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Does the 'Market for Corporate Control' hypothesis explain takeover targets?

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Abstract

This study tests the 'Market for Corporate Control' hypothesis in a small open economy. The results appear to favour rejection of this hypothesis indicating that acquisitions have not been driven by managerial-disciplinary motives. Moreover, it is found that a logit model outperforms other statistical tests.

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Notes

[1] According to Palepu (1986), state-based sampling means that n_1 firms are drawn from the target subpopulation N_1 and n_2 firms are drawn from the non-target sub-population N_2. State-based sampling outperforms the technique of random sampling,

where n firms are drawn randomly from the entire population N. This technique would create a sample with very few targets or none, with consequent bias in parameter estimates.

[2] In the case of T-test, a Levene-test was used to test for equality of variances in the two populations.

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