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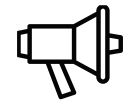
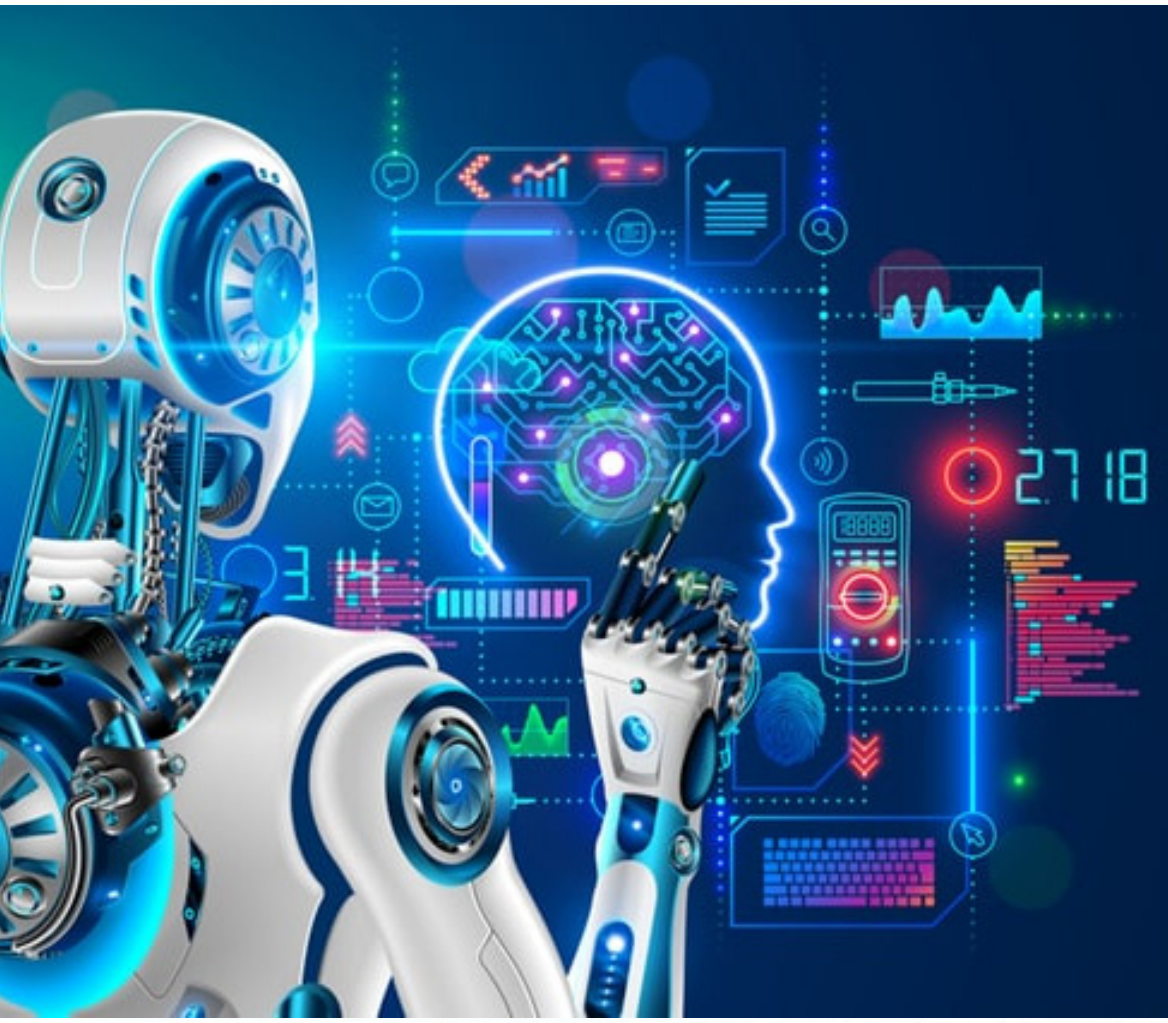


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A REALIST-POSITIVIST FRAMEWORK FOR ANALYSING MERGERS AND ACQUISITIONS UNDER ECONOMIC POLICY UNCERTAINTY



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Abstract: This article articulates the research philosophy and epistemological foundations underpinning an empirical investigation of mergers and acquisitions (M&A) under conditions of economic policy uncertainty in emerging markets, with a particular focus on the BRICS economies. The study addresses growing methodological challenges associated with analysing corporate behaviour in institutionally volatile environments characterised by policy unpredictability, geopolitical risk, and regulatory change. Grounded in a realist-positivist paradigm, the article justifies the treatment of economic policy uncertainty, ownership structures, and M&A outcomes as objective and observable phenomena that can be systematically analysed using quantitative methods. The ontological position assumes that uncertainty manifests through measurable policy actions and institutional constraints, while the epistemological stance emphasises empirical observation, hypothesis testing, and econometric modelling as the primary means of knowledge generation. The paper adopts a deductive methodological logic, drawing on real options theory, institutional economics, and corporate finance theory to derive empirically testable assumptions regarding M&A initiation and deal completion under uncertainty. Particular attention is given to endogeneity concerns inherent in uncertainty research, motivating the use of instrumental variable techniques, robustness checks, and alternative model specifications. The novelty of the work lies in providing a coherent philosophical and methodological justification for cross-country econometric analysis of M&A activity in emerging markets, where uncertainty is structural rather than transitory. The article contributes to the literature by strengthening the conceptual foundations for empirical research on corporate strategy under uncertainty and by offering a rigorous framework applicable to policy-relevant analysis in reforming economies.

Key words: economic policy uncertainty, mergers and acquisitions, emerging markets, BRICS, positivist methodology, institutional uncertainty.

Annotatsiya: Ushbu maqolada rivojlanayotgan bozorlarda, xususan BRICS mamlakatlari misolida, iqtisodiy siyosatdagi noaniqlik sharoitida qo'shilish va qo'shib olish (M&A) jarayonlarini empirik tadqiq etishning falsafiy va epistemologik asoslari yoritiladi. Tadqiqot institutsional jihatdan beqaror muhitlarda korporativ xatti-harakatlarni tahlil qilish bilan bog'liq metodologik muammolarni ko'rib chiqadi, bunday muhitlar siyosiy qarorlarning oldindan aytib bo'lmasligi, geosiyosiy xatarlar va tartibga solishdagi o'zgarishlar bilan tavsiflanadi. Maqola realist-pozitivistik paradigma asosida iqtisodiy siyosat noaniqligi, mulkchilik tuzilmalari va M&A bitimlari natijalarini obyektiv va kuzatiladigan hodisalar sifatida talqin qiladi hamda ularni miqdoriy usullar orqali tizimli tahlil qilish imkonini asoslaydi. Ontologik yondashuvga ko'ra, noaniqlik o'lchab bo'ladigan siyosiy qarorlar va institutsional cheklovlar orqali namoyon bo'ladi, epistemologik pozitsiya esa empirik kuzatuv, gipotezalarni sinash va ekonometrik modellashtirishni ilmiy bilimlarni shakllantirishning asosiy vositasi sifatida belgilaydi. Tadqiqot deduktiv metodologik mantiqqa asoslanib, real opsiya nazariyasi, institutsional iqtisodiyot va korporativ moliya nazariyasidan foydalangan holda noaniqlik sharoitida M&A bitimlarini boshlash va yakunlashga doir empirik tekshiriladigan farazlarni ishlab chiqadi. Shuningdek, noaniqlik tadqiqotlariga xos bo'lgan endogenlik muammolariga alohida e'tibor qaratilib, instrumental o'zgaruvchilar, barqarorlik tekshiruvlari va muqobil model spetsifikatsiyalaridan foydalanish zarurati asoslab beriladi. Maqolaning ilmiy yangiligi rivojlanayotgan bozorlarda noaniqlik vaqtinchalik emas, balki strukturaviy xususiyatga ega bo'lgan sharoitda M&A faoliyatini davlatlararo ekonometrik tahlil qilish uchun izchil falsafiy va metodologik asos yaratishda namoyon bo'ladi hamda tadqiqot noaniqlik sharoitida korporativ strategiyani empirik o'rganishning konseptual asoslarini mustahkamlaydi va islohotlar olib borilayotgan iqtisodiyotlar uchun siyosiy ahamiyatga ega tahlillarni amalga oshirishga mos qat'iy ilmiy doirani taklif etadi.

Kalit so'zlar: iqtisodiy siyosat noaniqligi, qo'shilish va qo'shib olish, rivojlanayotgan bozorlar, BRICS, pozitivistik metodologiya, institutsional noaniqlik.

Аннотация: В статье раскрываются философия исследования и эпистемологические основания, лежащие в основе эмпирического анализа процессов слияний и поглощений (M&A) в условиях неопределённости экономической политики на развивающихся рынках, с особым акцентом на экономики стран БРИКС. Исследование направлено на решение возрастающих методологических проблем, связанных с анализом корпоративного поведения в институционально нестабильных средах, характеризующихся непредсказуемостью экономической политики, геополитическими рисками и регуляторными изменениями. Опираясь на реалистско-позитивистскую парадигму, статья обосновывает рассмотрение неопределённости экономической политики, структур собственности и результатов сделок M&A как объективных и наблюдаемых явлений, поддающихся систематическому количественному анализу. Онтологическая позиция исходит из того, что неопределённость проявляется через измеримые политические решения и институциональные ограничения, тогда как эпистемологический подход акцентирует внимание на эмпирическом наблюдении, проверке гипотез и эконометрическом моделировании как основных способах получения научного знания. В работе используется дедуктивная методологическая логика, основанная на теории реальных опционов, институциональной экономике и теории корпоративных финансов, что позволяет сформулировать эмпирически проверяемые предположения относительно инициирования сделок M&A и их завершения в условиях неопределённости. Особое внимание уделяется проблемам эндогенности, характерным для исследований неопределённости, что обосновывает применение инструментальных переменных, процедур проверки устойчивости результатов и альтернативных спецификаций моделей. Научная новизна статьи заключается в формировании целостного философского и методологического обоснования межстранового эконометрического анализа активности M&A на развивающихся рынках, где неопределённость носит структурный, а не временный характер. Работа вносит вклад в развитие научной литературы, укрепляя концептуальные основы эмпирических исследований корпоративной стратегии в условиях неопределённости и предлагая строгую аналитическую рамку, применимую для разработки экономической политики в странах с реформируемой экономикой.

Ключевые слова: неопределённость экономической политики, слияния и поглощения, развивающиеся рынки, БРИКС, позитивистская методология, институциональная неопределённость.

INTRODUCTION

The past two decades have been marked by heightened economic policy uncertainty, geopolitical tensions, and institutional volatility, fundamentally reshaping corporate investment behaviour in emerging markets. In the BRICS economies—Brazil, Russia, India, China, and South Africa—firms operate in environments characterised by recurrent policy shifts, regulatory intervention, sanctions exposure, and fluctuating access to global capital markets, which have intensified the complexity of strategic decision-making and increased the importance of understanding how uncertainty affects corporate consolidation and restructuring processes. Within this context, mergers and acquisitions (M&A) remain a critical mechanism for growth, market expansion, financial restructuring, and technological upgrading, playing a central role in industrial consolidation, cross-border investment, and the reallocation of corporate control across BRICS economies. However, persistent economic policy uncertainty (EPU) and geopolitical risk have altered both the incentives and feasibility of such transactions, influencing not only the likelihood of deal initiation but also completion rates, ownership structures, and transaction outcomes. Despite a growing body of international literature on uncertainty and corporate investment, empirical evidence on how EPU shapes M&A activity across major emerging economies remains fragmented and uneven, as existing studies are often limited to single-country settings or focus predominantly on developed markets, providing limited insight into the heterogeneous institutional environments and ownership regimes characteristic of the BRICS bloc. This creates a clear need for a comparative, firm-level analysis that systematically examines how uncertainty interacts with financial characteristics and institutional factors to influence M&A outcomes. The object of the research is M&A activity undertaken by firms operating in BRICS economies under conditions of economic policy uncertainty, while the subject of the research is the impact of economic policy uncertainty, ownership structure, and firm-level financial characteristics on the initiation and completion of M&A transactions. The aim of the study is to analyse how economic policy uncertainty influences M&A activity and deal outcomes in BRICS economies and to identify the mechanisms through which uncertainty, leverage, and state involvement shape corporate consolidation decisions in emerging markets. To achieve this aim, the study reviews theoretical and empirical literature on economic policy uncertainty, institutional volatility, and corporate investment behaviour, examines global and emerging-market evidence on the relationship between uncertainty and M&A activity, analyses firm-level financial characteristics, including leverage, as determinants of M&A initiation and completion, assesses the role of ownership structure, particularly state involvement, in moderating M&A behaviour under uncertainty, and conducts a comparative econometric analysis of M&A transactions across BRICS economies over the period 2004–2024. The relevance of this study lies in the limited comparative evidence on M&A behaviour under uncertainty in large emerging economies, and by focusing on BRICS countries—where uncertainty is structural rather than transitory—the research

contributes to a deeper understanding of corporate strategy in institutionally volatile environments. The findings are expected to provide valuable insights for academics, policymakers, and practitioners, as well as offer lessons for other reforming economies, including Uzbekistan, where privatisation, corporate restructuring, and exposure to external shocks increasingly shape investment dynamics.

LITERATURE REVIEW

Research on mergers and acquisitions (M&A) under conditions of economic and political uncertainty has expanded substantially in recent years, with a growing body of theoretical and empirical studies examining how macro-level shocks shape corporate consolidation decisions. Evidence from developed economies generally indicates that heightened economic policy uncertainty (EPU) suppresses investment activity and reduces both the frequency and value of M&A transactions, as uncertainty increases the option value of waiting and leads firms to postpone irreversible investment decisions, including acquisitions, particularly when financing constraints are binding and asset redeployability is limited [1], [2]. In contrast, findings from emerging markets reveal considerable heterogeneity in the relationship between uncertainty and M&A behaviour, as evidence from China suggests that policy uncertainty does not uniformly deter acquisition activity: while EPU reduces overall M&A volume, firms with stronger balance sheets or strategic restructuring motives may increase acquisition activity during uncertain periods [3]. Similarly, emerging-market firms can exploit uncertainty in target countries as an opportunity to acquire undervalued assets, highlighting the role of institutional arbitrage [4], while studies from India and Brazil report non-linear and context-dependent effects of uncertainty on corporate transactions, reflecting differences in institutional maturity, financing structures, and state involvement [5], [6]. A parallel stream of research emphasises the role of ownership structure and corporate governance in shaping M&A outcomes under uncertainty, showing that state-owned enterprises (SOEs) behave systematically differently from private firms, particularly in emerging economies. Evidence from Russia and China indicates that SOEs are less responsive to market-based incentives and more constrained by political objectives, resulting in lower acquisition intensity and longer deal completion times during periods of uncertainty [7]. State participation alters deal motivation, valuation, and post-merger integration, often weakening efficiency-driven outcomes, whereas private firms operating under stronger governance frameworks exhibit greater flexibility in responding to uncertainty shocks [8]. Financial characteristics represent another critical determinant of M&A behaviour, with empirical studies demonstrating that leverage plays a dual role under uncertainty: on the one hand, high debt levels increase financial risk and constrain acquisition capacity, while on the other hand, leveraged firms are more likely to engage in M&A as a mechanism for restructuring, asset redeployment, or risk diversification [9], [10], a motive that is particularly pronounced in emerging markets where capital markets are underdeveloped and external financing is costly. Macroeconomic volatility further interacts with institutional conditions to shape M&A dynamics, as studies on geopolitical risk and sanctions show that political shocks significantly reduce cross-border M&A activity and alter deal structure, financing choices, and partner selection [11], with the impact of geopolitical risk on financial markets varying markedly across BRICS countries due to differences in institutional credibility and policy transmission mechanisms [12]. Sanctions, in particular, materially distort M&A flows and increase transaction risk, especially in politically exposed economies such as Russia [13]. Despite the expanding literature, comparative firm-level evidence on M&A under uncertainty across BRICS economies remains limited, as existing studies are predominantly single-country or sector-specific and often focus on developed markets, offering limited insight into the interaction between uncertainty, ownership structure, and financial constraints in large emerging economies. This gap is particularly salient given the structural nature of uncertainty in BRICS countries, where policy shifts, geopolitical tensions, and institutional change are persistent rather than transitory. Overall, the literature suggests that the effects of economic policy uncertainty on M&A activity are highly context-dependent and shaped by institutional quality, ownership regimes, and firm-level financial characteristics, yet an integrated cross-country analysis that systematically examines these mechanisms within the BRICS bloc remains lacking. The present study addresses this gap by providing a comparative econometric assessment of how uncertainty influences M&A initiation and completion across BRICS economies, thereby contributing to a more nuanced understanding of corporate strategy under conditions of institutional volatility.

RESEARCH METHODOLOGY

This study adopts a structured quantitative research design that combines comparative econometric analysis, firm-level modelling, and institutional contextualisation to examine how economic policy uncertainty (EPU) influences mergers and acquisitions (M&A) activity across BRICS economies (Brazil, Russia, India, China, and South Africa) [1], [2]. The methodological framework integrates three interrelated components, beginning with a

comparative econometric analysis based on firm-level M&A transaction data merged with macroeconomic and institutional indicators. M&A transactions over the period 2004–2024 are analysed across BRICS countries to identify systematic patterns in deal initiation and completion under varying levels of economic policy uncertainty [3]. This cross-country approach allows the study to capture institutional heterogeneity and to compare how firms operating under different ownership regimes and regulatory environments respond to uncertainty shocks [4]. The analysis further employs a multivariate modelling strategy to estimate the probability of M&A initiation and deal completion, using limited dependent variable models, including probit and instrumental-variable probit specifications, to assess the impact of EPU while controlling for firm-specific financial characteristics such as leverage, size, and profitability, as well as ownership structure distinguishing state-owned and private firms [5], [6]. This modelling framework enables the isolation of marginal effects of uncertainty and addresses potential endogeneity between policy uncertainty and corporate investment behaviour through robustness checks and alternative model specifications [7]. In addition, the study incorporates an institutional contextualisation component that interprets econometric results within the broader political and economic environments of BRICS economies, linking empirical findings to differences in governance quality, state involvement, sanctions exposure, and capital market development in order to explain cross-country variation in the effects of uncertainty on M&A activity [8], [9]. This contextualisation enhances the interpretability of the results and ensures that conclusions reflect structural institutional characteristics rather than purely statistical correlations. Overall, the chosen methodology enables the identification of cross-country similarities and differences in M&A behaviour under uncertainty, highlights the role of ownership structure and financial constraints in shaping corporate consolidation decisions, and uncovers the mechanisms through which economic policy uncertainty affects deal outcomes in emerging markets [10], [11], thereby contributing to a more comprehensive understanding of corporate strategy in environments characterised by persistent policy and geopolitical volatility [12].

ANALYSIS AND RESULTS

This section presents a structured analysis of how economic policy uncertainty (EPU), ownership structure, and firm-level financial characteristics shape mergers and acquisitions (M&A) activity across BRICS economies. Given the heterogeneity of institutional environments and the structural nature of uncertainty in these countries, the analysis adopts a comparative framework that integrates econometric results with cross-country institutional interpretation [1], [2].

A substantial body of empirical evidence confirms that heightened economic policy uncertainty exerts a statistically significant and economically meaningful dampening effect on M&A activity. The baseline probit estimates indicate that increases in EPU are associated with a lower probability of deal initiation and completion, consistent with real options theory and prior findings for developed markets [3], [4]. This effect is most pronounced during periods of moderate uncertainty, when firms retain discretion to postpone investment decisions rather than exit the market entirely.

However, comparative analysis across BRICS economies reveals considerable heterogeneity in the magnitude and significance of the EPU effect. In relatively market-oriented environments such as India and South Africa, policy uncertainty strongly discourages acquisitions, reflecting higher sensitivity to financing costs and investor sentiment [5]. In contrast, in more state-influenced systems such as China and Russia, the effect of EPU is weaker or statistically insignificant in certain specifications, suggesting that government involvement, policy coordination, and strategic state objectives partially insulate firms from market-based uncertainty shocks [6], [7].

The cross-country comparison can be summarised as follows:

Country	EPU Effect on M&A	Institutional Characteristics
Brazil	Negative and significant	Fiscal volatility; commodity exposure
Russia	Weak or conditional	High state involvement; sanctions exposure
India	Strongly negative	Market-oriented governance; capital-market sensitivity
China	Mixed	State coordination; policy-guided consolidation
South Africa	Negative and significant	Institutional transparency; investor-driven markets

These results indicate that economic policy uncertainty operates through institutional transmission mechanisms rather than exerting a uniform macroeconomic constraint across emerging economies.

Ownership structure emerges as a critical moderating factor in shaping M&A outcomes. Transactions involving state-owned enterprises (SOEs) exhibit significantly lower completion probabilities, particularly during

periods of elevated uncertainty [8]. This pattern reflects additional bureaucratic procedures, political oversight, and non-commercial objectives that slow decision-making and reduce transaction flexibility. Empirical evidence from Russia and China confirms that SOE involvement alters deal motivation, valuation, and post-merger integration, often weakening efficiency-driven outcomes [9], [10]. By contrast, privately owned firms demonstrate greater responsiveness to market signals and a higher likelihood of completing transactions under comparable uncertainty conditions.

Firm-level financial characteristics further condition M&A behaviour. The results indicate that leverage plays a dual role. While high debt levels increase financial risk, leveraged firms are more likely to complete acquisitions, consistent with restructuring, asset redeployment, and risk-diversification motives [11], [12]. This effect is particularly pronounced in BRICS economies with less developed capital markets, where access to external finance is highly sensitive to macroeconomic volatility.

Macroeconomic and geopolitical shocks exert additional influence on M&A dynamics. Periods of heightened geopolitical risk and sanctions exposure are associated with sharp declines in cross-border M&A, longer deal completion times, and a shift toward domestic consolidation [13]. At the same time, comparative evidence suggests that uncertainty can accelerate strategic consolidation among firms seeking to internalise risk and secure market positions, especially in state-coordinated or policy-driven sectors [6].

These dynamics can be conceptualised as follows:

Outcome under High Uncertainty	Low Financial Flexibility Firms	High Leverage / Strategic Firms
M&A initiation	Strong decline	Moderate decline
Deal completion	Low probability	Higher probability
Cross-border activity	Sharp contraction	Selective continuation
Strategic consolidation	Limited	More pronounced

The findings highlight that economic policy uncertainty does not uniformly suppress mergers and acquisitions activity; rather, it redistributes transactions toward firms characterised by specific ownership structures and financial profiles.

Synthesising the econometric evidence across BRICS economies reveals several structural constraints that shape M&A performance under conditions of uncertainty:

- Persistent policy and regulatory volatility, which increases the option value of waiting and delays irreversible investment decisions.
- High levels of state participation in corporate ownership, which reduce transaction flexibility and prolong decision-making processes.
- Uneven access to external finance, amplifying the role of leverage in shaping acquisition behaviour.
- Exposure to geopolitical risk and economic sanctions, particularly pronounced in Russia and China.
- Institutional heterogeneity across countries, limiting the direct transferability of empirical results within the BRICS bloc.

The key results of the study can be summarised as follows:

- Economic policy uncertainty generally reduces the likelihood of M&A initiation and deal completion across BRICS economies.
- The impact of uncertainty is highly heterogeneous and mediated by institutional frameworks and ownership structures.
- State ownership functions as a significant deterrent to deal completion under conditions of heightened uncertainty.
- Financial leverage increases the probability of M&A completion, consistent with restructuring, consolidation, and risk-reallocation motives.
- Uncertainty reshapes, rather than eliminates, M&A activity by reallocating transactions toward firms with particular financial and governance characteristics.

Overall, the analysis demonstrates that M&A activity in BRICS economies is governed by a complex interaction between macro-level uncertainty and firm-level attributes. These findings contribute to a deeper understanding of corporate strategy under institutional volatility and offer relevant insights for other reforming economies, including Uzbekistan, where privatisation processes, governance reforms, and exposure to external shocks increasingly shape the investment environment

CONCLUSION AND SUGGESTIONS

The findings of this study demonstrate that economic policy uncertainty (EPU) constitutes a fundamental determinant of mergers and acquisitions (M&A) activity in BRICS economies, shaping not only the likelihood of deal initiation but also transaction completion and strategic orientation [1], [2]. The results indicate that heightened policy uncertainty generally discourages M&A activity by increasing financing costs, amplifying risk premiums, and raising the option value of waiting [3], [4]. However, the impact of uncertainty is not uniform across countries or firms and is strongly conditioned by institutional environments, ownership structures, and firm-level financial characteristics [5]. Comparative evidence across BRICS economies reveals pronounced heterogeneity in how firms respond to uncertainty: in relatively market-oriented systems such as India and South Africa, policy uncertainty exerts a strong negative effect on M&A activity, reflecting greater sensitivity to investor sentiment and capital market conditions [6], whereas in more state-influenced economies such as China and Russia, the deterrent effect of uncertainty is weaker or conditional, suggesting that government coordination, strategic state objectives, and access to state-backed financing partially buffer firms from market-based uncertainty shocks [7], [8]. These findings reinforce the view that uncertainty operates through institutional transmission mechanisms rather than as a uniform macroeconomic constraint [9]. Ownership structure emerges as a critical moderating factor, as transactions involving state-owned enterprises (SOEs) exhibit significantly lower completion probabilities, particularly during periods of elevated uncertainty [10], reflecting additional bureaucratic constraints, political oversight, and non-commercial objectives that slow decision-making and reduce transaction flexibility [11], while private firms display greater adaptability and adjust acquisition strategies more dynamically in response to changing policy conditions [12]. Firm-level financial characteristics further condition M&A outcomes, with the analysis indicating that higher leverage increases the likelihood of deal completion, supporting the interpretation that financially constrained firms may engage in M&A as a restructuring or risk-diversification strategy rather than purely as an expansionary investment [13], [14], an effect that is especially pronounced in BRICS economies with less developed capital markets, where external financing is more sensitive to macroeconomic volatility [15]. Beyond economic policy uncertainty, geopolitical risk and sanctions exposure exert additional influence on M&A dynamics, as periods of heightened geopolitical tension are associated with sharp declines in cross-border M&A, longer deal completion times, and a reorientation toward domestic consolidation [16], [17], while at the same time uncertainty can accelerate strategic consolidation among firms seeking to internalise risks, secure market positions, or exploit valuation disparities created by institutional shocks [18]. Taken together, these findings highlight several structural challenges shaping M&A activity in BRICS economies, including persistent policy and regulatory volatility that increases investment irreversibility concerns [3], high levels of state participation in corporate ownership that reduce transaction speed and flexibility [10], [11], uneven access to external finance that amplifies the role of leverage in acquisition decisions [13], exposure to geopolitical risk and sanctions, particularly in politically sensitive economies [16], [17], and institutional heterogeneity that limits the generalisability of country-specific policy responses [9]. The policy implications are therefore substantial, as improving policy transparency and regulatory predictability can materially enhance M&A efficiency by reducing uncertainty-induced delays and transaction failures [1], [2], clarifying the role of the state in corporate control—particularly in SOEs—can improve deal completion rates and attract private and foreign investors [10], strengthening capital market development and access to long-term financing can reduce the distortionary effects of uncertainty on corporate restructuring decisions [14], [15], and recognising that uncertainty reallocates rather than eliminates M&A activity is essential for assessing long-term implications for market concentration and competition [18]. Overall, the analysis demonstrates that M&A activity in BRICS economies is shaped by a complex interaction between macro-level uncertainty and firm-level characteristics, and understanding these interactions is essential for designing policies that support efficient corporate restructuring under conditions of persistent uncertainty [5], [9], while also offering broader lessons for other emerging and transition economies, such as Uzbekistan, where privatisation, institutional reform, and exposure to external shocks increasingly define the investment landscape [19].

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