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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

<sup>1</sup> 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 subpopulation  $N_2$ . 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.

<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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