

ANALYSIS OF WORKING CAPITAL AND COMPETITIVENESS AFTER MERGERS IN GREECE

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Abstract

The merger process functions for all entities, whether in the private or public sector, as a vehicle for external growth and serves as a strategic option that can improve their competitiveness and influence their governance (Salter & Weinhold, 1979; Mueller, 1980, 1985; Golubov et al., 2013; Alhenawi & Stilwell, 2017; Soni et al., 2019). Furthermore, for entities in the private sector (as well as those in the public sector) that want to grow, mergers are a way to take over financially weaker entities, as this approach helps them expand and address several challenges, such as reducing costs or improving their liquidity and performance (Giovanis & Chasiotou, 2024, 2025; Tampakoudis & Anagnostopoulou, 2020; Pazarskis et al., 2022; Pazarskis et al., 2023).

This study uses financial statement analysis to calculate working capital and examine whether there is a significant change in companies that have merged. Specifically, all mergers of listed companies in Greece for four years, the period 2018–2021, were examined. The sample that was finally formed, after removing cases of companies in the financial sector or companies that went bankrupt, consisted of fifteen cases of listed companies that merged during the period under review. The methodology used by extracting and processing accounting data to

calculate working capital, using financial statements, was based on previous studies that have applied these research tools in the past, by employing accounting data and ratios in several comparisons before and after mergers (Healy et al., 1992; Ramaswamy & Waagelein, 2003; Rao-Nicholson et al., 2016; Beverly et al., 2019; Aggarwal & Garg, 2019; Verma & Kumar, 2024).

Based on the results obtained after the mergers, it emerged that the working capital for all the companies examined improved significantly and thus contributed to strengthening the competitiveness of the companies involved. Specifically, it improved by 68.93% in the year of the merger compared to the year before. On the other hand, the average working capital improved one year after the merger, compared to the year before the merger by 75.28%.

This study presents several limitations that exist in the context of its preparation. First, it concerns exclusively listed companies on the Athens Stock Exchange that have made mergers, excluding other entities (e.g., unlisted companies, multinational companies with exports to Greece, etc.). Furthermore, it shows us the situation that exists at a specific point in time, by analyzing data from a single country, Greece.

Finally, future research proposals beyond this study could analyze data from other entities in Greece or in different time periods. Furthermore, for the analysis of other data sets, data from different countries, either in the same or in different time periods, can be used and compared with other numerical data analysis techniques.

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