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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.

# Notes

<sup>1</sup> According to Palepu (<u>1986</u>), state-based sampling means that n<sub>1</sub> firms are drawn from the target subpopulation N<sub>1</sub> and n<sub>2</sub> firms are drawn from the non-target subpopulation N<sub>2</sub>. 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.

<sup>2</sup> 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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