

The effect of mergers and acquisitions
on the efficiency and profitability
of EC credit institutions

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Abstract

Based on a sample of 492 takeovers we examine the performance effects of acquisitions and mergers between EC credit institutions over the period 1988-1993. The sample is subdivided according to the degree of managerial leverage on the part of the acquirer and the degree of operational integration. The results indicate that domestic mergers among equal-sized partners significantly increase the performance of the merged banks. Improvement of cost efficiency is also found in cross-border acquisitions. On the other hand, domestic majority and integral acquisitions are found to be influenced predominantly by defensive and managerial motives such as size maximization. (JEL G21, G34)

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