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# The Impact of Mergers and Acquisition for Indian Entrepreneurs

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## ABSTRACT

The process of mergers and acquisitions has gained substantial importance in today's corporate world. This process is extensively used for restructuring the business organizations. In India, the concept of mergers and acquisitions was introduced by the government bodies. Some well known financial organizations also took the necessary initiatives to restructure the corporate sector of India by adopting the mergers and acquisitions policies. The Indian economic reform since 1991 has opened up a whole lot of challenges both in the domestic and international spheres. The increased competition in the global market has prompted the Indian companies to go for mergers and acquisitions as an important strategic choice. The trends in mergers and acquisitions in India have changed over the years. The immediate effects of the mergers and acquisitions have also been diverse across the various sectors of the Indian economy.

There has been an increase in both the number and size of M&A in all sectors of Indian economy. However, the Indian economy worldwide had suffered in the years 2008 and 2009 since the global economy went through one of its worst crises since the Great Depression of 1929. The legendary financial institutions like Lehman Brothers collapsed while several other financial behemoths had to be saved from going into bankruptcy.

Naturally, there was less money available to do deals and corporate cut down on expansion both organically and inorganically. The effect was showing on in India too even though the economy showed signs of revival in the latter part of the year. However, the outlook seems brighter in year 2010. The activities are picking up and more deals are happening.

M&A helps the entrepreneurs to take up the biggest challenges and opportunities for entrepreneurs. The M&A helps the Indian economy and the entrepreneurs to stand in the global competition.

## INTRODUCTION OF MERGERS AND ACQUISITION

A merger occurs when two or more companies combines and the resulting firm maintains the identity of one of the firms. One or more companies may merger with an existing company or they may merge to form a new company. Usually the assets and liabilities of the smaller firms are merged into those of larger firms. Merger may take two forms:

1. Merger through absorption
2. Merger through consolidation.

**Absorption**— Absorption is a combination of two or more companies into an existing company. All companies except one lose their identity in a merger through absorption.

**Consolidation**— A consolidation is a combination if two or more combines into a new company. In this form of merger, all companies are legally dissolved and a new entity is created. In consolidation the acquired company transfers its assets, liabilities and share of the acquiring company for cash or exchange of assets.

**Acquisition**— A fundamental characteristic of merger is that the acquiring company takes over the ownership of the companies and combines their operations with its own operations. An acquisition may be defined as an act of acquiring effective control by one company over the assets or management of another company without any combination of companies.