

## **Do Mergers & Acquisitions Enhance Technical Efficiency? An Empirical Assessment**

Priya Bhalla<sup>1</sup>

*Mergers & Acquisitions are becoming increasingly popular among all entities, particularly financial entities. The theory suggests that such attempts could result in a number of benefits including higher efficiency. But a review of the empirical literature is mostly ambiguous. Furthermore, there are few such studies in the context of Indian financial entities. Accordingly, the present study attempts to examine the technical efficiency of Indian financial sector entities using stochastic distance function (SDF) approach. This is one of the first attempts to analyze the technical efficiency of Indian financial entities that are engaged in mergers and acquisitions (M&A) transactions during the period 1995-2011. The study finds no significant technical efficiency differences among acquirers and targets in the pre M&A period. However, in the post M&A period, acquirers have significantly higher efficiency compared to targets suggesting that M&A could have positively affected these entities. An increase in efficiency and size of financial entities has important implications. These financial entities can rapidly gain size, efficiency as well as market power through M&A. While there are several benefits attached to larger size, at the same time, a big entity could also pose a threat to financial stability of an economy, calling for effective regulation of these entities.*