

Measuring value creation in bank mergers and acquisitions^{*}

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Abstract

This paper analyses the market reaction to M&A in the banking sector, particularly interesting because of the higher complexity of corporate governance and the importance that the M&A activity has had in recent years in Europe, especially in Italy. In this research we perform an event study on the Italian market (in the period 1994-2003) with two main goals: first we observe if and when there is a positive value creation, and when private benefits of control represent one of the drivers of the operations; second we investigate the determinants of our results, looking at the characteristics of the banks, regulation, the role of minority shareholders and that of the Bank of Italy.

In our research the methodology used and the hypotheses about the event date play a fundamental role, and we show that earlier studies focused too much on the choice of the methodology and too little on the identification of the event date, which proves instead to have higher impact on results.

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