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Financial Deepening, Banking Stability and Cross-border M&A Activity - Evidences from Emerging Countries

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Abstract: This study investigates the effect of financial deepening, banking stability and market structure on cross-border M&A activity in 13 emerging countries with data covering the period, 2003-2010. We show the empirical results of panel regression by sub grouping portfolio based on whether the firms are acquirer or target to cross-border M&A activity. For acquiring countries, the results show a significantly positive effect of the deepening indicator in cross-border M&A activity. Moreover, bank stability on the acquiring firms investing in the cross-border M&As shows a significantly positive effect. For targeting countries, the results show a significantly positive impact of the deepening indicator in cross-border M&A activity. A positive relation between the ratio of the amount of credit provided by banks and other financial institutions to the private sector to GDP in cross-border M&A activity is found as well. These findings imply that not only financial depth but also banking stability promotes cross-border M&A activity for emerging economies.

Keywords: *Foreign direct investment, Financial deepening, Banking stability, Mergers and acquisitions, Cross-border M&As*

1. Introduction

For a multinational corporation, there are different modes of foreign direct investment (FDI). It can choose "Greenfield" investment, i.e., invest in new assets or firm in the host country from scratch; or, it can choose merger or acquisition of a local pre-existing firm (mergers and acquisitions, M&A). Since 1990s, there has been merger wave and has become important part of foreign direct investment globally. Calculating from the Securities Data Corporation (SDC) Mergers and Acquisitions database, Table 1 captures the M&A activity around the world and shows that in 2003 the value of completed M&A deals was US$ 1.32 trillion, US$ 2.6 trillion in year 2005, and US$ 3.9 trillion in year 2007 right before subprime crisis hit the global economy in 2007-2008. In 2003, the value of cross-border M&A deals was about US$ 325 billion, with 24.6% of the total value of M&As. In 2005, cross-border M&A deals value was increased to US$ 882 billion (34% of the total value of M&A deals), and reached to the highest US$1.7 trillion in 2007 (43% of the total value of M&A deals). According to the data from United Nations Conference on Trade and Development (UNCTAD, 2012), cross-border M&As constitute a quite large portion of global

FDI flows. In 2007, it reached the highest share with about 80% in the years of merger waves. Even after the 2007-2008 financial crisis, the ratio of cross-border M&As and global FDI flows was reaching about 60% though in the year of 2011.

In traditional literature wisdom, financial development plays a key role in our understanding of sustainable economic development. More deep financial market mainly measured by liquidity could provide firms necessary capital to invest. To a large extent, it supports the view that the development in financial sectors, both of financial institution and financial market, which enhances the investment activity and leads to sustainable development of the whole economy. Thus it implies that the financial market deepening should be encouraged. However, the 2007-2008 financial crises raise the question: whether the financial deepening helps the development of the economy? The cross-border M&A activity, one of the mechanisms that enhance economic growth, needs financial source from the financial market. Therefore the stability of the financial system with respect to banking sector remains one of important issues. This study illustrates how the financial depth and banking stability might provide further insight into the cross-border M&A activity for the emerging countries. We contribute to the existing literature by investigating whether the increase of financial deepening affect flows of cross-border M&As. The structure of the paper is organized as follows. Section 1 reviews the literature regarding financial deepening and mergers and acquisitions. Section 2 describes the data and depicts the empirical methodology. Section 3 reports econometric results. Section 4 provides some preliminary conclusions and outlines directions for future research.

2. Literature Review

In the relative financial deepening literature, Beck & Demirguc-Kunt (2006, 2009, 2010) introduce the updated version of the Financial Development and structure Database and depict trends in development of financial markets and financial institutions across countries. They show that financial systems across the world deepened over the past decades with much of the deepening, concentrated in high-income countries though. This financial deepening has taken place as much as in stock market, bond market, and in banking as well. The Financial Development and Structure Database collects many indicators covering several categories: indicators of the size of the financial system, the banking system - size, structure, efficiency and stability, indicators of capital markets and insurance sector, indicators of financial globalization, and indicators of financial structure. Klein & Olivei (2008) examine the impact of the capital account liberalization on financial deepening and economic growth, and they find developed countries which chose opening capital accounts had greater increase in financial deepening and greater economic growth for over the periods 1986-1995 and 1976-1995.

In the M&A literature, Harford (2005) uses a sample of industry-lever merger waves in the 1980s and 1990s and compares directly two general classes of viewpoints, the neoclassical model and the behavioral

model, in explaining what causes merger waves. Neoclassical hypothesis of M&A waves argue that mergers waves result from economic disturbance, such as technological or industrial change, that leads to industry reorganization and assets reallocation (see, for example, Mitchell & Mulherin, 1996; Jovanovic & Rousseau, 2002; Jovanovic & Rousseau, 2008). Meanwhile, behavioral explanations of M&A waves argue that M&A merger waves are driven mostly by stock market valuations. When managers use timing of market overvaluations of their stock to buy the lower-values firms leads the merger waves (see, for example, Shleifer & Vishny, 2003; Rhodes-Kropf & Viswanathan, 2004; Rhodes-Kropf et al., 2005; Ang & Cheng, 2006; Bouwman et al., 2009). Harford (2005) modifies the neoclassical model with considering a role for capital liquidity, in which this macro-level capital liquidity offering relative low transaction costs to support a large volume of M&A activity. The empirical findings in Harford paper support the neoclassical viewpoints, namely, causes of industry merger waves are economic, technological, or regulatory, rather than market-timing.

Alexandridis et al. (2011) depict the sixth merger wave that started in 2003 and came to an end about in mid-2007 by using the U.S. sample. During the sixth merger wave, their empirical results show that acquirers continue to realize significant losses around announcements with cash financed deals no longer create value for acquiring firm shareholders, and stock-swap deals continue to result in extensive losses. They also find that acquirers are less overvalued relative to the 1990s, with more cash financing rather than equity financing. Thus, they support the drivers of the sixth merger wave are more consistent with neoclassical explanations of merger waves. That is, low financing rate and plenty cash balances result in sufficient capital liquidity to back up the booming period. By examining merger patterns for both listed and unlisted firms in the United Kingdom, the United States and Continental Europe from 1991 to 2004, Gugler et al. (2012) demonstrate that the causes of merger waves are as predicted by behavioral theories. The mergers wave literature gives fruitful discussion about the causes and characteristics on the mergers activity, and point out the important of capital liquidity, in which that support the industry-lever merger waves.

Another branch of the major mergers and acquisitions literature compare domestic and cross-border M&A activities, especially cross-border M&A involving the capital flow across border and corporate control reallocation at the international level. For example, di Giovanni (2005) raises the question: how financial deepening within a country can aid its firms in investing abroad? He finds that one financial deepening variable, the stock market capitalization to GDP ratio, has a positive significant relationship with domestic firms investing abroad via mergers and acquisitions. His finding highlights the importance of financial market deepening appears to be encouraging. The literature suggests that financial depth seems to play a significant role in outflows of M&As. However, since the global economy hit by the 2007-2008 financial crisis, it raises the important issue of the stability of the financial system, especially of the banking sector. The increasing inflows or outflows of cross-border M&As usually incur with greater financial deepening (for instance, the size of financial markets measured by the stock market

capitalization to GDP) might not convey transaction effectively without considering the stability of the financial institution.

3. Methodology

Data: We retrieve the firm-level mergers and acquisitions data from Securities Data Corporation (SDC) Mergers and Acquisitions database, which provides a more complete coverage on the international M&As activity. Data on financial depth and banking risk are obtained from Financial Development and Structure Database. We also construct the country-level market structure of the banking industry index from Bankscope database. There are four indicators conducted in this paper in measuring financial deepening of the acquiring firm's country in the M&A procedure. The first measure is a traditional indicator of financial depth provided by King & Levine (1993), liquidity liabilities to GDP (LIL). It is the value of the currency plus demand and interest-bearing liabilities of all financial intermediaries divided by GDP. This index is a typical measure of financial deepening because of its reflecting the overall size of the financial intermediary institutions. The second one is a measure of stock market capitalization to GDP (STOCKCA). It is value of listed shares divided by GDP and captures the size of the stock market relative to the size of the economy. The third measure is stock market total value traded to GDP (STOCKTR), and equals total shares traded on the stock market exchange divided by GDP. In the developing world, the banking sector plays the important role in providing funds for private sector to invest domestically and abroad. Therefore we also employ the forth measure of financial deepening indicator PRICREDIT, which equals the ratio of the amount of credit provided by banks and other financial institutions to the private sector to GDP.

In order to depict the stability of the banking industry, the ZINDEX is employed. It is the ratio of return on assets plus capital-asset-ratio to the standard deviation of return on assets. That is, a higher ZINDEX value means that the banking sector is more stable. These data are from Financial Development and Structure Database, and available at http://econ.worldbank.org/programs/finance. Two measures of M&A activity are the value of the completed M&A deals (MA), and the value of the cross-border M&A (CBMA). These indicators are collected from Securities Data Corporation (SDC) Mergers and Acquisitions database based on the perspective of acquirer firms and target firms respectively. We construct the panel data based on whether the ZINDEX data are completed or not, and then 13 emerging countries meet the requirements. Additionally, two variables which depict the characters of banking industry are considered. One is Herfindahl-Hirschman index (HHIA) which is defined as 10,000 times the square of the ratio of asset of bank i divided by total amount of assets for all banks in one specific country. The variable HHIA is country-level indicator of bank industry concentration and the higher value the greater market concentration is. The variable CAP denotes the Tier 1 capital ratio which is defined as Tier 1 capital divided by total risk weighted assets and used to measure the financial health of a bank. The 1988 Basle Accord established an international definition of bank capital that divides bank capital into two tiers: Tier 1 capital and Tier 2 capital. In order to conduct more meaningful cross-country comparisons, we here use

Tier 1 capital rather than Tier 2 as the analytical basis. Since the measurement of Tier 2 capital across countries is quite different.

Empirical Model Design: In order to examine the effect of financial deepening on the cross-border M&A activity, we first estimate the model (1) expressed as the following:

$$CBMA_ACQ_{it} = \beta_0 + \sum_{i=1}^{N} \beta_i FD_{it} + \sum_{j=1}^{M} \beta_j BANK_{it} + \mu_{it} \qquad (1)$$

$CBMA_ACQ_{it}$ is outflows of cross-border M&As for acquiring country *i* in time *t*. FD_{it} is the financial depth variables for country *i* at year *t*. $BANK_{it}$ is the banking stability and market structure variables for country *i* in time *t*. This model allows us to investigate how the variables of financial depth, stability and market structure affect M&A activity. Model (2) is expressed in the following. It allows us to examine whether the financial deepening variables and banking stability affect inflows of cross-border M&As.

$$CBMA_TAR_{it} = \beta_0 + \sum_{i=1}^{N} \beta_i FD_{it} + \sum_{j=1}^{M} \beta_j BANK_{it} + \varepsilon_{it} \qquad (2)$$

where the dependent variable $CBMA_TAR_{it}$ is transaction value of cross-border M&A deals for targeting firms in country *i* at year *t*. With an effort to pool time-series and cross-section data, we utilize the materials to analyze the sample by using the panel data approach. The panel data analysis, involving at least two dimensions of cross-sectional and time series, provides a more accurate inference of model parameters and the possibility of uncovering dynamic relationships for aggregate data analysis. (See, for example, Hsiao 2003, 2007; Baltagi 2008).

4. Empirical Results

A summary of total and cross-border M&A transaction value, broken down by the country and year, is shown in the Table 2. We also partition the data into two portfolios for 13 emerging countries: the acquiring country in which the firms are acquirers in the M&A activity; the targeting countries in which the firms are targets. The data set comprises of 17,061 acquiring deals with 3,221 of cross-border M&As deals and 20,542 targeting deals with 6,159 of cross-border deals in those emerging economies over the period 2003-2010. During the period the total value of acquiring deals is US$1.356 trillion with US$439.985 billion of cross-border M&As. The total value of targeting deals is US$1.601 trillion with US$673 billion of cross-border M&As. The majority of M&As and cross-border M&As occurred in China, Korea, India, Malaysia and Thailand with sharp decline M&A activity accompanied by the 2009 global financial crisis.

Table 3 presents descriptive statistics for the variables employed in this study. The mean of LIL (the ratio of the currency plus demand and interest-bearing liabilities of all financial intermediaries to GDP) is 65.451 with a range from 24.809 (Mexico) to 145.791 (China). The mean of STOCKCA (the ratio of listed shares to GDP) is 53.929 with a range from 24.756 (Hungary) to 131.782 (Malaysia). The mean of

STOCKTR (the ratio of the total share traded on the stock market exchange to GDP) is 37.825 with a range from 3.423 (Argentina) to 137.412 (Korea). The mean of the last financial deepening variable, PRICREDIT (the ratio of the amount of credit provided by banks and other financial institutions to the private sector to GDP) is 55.902 with a range from 12.430 (Argentina) to 108.962 (China). Regarding bank stability, the mean of the ZINDEX (the ratio of return on assets plus capital-asset-ratio to the standard deviation of return on assets) is 16.935 with a range from 3.764 (Thailand) to 24.816 (Indonesia). The sample mean of market structure variable, HHIL (the Herfindahl-Hirshman index) is 1410.421with a range from 749.301 (Malaysia) to 5585.336 (Chile). Except for Chile, the average numbers of HHIL for countries are below 1,600 with which indicating a quite competitive market structure for the banking sectors in those emerging countries. The sample mean of variable CAP (Tier 1 capital ratio) is 27.336 with standard deviation 24.944, denoting all countries meet 8 percent of the minimum capital base mandated by the Basle Accord.

Table 4 shows the empirical results on the effect of financial deepening, banking stability and banking market structure on cross-border M&A activity. We present results of panel regressions of cross-border M&A activity by breaking down the sample according to whether the firms in the specific country are acquirer or target. We first discuss the position that cross-border M&As of acquiring countries with the firms are acquirers in the M&A activity. Given empirical results in model 1-1 to model 1-3, it shows a significantly positive effect of one of the financial depth indicators, STOCKTR (total shares traded on the stock market exchange divided by GDP), on cross-border M&A activity. This suggests that the financial depth in the country enhances the acquiring firms' investment for the cross-border M&As. The finding also shows that significantly positive effect of bank stability enhances the acquiring firms' investment on the cross-border M&As. The sign on ZINDEX that indicates the stability of the bank system is positive as expected. The stable banking system is likely to matter because the acquiring firm may want to raise funds from the domestic financial system in which the banks play an essential role. A more developed stock market and a more stable banking system facilitate fundraising process and obtain valuable information for the acquiring firm. To sum up, the empirical results show the financial deepening and stability of the banking system significantly influences cross-border M&As in emerging markets.

We now discuss the panel results from targeting country's perspective. The findings given in model 2-1 to model 2-3 in Table 4 show a significantly positive effect of STOCKCA (value of listed shares divided by GDP) on cross-border M&A activity. This suggests that the development of stock market in the targeting country encourages the foreign company's investment domestically via M&A activity. We also find a positive relation between PRICREDIT (ratio of the amount of credit provided by banks and other financial institutions to the private sector to GDP) and cross-border M&As. The result indicates that with more available credit provided by banks and financial institutions in the target countries, the motivation of raising funds with cross-border M&As by taking advantage of reducing the foreign exchange rate exposure is warranted. Therefore, the deepening financial market exerts profound effect. More importantly, as our

empirical results show that the stability of banking system inevitably remains an essential ingredient when corporations implement financial activity.

5. Conclusion

This study investigates the effect of financial deepening, banking stability on cross-border M&A activity in 13 emerging countries with the data covering the period 2003-2010. In this paper we develop an empirical framework that investigates the influence of the financial deepening and bank stability on the outflows and inflows of cross-border M&As. For acquiring countries in which the firms are acquirers in the M&A activity, the empirical findings show that there is a positive and significant impact of the financial deepening indicator (the ratio of total shares traded on the stock market exchange to GDP) on cross-border M&A activity. It also shows that the acquiring firms are encouraged by bank stability to invest on cross-border M&As. For targeting countries in which the firms are targets, the results show a significantly positive impact of the deepening indicator (value of listed share to GDP) on cross-border M&A activity. There exists positive relation between the ratio of the amount of credit provided by banks and other financial institutions to the private sector to GDP in cross-border M&A activity is found in the empirical results as well. The results of the study highlights the fact that financial depth and banking stability promotes cross-border M&A activity in our sample.

To a large extent, cross-border M&A is a tool taken by firms to foster the development of the economy. The cross-border M&A activity has become a highly popular form of corporate investment activity as well. The findings in this paper consist in the traditional literature wisdom in which financial development plays a key role with economic development. The data set used in this study offers the opportunity to address several other interesting questions for further research. One important issue is the consequence of the inflows of M&As on the target country's economic development, especially for the employment problem. Another issue is what the relations between the relationship banking and M&As. Furthermore, exploring how different the financial deepening, banking stability and other macroeconomic factors influence the M&A activity for developing and developed countries would be an interesting avenue of research.

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Table 1: Global Completed M&A Transaction Value (billion US$)

This table depicts the global completed M&A transaction value. MA presents the completed M&A transaction value. CBMA is the completed cross-border M&A transaction value. CBMA/MA presents the ratio of cross-border M&A value and M&A value. Mean_MA and Mean_CBMA are the average of M&A and cross-border M&A transaction value respectively.

Year	MA		CBMA		CBMA/MA	Mean_MA	Mean_CBMA
2003	1,320.33		325.33		0.246	0.118	0.029
2004	1,859.34	41%	569.68	75%	0.306	0.150	0.046
2005	2,591.59	39%	882.35	55%	0.340	0.192	0.065
2006	3,373.60	30%	1,077.66	22%	0.319	0.229	0.073
2007	3,909.59	16%	1,695.27	57%	0.434	0.236	0.102
2008	2,418.95	-38%	928.63	-45%	0.384	0.163	0.063
2009	1,725.09	-29%	456.82	-51%	0.265	0.140	0.037
2010	1,812.65	5%	705.49	54%	0.389	0.150	0.058

Table 2: Summary of M&A Activity in 13 emerging economies

This table represents the M&A transaction value and Cross border M&A value for 13 emerging countries by two portfolios: the acquiring country in which the firms are acquirers in the M&A activity; the targeting countries in which the firms are targets. The variables MA_Acq (MA_Tar) and CBMA_Acq (CBMA_Tar) indicate the acquiring country's (targeting country's) M&A and cross-border M&A transaction value, respectively. Figures are in millions of U.S. dollars. Sum and Mean denote the total amount and average value for variables M&A and CBMA, respectively. Max and Min present the maximum and minimum values respectively. The variable No indicates the completed deals of the M&A and CBMA transactions

respectively.

		Acquirer						Target					
Nation	**Year**		**Sum**	**Mean**	**Max**	**Min**	**No**		**Sum**	**Mean**	**Max**	**Min**	**No**
All countries													
	2003	MA_Acq	64946.67	44.30196	9675.828	0.001	1466	MA_Tar	80368.6	44.0859	9675.828	0.001	1823
		CBMA_Acq	15093.08	54.48764	1766.253	0.003	277	CBMA_Tar	29230.42	52.38427	1171.698	0.003	558
	2004		53013.94	31.3692	7758.006	0.001	1690		84009.51	38.32551	3973.545	0.003	2192
			19188.92	65.26843	7758.006	0.001	294		49157.46	69.33351	3973.545	0.005	709
	2005		110576.2	68.21479	8063.007	0.003	1621		181795.7	86.61064	8063.007	0.002	2099
			33956.85	105.1296	4141.179	0.01	323		104578.3	138.5143	7067.425	0.002	755
	2006		217877.1	114.6722	31756.68	0.002	1900		228632.1	95.82235	31756.68	0.002	2386
			81232.07	212.6494	17150.3	0.003	382		90899.35	111.3963	5626.575	0.002	816
	2007		255575.4	102.353	16984.45	0.001	2497		301895.8	100.1977	16984.45	0.001	3013
			81570.61	149.1236	5616.671	0.002	547		127431.9	125.7966	12748	0.002	1013
	2008		247496.4	82.27939	10309.09	0.001	3008		280738.1	81.34979	10309.09	0.001	3451
			65137.26	121.5247	2500	0.001	536		94928.89	104.778	3492.52	0.001	906
	2009		172131.9	69.35208	5179.812	0.001	2482		185966.7	66.01587	5179.812	0.001	2817
			43897.53	113.138	3936.601	0.002	388		55361.82	86.09925	3787.537	0.001	643
	2010		234414.3	97.79486	17807.35	0.001	2397		257979.9	93.43711	17807.35	0.001	2761
			99908.73	210.7779	10700	0.001	474		121652	160.2794	9742.793	0.001	759
	Total		1356032	79.48138	31756.68	0.001	17061		1601386	77.95669	31756.68	0.001	20542
			439985	136.5989	17150.3	0.001	3221		673240.2	109.31	12748	0.001	6159
Argentina													
	2003	MA_Acq	765.76	40.30	150.00	1.5	19	MA_Tar	1184.12	33.83	180.00	0.451	35
		CBMA_Acq	409.56	45.51	150.00	2	9	CBMA_Tar	898.42	35.94	180.00	0.451	25
	2004		746.76	41.49	315.00	0.269	18		2882.47	87.35	1520.00	0.269	33
			468.58	66.94	315.00	0.269	7		2604.30	118.38	1520.00	0.269	22
	2005		1056.38	88.03	650.04	1.002	12		2066.10	98.39	1025.17	0.35	21
			335.32	67.06	119.97	1.002	5		1341.84	111.82	1025.17	0.35	12
	2006		4523.10	282.69	3095.57	0.797	16		4787.39	111.33	1200.00	0.159	43
			3527.70	587.95	3095.57	18	6		3780.49	121.95	1200.00	0.159	31
	2007		9504.42	297.01	2234.99	1	32		8140.39	125.24	2234.99	0.117	65
			4987.89	356.28	2212.17	1	14		3622.36	78.75	1000.00	0.117	46
	2008		1889.00	67.46	888.33	0.3	28		1954.47	43.43	888.33	0.156	45
			1553.82	110.99	888.33	0.3	14		1485.80	53.06	888.33	0.156	28
	2009		686.96	24.53	407.49	0.016	28		2246.84	46.81	850.00	0.016	48
			480.07	80.01	407.49	1.375	6		2036.46	84.85	850.00	0.138	24
	2010		725.89	26.88	250.00	0.115	27		7128.11	154.96	3100.00	0.04	46
			222.52	17.12	75.03	0.115	13		6498.46	232.09	3100.00	0.04	28
	Total		19898.27	110.55	3095.57	0.016	180		30389.88	90.45	3100.00	0.016	336
			11985.47	161.97	3095.57	0.115	74		22268.13	103.09	3100.00	0.04	216
Brazil													
	2003		10687.50	194.32	2330.37	0.088	55		15532.58	189.42	2330.37	0.088	82
			1722.73	90.67	757.16	0.088	19		6554.37	145.65	830.00	0.088	45
	2004		16006.87	228.67	7758.01	0.139	70		16452.99	155.22	3973.55	0.139	106
			9713.81	359.77	7758.01	0.463	27		10084.53	165.32	3973.55	0.39	61
	2005		8169.21	148.53	1025.17	0.061	55		10418.73	124.03	856.65	0.061	84
			6561.26	226.25	1025.17	0.061	29		8808.73	154.54	856.65	0.061	57
	2006		35598.71	413.94	17150.30	0.14	86		28804.12	223.29	5626.58	0.118	129
			22466.07	1069.81	17150.30	5.088	21		15671.48	244.87	5626.58	0.118	64
	2007		26946.12	123.61	1749.21	0.183	218		35520.23	135.57	2451.00	0.075	262
			9659.75	197.14	1749.21	0.183	49		18214.67	197.99	2451.00	0.075	92
	2008		73400.59	327.68	10309.09	0.001	224		85143.75	322.51	10309.09	0.001	264
			6960.80	151.32	943.69	0.001	46		18702.96	220.03	3492.52	0.001	85
	2009		40493.79	337.45	5179.81	0.077	120		51305.87	333.16	5179.81	0.053	154
			3576.24	123.32	850.00	0.077	29		14360.69	239.34	1777.43	0.053	60
	2010		38596.45	250.63	4131.91	0.007	154		73020.32	354.47	9742.79	0.007	206
			14005.97	359.13	2544.33	0.263	39		47762.48	555.38	9742.79	0.252	86
	Total		249899.20	254.48	17150.30	0.001	982		316198.60	245.69	10309.09	0.001	1287
			74666.64	288.29	17150.30	0.001	259		140159.90	254.84	9742.79	0.001	550
Chile													
	2003		2191.53	95.28	570.77	0.2	23		2382.57	88.24	570.77	0.2	27
			262.52	52.50	241.83	2.064	5		359.06	44.88	188.84	1.399	8
	2004		1697.26	51.43	315.00	0.565	33		3203.67	64.07	1304.17	0.565	50
			488.13	69.73	315.00	7.8	7		1871.54	81.37	1304.17	1.117	23
	2005		3129.66	240.74	934.00	4.678	13		3827.78	159.49	934.00	4.678	24
			616.00	205.33	309.00	7	3		1314.12	93.87	505.08	5	14
	2006		1172.33	65.13	341.50	1.86	18		3994.37	133.15	1514.21	0.23	30
			189.97	27.14	72.00	1.86	7		3011.76	167.32	1514.21	0.23	18
	2007		3473.17	108.54	875.80	0.621	32		8568.94	186.28	875.80	0.046	46
			1422.99	88.94	500.00	0.621	16		6518.76	217.29	829.25	0.046	30
	2008		1708.47	65.71	240.00	1.91	26		8537.06	185.59	1550.56	0.4	46
			569.67	63.30	160.37	3.25	9		7310.16	252.07	1550.56	0.4	29
	2009		4476.17	87.77	1429.61	0.002	51		5062.44	82.99	924.00	0.002	61
			2296.67	143.54	1429.61	0.15	16		2882.94	110.88	924.00	0.027	26

	2010	2198.55	40.71	500.60	0.001	54	6659.76	99.40	875.00	0.001	67
		537.00	28.26	93.74	0.16	19	4966.40	165.55	875.00	0.155	30
	Total	20047.15	80.19	1429.61	0.001	250	42236.58	120.33	1550.56	0.001	351
		6382.95	77.84	1429.61	0.15	82	28234.74	158.62	1550.56	0.027	178
China											
	2003	19331.29	36.82	9675.83	0.036	525	23612.10	33.59	9675.83	0.036	703
		1716.09	34.32	355.99	0.07	50	5632.23	28.02	600.00	0.068	201
	2004	11727.43	16.78	2353.68	0.01	699	19501.59	20.81	2353.68	0.01	937
		1670.11	26.10	530.70	0.02	64	8872.49	33.23	2000.00	0.018	267
	2005	15115.54	27.94	4141.18	0.012	541	38611.77	49.69	7067.43	0.012	777
		7199.31	107.45	4141.18	0.033	67	30326.72	105.30	7067.43	0.012	288
	2006	27789.32	51.75	3501.00	0.021	537	31243.77	41.83	3100.00	0.047	747
		14267.89	187.74	3501.00	0.021	76	16841.15	66.04	3100.00	0.071	255
	2007	64848.53	77.66	5616.67	0.01	835	49390.29	47.31	2835.80	0.01	1044
		30364.01	212.34	5616.67	0.013	143	14774.38	44.10	1012.13	0.013	335
	2008	76410.11	82.25	9562.33	0.013	929	76143.41	69.98	9562.33	0.013	1088
		15121.67	101.49	2473.59	0.015	149	13168.68	47.37	1350.83	0.015	278
	2009	51238.02	89.42	2806.88	0.013	573	49973.59	78.33	3787.54	0.003	638
		18038.10	154.17	2806.88	0.029	117	15129.96	90.60	3787.54	0.003	167
	2010	57480.07	102.10	7580.23	0.013	563	36456.44	54.82	7580.23	0.013	665
		32141.47	272.39	7111.00	0.013	118	10787.07	54.48	886.53	0.013	198
	Total	323940.30	62.27	9675.83	0.01	5202	324933.00	49.24	9675.83	0.003	6599
		120518.60	153.72	7111.00	0.013	784	115532.70	58.09	7067.43	0.003	1989
Czech Rep.											
	2003	1315.23	131.52	1050.00	0.516	10	2305.40	88.67	1050.00	0.082	26
		141.24	70.62	140.72	0.516	2	1053.68	65.86	435.00	0.082	16
	2004	1085.37	120.60	344.85	0.449	9	2199.07	104.72	641.64	0.082	21
		699.38	233.13	344.85	15.5	3	1813.08	120.87	641.64	0.082	15
	2005	820.90	136.82	363.31	0.012	6	10580.51	406.94	4400.00	0.012	26
		341.27	113.76	194.21	45.234	3	10100.87	459.13	4400.00	0.166	22
	2006	1617.55	134.80	300.00	0.351	12	2472.73	85.27	517.95	0.351	29
		1268.25	181.18	300.00	14.44	7	2123.44	88.48	517.95	0.68	24
	2007	5492.88	343.31	2782.60	0.14	16	8885.91	306.41	4893.30	0.164	29
		2540.54	195.43	1298.76	0.14	13	5933.57	228.21	4893.30	0.164	26
	2008	864.92	96.10	600.00	0.73	9	2740.86	94.51	1951.68	0.01	29
		845.72	169.14	600.00	2.17	5	2721.66	108.87	1951.68	0.01	25
	2009	1682.54	76.48	513.86	0.509	22	2853.99	92.06	658.38	0.509	31
		1240.11	112.74	513.86	1.422	11	2394.57	140.86	658.38	1.422	17
	2010	1379.03	51.08	687.48	1.251	27	2992.80	62.35	763.91	0.072	48
		233.39	46.68	177.02	1.308	5	1831.82	76.33	763.91	0.072	24
	Total	14258.44	128.45	2782.60	0.012	111	35031.28	146.57	4893.30	0.01	239
		7309.90	149.18	1298.76	0.14	49	27972.69	165.52	4893.30	0.01	169
Hungary											
	2003	1216.91	60.85	508.11	0.003	20	1269.28	52.89	456.56	0.003	24
		1191.06	79.40	508.11	0.003	15	1073.47	76.68	456.56	0.003	14
	2004	563.51	43.35	316.69	0.3	13	2220.54	100.93	1251.83	0.3	22
		383.93	76.79	316.69	0.745	5	2040.95	145.78	1251.83	0.745	14
	2005	403.79	26.92	150.73	1.066	15	3809.95	152.40	2224.36	0.015	25
		343.91	38.21	150.73	1.5	9	3749.40	208.30	2224.36	0.015	18
	2006	3498.19	318.02	1168.22	5.044	11	3140.84	130.87	1168.22	0.12	24
		1918.81	239.85	832.71	5.044	8	1560.06	78.00	511.76	0.12	20
	2007	145.23	12.10	60.79	0.054	12	8186.83	341.12	2610.41	0.054	24
		134.69	26.94	60.79	0.317	5	8176.29	480.96	2610.41	0.317	17
	2008	63.94	12.79	42.99	0.67	5	1160.04	116.00	896.10	0.67	10
		42.99	42.99	42.99	42.988	1	1139.09	189.85	896.10	3.169	6
	2009	8.03	1.61	2.99	0.142	5	1914.78	239.35	1851.61	1.415	8
		6.62	1.65	2.99	0.142	4	1913.37	273.34	1851.61	1.813	7
	2010	856.51	71.38	462.63	0.012	12	2390.30	199.19	1700.54	0.012	12
		837.41	104.68	462.63	0.116	8	2371.21	296.40	1700.54	0.116	8
	Total	6756.12	72.65	1168.22	0.003	93	24092.55	161.70	2610.41	0.003	149
		4859.41	88.35	832.71	0.003	55	22023.83	211.77	2610.41	0.003	104
India											
	2003	3182.30	19.40	360.02	0.004	164	3968.32	19.45	360.02	0.004	204
		1603.82	34.12	360.02	0.442	47	2367.21	27.21	360.02	0.017	87
	2004	2846.27	19.63	450.00	0.012	145	4503.94	25.74	500.00	0.011	175
		1180.69	25.67	283.86	0.012	46	2831.27	38.78	500.00	0.011	73
	2005	22378.71	84.45	8063.01	0.003	265	26180.72	80.80	8063.01	0.002	324
		3321.77	52.73	607.49	0.5	63	7038.09	59.14	830.89	0.002	119
	2006	21007.79	84.37	5577.18	0.005	249	23986.56	78.90	5577.18	0.002	304
		6394.71	79.93	677.00	0.845	80	9439.02	70.44	1072.67	0.002	134
	2007	21133.56	65.23	2656.40	0.002	324	37899.07	96.93	12748.00	0.002	391
		13097.37	124.74	2656.40	0.025	105	29823.70	180.75	12748.00	0.002	165
	2008	21041.50	67.23	2386.62	0.001	313	31044.96	80.22	3441.66	0.001	387
		9374.33	110.29	2300.00	0.606	85	19358.37	124.09	3441.66	0.002	156
	2009	11791.62	40.94	1691.06	0.002	288	16344.70	45.40	1691.06	0.001	360
		1788.22	37.25	369.83	0.335	48	6230.07	52.80	783.59	0.001	118
	2010	32830.50	115.19	10700.00	0.001	285	19531.29	60.85	3712.86	0.001	321
		24426.65	37.25	369.83	0.335	48	10971.37	101.59	3712.86	0.002	108
	Total	136212.20	67.00	10700.00	0.001	2033	163459.60	66.29	12748.00	0.001	2466

		61187.57	110.85	10700.00	0.012	552	88059.10	91.73	12748.00	0.001	960
Indonesia											
	2003	1722.79	71.78	500.00	0.059	24	3663.26	69.12	500.00	0.048	53
		617.63	102.94	249.11	0.299	6	2535.27	81.78	363.98	0.048	31
	2004	1046.43	37.37	165.00	0.178	28	2951.69	40.43	460.00	0.015	73
		478.17	47.82	138.00	1.509	10	2329.00	44.79	460.00	0.015	52
	2005	7934.77	180.34	3143.22	0.025	44	9302.31	101.11	3143.22	0.011	92
		5589.08	558.91	3143.22	0.025	10	6954.89	124.19	3143.22	0.011	56
	2006	1988.32	99.42	729.91	0.062	20	3313.24	50.20	745.98	0.016	66
		368.70	52.67	181.90	0.062	7	1537.42	30.75	745.98	0.016	50
	2007	3650.63	98.67	1050.00	0.044	37	7361.12	102.24	1300.00	0.019	72
		1808.22	95.17	610.87	0.715	19	5518.69	104.13	1300.00	0.02	53
	2008	9920.21	112.73	3910.43	0.005	88	16163.16	116.28	3910.43	0.005	139
		1386.97	69.35	556.19	0.005	20	7627.04	112.16	1800.00	0.005	68
	2009	4057.81	37.57	550.00	0.002	108	5675.44	35.92	550.00	0.002	158
		741.20	29.65	150.10	0.261	25	2319.54	32.22	490.39	0.003	72
	2010	3160.76	24.69	540.44	0.001	128	10361.38	52.60	1912.80	0.001	197
		676.88	52.07	540.44	0.001	13	7815.79	101.50	1912.80	0.001	77
	Total	33481.73	70.19	3910.43	0.001	477	58791.60	69.17	3910.43	0.001	850
		11666.86	106.06	3143.22	0.001	110	36637.64	79.82	3143.22	0.001	459
Malaysia											
	2003	10248.98	29.20	1766.25	0.003	351	6984.92	20.54	969.89	0.011	340
		4103.14	75.98	1766.25	0.003	54	806.80	23.05	281.93	0.066	35
	2004	4268.58	10.64	460.00	0.001	401	5030.80	12.77	740.29	0.003	394
		1027.26	13.70	460.00	0.001	75	1794.84	35.19	740.29	0.013	51
	2005	10165.33	26.47	1739.03	0.01	384	7785.29	21.33	1739.03	0.003	365
		3333.90	43.87	800.00	0.01	76	853.24	18.96	223.81	0.021	45
	2006	18240.49	52.42	4400.12	0.004	348	20993.33	61.75	4400.12	0.004	340
		2582.69	33.54	698.85	0.009	77	5317.22	84.40	1152.01	0.016	63
	2007	28967.42	74.28	8976.57	0.002	390	30728.52	82.83	8976.57	0.01	371
		5829.24	59.48	1407.46	0.002	98	7543.77	106.25	3049.99	0.015	71
	2008	17315.69	44.06	2489.23	0.01	393	4810.07	13.14	470.34	0.012	366
		13815.12	138.15	2489.23	0.01	100	1304.13	19.76	152.13	0.014	66
	2009	5401.95	20.31	860.86	0.001	266	5406.18	20.79	860.86	0.001	260
		1268.38	26.42	242.71	0.007	48	1247.97	34.67	242.71	0.014	36
	2010	9746.17	43.12	2379.71	0.001	226	8629.93	38.02	1426.71	0.001	227
		5024.11	88.14	2379.71	0.007	57	3899.88	73.58	918.25	0.021	53
	Total	104354.60	37.82	8976.57	0.001	2759	90369.04	33.94	8976.57	0.001	2663
		36983.84	63.22	2489.23	0.001	585	22767.84	54.21	3049.99	0.013	420
Mexico											
	2003	2672.76	89.09	625.00	0.02	30	3144.26	59.33	662.10	0.03	53
		2003.66	143.12	625.00	0.02	14	2473.10	70.66	662.10	0.03	35
	2004	4211.65	175.49	1245.00	0.005	24	9038.47	177.22	3887.89	0.005	51
		2450.04	175.00	518.09	0.005	14	7230.46	190.28	3887.89	0.005	38
	2005	5227.59	237.62	1460.00	0.7	22	6070.18	173.43	2079.85	0.1	35
		2679.43	206.11	613.53	0.7	13	3519.53	140.78	2079.85	0.1	25
	2006	57761.57	1604.49	31756.68	0.07	36	41681.98	578.92	31756.68	0.052	72
		21230.01	1179.45	14247.73	3	18	5090.41	97.89	1440.00	0.052	52
	2007	24878.84	802.54	16170.82	0.046	31	31330.72	364.31	16170.82	0.019	86
		1556.17	97.26	500.00	0.046	16	8008.04	112.79	1727.05	0.019	71
	2008	4535.86	181.43	2500.00	0.085	25	6591.27	108.05	2222.54	0.069	61
		2985.69	157.14	2500.00	0.085	19	4928.90	93.00	2222.54	0.069	53
	2009	9080.08	394.79	2200.00	0.93	23	4906.84	109.04	1477.98	0.03	45
		6202.55	516.88	2200.00	0.93	12	2009.03	62.78	1465.00	0.03	32
	2010	39373.41	1093.71	17807.35	0.05	36	46740.32	753.88	17807.35	0.025	62
		4020.83	236.52	1200.00	0.05	17	11280.72	282.02	7325.02	0.025	40
	Total	147741.80	650.84	31756.68	0.005	227	149504.00	321.51	31756.68	0.005	465
		43128.36	350.64	14247.73	0.005	123	44540.19	128.73	7325.02	0.005	346
Korea											
	2003	9645.07	89.31	2824.13	0.001	108	13485.33	109.64	2824.13	0.001	123
		997.10	25.57	225.96	0.043	39	4284.54	126.02	1171.70	0.003	34
	2004	5774.01	73.09	791.70	0.021	79	11490.33	97.38	1637.42	0.021	118
		347.17	23.14	105.50	0.26		5938.70	141.40	1637.42	0.428	42
	2005	20089.16	230.91	4554.30	0.047	87	27567.04	257.64	4554.30	0.047	107
		1455.77	72.79	739.81	0.707	20	8919.02	228.69	3277.60	0.15	39
	2006	40235.51	92.71	7345.86	0.002	434	38857.94	94.09	7345.86	0.002	413
		4375.23	93.09	1503.00	0.003	47	2997.40	119.90	997.09	3.015	25
	2007	53831.67	125.19	16984.45	0.003	430	50197.59	119.23	16984.45	0.003	421
		6912.99	172.82	4900.00	0.022	40	3216.59	114.88	1044.48	0.77	28
	2008	35294.07	44.96	4333.82	0.002	785	31678.28	40.05	4333.82	0.002	791
		9862.00	173.02	2000.00	0.227	57	5622.73	112.45	1869.37	0.05	50
	2009	37444.93	45.50	3936.60	0.001	823	33264.63	39.46	2832.79	0.001	843
		8038.82	138.60	3936.60	0.002	58	3472.85	91.39	1800.00	0.334	38
	2010	33162.11	50.78	2570.75	0.001	653	24910.68	39.48	2210.00	0.001	631
		10641.85	147.80	2570.75	0.207	72	2096.22	69.87	463.98	0.041	30
	Total	235476.50	69.28	16984.45	0.001	3399	231451.80	67.15	16984.45	0.001	3447
		42630.94	122.50	4900.00	0.002	348	36548.04	127.79	3277.60	0.003	286
Thailand											
	2003	1208.87	10.89	205.00	0.006	111	1718.76	14.20	747.91	0.006	121

		317.79	19.86	131.27	0.012	16	825.49	41.27	747.91	0.012	20
	2004	2330.18	15.03	512.80	0.011	155	3652.10	19.02	543.24	0.011	192
		164.32	9.13	75.43	0.023	18	1456.74	33.11	543.24	0.012	44
	2005	4720.44	33.96	902.09	0.006	139	5036.09	29.98	902.09	0.006	168
		319.17	22.80	78.44	0.305	14	617.64	16.69	98.04	0.012	37
	2006	1484.96	14.42	250.00	0.01	103	6228.47	48.66	1873.25	0.01	128
		97.16	6.48	41.57	0.045	15	4817.65	130.21	1873.25	0.013	37
	2007	7644.29	78.81	2217.13	0.001	97	9681.16	70.67	2217.13	0.001	137
		478.85	39.90	330.00	0.06	12	2360.54	57.57	670.40	0.023	41
	2008	2732.46	19.52	535.72	0.004	140	2540.74	16.94	535.72	0.004	150
		1020.76	46.40	432.84	0.114	22	571.94	22.88	209.69	0.057	25
	2009	3005.80	21.62	754.12	0.003	139	3529.82	22.20	754.12	0.003	159
		145.76	12.15	48.04	0.713	12	669.47	23.09	539.12	0.011	29
	2010	10587.74	64.56	1646.06	0.007	164	6990.95	37.99	1188.90	0.007	184
		5359.64	233.03	1646.06	0.774	23	1759.13	43.98	1188.90	0.032	40
	Total	33714.75	32.17	2217.13	0.001	1048	39378.09	31.78	2217.13	0.001	1239
		7903.44	59.87	1646.06	0.012	132	13078.60	47.91	1873.25	0.011	273
Turkey											
	2003	757.67	29.14	292.00	0.003	26	1117.71	34.93	292.00	0.003	32
		6.75	6.75	6.75	6.75	1	366.79	52.40	118.00	2	7
	2004	709.62	44.35	167.00	1.05	16	881.85	44.09	216.80	1.05	20
		117.32	39.11	108.00	1.322	3	289.56	41.37	216.80	2.1	7
	2005	11364.71	299.07	4140.00	0.01	38	30539.26	598.81	6550.00	0.182	51
		1860.65	169.15	1396.76	0.01	11	21034.20	914.53	6550.00	0.182	23
	2006	2959.30	98.64	580.00	0.069	30	19127.39	313.56	3094.67	0.069	61
		2544.88	195.76	580.00	6.011	13	18711.85	435.16	3094.67	0.1	43
	2007	5058.67	117.64	1100.00	0.016	43	16005.00	246.23	2673.00	0.016	65
		2777.90	163.41	850.00	0.763	17	13720.56	361.07	2673.00	0.763	38
	2008	2319.56	53.94	694.60	0.021	43	12230.06	163.07	1720.00	0.021	75
		1597.73	177.53	694.60	0.131	9	10987.44	296.96	1720.00	0.131	37
	2009	2764.14	76.78	940.00	0.171	36	3481.59	66.95	940.00	0.171	52
		74.78	37.39	70.28	4.503	2	694.91	40.88	100.00	1.178	17
	2010	4317.07	63.49	932.80	0.101	68	12167.59	128.08	3831.53	0.101	95
		1781.02	148.42	932.80	0.5	12	9611.48	259.77	3831.53	0.5	37
	Total	30250.74	100.84	4140.00	0.003	300	95550.45	211.86	6550.00	0.003	451
		10761.03	158.25	1396.76	0.01	68	75416.78	360.85	6550.00	0.1	209

Table 3: Descriptive statistics

This table reports the summary statistics for the independent variables employed in this study. We report the mean, standard deviation, maximum and minimum for each variable and for each country, covering the period 2003-2010. LIL is the value of the currency plus demand and interest-bearing liabilities of all financial intermediaries divided by GDP. STOCKCA indicates value of listed shares divided by GDP. STOCKTR is total shares traded on the stock market exchange divided by GDP. PRICREDIT is the ratio of the amount of credit provided by banks and other financial institutions to the private sector to GDP. ZINDEX denotes the ratio of return on assets plus capital-asset-ratio to the standard deviation of return on assets. HHIA is the Herfindahl-Hirschman index. The variable CAP denotes the Tier 1 capital ratio.

	LIL	STOCKCA	STOCKTR	PRICREDIT	ZINDEX	HHIL	CAP
Argentina	27.237	37.618	3.423	12.430	5.034	772.383	13.940
	1.239	22.862	1.647	2.637	0.998	105.372	9.042
	28.758	85.034	6.501	18.336	5.969	962.280	24.550
	25.389	15.138	1.451	9.774	3.107	655.211	0.000
Brazil	52.061	50.444	22.483	36.096	20.785	1036.202	26.727
	7.459	16.715	13.476	9.989	2.781	24.804	5.006
	64.955	78.863	41.148	52.476	26.103	1066.691	32.210
	43.124	26.911	9.765	27.053	16.463	991.119	18.666
Chile	39.264	99.771	14.426	79.147	24.033	5585.336	34.071
	10.587	12.971	6.842	9.194	9.423	3600.101	17.883
	65.031	112.504	22.846	96.156	29.937	10000.000	75.600
	33.413	74.049	5.223	72.617	7.068	1404.130	16.573
China	145.791	63.832	74.696	108.962	17.851	1037.999	15.212
	6.306	37.234	60.607	6.630	11.776	213.518	2.652

	160.631	125.311	160.062	116.822	33.660	1380.522	20.007
	139.913	32.148	24.836	99.654	-1.989	807.991	11.804
Czech Rep.	70.332	25.922	16.741	36.550	23.655	1381.892	25.479
	3.431	6.288	7.297	7.531	10.502	133.233	4.843
	76.758	35.285	25.998	50.173	37.060	1670.104	32.416
	67.636	17.190	6.412	29.211	8.169	1244.392	19.591
Hungary	50.369	24.756	18.514	47.945	15.956	1515.443	14.383
	6.071	6.638	8.446	11.420	1.397	204.460	1.120
	61.827	35.538	30.746	65.179	18.661	1853.833	15.870
	44.093	17.504	8.633	32.639	14.046	1276.040	12.720
India	40.522	26.110	13.107	21.907	16.435	852.043	26.828
	4.180	8.041	6.316	2.343	1.768	73.644	4.810
	47.319	40.508	21.612	25.265	18.205	972.014	35.572
	35.839	14.177	6.064	17.902	13.041	769.177	20.400
Indonesia	63.215	62.451	58.304	36.982	24.816	754.100	14.108
	4.783	29.418	16.975	5.989	2.299	101.591	1.367
	70.518	109.889	83.539	44.774	28.073	980.213	15.525
	59.121	22.951	39.957	29.918	21.012	671.332	11.103
Korea	72.266	68.331	137.412	94.270	15.615	1469.775	88.877
	8.368	19.097	27.991	5.646	2.199	189.040	55.481
	82.721	94.590	171.104	104.678	19.804	1588.292	156.720
	61.060	41.594	94.334	87.594	12.352	1020.866	13.808
Mexico	24.809	25.141	6.799	17.605	11.766	1035.947	24.849
	1.850	7.325	2.567	2.830	3.243	28.375	7.120
	28.765	35.819	10.111	22.215	16.329	1076.399	32.657
	23.173	15.278	3.446	14.672	6.988	1007.887	15.167
Malaysia	121.638	131.782	41.909	108.017	18.892	749.301	26.197
	7.449	13.641	11.070	7.521	1.229	22.693	2.281
	136.716	153.955	58.934	119.584	20.819	780.923	29.645
	113.530	111.770	24.036	97.234	17.155	705.783	24.001
Thailand	106.618	59.732	48.676	101.722	3.764	888.753	16.332
	5.831	14.300	9.488	8.140	0.720	50.448	0.802
	112.018	75.546	65.151	115.704	4.537	960.814	17.495
	97.665	33.079	33.378	93.998	2.276	830.313	15.433
Turkey	36.747	25.182	35.232	21.682	21.550	1256.298	26.069
	7.432	6.663	4.931	7.866	10.781	494.098	5.095
	51.080	35.593	42.520	34.228	34.147	2147.243	37.343
	29.500	16.022	28.552	13.170	8.434	885.959	20.243

Table 4: Empirical results

The empirical results of panel regressions of cross-border M&A activity are shown in this table for two portfolios: the firms in emerging country are acquirer or target respectively. Dependent variables CBMA_Acq and CBMA_Tar are the value of the cross-border M&As for acquiring country and targeting country respectively. Independent variable LIL is the value of the currency plus demand and interest-bearing liabilities of all financial intermediaries divided by GDP. STOCKCA indicates value of listed shares divided by GDP. STOCKTR is total shares traded on the stock market exchange divided by GDP. PRICREDIT is the ratio of the amount of credit provided by banks and other financial institutions to the private sector to GDP. ZINDEX denotes the ratio of return on assets plus capital-asset-ratio to the standard deviation of return on assets. HHIA is the Herfindahl-Hirschman index measured with banks' asset. The variable CAP denotes the Tier 1 capital ratio which is defined as Tier 1 capital divided by total risk weighted assets. The symbols *, **, *** indicates significance at 10%, 5% and 1% confidence level. The numbers in the brackets are t-statistic.

	Acquiring (CBMA_Acq)			**Targeting (CBMA_Tar)**		
	Model 1-1	**Model 1-2**	**Model 1-3**	**Model 2-1**	**Model 2-2**	**Model 2-3**
LIL	68.703			181.447		
	(0.775)			(1.629)		
STOCKCA	19.994	14.709		106.911**	86.568	
	(0.464)	(0.342)		(1.976)	(1.619)	
STOCKTR	74.531**	81.213**	90.485***	-58.119	-39.677	14.891
	(1.947)	(2.150)	(3.459)	(-1.208)	(-0.845)	(0.450)
PRICREDIT		-42.651	-41.761		188.382**	193.618**
		(-0.570)	(-0.561)		(2.026)	(2.062)
ZINDEX	131.166	146.404*	145.343*	10.192	19.594	13.351
	(1.532)	(1.693)	(1.691)	(0.095)	(0.182)	(0.123)
HHIL	-0.094	-0.321	-0.308	-0.175	-0.096	-0.019
	(-0.176)	(-0.591)	(-0.571)	(-0.261)	(-0.142)	(-0.028)
CAP	-31.676	-24.883	-24.568	-13.896	15.493	17.351
	(-0.958)	(-0.787)	(-0.781)	(-0.334)	(0.394)	(0.437)
C	-5493.498	1470.780	1856.346	-8844.066	-8154.077	-5884.861
Number of observations	101	99	99	101	99	99
R-squared	0.562	0.558	0.557	0.476	0.483	0.466
Adjusted R-squared	0.466	0.458	0.464	0.361	0.366	0.354
F-statistic	5.839	5.601	5.989	4.141	4.148	4.155
Prob(F-statistic)	0.000	0.000	0.000	0.000	0.000	0.000