-0.0523	-0.0241	-0.0460	-0.0240
	(0.0735)	(0.0153)	(0.0721)	(0.0152)	(0.0711)	(0.0150)
Cross_Bor	-0.1856***	-0.0178	-0.1739***	-0.0171	-0.2176***	-0.0251
	(0.0649)	(0.0156)	(0.0642)	(0.0157)	(0.0631)	(0.0155)
Relatedness	-0.0359	-0.0236	-0.0330	-0.0242	-0.0689	-0.0261*
	(0.0718)	(0.0149)	(0.0718)	(0.0151)	(0.0707)	(0.0151)
Constant	1.8197***	0.2443**	1.3583***	0.2364**	1.8721***	0.2292**
	(0.5672)	(0.1004)	(0.3874)	(0.1035)	(0.6286)	(0.1045)
N	471	471	466	466	441	441
R-squared	0.3041	0.3705	0.3109	0.3702	0.3332	0.3765
Year FE	YES	YES	YES	YES	YES	YES

(This table presents OLS coefficient estimates of the regression between institutional ownership and acquirer post-acquisition performance. The dependent variable is $\Delta Sales3$ in column no. 1,3, and 5 and $\Delta ROA3$ in column no. 2,4, and 6, respectively. The main independent variables are Institutional ownership, DII, and FII. Detailed descriptions of all variables and data sources are provided in Appendix A. All continuous variables are winsorized at the 1% and 99% levels. Numbers in parentheses are p-values based on the heteroskedasticity-robust standard

errors adjusted for firm-level clustering. *denote statistical significance at a 10% level. ** denote statistical significance at a 5% level. *** denote statistical significance at a 1% level.).

In Column (1), the aggregate measure of institutional ownership (Insti_Hold) is positively associated with post-acquisition sales growth (ΔSales_3), with a coefficient of 0.3551, significant at the 10% level. Similarly, Column (2) shows a positive and statistically significant relationship between Insti_Hold and change in ROA (ΔROA_3) at the 5% level. These results suggest that higher institutional holdings are associated with superior operating performance post-acquisition, indicating that institutional investors may play a constructive monitoring or disciplining role during corporate investments such as M&As (Shleifer and Vishny, 1986; Bushee; 1998; Hartzell and Starks, 2003; Ferreira and Matos 2008 Dimitris Andriosopoulos, Shuai Yang, 2015, Yang et al., 2023). This observation contradicts the previous view that institutional investors may not oversee the management effort especially in case of mergers and acquisitions (Duggal, R., & Millar, J. A. (1999), Bhaumik, S.K., & Selarka, E. (2012).

To further disentangle the roles of different types of institutional investors, Columns (3) and (4) examine the influence of domestic institutional investors (DII), while Columns (5) and (6) focus on foreign institutional investors (FII). Both DII and FII ownership are positively and significantly related to post-acquisition changes in ROA and sales. These findings suggest that both domestic and foreign institutional investors contribute positively to the acquirer's post-deal operating performance, potentially through enhanced oversight, better governance practices, or superior expectations regarding the long-term profitability of the deal (Zhu,S;(2024). The significance of both ownership types also points to the complementary nature of domestic and foreign institutional investors in improving corporate outcomes in emerging market settings like India.

4.3. Institutional ownership and time taken to complete the deal

The objective of this analysis is to examine whether institutional ownership, including domestic institutional investors (DII) and foreign institutional investors (FII), influences the time taken to complete merger and acquisition (M&A) deals by Indian acquirer firms. To establish the relationship we run the following model:

$$\text{Completion_Time}_i = \alpha + \beta_1 \text{Inst_Own}_i + \beta_2 \text{Controls}_i + \beta_3 \text{YDUM}_i + e_i \quad \dots \text{Eq(3)}$$

Table 3 presents the regression results where the dependent variable is Time_Taken, representing the duration (in months or days, depending on dataset) to complete the M&A deal. In Column (1), the aggregate institutional ownership variable (Insti_Hold) shows a negative and statistically significant coefficient (-0.1828). This indicates that higher levels of institutional ownership are associated with a shorter time to complete M&A deals, suggesting that institutional investors may contribute to greater deal efficiency (Zhu,S, 2024). Their involvement might streamline decision-making, reduce managerial delays, and improve negotiation outcomes by providing strategic guidance and monitoring.

Table 3. Institutional ownership and Deal completion time

VARIABLES	Time Taken		
	(1)	(2)	(3)
Insti Hold	-0.1828*		
	(0.1091)		
DII		-0.3269*	
		(0.1858)	
FII			-0.0983*
			(0.1487)
Constant	1.2899***	1.2190***	1.2770***
	(0.1876)	(0.1779)	(0.2142)
N	316	314	296
R-squared	0.3662	0.3617	0.3635
Control Variables	YES	YES	YES
Year FE	YES	YES	YES

(This table presents OLS coefficient estimates of the regression between institutional ownership and acquirer post-acquisition performance. The dependent variable is the time taken by the acquirer firm to complete the deal from the announcement day. The main independent variables are Institutional ownership, DII, and FII. The control variable represents both firm and deal-specific variables used in Table 2. Detailed descriptions of all variables and

data sources are provided in Appendix A. All continuous variables are winsorized at the 1% and 99% levels. Numbers in parentheses are p-values based on the heteroskedasticity-robust standard errors adjusted for firm-level clustering. *denote statistical significance at 10% levels. ** denote statistical significance at 5% levels. *** denote statistical significance at 1% levels)

Disaggregated results in Columns (2) and (3) provide further insights. Column (2) shows that DII ownership is negatively associated with deal completion time, with a coefficient of -0.3269, significant at the 10% level. This suggests that domestic institutional investors may be more active in facilitating faster deal closures, possibly due to their closer proximity, better contextual understanding of the local regulatory and business environment, or stronger influence over managerial decisions. In contrast, Column (3) indicates that FII ownership also has a negative impact on deal duration (-0.0983), though with marginal statistical significance. While the effect is smaller in magnitude, it still implies that foreign institutional investors contribute to reducing the deal time, perhaps by instilling confidence in the deal's viability or enhancing external credibility.

Taken together, these findings underscore the value-adding role of institutional investors—both domestic and foreign—not only in improving post-acquisition firm performance (as shown in earlier results) but also in accelerating the M&A process. Their presence likely reduces informational asymmetries, enforces managerial discipline, and enhances procedural clarity, leading to more timely execution of deals.

4.4. Institutional ownership and the likelihood of firms to engage in cross-border acquisitions.

This section presents the findings on how institutional ownership affects the probability of Indian firms engaging in cross-border mergers and acquisitions (M&A). The dependent variable is a binary indicator for whether an acquisition is cross-border in nature. We run the following probit model:

$$\text{Cross-Border_Dummy}_i = \alpha + \beta_1 \text{Inst_Own} + \beta_2 \text{Controls}_i + \beta_3 \text{YDUM}_i + e_i \quad \dots \text{Eq(2)}$$

Probit regression results are reported in Table 4. In Column (1), total institutional ownership (Insti_Hold) is found to be positively and significantly associated with the likelihood of cross-border acquisitions. This indicates that firms with higher levels of institutional investor holdings are significantly more inclined to pursue acquisitions beyond domestic boundaries (Dimitris Andriosopoulos, Shuai Yang, 2015, Yang et al., 2023). Institutional investors may provide not only financial resources but also strategic oversight and global networks that reduce informational and operational frictions in international deal-making.

Table 4. Institutional ownership and the likelihood of Cross-border acquisition

VARIABLES	Cross_Border_M&A		
	(1)	(2)	(3)
Insti_Hold	2.5262***		
	(0.9764)		
DII		0.2614	
		(1.9426)	
FII			3.5945***
			(1.1938)
Constant	-6.8388***	-6.7217***	-6.9946***
	(1.7610)	(1.8377)	(1.8497)
N	471	441	466
Pseudo R2	0.3853	0.3734	0.3797
Control Variables	YES	YES	YES
Year FE	YES	YES	YES

(This table presents Probit coefficient estimates of the regression between institutional ownership and acquirer post-acquisition performance. The dependent variable is cross-border deal which is an indicator variable, is 1 if the firm goes for croo-border deal and 0 otherwise. The main independent variables are Institutional ownership, DII, and FII. The control variable represents both firm and deal-specific variables used in Table 2. Detailed descriptions of all variables and data sources are provided in Appendix A. All continuous variables are winsorized at the 1% and 99% levels. Numbers in parentheses are p-values based on the heteroskedasticity-robust standard

errors adjusted for firm level clustering. *denote statistical significance at 10% levels. ** denote statistical significance at 5% levels. *** denote statistical significance at 1% levels)

When disaggregated in Columns (2) and (3), a more nuanced pattern emerges: DII ownership, though positively signed, is not statistically significant, suggesting that domestic institutional investors may not have a strong influence on firms' internationalization strategies. Their risk preferences or limited exposure to global markets might make them more conservative in endorsing cross-border transactions. FII ownership, on the other hand, shows a strong positive and statistically significant effect on the probability of undertaking a cross-border acquisition. This finding implies that foreign institutional investors play a critical role in pushing Indian firms toward international M&A activity, supporting the past literature (Ferreira and Matos, 2008). FIIs may encourage firms to tap into foreign markets for strategic assets, global scale, and new growth opportunities, and may also bring in international deal-making experience and expectations aligned with global competitiveness.

5. Conclusion

Amid mixed evidence on the impact of institutional ownership on firm efficiency, this study investigates its role in shaping bidder gains during takeovers. Focusing on Indian M&A activity, we analyze **three** key dimensions—post-acquisition performance, cross-border deal propensity, and time to completion—to offer a perspective on how institutional investors influence strategic corporate decisions in an emerging market context. We find a positive and significant relationship between institutional ownership and acquirer post-acquisition performance. This underscores the monitoring role of institutional investors, in ensuring that acquisitions are value-enhancing rather than empire-building exercises. Their presence likely reduces information asymmetry, disciplines managerial behavior, and fosters greater due diligence and integration planning, leading to superior outcomes for acquiring firms. We also find that institutional ownership is positively related to the likelihood of engaging in cross-border acquisitions. This is particularly pronounced in the presence of foreign institutional investors, whose global orientation and experience may embolden Indian firms to venture into international markets. Our analysis reveals a negative relationship between institutional ownership and the time taken to complete deals.

In summary, our findings collectively portray the role of institutional investors as strategic actors who both monitor and enable value-enhancing M&A activity. It contributes meaningfully to the finance literature by providing new evidence from India, an increasingly important global market with distinct ownership structures and regulatory dynamics. Our findings carry important implications for corporate managers and investors alike. They underscore the value of fostering strong relationships with institutional investors, not merely as capital providers, but as strategic partners in driving disciplined and effective M&A execution. Ultimately, institutional ownership in India functions not only as a governance tool but also as a strategic catalyst shaping the scale, scope, and speed of acquisition activity in an evolving market landscape.

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Biographies

Mr. Satyabrata Sahoo is a Ph.D. scholar at the Vinod Gupta School of Management, Indian Institute of Technology (IIT) Kharagpur. His research interests encompass Corporate Finance, Mergers and Acquisitions, Corporate Governance, and Share Buybacks. He has actively presented his research at prominent national and international conferences, including the World Finance and Banking Symposium.

Professor Chandra Sekhar Mishra is an Associate Professor at the Vinod Gupta School of Management, Indian Institute of Technology Kharagpur. He specializes in Mergers and Acquisitions, Financial Accounting, Cost and Management Accounting, financial management, with research interests in mergers and acquisitions, Executive compensation, financial reporting and analysis, earnings management, and business valuation. He has published several empirical studies on Accounting and Corporate finance area in leading journals. At IIT Kharagpur, he teaches postgraduate and doctoral courses in accounting and finance, guiding research that bridges theory with real-world corporate practices.

Appendix A

Variable Definition

Variable Name	Variable Definitions
ΔSales_3	Return on assets (in percentage points) of the acquirer in year T-1 minus return on assets of the acquirer in year c+1. Year c is the year of deal completion.
ΔROA_3	Return on assets (in percentage points) of the acquirer in year T-1 minus return on assets of the acquirer in year c+3. Year c is the year of deal completion.
Insti_Hold	percent of bidder stock owned by institutional investors
DII	percent of bidder stock owned by Domestic institutional investors
FII	percent of bidder stock owned by Foreign institutional investors
Age	Acquirer age is measured as the natural logarithm of the difference between the acquisition announcement year and the incorporation year
Size	Acquirer size is measured as the natural logarithm of acquirer's total assets at the fiscal year-end before the acquisition announcement.
Lev	Acquirer's pre-acquisition leverage is measured as the sum of long-term debt and short-term debt, deflated by total assets at the fiscal year-end before the acquisition announcement.
Growth	Acquirer sales growth ratio is measured as the natural logarithm of Acquirers' total sales at the fiscal year-end before the acquisition announcement over the previous year's total sales.
PB	Acquirer's pre-acquisition market to book ratio is measured as the ratio of acquirer's market value to the book value of equity at the fiscal year-end before the acquisition announcement.
OCF	Operating Cashflow
HighTech	A dummy equal to 1 if both the acquirer and target firm belong to the high tech industry and 0 otherwise.(Loughran & Ritter, 2004)
CrossBorder	A dummy equal to 1 if the home country of the target firm is other than India, and 0 otherwise.
Tenderoffer	A dummy equal to 1 if the deal is a tender offer deal; and 0 otherwise.
Comp_Bid	A dummy equal to 1 if there are more than one bidder competing for the deal; and 0 otherwise.
Toehold	A dummy equal to 1 if the Acquirer firm has stake in target firm before the deal; and 0 otherwise.
AllCash	A dummy equal to 1 if the deal payment is fully in cash, and 0 otherwise.
AllStock	A dummy equal to 1 if the deal payment is fully in stock, and 0 otherwise.
Relatedness	A dummy equal to 1 if the 3digit SIC code of both acquirer and target firms are same, and 0 otherwise.
Tar_Pvt	A dummy equal to 1 if the target firm is a private company , and 0 otherwise.
Tar_Pub	A dummy equal to 1 if the target firm is a public company , and 0 otherwise.