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“Impact of Merger and Acquisition on
shareholder wealth: A case of Textile
Industry of Pakistan”



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ABSTRACT

Globalization which is a tool of technology, it not only changes the way of communication but it also creates a lot of changes in business environment. In today's world, almost all of the company's aims and their goal is to maximize their profit to attract their shareholder which can only be achieved by maintaining their operations effectively and efficiently. While companies managing their operations properly; they can easily excel their business which ultimately increase profitability of a company. Growth of a company can be subdivided into two main categories which are: internal growth and external growth. If company want to achieve internal growth they need to grow their product line first; in which they adopt varying categories of product in their current product line. While on the other hand, if companies want to have external growth; they can go for merger and acquisition. My research is based on textile sector of Pakistan, the reason for conducting this research on this specific sector is that; they usually opt this technique of merger and acquisition. The sample of my research is five textile companies, three of them did merger and 2 of them did acquisition in period from 2009 to 2013. In my research, I used different financial ratio to calculate the effects of merger and acquisition on shareholder's wealth. The data for these financial ratios are collected from websites of different companies and also through the state bank of Pakistan. The Pre-Merger and Acquisition data are taken from the past 2 years of the base year in which merger and acquisition occurred and the Post-Merger and Acquisition data are taken from the two years i.e. from the base and the next year. On the basis of this research, it has been concluded that merger and acquisition will have a positive effects on the shareholder's wealth of textile industry of Pakistan.

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