

The Effect Of Merger And Acquisition On Financial Performance Of Companies In Iraq

Saoud Chayed Mashkour, Amer Abdul SadaKhlaif, Imad Kadhim Imran

Article Info	Abstract
Article History Received: April 10, 2021 Accepted: November 11, 2021	<i>Mergers and acquisitions (M & A) made by the company to obtaining an advantage. Situation will occur when merger and acquisition activity is gaining synergies, as a result of company synergies expected to improve the financial performance of the company.</i> <i>This research aims to analyze the differences in company financial performance before and after mergers and acquisitions on company merger and acquisition activity. Company performance is measured by using financial ratio: Return on Assets (ROA), on Return on Equity (ROE), Earnings per Share (EPS), Net Profit Margin (NPM). Quantitative methods is used in this research, take the data from all public companies doing mergers and acquisitions in Iraq Stock Exchange through the period from 2008 to 2013, the practice of the research made by using the purposive sampling method, with data obtained by 10 companies as sample of mergers and acquisitions at the same period of research.</i> <i>The results of this research revealed, through the use of the four financial indicators ROA, ROE, EPS, NPM, a number of conclusions, the most prominent of which was showed significant results in several years of observation, comparison before and after mergers and acquisitions. Only the (NPM) that did not show a difference in the whole year of observation before and after mergers and acquisitions. However, the descriptive statistics changes towards the positive on the entire financial ratios after mergers and acquisitions that show the synergy obtained by companies that do mergers and acquisitions.</i>
Keywords : Merger, Acquisition, Financial Performance	
DOI: 10.5281/zenodo.5676419	

Introduction

At the last years many companies are adopting several strategies to enhance the financial performance. Financial performance is counted as a success of any company as it shows the company's financial health in the market and company's competitive position towards its competitor in the industry. Mergers and acquisitions (M&A) have been taken in efforts to enhance company's financial performance as the benefits they are believed to carry along.

Enhancing financial performance by (M&A) is primarily considered one of the key strategies of an organization. Management considers (M&A) to minimize the cost and expenses and maximize company value as well. Merger and acquisition activities are increasing in line with national and international economic growth. The years 2010 and 2011 are the years when the merger and acquisition wave hit Iraq. According to data from the Business Competition Supervisory Commission, the merger wave in Iraq has peaked in the present where there are many business actors conducting merger and acquisition activities.

This research contains three main topics, the first explains the methodology of research, the second presents the Literature Review (Theory Framework of Merger, Acquisitions, and Financial performance), the third discuss of statistical analysis, show the results and proof of hypotheses (practical topic). At the end of the research, it reviews the conclusions and recommendations.

2. Methodology of research

2.1. Problem of Research

This research will try to fill the gap in the academic world by answering research questions whether there is a change in the Return on Asset (ROA), Return on Equity (ROE), Earning Per Shares (EPS) and Net Profit Margin (NPM), before and after merger, are there any changes to the company's financial performance before and after the merger of the acquisition that will generate value for the company?

Also, the problem of the research can be stated according to the following questions:

1. How much changes come on ROA before and after Mergers and Acquisitions?
2. How much changes come on ROE before and after Mergers and Acquisitions?
3. How much changes come on EPS before and after Mergers and Acquisitions?
4. How much changes come on NPM before and after Mergers and Acquisitions?

2.2. Objectives of Research

According to the problem of research, the objectives of this research are the following:

1. To analyze the impact on mergers and acquisitions on return on assets (ROA)
2. To analyze the impact of mergers and acquisitions on return on equity (ROE)
3. To analyze the impact of mergers and acquisitions on earning per share (EPS)
4. To analyze the impact of mergers and acquisitions on Net profit margin (NPM)

2.3. Importance of Research

This research is conducted that it can give benefit to Investor. This research can be used as a source of information about the impact of mergers and acquisitions made by the company on the financial performance of the company, so that later investors will be more appropriate in making investments that will be done such as decision making in making purchases, so that investors get the appropriate return on investment.

Also, this research can be taken as a consideration in taking company strategy that will be used for company development in the future so as to produce company value as expected. Also, this research can serve as an additional reference for future researchers to conduct further research on similar topics, especially in observing the financial performance of companies conducting merger and acquisition activities.

2.4. Hypothesis

Based on the formulation of the problem and objectives, it can be formulated and arranged hypotheses in this research as follows:

H1: There is significant impact on ROA before and after Mergers and Acquisitions.

H2: There is significant impact on ROE before and after Mergers and Acquisitions.

H3: There is significant impact on EPS before and after Mergers and Acquisitions.

H4: There is significant impact on NPM before and after Mergers and Acquisitions.

2.6. Research Variables

This research empirically analyzes the measurement of company's financial performance before and after merger and acquisition (independent variables). Therefore, it is necessary to test the hypotheses that have been proposed. Hypothesis testing is done according to research methods and analysis designed in accordance with the variables studied in order to obtain accurate results. Assessment of company performance in this research seen from the analysis of financial statements of the company in the form of financial ratios. The ratios of financial performance used are represented by four financial ratios (dependent variables): Return on Assets (ROA), Return on Equity (ROE), Earning per Shares (EPS), and Net Profit Margin (NPM).

2.7. Community and Sample of Research

The community in the research is represented by the companies listed on the Iraq stock exchange, while the research sample was taken after fulfilling several criteria that apply to the application of variables operational definition. The sampling technique is taken by purposive sampling technique that is the selection of sampling based on certain criteria. According to Iraq stock exchange the sampling aims to involve the consideration of selection of knowledge-based samples of researchers and research purposes. The criteria used in this research include the following:

- Public companies listed on the Iraqi Stock Exchange and mergers and acquisitions between 2008 and 2013.
- Companies have clear merger and acquisition dates.
- Issue complete financial statements for three years prior to mergers and acquisitions and five years after mergers and acquisitions with expiry period as of December 31st.
- 10 companies were selected as sample for this research. Those companies were: (Al-Ameen for Insurance, AL-Wiaam for Financial Investment, Al-Karkh Tour Amusement City, Iraqi Engineering Works, Baghdad for Packing Materials, Al-Kindi of Veterinary Vaccines, Metallic Industries and Bicycles, Middle East for Production-Fish, Modern Chemical Industries, AL- Batek Investment).

3. Literature Review: Theory Framework of Merger, Acquisitions, and Financial performance

These topics discuss the effect of mergers and acquisitions on financial performance.

3.1. Merger

The Merger is the combination of two or more companies in creation of a new entity or formation of a holding company. Mergers are most commonly done to gain market share, reduce costs of operations, expand to new territories, unification of common products, grow revenues and increase profits, all of which should benefit the company's shareholders. After a merger, shares of the new company are distributed to existing stockholders of both original businesses (Gaughan, 2002).

Mergers are commonly used in companies as a process of merging a business. Mergers can be done either internally or externally. Internal mergers occur when the target company is in the same group of interests while the external merger occurs when the target company is in a different ownership group. (Whitaker, 2012).

3.2. Acquisition

Acquisition is the company can make its target company as its subsidiary so in other words the acquirer company or the target company remains all standing (Ghosh, 2001). In the process of acquisition most of the

target company's stockholders will get many benefits compared to the acquirer's stockholder. This can happen when in tender takeover many companies participate so the company's share offer becomes higher. (Desyllas, and Goossen, 2018), Acquisitions the area of company finances, management and strategy dealing with purchasing and/or joining with other companies. In a merger, two organizations join forces to become a new business, usually with a new name. Because the companies involved are typically of similar size and stature, the term "merger" is sometimes used (Chemmanur, & Krishnan, 2018).

3.3. Merger and Acquisition

Merger and acquisitions can be defined as the business mix, ownership; assets mix and alliance with the hope of improve stockholder's value and enhance company's performance. According to (Pazarkis et al, 2006) one of the major elements of enhancing company's performance is the boom in mergers and acquisitions. On the other hand, Gaughan (2002) is stating that merger is a process where two companies combine and only one endures and the merged entity cease to exist. In an addition, acquisition is a process "when a company attains all or part of the target company's assets and the target remains as a legal entity after the transaction whereas in a share acquisition a company buys a certain share of shares in the target company in order to influence the management of the target company." (Nakamura, 2005).

Mergers and acquisitions are two forms of business combination, in which a company acquiring property and liabilities or control is called an acquiring company or bidder, while a forged company is called a target company. The target company will get reimbursement from the acquiring company which may be cash or company share or even a combination of both. Merger is a merger of two or more companies into one by using the legal status of one of the existing companies, while other companies abolished (Waldman, & Javidan, 2009). While the acquisition is a takeover of some or all of the shares of other companies so that the acquisition company has control over the target company (Gomes, Angwin, Weber, & Yedidia Tarba, 2013). The meaning of mergers and acquisitions is different but in principle it has the same meaning in terms of business combination, so these two things are often discussed together and can be interchangeable (Ravenscraft & Scherer, 2011).

The condition of mutual benefit will occur when the merger and acquisition activities get synergy. Brigham & Houston (2010) states that synergy is a state in which two companies i.e. each company A and company B join into one company C, and in this merger the value of company C becomes higher than the value of company A and company B when it stands alone, this is called synergy (Jordao, Souza, & Avelar, 2014).

As a result of synergy, the company is expected to increase the company's performance, so that it will increase the total demand of the company's shares, will further influence the share price increase. Rising share prices will affect the value of the company (Abdallah, & Alnamri, 2015). Financial performance analysis aims to assess the implementation of company strategy in terms of mergers and acquisitions. The performance is defined as achievements achieved by financial management in achieving company goals to generate profits and increase the value of the company.

Almost researches have been done on company performance as well as share returns due to the announcement of mergers and acquisitions. In the measurement of the company's performance used financial ratios include Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), Net Profit Margin (NPM).

3.4. Company Performance

According to Frich Kohlar "The performance is a general term applied to a part or to an entire the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance (Leopez, Abt, Dvorak, Hodge, & Phillips, 2018).

Performance is used to indicate company's success, conditions, and compliance. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a company's policies and operations in monetary terms. It is used to measure company's overall financial health over a given period of time and can also be used to compare similar companies across the same industry or to compare industries or sectors in aggregation (Ozkan, Cakan, & Kayacan, 2017).

3.5. Financial performance

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives is being or has been accomplished. It is the process of measuring the results of a company's policies and operations in monetary terms. It is used to measure company's overall financial health over a given period of time and can also be used to compare similar companies across the same industry or to compare industries or sectors in aggregation (Shilpa, 2010). Financial performance has long been measured using accounting based ratios; this has been termed as inadequate as companies have been focusing on stockholder value as the primary long term objective of the organization.

According to Gerasymenko, De Clercq, & Sapienza (2015), ratio analysis is basically a past event, therefore the factors that may exist in the coming period, may affect the financial position or results of operations in the future. For that an analysis is required in order to provide results analysis and interpretation is good and careful, because the results of this analysis will be useful in determining management policy for the upcoming in the

future. Financial condition of a company can be known by a benchmark that is usually used, namely: financial ratios, but by using financial ratios will only know the magnitude of the ratio figures only. Therefore it takes interpretation of the ratio figures that have been obtained and choose the types of ratios that fit the purpose of the analysis. States that to evaluate the financial performance of companies that conduct a merger or acquisition can be analyzed by using the financial ratios (Gerasymenko, De Clercq, & Sapienza, 2015). Some financial ratios, which can be used as an important indicator of business finance, are following:

1. Return on Assets (ROA)

According to Zhao, & Murrell, (2016), the ratio of net income to total assets measures the rate of return on Assets (ROA) after interest and taxes. Here net profit does not include the interest to be paid to the lenders, but since interest is included in the real return on total assets. To obtain the ratio is used the following formula (Alamry, 2019:150):

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Also, According to (Heikal, et al, 2014), Return on Assets (ROA) is the ratio of net income to total assets used to measure return on total assets (ROA) after interest and taxes. In a research examining the merger and acquisition differences in (CIMB) commercial banks, ROA increased significantly after mergers and acquisitions. The same is also conveyed by researcher in his research on companies in India who do mergers and acquisitions, where ROA has increased significantly. Other than that delivered by Sonia Sharma (2013) where ROA has decreased significantly after mergers and acquisitions.

2. Return on Equity (ROE)

The ratio of net profit after tax to ordinary stock equity measures the return on equity of ordinary stocks (ROE) which can be calculated by the following formula:

$$ROE = \frac{\text{Net Profit}}{\text{equity of ordinary shares}}$$

Returns on ordinary stock equity or (ROE) are the ratios used to measure return on equity stocks, or return on stockholder investment. Found that the results of the company's (ROE) after mergers and acquisitions did not change significantly. This contradicts what found that (ROE) significantly improved after mergers and acquisitions, while found that ROE decreased significantly after the merger and acquisition (Wagner, Block, Miller, Schwens, & Xi, 2015).

3. Earnings per Share (EPS)

According to Black, Wright & Davis (2011) the most crucial tools used regarding the investment analysis measuring is EPS. Stockholder value is influenced by the (EPS). Such as Chatfield, Dalbor, & Ramdeen (2011) are arguing that analysis appraisal of the company's (EPS) is influenced by the value of the stockholder of the company. A research was conducted by Malakar & Gupta (2002) in Indian Cement Industry among the major eight companies and found that EPS-earning per share has significant effect on MPS-market price of share. Another research was conducted by Bhatt and Sumangala (2012) found the similar result. They conducted their research on 50 valuable companies and found that EPS has a significant impact on (MPS) and on average 45% variation comes on (MPS) due to the (EPS). (Bhatt and Sumangala, 2012).

We can say that merger and acquisitions not only increase the capability of rising new found but also improve the earning per share. Several researches found the benefits on earning per shares after merger and acquisitions. Such as Adedipe (2005) found the benefit in the Nigerian Banking Industry after the merger and acquisitions. The formula for calculating earning per shares is given below:

$$\text{Earnings per Share (EPS)} = \frac{\text{Total Earnings}}{\text{Outstanding Shares}}$$

4. Net Profit Margin

According to Jallow et al (2017) net profit margin is such is a profit where taxes and interest has been deducted from the gross profit or the profit generated from all the phrases of the venture. That company's which have the high net profit margin they are positioned in the superior position against their competitors (Thomson, & Nichols 2010). On the other hand, Rinati (2001) is saying that net profit margin means that remaining profit after deducting all the operating expenses, interest, taxes from the company's total revenue. Combined company's value increased than individual company after merger and acquisitions of companies (Li & Pan, 2013).

Furthermore, Maranjian (2009) is saying that company's strength increase when company achieve higher net profit margin. He also added that it's an advantage for a company towards its competitor. According to Kouser and Saba (2011) after merger and acquisitions, NPM-Net Profit Margin is used to find out the significant progress of the financial condition of the company. Merger and acquisition increases not only increase the value of a company but also increase the efficiency of that company (Wang & Moini, 2012). The formula for calculating Net Profit Margin is given below:

$$\text{Net Profit Margin (NPM)} = \frac{\text{Net Profit}}{\text{Total Revenues}}$$

3.6. Effects of Mergers and Acquisitions on Financial Performance

According to Pazarskis et al (2006) the potential economic benefits of (M & A) is that increased value which is not possible in the absence of a change in control. To redeployment of assets, new operating plans and creating new business strategies this changes in control are potentially crucial this is possible due to the merger and acquisitions. The main reasons behind the M & A are to enhance the faster growth in scale, increase the revenues and profitability and adapt in new technology. Hence, merger and acquisition are identified as an effective method of improving company financial performance (Pazarskis et al, 2006).

The effects of merger and acquisitions can also be studied in different industries as merger and acquisitions could have different result in different industries. Such as the research of (DeYoung, Evanoff, and Molyneux, 2009) who observed the evolution of merger and acquisitions studies concerning financial institutions in the post-2000 period. In the pre-2000 most literature found that bank mergers were efficiency improving, while event-studies found no convincing evidence for positive shareholder wealth effects. This result inspired scholars to find out other explanations for the improvement of efficiency (DeYoung, Evanoff, and Molyneux, 2009).

DeYoung et al. (2009) has reviewed more than 150 studies in the post-2000 period and found that U.S. bank mergers are in general efficiency enhancing, though they did not found any convincing evidence for positive stockholder wealth effects in the financial sector. Furthermore, regarding European bank they found a clear consensus, which shows both efficiency gains and increased stockholder value. In terms of the U.S. deals, most researchers found a positive relationship between CEO compensation and M & A activity. The overall findings in the research of (DeYoung et al.2009) indicate that merger and acquisitions in the financial sector have a positive impact on company performance, but they also warn for the potential negative impact on prices for customers, credit availability, too big to fail issues and market power effects (DeYoung, Evanoff, and Molyneux, 2009).

Martynova and Renneboog, (2008) conducted their research in Indian industries to find out the (M & A) effect and result revealing that the influence that an industry could have on the (M&A) effect. The research found a positive effect on profitability for companies in the banking and finance industry, while research found a negative effect for companies in the pharmaceutical, textile, chemical and agribusiness industry (Martynova and Renneboog, 2008).

4. Statistical Analysis, Statement of Results and Proof of Hypotheses

This part of research explains a brief discussion of the research finding and result. This topic also highlighted about the details of the research finding followed by the hypothesis test result. Sample size was 10 merger and acquisitions companies listed from Iraq stock exchange. Collected data was analyzed through the SPSS tool which is widely used by the researchers around the globe. Descriptive statistic method and paired sample T-test method were used to draw down the research result. Hypothesis was also checked by these two methods through the SPSS. Finally, this topic concludes with the discussing of the research finding and research result.

Table 1.Descriptive Statistics

Paired Samples Statistics		Mean	N	Std. Deviation
Pair 1	Pre-ROA	11.50	10	2.273
	Post-ROA	6.40	10	4.427
Pair 2	Pre-ROE	28.30	10	6.075
	Post-ROE	16.70	10	3.743
Pair 3	Pre-EPS	12.70	10	4.523
	Post-EPS	21.50	10	7.705
Pair 4	Pre-NPM	10.40	10	4.502
	Post-NPM	9.10	10	3.381

4.1. Statistics Analysis of the Variables

1. Return on Assets (ROA)

The first row of the (table 1) is clearly seen that the average mean for the pre-mergers return on assets is (11.50) while the average mean for the post-mergers return on assets is (6.40). The standard deviation for the pre-mergers return on assets is (2.273) while it comes for the post-mergers return on assets is (4.427). From the result its clearly seen that the reduction of about 4% of return of assets for the companies before and after the merger. Several researchers find the similar result in their studies. Such as Agrawal (2013), Kemal (2011) also find the similar result. Dilshad (2013) find that it's an obstacle for a company after merger as there would be a decline in their return on assets; this result is also portraying Dilshad's statement.

2. Return on Equity (ROE)

The second row of above (table 1) illustrate that the average mean for the pre-mergers return on equity is 28.30 while the average mean for the post-mergers return on equity is 16.70. The standard deviation for the pre-mergers return on equity is 6.075 while it comes for the post-mergers return on equity is 3.743. Here the rate of return on equity is also dropped dramatically straight 28.30 to 16.70 which is a sign of either the companies not deploying the stockholders' capital in other to generate more return on equity or maybe for the financial loans taken from financial institutions. This result is also following the previous research result from others scholars.

Such is Nangja and Agrawal (2013) and Kemal (2011) are stating that the rate of return of equity drops after the merger and acquisition of companies.

3. Earnings per Share(EPS)

From the third row of the (table 1) we can see that the average mean of earning per share was (12.70) before the merger while standard deviation was (4.523) and after merger the average mean of earning per share was (21.50) while standard deviation was (7.705). The result indicates that the earning for per share is increasing after the merger of companies. This research result is also following Masud, (2015) and Khuram, (2014) research's result as they also found that per share earnings increase after a merger.

4. Net Profit Margin(NPM)

The fourth row of the (table 1) is describing that while standard deviation of net profit margin was (4.502) before the merger then the average mean was (10.40) and after the merger while standard deviation of net profit margin was (3.381) then average mean was (9.10). The result indicates that net profit margin rates change before and after merger as it drops around 1%. However, this research result is also obeying others scholars research result as they also found the same result in their research. Such as Ooghe et al. (2006) and (Bhabra and Huang 2013) find that net margin rates change after and before the mergers.

Table 2.: Paired T-test

Paired Samples Test									
		Paired Differences					T	df	Sig. (2-tailed)
		Mean	SD	SE	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pre-ROA Post-ROA	5.100	4.383	1.386	1.965	8.235	3.680	9	.005
Pair 2	Pre-ROE Post-ROE	11.600	6.114	1.933	7.226	15.974	6.000	9	.000
Pair 3	Pre-EPS Post-EPS	-8.800	10.163	3.214	-16.070	-1.530	-2.738	9	.023
Pair 4	Pre-NPM Post-NPM	1.300	3.234	1.023	-1.013	3.613	1.271	9	0.235

4.2. Proof of Hypotheses

1. Hypothesis (H1): ROA has significant impact on before and after mergers and acquisition

According to the result of the paired samples T- test revealed in Table2, the result from the table clearly shown that the pre and post mergers and acquisitions mean value of (ROA) is (5.100) with a T value (3.680) while the significant (2- tailed) analysis value is (0.005). Here the significant (2- tailed) analysis value comes less than the level of significant which is (0.05). This result illustrating that there is a significant impact between before and after the merger and acquisitions of companies. Therefore, hypothesis (H1) which stated that there will be significant impact on (ROA) before and after merger is accepted for this research.

2. Hypothesis (H2): ROE has significant impact on before and after mergers and acquisition

According to the result of the paired samples T- test revealed in Table 2, the pre and post-merger and acquisitions mean value of return on equity comes (11.600) with a T value (6.000). On the other hand, the significant 2 tailed test value comes (0.000) which is below the significant level of (0.05). The outcomes of the test confirm that there is a significant impact on return on equity on before and after merger and acquisitions of companies. Therefore, hypothesis (H2) which stated that there will be significant impact on ROE before and after Mergerand Acquisitions is accepted for this research.

3. Hypothesis (H3): EPS has significant impact on before and after mergers and acquisition

According to the result of the paired samples t- test revealed in Table 4.2, it is clearly shown that there is a significant relation between earning per shares of before and after merger and acquisitions. Because after the test the result comes for the mean value of pre and post-merger and acquisitions of earning per shares are(-8.800) while T values comes (-2.738). The significant 2 tailed test values come less than the significant level of (0.05) which is (0.023). This result confirms about the significant impact on earning per shares before and after merger and acquisitions. Therefore, hypothesis (H3) which stated that there will be significant impact on (EPS) before and after MergersandAcquisitions is accepted for this research.

4. Hypothesis (H4): NPM has significant impact on before and after mergers and acquisition

According to the result of the paired samples T- test revealed in Table 2, the paired sample result demonstrated that net profit margin of company is having insignificant relationship on pre-and post-merger and acquisitions of the companies. The result for the mean value is (1.300) comes with T value (1.271). The significant 2 tailed test values come greater than the significant level of (0.05) which is (0.235). On the other hand, descriptive table denotes that (NPM) decline (1.3%) from (10.40) to (9.10). Therefore, hypothesis (H4)which stated that there

will be significant impact on (NPM) before and after Mergers and Acquisitions is rejected for this research. This result can be happened because of the company complex organizational structures after the merger and acquisitions. Such as Ravenscraft and Scherer (1989) found that company's complex organizational structures, lessened managerial efficiency and losing the control of the authority can be causes of NPM decline after the (M & A). On the other hand, Mahesh and Prasad (2012) found that some internal and external factors of the company such as non-strategic decision from managers, higher expenses and financial charges and operational inefficiency is causes of (NPM) decline. He also mentioned that those factors affect (NPM) negatively and results to a significant lost. Outcomes from this research also confirm that hypothesis four is rejected and (NPM) of company is having insignificant relationship on mergers and acquisition.

4.3 Discuss and Summary of results

After the test the P value comes for the return of assets is (0.005) which are below the significant level (0.05). Here (ROA) is decreasing from (11.50) to (6.40) on mean. This research result is obeying others scholars result. Such as Ismail et al. (2009) conducted a research on Philippines manufacturing sector and found that return on assets decreased after their mergers and acquisitions. Yeh & Hoshino (2002) also found the same result what discover by this study as well. Research result is also illustrating that there is a significant impact on return on equity on before and after merger and acquisitions of the company. Here mean on (ROE) decrease from (28.30) to (16.70) with the P value (0.000) which is below than (0.05). Khrawish (2011) also found that after merger and acquisitions return on equity of company's rate reduce.

On the other hand, research result is describing that earning per shares after merger and acquisitions is increasing though the P value is still less than (0.05) which is (0.023). This result is also following some others research result. Such as Ahmed and Ahmed (2014) conducted a research on US companies and found that after merger and acquisitions earning on per shares increases significantly. But a different scenario is found regarding net profit margin. Here P value comes 0.235 which is greater the significant level (0.05). This result is stating that there is no significant relation between before and after of the merger and acquisitions of companies. Liargovas and Repousis (2011) found a similar result like this research though Nangja and Agrawal (2013) found a totally opposite result. They found that there is a significant relation between before and after of the merger and acquisitions of companies.

Table 3: Summary of the results

Hypothesis	Significant (2 Tailed) Result	Decision and Explanation
H1: ROA has significant impact on before and after mergers and acquisition	0.005	Accepted as the Significant (2 Tailed) Result is less than 0.05
H2: ROE has significant impact on before and after mergers and acquisition	0.000	Accepted as the Significant (2 Tailed) Result is less than 0.05
H3: EPS has significant impact on before and after mergers and acquisition	0.023	Accepted as the Significant (2 Tailed) Result is less than 0.05
H4: NPM has significant impact on before and after mergers and acquisition	0.235	Rejected as the Significant (2 Tailed) Result is greater than 0.05

This research has given the results of all the hypotheses used in the survey. According to the results of the research, the hypothesis (H1) was accepted and hypothesis (H2) also accepted. The hypothesis (H3) also revealed accepted, but hypothesis (H4) was rejected in the research.

5. Conclusions and Recommendations

5.1 Conclusions:

1. The main purpose of this research was to examine and analyze the pre and post (M & A) effects on company's performance among the listed companies on Iraq stock exchange during 2008 to 2013.
2. Four variables were used to measure the effect on financial performance. These variables were represented by the return on assets, return on equity, earning per shares and net profit margin. Descriptive and pair sampled T-test method were used to determine the (M & A) effects on company's performance. In data analysis and finding part, empirical result was presented and discussed as well.
3. Research found that return on assets, return on equity and earning per shares has significant effect on before and after merger and acquisition of companies.
4. This research found that net profit margin has insignificant relationship on per and post-merger and acquisition of companies.

5. This research can be concluded, by stating that ROA, ROE and EPS, has significant effect on (M & A) activities and as the NPM results comes insignificant then it's not having any effects on (M& A) activities.
6. From the descriptive statistical analysis and paired sample method analysis, the result outcomes permit to accept the hypothesis (H1). The result shows that the average mean value is reduced after the merger and acquisitions while the result of significant (2-tailed) test is below than the standard significant level (0.05). From the result it's clearly proved that there is a significant impact on return on assets before and after the merger and acquisitions.
7. From the test result, it can be seen that the average mean value of (ROE) is also reducing after the merger and acquisitions. From the paired sample test, it also can be seen that the significant (2-tailed) test is less than (0.05) which is the standard level of significant. So, here the again proved that there is a significant impact on return on equity on before and after merger and acquisitions.
8. The hypothesis (H3) was there is significant impact on (EPS) and found the significant (2-tailed) test is again less than (0.05) which denotes that third hypothesis is accepted. The average mean value of (ROE) is increasing after the merger and acquisitions. That's means companies earning per shares is increasing after the (M & A).
9. The descriptive statistical analysis is illustrating that the average mean value of (NPM) is decreasing but slightly. The mean value is reducing around 1% after the merger and acquisitions, but the significant (2-tailed) test is showing a different result. This time the result the coming (0.235), this is above the standard significant level (0.05). It means that the hypothesis (H4) is rejected as the result comes above of standard significant level. From this result, we can conclude the statement that result found there is no significant impact on net profit margin before and after merger and acquisitions.

5.2 Recommendations:

1. The investors should analyze the research's result seriously before starting their investment.
2. Investors should analyze the results of this research to develop a future strategy before starting a new process of mergers and acquisitions (M&A).
3. This research should be a guide for businessmen to benefit from its results before the decision to invest in mergers and acquisitions, because the research dealt with the use of financial performance indicators before and after mergers and acquisitions in companies.
4. The necessity for this research to be useful to investors in making economic decisions regarding their investments, in order to obtain the appropriate return on investment.
5. The investor should get an idea of the company's performance before and after the investment in mergers and acquisitions, as long as there is multiple financial performance indicators used in evaluating the performance of the companies.
6. The research's result must be lead to that which variable are most significant impact before and after merger and acquisitions and which are not, so the investors can be aware of that variables when they are going to take over another company.
7. The necessity for researchers to benefit from this research in order to develop their research on mergers and acquisitions, as they can use the results of the research as a reference for them, and here we mean researchers interested in conducting their research on the performance of mergers and acquisitions in the Iraq Stock Exchange, and even researchers from different countries of the world.
8. for the future researchers, it can be recommended that they can conduct their research with newly mergers and acquisitions companies with a large sample size as for this research the companies were taken from the period of 2008 to 2013 with a small sample size 10. A future research can be done with adding more variable like gross profit, financial leverage, return on capital employed, market value of share as this research was conducted base on only four variables.
9. A comparison research can be done between two same types sector to compare in order to see their differences during mergers and acquisition or a comparison research can be done between two stock exchanges from two different countries to check the differences during mergers and acquisition in different country context. To getting the more significant result research can be done on similar companies in a specific sector. As this research is used quantitate method further research can be done in mix-method for getting the more in-depth result.

References

- Abdallah, &Alnamri, (2015):" Non-financial performance measures and the BSC of multinational companies with multi-cultural environment an empirical investigation", October 2015, Cross Cultural Management an International Journal 22(4):594-607.
- Adedipe, (B.) (2005):" Thoughts on Nigerian Banking. The new Minimum Capitalization".
- AlamryMashkour (S.J.) (2019): "Analysis of Financial Statements", Al- Alalamiapress Samawah- Iraq.

- Bhabra, (H. S.), & Huang, (J.) (2013): "An empirical investigation of mergers and acquisitions by Chinese listed companies, 1997–2007". *Journal of Multinational Financial Management*, 23(3), 186-207.
- Bhatt, (P.) and Sumangala, (J.K.) (2012): "Impact of Earnings per share on Market Value of an equity share: An Empirical study in Indian Capital Market", *Journal of Finance, Accounting and Management*, 3(2), 1-14.
- Chatfield, (H.K.), Dalbor, (M.), & Ramdeen, (C.) (2011) : "Returns of merger and acquisition activities in the restaurant industry". *Journal of Foodservice Business Research*, 14(3), 189-205.
- Chemmanur, (T.), Ertugrul, (M.), & Krishnan, (K.) (2018) : "Is it the investment bank or the investment banker? A study of the role of investment banker human capital in acquisitions". *Journal of finance and quantitative analysis*, vol. 54 (2).
- Desyllas, (P.), Phelps, (C.), & Goossen, (M.) (2018) : "Alliance Network Relatedness and Performance in Acquisitions", management , strategy of organization, Centre for Research in Entrepreneurship and Innovation at Bath University, U.K.
- DeYoung, (R.), Evanoff, (D.D.), Molyneux, (P.), (2009): "Mergers and Acquisitions of Financial Institutions: A Review of the Post-2000 Literature". *Journal of Financial Services Research*, vol. 36, pp. 87-110.
- Dilshad, (M.N) (2013) : "Profitability Analysis of Mergers and Acquisitions: An Event Study Approach", *Business and Economic Research* Vol 3, No 1
- Gaughan, (J.B.), Mader, (T.L.), Holt, (S.M.), Hahn, (G.L.), & Young, (B. A.) (2002) : "Review of current assessment of cattle and microclimate during periods of high heat load. *Anim. Prod. Aust*, 24, 77-80.
- Gerasymenko, (V.), De Clercq, (D.), & Sapienza, (H. J.) (2015): "Changing the business model: effects of venture capital firms and outside CEOs on portfolio company performance. *Strategic Entrepreneurship Journal*, 9(1), 79-98.
- Ghosh, (A.) (2001): "Does operating performance really improve following corporate acquisitions?", *Journal of corporate finance*, 7(2), 151-178.
- Heikal, (M.), Khaddafi, (M.), & Ummah, (A. (2014) : "Influence analysis of return on assets (ROA), return on equity (ROE), net profit margin (NPM), debt to equity ratio (DER), and current ratio (CR), against corporate profit growth in automotive in Indonesia Stock Exchange. *International Journal of Academic Research in Business and Social Sciences*, 4(12), 101.
- Jallow, (M.S.), Masazing, (M.) & Basit, (A.) (2017) : "The effects of mergers & acquisitions on financial performance: case study of UK companies, *International Journal of Accounting & Business Management*, Vol. 5 (No.1), April
- Jordao, (R.V.D.), Souza, (A.A.), & Avelar, E. A. (2014) : "Organizational culture and post-acquisition changes in management control systems: An analysis of a successful Brazilian case. *Journal of Business Research*, 67(4), 542-549.
- Kemal, (M.U.) (2011): "Post-merger profitability: A case of Royal Bank of Scotland (RBS). *International Journal of Business and Social Science*, 2(5), 160.
- Kouser, (R.) and Saba, (I.), (2011): "Effects Of business combination on financial performance: Evidence from Pakistan's banking sector. *Australian Journal of Business and Management Research*, 1(8), p.54.
- Leopez, Abt, Dvorak, Hodge, & Phillips, (2018): "Tree breeding model to assess financial performance of pine hybrids and pure species: deterministic and stochastic approaches for South Africa, *New Forests* (2018) 49:123–142, USA.
- Li, (C.A.) and Pan, (K.M.), (2013): "A Theory of Mergers and Acquisitions: Synergy, Private Benefits, or Hubris. Hypothesis. <http://gebrc.nccu.edu.tw/proceedings/APDSI/2013/proc/P130215004.pdf> (Retrieved at 20-3-2021).
- Malakar, (B.) and Gupta, (R.) (2002): "Determinants of Share Price-A System Approach: The Modified Model, *Finance India*, 16(4), 1409-1418.
- Martynova, (M.), Renneboog, (L.), (2008): "A century of corporate takeovers: What have we learned and where do we stand? *Journal of Banking & Finance*, vol. 32, pp. 2148-2177.
- Masud, (N.) (2015): "Impact of Merger and Acquisition on Financial Performance of Banks: Evidence from Pakistan. *Research Journal of Recent Sciences* Vol. 4(5), 108-113. <http://www.isca.in/rjrs/archive/v4/i5/18.ISCA-RJRS-2014-229.pdf>. (Retrieved at 20-3-2021).
- Nangja and Agarwal, (N.) (2013): "Psychological Pricing in Mergers & Acquisitions. Master's thesis, School of Mathematics & Geospatial Sciences, RMIT University.
- Ooghe (H.), Laere E V and Langhe (T.D.) (2006) "Are Acquisitions Worthwhile? An Empirical Study of the Post-Acquisition Performance of Privately Held Belgian Companies", *Small Business Economics*, Vol. 27, Nos. 2/3, pp. 223-243.
- Ozkan, (N.), Cakan, (S.), & Kayacan, (M.) (2017) : "Intellectual capital and financial performance: A study of the Turkish Banking Sector. *Borsa Istanbul Review*, 17(3), 190-198.
- Pazarskis, (M.), Vogiatzoglou, (M.), Christodoulou, (P.) & Drogalas, (G.) (2006) : "Exploring the Improvement of Corporate Performance after Mergers – the Case of Greece, *International Research Journal of Finance and Economics*, Issue 6, pg 184 – 192.

- Ravenscraft, (D.J.), & Scherer, (F.M.) (2011). "Mergers, sell-offs, and economic efficiency. Brookings Institution Press.
- Rinati, (Ina.) (2001) "Pengaruh Net Profit Margin (NPM), Return On Assets (ROA), and Return On Equity (ROE) Terhadap Harga Saham Perusahaan yang Tercantumkan dalam Indeks LQ45". *Jurnal Ekonomid dan Manajemen*, Vol. 1, No. 2, Tahun 2001: 119-131.
- Shilpa, Gupta 2010:" Performance evaluation of two methods for online monitoring of linear calibration profiles, *International journal of production research*, Vol. 44 (10).
- Sonia Sharma, (2013):" Measuring Post Merger Performance–A Study of Metal Industry, *International Journal of Applied Research and Studies (IJARS)* Volume II, Issue 8 (Aug - 2013).
- Thomson, (I.)& Nichols, (S. (2010):"Top 10 technology company mergers. PC & Tech Authority.
- Wagner, (D.), Block, (J.H.), Miller, (D.), Schwens, (C.), & Xi, (G.) (2015): "A meta-analysis of the financial performance of family firms": Another attempt. *Journal of Family Business Strategy*, 6(1), 3-13.
- Waldman, (D.A.), & Javidan, (M). (2009):"Alternative forms of charismatic leadership in the integration of mergers and acquisitions. *The Leadership Quarterly*, 20(2), 130-142.
- Wang, (D.) and Moini, (H.), (2012):" Motives for Cross-border Mergers and Acquisitions: Some Evidence from Danish Firms. [http://vbn.aau.dk/files/74813307/Motives for Cross border Mergers and Acquisitions.pdf](http://vbn.aau.dk/files/74813307/Motives%20for%20Cross%20border%20Mergers%20and%20Acquisitions.pdf) (Accessed at 22/10/2016).
- Whitaker, (S.C.) ((2012) : "Mergers & acquisitions integration handbook: helping companies realize the full value of acquisitions (Vol. 657). John Wiley & Sons.
- Zhao, (X.), & Murrell, (A.J.) (2016): "Revisiting the corporate social performance-financial performance link: A replication of Waddock and Graves. *Strategic Management Journal*, 37(11).

Author Information

Prof. Dr. Saoud Chayed Mashkour
Mazaya University College, Iraq

Amer Abdul Sada Khlaif
Al-Muthanna Governance, Iraq

Imad Kadhim Imran
Al-Muthanna Governance, Iraq
