A Critical Review of the Relationship between Merger and Acquisitions and Firm's Performance: The Moderation Effect of Corporate Governance

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Abstract— *The purpose of this paper is to evaluate the existing studies on the relationship between merger and acquisition with firm's financial performance by using corporate governance as a moderator and address the need for similar analysis by analyzing merger and acquisition with firm's performance in both developed and developing economies. The existing studies that measure the relationship between merger and acquisitions with performance in both developed and developing economies are found to be inconclusive and inconsistent in nature because of contradictory results in their findings. As a result of inconsistency and contradiction in previous literature, this study propose the need by introduce the corporate governance as a moderator between merger and acquisitions with firm's performance.*

Keywords- Board of Directors, Corporate Governance, Firm performance, Merger & Acquisition.

1 INTRODUCTION

Numerous researchers analyze the relationship of merger and acquisition with firm's performance in developed economy (DE) and emerging economy (EE)(Alexandrou, Gounopoulos, & Thomas, 2014; Aybar & Ficici, 2009; Bertrand & Betschinger, 2012; Cortés, García, & Agudelo, 2015; Christine & Jagongo, 2018; Liao & Williams, 2008; Nicholson & Salaber, 2013; Sumon, Kumar, Bhaumik, & Selarka, 2012; Slovin, Sushka, & Hudson, 1991; Singal, 1996; Tao, Liu, Gao, & Xia, 2017; Weinberg, 1979). Interestingly, the importance of merger and acquisition and how it affects the level of firm's performance in DE and EE have been driving the attention of many scholars [23]. According to Lebedev et al., (2015) there are some significant differences in DE and EE, such as corporate governance practice, institutional background and market structure that lead to the different measure of M&As with firm's performance. Bastomi et al. (2017) described corporate governance as a set of relationships between the company's management, boards and shareholders and others who have an interest in the company by setting rules that resolve the potential conflict between managers and shareholders of a company.

Many researchers have focused on performance of M&As in both developed and developing economy and found the mixed results, for instance (Aybar &Ficici, 2009) [14] in their study found Negative, Sumon et al., (2012); Chari et al. (2010); Chi et al. (2011) Gubbi et al. (2010) [18]. Due to inconsistency in the previous literature, however this study will address the literature gap by introducing the corporate governance as a moderator (Baron & Kenny, 1986; Rezaul Kabir, 2017; Hair, Hult, & Ringle, 2017). Next section will discuss literature review, section 3 reveal the critical analysis and inconsistency in the previous literature of performance of M&As in both DE and EE. While section 5 discusses the theories and motivation of M&As, conclusion and suggestion for future research will follow in the final section.

This review specifically intends to evaluate theoretical and empirical literature related to M&As and financial performance with the moderation effect of corporate governance respectively, with a view of establishing areas of gaps for future research in both theoretical and methodological. Furthermore, it highlights the importance of more quantitative methods for in-depth understanding of the relationship between the three variables under review.

2 LITERATURE REVIEW

Mergers has been defined as strategic and economic reasons that two or more companies come together to form a bigger company while acquisition entails a buy-over of one or more companies usually by a larger company (Aduloju, Awoponle, &. Oke, 2008).

The importance of M&As has been identified in the previous literature. Some of these literatures found that M&As may increase efficiency [30] improve market power [31] enhance the management of resource over dependency (Piskorski, 2005; Pfeffer, 1972) reduce transaction costs [34] and operating costs [35].

2.1 Concept of Firm's Financial Performance and Corporate Governance

2.1 Firm's Financial Performance

Performance of an organization can be identified in many ways. For instance, Antony and Bhattacharyya (2010) defined performance as those measure that is used to assess and evaluate the achievement of an organization to generate and deliver value to its external as well as internal customers. Performance can be measured on how well a firm can use their assets to generate revenue from their primary mode of operation [37]. Moreover, AbdulRasheed et al. (2012) sees performance as the capacity of firm's to maximize returns on investor's funds.

It can also be referred to output achieved from the firm's objectives through management operations [39]. Furthermore, Simons (2013) defined firm performance as a company's activities interacting with different market mechanisms (financial factors and customers). In the financial market, potential investors, creditors, and stockholders should be satisfied with performance of the company using financial indicators (Hoque, 2004).

Some view performance from objective measures (financial) that comprises the use of a set of financial ratios or volume measures, with the most common indicators being annual profit, return on investment and revenue growth (Henri, 2004; Hoque, 2004). In addition, Neely (2007) reported that there is numerous financial measures but mostly used include return on equity (ROE), return on assets (ROA), return on investment (ROI), value per employee, earnings per share and profit margin.

Financial performance is a measure of company's operations and policies in relation to monetary, these results are reflected in the firm's return on assets, return on investment, capital base, value added, employee's performance and customer loyalty [44], [45]. Financial performance measures are useful in furnishing financial information to their users for the assessment of the organization's efficiency and effectiveness. Financial performance measures include return on net assets, branch profit and revenue growth [46].

According to Chibueze, Maxwell, and Osondu (2013) stock prices and its behavior reflect the performance of a firm. However, it was reported that volume of deposit, size of the firm, and its profitability could be deemed as more reliable indicators of firm's performance [48]. Profit growth, sales growth, and response to competition are also used in measuring financial performance by Bontis, Keow, and Richardson, (2000). Hamann, Schiemann, Bellora, and Guenther (2013) measured financial performance of an organisation through the use of stock market performance and accounting returns which comprise profitability and liquidity. It was also revealed by Murphy, Trailer, and Hill (1996) that profit efficiency and growth are the most frequently considered dimensions in measuring the firm's performance. However, Jha and Hui (2012) measured performance of a firm by using return on assets (ROA) and return on equity (ROE). Similarly, financial performance of a firm are also measured by growth in deposit accounts, profit growth, ROA and balance sheet strength. Further more, the authours stress that they are most affected by fraud (Njenga & Osiemo, 2013).

2.2 Corporate Governance

Corporate governance has recently attracted more attention from academic and regulators around the world. The purpose of the corporate governance is design to make sure managers will act to the shareholder's interests [24]. The behavior of managers and firms owners became a major factor that needs attention in the implementation of corporate governance showed that improving the implementation of corporate governance can reduce credit risk and operational risk and increased financial performance [24]. The global financial crisis experience has prompted the necessity for increased effectiveness of corporate governance implementation.

Various definations has been provided by the previous researchers. For instance, Bastomi et al. (2017) defined corporate governance as a set of relationships between the company's shareholders, management, boards and others who have an interest in the company by setting rules that resolve the potential conflict between managers and shareholders of a company.

2.3 Empirical Studies on Merger and Acquisition and Performance

The review and findings on both M&As related to performance from the previous literature in developed and developing countries appeared to be mixed. The results shows that, returns can either be positive, negative or no relationship [23]. Aybar and Ficici, (2009) examined the returns of emerging multinationals in the analysis of 433 M&As between the period of 1991 to 2004 and the result shows that, the private ownership of the target, relative size of the target and diversification bids are found positively associated with abnormal returns. Additionally, according to Bertrand and Betschinger (2012) when analyzing the profitability of Russian firms also reported that M&A reduced the acquiring firm's performance and industry concentration has positively moderates performance of M&As.

Sumon, Kumar, Bhaumik, and Selarka, (2012) also revealed that, acquisitions made by Indian firms between 1995 to 2004 was mainly on concentrated ownership, and these findings indicate that, larger ownership concentration of an acquirer's management and foreign ownership increase acquisition's performance positively.

According to Chari, Ouim, and Tesar (2010), analyzing the performance of M&As deals from 1986 to 2006 also reported a positive and significant return of a firm for developed economy acquiring in emerging economy. In 2000 to 2007 the performance of acquisitions made by Indian firms reported that, there is a positive relationship between performance and M&As which lead to the increase in shareholder valuchie in EE (Chi, Sun, & Young, 2011). Gubbi, Aulakh, Ray, & Chittoor, 2010). Bhagat, Malhotra, and Zhu, (2011) also report positive return on acquirers from EE and the majority of target firms are from DE but also suggested that, the performance is found to be positively correlated with the quality of corporate governance in a host country.

However, Liao and Williams (2008) reported that, acquirers from DE lead to a higher increase in labor and productivity compared to domestic acquiring firms and acquirers from both DE and EE also lead to an increase in profits of a target firms more than domestic acquirers. However, they also revealed that, performance was neither positive nor negative on the M&As.

2.4 Inconsistency in the Literature

Many researchers have focused on the performance of M&As in both developed and developing economy and found the mixed results, for instance Bertrand & Betschinger, 2012) in his empirical study found Negative, Bhagat et al., 2011; Chi et al. 2011; Sumon et al., 2012) and [18] found a Positive relationship while Liao and Williams (2008) after empirical study they found no relationship. Due to inconsistency in the previous literature. However, this study will address the literature gap by introducing the corporate governance as a moderator in order to address this inconsistency in the literature.

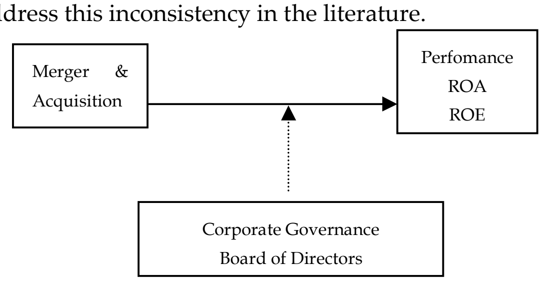

Figure 1.1 The conceptual framework of merger and acquisition and performance with moderation effect of corporate governance

3 CRITICAL ANALYSIS AND INCONSISTENCY IN THE PREVIOUS LITERATURE OF PERFORMANCE OF M&AS IN BOTH DE AND EE.

Weinberg (1979) conducted an emperical study on alternatives for restructuring the railroads for parallel mergers in USA. The study used 221 Railroad Transportation Company between the period of 1967 to 1971 and found that the horizontal mergers achieve higher gains in market share than vertical or mixed transactions. Market shares reflect the underlying cost, service quality improvements, merger-related cost savings, performance enhanced positavely in terminal operations and overshadow those in line-haul operations.

Slovin et al., (1991) investigated the effect of deregulation, contestability and airline acquisitions in USA. The study used the data 42 air transportation in USA between 1965 to 1988 and foud that the shareholder of acquiring and target firms had a significant positive abnormal returns. However, abnormal returns for acquiring firms decrease and abnormal returns for target firms increase after deregulation while firms earn positive average abnormal returns for transactions with nontrivial changes in industry concentration, but after deregulation, transactions have no significant valuation effects on rival firms.

Singal (1996) investigated 42 airline mergers in USA between 1985 to 1988 and found that the acquiring and target firms earn significantly positive abnormal returns in contrast to rival firms' stockholders that on average neither benefit nor lose from transactions due to contradictory effects of more efficient operations and less competition. Samitas and Kenourgios (2007) investigated the tramp shipping firm's stock returns when they announced M&As of 15 water transportation companies in USA. The empirical study found that the abnormal return was significant and positive after the announcement of the M&As and remains stable especially for the tramp shipping firms that do not serve standardized routes but announcement of transactions have a direct positive impact on stock value.

Darkow, Kaup, and Schiereck, (2008) investigated the value implication of 200 logistics M&A that have taken place between 1991 to 2006 in Freight transportation company and found that Cross-border transactions generate significantly higher returns than national ones and transactions with large volumes appear more successful than smaller ones whereas the positive abnormal returns for shareholders of acquirer firms, target firms and the combined entity appears to be found. Transactions with large volumes appeared more successful than smaller ones whereas the positive abnormal returns for shareholders of acquirer firms, target firms and the combined entity appears to be found. Liao and Williams, (2008) An empirical study conducted between 1998 to 2005 and identified 74 cross-border M&A transactions in which international banks acquired ownership stakes in 46 listed banks in emerging market economies and found that the situations was sensitive to the nationality of acquiring banks. The results are not consistent across every window length which make the result of M&As neither positive nor negetive.

Chari and Tesar, (2010) investigated public and private M&As in 1986 to 2006 developed market acquirer's experienced positive and significant abnormal returns of 1.16% on average over a three day event window. Moreover, the positive acquirer returns and dollar value gains appeared to be unique to emerging market M&A. The greater in lack of equality between DE and emerging market organizations the higher the positive acquirer's returns for DE. Kammlott and Schiereck, (2011) investigated a M&As of 213 Water Transportation company and used the data between 1980 to 2007 and found a negative abnormal returns for the acquirers' shareholders but shows a positive abnormal returns for the targets' shareholders. Transnational transactions exhibit significant negative abnormal returns for acquirers with regional differences while European transactions are evaluated more significant successful than those from Asia. Andreou, Louca, and Panayides, (2012) investigated and found a positive deal value accrues mostly to targets shareholders rather than to acquirers shareholders. Acquirer returns are positively influenced by friendly transactions.

Bertrand and Betschinger, (2012) based on a sample of 600 acquirers showed that both domestic and international acquisitions tend to reduce the performance of acquirers compared to non-acquiring firms and the result indicated that, there is a negative effects associated with acquisitions. However, the firm resources are relevance and can be leveraged in domestic deals to improve the impact of acquisitions and there is no indication that, agency problems are the driving factor of the negative effect in long term performance of acquisitions. Nicholson and Salaber, (2013) this study investigated the cross border acquisitions using nd the result showed that the acquirers from both countries gain more abnormal returns if the target firm is situated in a developed nation. Moreover, developed markets have more advanced tangible and intangible resources and reliable institutional rules to enjoy the advantages and increase the value of their shareholders in cross border acquisitios. Alexandrou et al., (2014) results showed a positive abnormal returns for both shareholders of acquirer firms and shareholder of target firms. Moreover, acquirers' shareholder gains significantly across maritime sectors and regions but are generally driven by higher acquirer profitability, smaller acquirer size, stock financing and cross border deals.

Cortés et al., (2015) the target firms realize significant positive abnormal returns especially in cases where transactions are considered to be strategic and the shareholders expect the integration to create substantial synergies. However, acquirers' shareholders do not realize significant abnormal changes in stock returns around the transaction announcement. Tao et al., (2017) this study investigated 165 listed Chines firms between 2000 to 2012 and the study found that, on average, cross-border M&As by Chinese listed firms produced a positive market reaction by producing positive abnormal returns to shareholdings of acquiring firms. Christine and Jagongo, (2018) studied the M&As of 9 commercial bank in kenya by using the data of 2010 to 2017 and found that the operational synergy, differential efficiency, risk diversification and market share development as indicators of M&A have a positive significant influence on the financial performance of commercial banks in Kenya. The variables explained 98.2% of the changes in financial performance of the commercial banks.

4 THE THEORIES AND MOTIVATION OF MERGER AND ACQUISITIONS

Some theories advanced to justify the impact of M&As and can be classified in to value increasing theory and value decreasing theory. Value increasing theory explained that mergers occurs simply to generate synergy between acquired and target which in turn increase performance of the firms. Examples of these theories are the financial synergy theory, differential efficiency theory and Hubris theory while value decreasing theory predict that merger may fail to create value [63].

4.1 Financial Synergy Theory

This theory is a combination of firms with different cash flow positions and investment opportunities may produce a financial synergy effect and achieve less cost of capital. Moreover, the financial synergy theory also states that when the cash flow rate of the acquirer is greater than that of the acquired firm, it means that the capital is relocated to the acquired firm and its investment opportunities tend to improve [64]

4.2 Differential Efficiency Theory

The efficiency theory of M&As states that, firms that operate below their potential or have low efficiency are likely to be acquired by more efficient firm in other to achieve the increase level of efficiency of firm and by coming together they would also have the managerial ability to improve performance. However, difficulty would arise when the acquiring firm overestimates its impact on improving the performance of the acquired firm and this may result in the acquirer paying too much for the acquired firm. Alternatively, the acquirer may not be able to improve the acquired firm's performance up to the level of the acquisition value given to it. This theory also suggest that, the synergy of M&As can only be achieved when both firms are expected to make a deal and benefited from it (Christine & Jagongo, 2018; Trautwein, 1990).

4.3 Hubris Theory

Hubris theory establishes a psychological approach to explain M&As. The theory suggests that managers may have good intentions in increasing their firm's performance but being overconfident, they overestimate their abilities to create synergies. It further states that the management of acquiring firms over rates their ability to evaluate potential acquisition targets which typically results in erroneous decisions of overprice, overconfidence and lead to the probability of overpaying (Christine & Jagongo, 2018; Roll, 1986)

Table 3.1 Summary of the critical analysis and incomsistency in the previous literature of performance of M&As in both DE and EE.

Author/Year	Firm Type	Period/ Sample Size	Key Findings
Weinberg, 1979	Railroad transportation in USA	1967–1971/ 221	With regard to geographical configuration, horizontal mergers achieve higher gains in market share than vertical or mixed transactions. Market share reflect the underlying cost, service quality improvements, merger related cost savings, performance improvements in terminal operations and outweigh those in line haul operations.
Slovin, Sushka, & Hudson, 1991	Air transportation in USA	1965–1988/ 42	For the shareholder of acquiring and target firms there is a significant positive abnormal returns. However, abnormal returns for acquiring firms decrease and abnormal returns for target firms increase after deregulation while firms earn positive average abnormal returns for transactions with nontrivial changes in industry concentration, but after deregulation, transactions have no significant valuation effects on rival firms
Singal, 1996	Air transportation in USA	1985–1988 /42	The acquiring and target firms earn significantly positive abnormal returns in contrast to rival firms' stockholders that on average neither benefit nor lose from transactions due to contradictory effects of more efficient operations and less competition. Consolidating transactions in which both firms operate in the same geographic market are expected to induce significantly higher efficiency and market power gains than expanding transactions and abnormal stock returns are correlated with profit changes due to market anticipation.
Samitas, G, Kenourgios, & F, 2007	Water transportation in USA	2000–2007/15	The abnormal return is significant and positive after the announcement of the M&As and remains stable especially for the tramp shipping firms that do not serve standardized routes but announcement of transactions have a direct positive impact on stock value.
Darkow, Kaup, & Schiereck, 2008	Freight transportation	1991–2006/200	Cross-border transactions generate significantly higher returns than national ones and transactions with large volumes appear more successful than smaller ones whereas the positive abnormal returns for shareholders of acquirer firms, target firms and the combined entity appears to be found. From an acquirer's perspective focusing transactions perform better than diversifying ones.
Liao & Williams, 2008	Some US and Europe Banks	1998-2005/74	The circumstances are delicate to the nationality of acquiring banks, the markets seem to value US and Dutch bank purchases but the results are not consistent to every window measurement that made the outcome of M&As appears to be neither positive nor negetive.
Chari Liao & Williams, Ouim, 2010	Public and private M&A from Thomson's data base	1986-2006/2218	The evidence suggests that, the acquirer's returns shows a significant increase when they acquire control of EE targets while domestic M&A transactions and distribution of gains shifts in favor of acquiring firms. The greater lack of equality between DE and emerging market institutions, the higher positive acquirer's returns for DE.
Kammlott & Schiereck, 2011	Water transportation	1980–2007/213	The result shows a negative abnormal returns for the acquirers' shareholders but shows a positive abnormal returns for the targets' shareholders. Transnational transactions exhibit significant negative abnormal returns for acquirers with regional differences while European transactions are evaluated more significant successful than those from Asia.
Oghojafor, A, Adebisi, & Abayomi, 2012	Commercial Banks in Nigeria	2001-2010/5	This evident showed that the merger and acquisition was only able to rescue the banks from collapse in 2005, however, the financial indices showed an improved performance after merger, but it did not translate into objectives of repositioning the banking sector for effective performance.
Andreou,	Freight	1980–	Positive deal value accrues mostly to targets shareholders rather than to

Louca, & Panayides, 2012	transportation in USA	2009/289	acquirers shareholders. Acquirer returns are positively influenced by friendly transactions.
Bertrand & Betschinger, 2012	Zephir & Ruslana Stock exchange data base	1999-2008/609	The resul indicates that, there is a negative effects associated with acquisitions. However, the firm resources are relevance and can be leveraged in domestic deals to improve the impact of acquisitions and there is no evidence that, agency problems are the driving factor of the negative effect in long-term performance of acquisitions.
Nicholson & Salaber, 2013	Thomson's data stream (Shezhen, Shanghai and Indian Stock exchange)	2000-2010/389	when the target firm is located in a developed country, the acquirers from both nations gain more returns. Moreover, developed markets have more advanced tangible and intangible resources and consistent institutional rules to enjoy the advantages and increase the value of their shareholders.
Alexandrou, Gounopoulos,& Thomas, 2014	Water transportation	1984–2011/1266	Results showsa positive abnormal returns for both shareholders of acquirer firms and shareholder of target firms. Moreover, acquirers' shareholder gains significantly across maritime sectors and regions but are generally driven by, higher acquirer profitability, smaller acquirer size, stock financing and cross-border deals.
Cortés, García, & Agudelo, 2015	Air transportation in South America	1996–2013/28	Target firms realize significant positive abnormal returns especially in cases where transactions are considered to be strategic and the shareholders expect the integration to create substantial synergies. However, acquirers' shareholders do not realize significant abnormal changes in stock returns around the transaction announcement.
Kuriakose & Paul, 2016	Sample Bank merger deals in India	2000-2011/10	The acquirer banks profitability improved compared to target banks, again a bidder banks have shown better results in terms of profits, that is net profit after tax, earning per share, return on asset (ROA) and return on equity (ROE) in a situation of pre-merger performance.
Tao, Liu, Gao, & Xia, 2017	Listed Chinese firms	2000-2012/165	The findings show that, on average, cross-border M&As by Chinese listed firms generated a positive market reaction by producing positive abnormal returns to the shareholdings of acquiring firms
Christine & Jagongo, 2018	Commercial Banks 2010-2017/9	2010-2017/9	Operational synergy, differential efficiency, risk diversification and market share development as indicators of M&A have a positive significant influence on the financial performance of the commercial banks in Kenya. The variables explained 98.2% of the changes in financial performance of the commercial banks.

5 CORPORATE GOVERNANCE AND FIRMS PERFORMANCE.

Al-Saidi & Al-Shammari (2013) stated that, corporate governance allows for better monitoring so that the managers can make decisions in the interest of their shareholders such as financing in a project that can yieled a positive net present value and improves protection to the shareholders by reducing the opportunistic practice of the managers that can decreases firm value. Therefore, firms more likely to have a higher firm value if the corporate governance are well implimented [70]. For the firms value-maximizing shareholders are likely to favor risky capitalization strategies compared to managers, especially such strategies may enhance firm's prospects of receiving generous layouts in the event of failure [71]. According to Siagian, Siregar, and Rahadian (2013) a set of governance practice can be implemented to ease the agency problems. Previous studies related to the corporate governance have been conducted especially in the effect on firm performance. For example in research conducted by Hoque, Islam, and Ahmed 2013; Kusmayadi, 2012; Outa and Waweru 2016) found that corporate governance had a positive effect on financial performance. During the Asian financial crisis, five East Asian countries was reported to have a positive relationship between corporate governance and firms performance [75]. Consistent with the above studies, Siagian et al. (2013) reported that corporate governance is positively associated with firm value for public firms in Indonesia.

In addition, Durnev and Kim (2005) found firms with higher governance and clearness rankings have more valued in stock markets. Ashbaugh, Collins, and LaFond (2004) found that firms with improved governance have lesser cost of equity capital resulting in a better firm value. Furthermore, Bhagat and Bolton (2007) reported that, the empirical studies revealed on how corporate governance index with performance was strongly correlated with stock returns during 1990s. Corporate governance does not always have a positive impact on the company's performance immediately [24]. This is supported by (Aebi, Sabato, and Schmid, 2012; Halbouni, Obeid, and Garbou 2016) which stated that corporate governance practiced, have no significant effect on financial performance. Moreover, Hassan and Tamimi, (2012) reported an insignificance relationship between corporate governance and UAE Nation's bank performance.

Moreover, Buallay and Hamdan, (2017) revealed that there was a significant impact between the size of the Board of Directors, ownership and firm's performance. The study examined the relationship between corporate governance and performance of Saudi companies listed on the stock exchange in a sample of 171 listed companies for period of 2012 to 2014 using ROA to measure operational performance, ROE to measure financial performance and Tobin's Q to measures market performance. The results shows the positive significant effect of audit committee on ROA, Tobin's Q and firm performance. While the effect of internal audit on ROA was found to be positively significant, the effect of the same variable on Tobin's Q was not supported by the results of the empirical study.

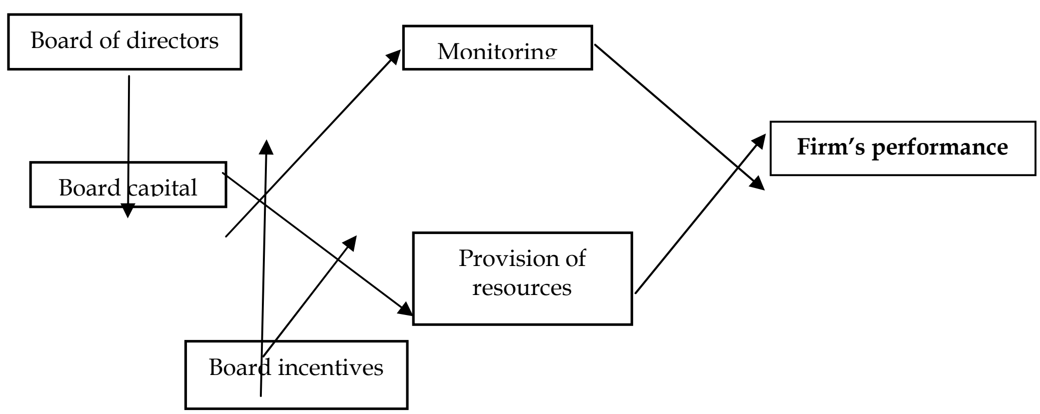

Figure 5.1 Background model of the relationship between board of directors and firm's performance**.**

5.1 Links between boards of directors to firm's performance

The links between boards of directors and firm performance are usually follow either one of two paths but the dominant path is that of agency theorist, who contend that the most significant activity for boards is monitoring management on behalf of shareholders while effective monitoring can improve firm performance by reducing agency costs [83]. The researchers further examined the relationship between proxies for board incentives to monitor both board dependence and firm performance and revealed that, there is no statistical support for a relationship between board incentives to monitor and firm performance (Dalton, Daily, Certo & Roengpitya 2003; Dalton, Daily, & Johnson, 1998)

The second path researchers take the study of boards and firm performance based on resource dependence theory. In this research scholars examine the relationship between the board as a provider of resources for example advice, legitimacy and counsel links to other organizations and firm performance but their primary concern in this research tradition is what they refer to as board capital [83]. Resource dependence theorists examine how board capital leads to the provision of resources to the firm. Empirical studies in the resource dependence tradition have shown a relationship between board capital and firm performance (Boyd, 1999; Dalton, Daily, & Ellstrand, 1999; Pfeffer, 1972).

5.2 Board capital to firm performance

Many researchers in resource dependence perspective have linked board capital directly to the provision of resources and firm performance, in the hypothesis is that, board capital is positively associated with the provision of resources by the board, which in turn, is positively associated with firm performance [83]. conclusively [88] argue that board capital improves monitoring directly which also improves performance.

5.3 Monitoring to firm performance

According to agency theory, monitoring is the primary function of board incentives while agency theorists acknowledge that boards of directors varies in their incentives to monitor in order to protect shareholder interests, as a result of that incentives are important for effective monitoring. Agency theorists suggest that when incentives are aligned with shareholders' interests, boards will be more effective to monitor management and also improves performance (Fama, 1980; Company, Jensen, & Meckling, 1976)

5.4 Provision of resources to firm performance

Although resource dependence logic suggested that board's provision of resources is related directly to firm performance [83]. Provision of resources help reduce dependency between the organization and external contingencies [91], diminish uncertainty for the firm [33], lower transaction costs and ultimately aid in the survival of the firm [92].

5.5 Board of Incentives to firm performance

The agency theorists have argued for a direct relationship between board incentives and monitoring [83]. However, behavioral scientists has regarded incentives as important factor for moderating between individual's ability and his or her performance. [93]

6 CONCLUSION

This paper is an attempt to identify the literature gaps in the study of M&A and performance of firms and the study controbuted to the literature in so many ways. In the first attempt in the literature, we comprehensively review the previous studies on M&A in both DE and EE and summarised the key findings in the relationship between M&A and performace of firms. After the searching and reviewing the literature we found that there are serious inconsistency and contradictory results that does exist in the relationship between M&A and performance. Based on the literature, we integrate the findings to develop a propositions and suggest the solution for the inconsistency and contradictory results on the relationship between M&A and firm's performance.

Secondly, based on the literature, this study found that, one of the most important corporate governance mechanism i.e board of directors are both internally and externally assocaited with higher firms performance, the study also suggest that corporate governance mechanisms can be introduce as a moderator in the relationship between M&A and firms performance to find a soluton in the literature and findings in both DE and EE. Moreover, the study found some advanced theories to justify the impact of M&A and explained that M&A can simply gernerate synergy between acquirer and target and also increase firm's performance.

At this juncture, researchers believe that firm performance may be influenced by well-structured and functional board's directors to achieve a desired firm's performance with their role in monitoring the managerial operations of a firm [94]. However, the empirical relationships between M&As and firms performance are not without controversy but the activities of M&As are increasingly undertaken by a number of firms, not only in DE but also in EE. However, this paper contributes by investigating the moderating effect of corporate governance on the relationship between merger and acquisition and firm's performance (Baron & Kenny, 1986; Rezaul Kabir, 2017; Hair et al., 2017)

6.1 Suggestion for future research

This study evaluated the theoretical and empirical literature related to M&As and firm's performance and the areas of gaps for future research. Both theoretical and methodological have been able to be established. Furthermore, it highlights the importance of more quantitative methods for in-depth understanding of the relationship between the three variables under review. Therefore, future researchers may find them useful for empirical investigation.

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