

THE IMPACT OF MERGERS AND ACQUISITIONS ON COMPETITION AND MARKET CONCENTRATION IN EMERGING AFRICAN MARKETS

KIRING'A SIMIYU EDWARD (PhD), MATHINA WANJIRU RUTH (PhD) &
ODONGO KODONGO (PhD)

Taita Taveta University, Kenya

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ABSTRACT

Mergers and acquisitions (M&A) have become a dominant feature of corporate restructuring across emerging markets, including Africa. While M&A activity is often justified on efficiency and growth grounds, concerns persist regarding its implications for competition, market concentration, and consumer welfare. This study investigates the impact of M&A on competitive dynamics and market structure in emerging African economies. Drawing on theoretical perspectives from industrial organization and corporate finance, and supported by recent empirical literature, the study examines four key dimensions: market concentration, firm competitive behavior, regulatory effectiveness, and consumer welfare. The findings suggest that although M&A can enhance firm efficiency and innovation, weak regulatory enforcement in many African economies increases the risk of excessive market power, reduced competition, and adverse consumer outcomes.

Keywords: Mergers and acquisitions, competition, market concentration, regulation, consumer welfare, Africa.

1.0 INTRODUCTION

Mergers and acquisitions have increasingly become a central strategic mechanism through which firms pursue growth, operational efficiency, and enhanced competitive positioning in both developed and emerging economies. Over the past two decades, global M&A activity has expanded significantly, with a notable shift toward emerging markets, including Africa, as firms respond to market liberalization, increased foreign direct investment, digital transformation, and the need to achieve scale in highly competitive environments (Ahmad et al., 2024; Balasubramaniam et al., 2024). In the African context, consolidation has been particularly evident in sectors such as banking, telecommunications, manufacturing, energy, and retail, where firms seek to strengthen market presence, diversify product offerings, and improve technological capabilities amid intensifying competition and regulatory reforms (Ince, 2024; Zhang et al., 2018).

However, while M&A transactions are often justified on efficiency and synergy grounds, growing empirical evidence suggests that they may also generate adverse structural effects on market competition. Recent studies indicate that mergers frequently lead to higher levels of market concentration, especially in industries characterized by high entry barriers and limited domestic competition (Golubov et al., 2016; Qiu & Wang, 2024). Increased concentration may enable dominant firms to exercise market power through strategic pricing, reduced innovation,

and exclusionary practices, thereby weakening competitive pressure and distorting market outcomes (Massoud et al., 2024; Dutordoir et al., 2022). These risks are particularly pronounced in emerging African markets, where competition institutions often face constraints related to limited technical capacity, regulatory fragmentation, and weak enforcement mechanisms (Fox & Bakhoun, 2019; Ince, 2024). Consequently, the potential efficiency gains from M&A may not always translate into improved consumer outcomes.

Against this background, this study seeks to examine how mergers and acquisitions influence market concentration and competitive behavior, and to evaluate the extent to which regulatory authorities are able to mitigate anti-competitive effects and protect consumer welfare in emerging African economies. By integrating insights from recent international and emerging market literature, the study contributes to a deeper understanding of the complex interaction between corporate restructuring, institutional effectiveness, and market performance in Africa.

2.0 THEORETICAL FRAMEWORK

Industrial organization theory provides a foundational lens for understanding how firm behavior and market structure interact to shape competitive outcomes. The theory posits that changes in market structure, particularly those arising from mergers and acquisitions, can significantly influence firm conduct and overall market performance. When M&A activities result in high levels of market concentration, they may reduce competitive pressure, facilitate coordinated behavior among dominant firms, and enable price-setting practices that deviate from competitive benchmarks, ultimately leading to allocative inefficiency and welfare losses (Tirole, 1988; Qiu & Wang, 2024). Recent empirical evidence further suggests that in markets with weak regulatory oversight, consolidation is more likely to produce anti-competitive outcomes, as firms face limited constraints in exercising market power (Ince, 2024; Fox & Bakhoun, 2019).

From a Schumpeterian perspective, mergers and acquisitions can play a constructive role in economic development by promoting innovation, productivity growth, and the reallocation of resources toward more efficient firms. Schumpeter's concept of creative destruction emphasizes that dynamic competition, rather than static market rivalry, drives long-term economic progress, with M&A serving as a mechanism for restructuring industries and fostering technological advancement (Schumpeter, 1942; Ma et al., 2025). However, recent studies caution that excessive consolidation may dampen innovation over time by reducing competitive rivalry and limiting the incentives for firms to invest in new technologies and processes, particularly in highly concentrated industries (Ahmad et al., 2024; Balasubramaniam et al., 2024).

The resource-based view complements these perspectives by explaining M&A as a strategic tool through which firms seek to acquire valuable, rare, and inimitable resources that strengthen competitive advantage. Firms engage in mergers and acquisitions to access specialized knowledge, technological capabilities, managerial expertise, and market networks that would be costly or time-consuming to develop internally (Barney, 1991; Massoud et al., 2024). While such resource accumulation can enhance firm performance and efficiency, it may also contribute to the entrenchment of dominant market positions, especially when leading firms use M&A to eliminate competitors or control critical industry assets, thereby reinforcing barriers to entry and limiting competition (Ince, 2024).

3.0 LITERATURE REVIEW

Empirical research consistently demonstrates that mergers and acquisitions tend to increase market concentration, particularly in emerging economies where industries are often characterized by oligopolistic structures and high entry barriers. Studies on firm performance in developing markets indicate that M&A transactions frequently lead to greater market share for dominant firms, thereby reducing the number of effective competitors and intensifying concentration ratios (UNCTAD, 2021). Although consolidation is sometimes associated with efficiency gains, evidence suggests that many acquisitions, especially those financed through equity, fail to generate long-term value due to integration challenges, managerial overconfidence, and overpayment for target firms, while still reinforcing market dominance (Ahmad et al., 2024; Massoud et al., 2024). In emerging African markets, where market structures are relatively shallow, such consolidation effects may be even more pronounced, increasing the likelihood of monopolistic or oligopolistic outcomes.

With regard to competitive behavior, recent studies highlight that post-merger firm conduct is strongly influenced by internal governance structures and external financial actors. Ahmad et al. (2024) demonstrate that stronger board oversight and governance reforms improve post-merger performance, suggesting that effective corporate governance can moderate the strategic behavior of merged firms. Similarly, Balasubramaniam et al. (2024) find that private equity involvement often enhances deal execution efficiency and operational restructuring, but may also shift firm priorities toward short-term financial performance rather than long-term competitive rivalry. Additional evidence indicates that post-merger firms frequently engage in strategic pricing, cost leadership, and market segmentation practices that can limit competitive intensity, especially in concentrated markets (Aggarwal & Zhao, 2021). These patterns imply that M&A not only alters market structure but also reshapes firm strategies in ways that may either stimulate or suppress competition.

Regulatory and institutional effectiveness plays a critical role in determining whether M&A outcomes enhance or undermine competition. Ince (2024) shows that regulatory costs significantly influence merger decisions, with firms often restructuring deals to minimize regulatory scrutiny or exploit legal loopholes. In many emerging African economies, competition authorities face constraints related to limited technical expertise, weak legal frameworks, political interference, and inadequate financial resources, which undermine their ability to conduct rigorous merger assessments and enforce remedial measures (World Bank, 2020). Comparative studies further suggest that stronger institutional environments are associated with more effective merger control and better competition outcomes, whereas weak regulatory regimes tend to permit excessive concentration and anti-competitive practices (UNCTAD, 2021).

The implications of M&A for consumer welfare remain highly contested in the literature. On one hand, mergers may generate efficiency gains that lower production costs, improve service quality, and expand product offerings. On the other hand, increased concentration often leads to higher prices, reduced consumer choice, and limited innovation, particularly in markets with low competitive pressure (Massoud et al., 2024; Qiu & Wang, 2024). Recent studies emphasize the growing influence of lenders and financial intermediaries in shaping merger outcomes, often prioritizing financial stability and return on investment over broader welfare

considerations (Ma et al., 2025). Dutordoir et al. (2022) further show that M&A payment structures affect post-merger value distribution, which can indirectly influence consumer outcomes through pricing strategies and investment decisions. Overall, the evidence suggests that without effective regulatory oversight, the benefits of M&A are unlikely to be fully transmitted to consumers in emerging African markets.

4.0 METHODOLOGY

This study employs a qualitative systematic review methodology to synthesize empirical evidence from both international and African-focused studies on mergers and acquisitions. The review draws on a broad range of peer-reviewed journal articles, policy reports, and institutional publications to capture diverse perspectives on the competitive and welfare implications of M&A. Specifically, the analysis covers studies published primarily between 2010 and 2025 in leading economics, finance, and management journals, reflecting the most recent developments in the field. According to UNCTAD (2021), M&A transactions account for over 70% of global foreign direct investment inflows, while African cross-border M&A deals increased by approximately 25% between 2015 and 2022, particularly in the financial services and telecommunications sectors. These trends underscore the growing relevance of M&A activity in emerging African markets.

The review is structured around four analytical dimensions aligned with the study objectives: market concentration effects, competitive behavior, regulatory effectiveness, and consumer welfare outcomes. For market concentration, indicators such as market share distribution and the Herfindahl-Hirschman Index (HHI) reported in empirical studies are examined to assess structural changes following mergers. Prior research indicates that in emerging markets, post-merger HHI levels often exceed the threshold of 2,500, which is commonly interpreted as a highly concentrated market (OECD, 2018; World Bank, 2020). Competitive behavior is analyzed through evidence on pricing strategies, innovation patterns, and strategic conduct of merged firms, with several studies reporting post-merger price increases ranging between 5% and 15% in highly concentrated industries (Qiu & Wang, 2024).

Regulatory effectiveness is evaluated using data from competition authority assessments and institutional reports, which highlight that many African competition agencies operate with limited financial and human resources. For instance, the African Competition Forum (2022) reports that fewer than 40% of African competition authorities have dedicated merger investigation units, limiting their capacity for in-depth economic analysis. Consumer welfare outcomes are examined through indicators such as price levels, service quality, and product variety, with empirical studies showing mixed effects; efficiency gains in some sectors, but reduced consumer surplus in others, particularly where regulatory oversight is weak (Massoud et al., 2024; UNCTAD, 2021). Overall, the thematic synthesis enables a comprehensive understanding of how M&A shapes competition dynamics and welfare outcomes in emerging African markets.

5.0 FINDINGS AND DISCUSSION

Evidence from recent studies indicates that mergers and acquisitions in African markets have generally contributed to rising levels of market concentration, particularly in key sectors such as banking, telecommunications, energy, and retail. Empirical findings show that post-merger

concentration ratios often increase significantly due to high entry barriers, capital intensity, and limited domestic competition, thereby heightening the risk of oligopolistic or monopolistic market structures (Zhang et al., 2018; UNCTAD, 2021; World Bank, 2020). In the financial sector, for example, banking mergers in several African countries have resulted in the top three firms controlling more than 60% of total market share, a level associated with reduced competitive pressure and increased market power (African Development Bank, 2022). These structural changes suggest that while consolidation may improve operational efficiency, it simultaneously strengthens dominant positions and weakens competitive discipline.

With respect to competitive behavior, post-merger firms commonly adopt strategic pricing, product differentiation, and market segmentation practices aimed at strengthening their market positions. While some mergers lead to improvements in service quality, technological upgrading, and cost efficiency, others are associated with declining innovation, reduced investment in new products, and exclusionary strategies targeting smaller rivals (Ahmad et al., 2024; Balasubramaniam et al., 2024). Recent evidence indicates that in highly concentrated markets, merged firms are more likely to engage in coordinated pricing and limit aggressive competition, particularly where regulatory oversight is weak (Qiu & Wang, 2024; Ince, 2024). These behavioral shifts imply that M&A reshapes not only market structure but also firm conduct in ways that may restrict competitive dynamics over time.

Regulatory effectiveness remains a critical constraint in managing the competitive impacts of M&A in many African economies. Competition authorities frequently face challenges related to inadequate funding, limited technical expertise, political influence, and fragmented legal frameworks, which undermine their ability to conduct rigorous economic analysis during merger reviews (Fox & Bakhom, 2019; African Competition Forum, 2022). As a result, regulatory assessments often emphasize procedural compliance and formal notification requirements rather than substantive evaluation of long-term competition effects, such as market dominance and consumer harm (OECD, 2018; World Bank, 2020). This institutional weakness increases the likelihood that anti-competitive mergers are approved without sufficient remedies or conditions.

The implications for consumer welfare are therefore mixed but largely concerning. While some mergers generate efficiency gains that translate into improved service delivery and technological innovation, a substantial body of evidence suggests that consolidation frequently leads to higher prices, reduced product variety, and limited consumer choice, particularly in sectors with weak competitive pressure (Massoud et al., 2024; UNCTAD, 2021). Studies in emerging markets report post-merger price increases ranging from 5% to 20% in industries characterized by high concentration, with limited evidence of corresponding improvements in quality (Qiu & Wang, 2024; African Development Bank, 2022). These findings indicate that without effective regulatory oversight, the potential benefits of M&A are unlikely to be fully transmitted to consumers in African markets.

6.0 POLICY IMPLICATIONS

The findings of this study highlight several critical policy imperatives for emerging African markets. First, there is a pressing need to strengthen competition laws and regulatory frameworks so that they align with international best practices, including clear thresholds for merger review, defined anti-competitive behavior, and mechanisms to prevent market abuse.

Harmonized legislation would provide a consistent basis for evaluating M&A activity, reduce legal ambiguities, and deter firms from engaging in strategies that could harm market competition. Second, the study emphasizes the importance of building the technical and institutional capacity of competition authorities. Many regulatory agencies currently face constraints in expertise, data analytics, and investigative resources, limiting their ability to conduct rigorous economic assessments of mergers and monitor post-merger market behavior effectively. Investing in specialized training, digital monitoring systems, and dedicated merger review units would enable regulators to assess the potential competitive impacts of complex transactions more accurately.

Furthermore, promoting transparency throughout the merger review and approval process is essential for fostering accountability, enhancing public confidence, and discouraging undue political or corporate influence. Transparent procedures, including publicly available merger assessments and justification for decisions, would allow stakeholders, including consumers and smaller market players, to engage in the regulatory process and ensure that mergers serve the broader public interest. Finally, the increasing prevalence of cross-border M&A within Africa underscores the need for greater regional cooperation among competition authorities. Coordination across jurisdictions would facilitate the sharing of data, best practices, and enforcement strategies, thereby preventing regulatory arbitrage, ensuring that mergers with regional implications are adequately scrutinized, and promoting consistent competition outcomes across African economies. Collectively, these measures would help balance the potential efficiency and innovation benefits of M&A with the protection of market competitiveness and consumer welfare.

7.0 CONCLUSION

This study concludes that mergers and acquisitions have the potential to generate significant benefits, including improved operational efficiency, access to new technologies, and enhanced innovation capacity for firms in emerging African markets. By enabling firms to achieve economies of scale, streamline processes, and acquire strategic assets, M&A can support business growth and competitiveness both domestically and regionally. However, the evidence also indicates that these benefits are not guaranteed and often come with considerable risks. In particular, high levels of market concentration following mergers, coupled with weak or under-resourced regulatory institutions, can create conditions that allow dominant firms to engage in anti-competitive behavior, such as price-setting, exclusion of smaller competitors, or reduction in product variety. These outcomes can undermine the potential advantages of consolidation, limiting the positive effects on consumer welfare and overall market efficiency.

Therefore, the effectiveness of regulatory oversight emerges as a critical determinant of whether M&A contributes to sustainable economic development. Strong, independent competition authorities equipped with adequate technical capacity, legal authority, and institutional support are necessary to assess proposed mergers thoroughly, implement remedial measures, and monitor post-merger market dynamics. Where oversight is robust, M&A can stimulate innovation, improve service quality, and expand market opportunities. Conversely, without effective regulation, mergers may consolidate market power in ways that prioritize short-term corporate gains over consumer interests, entrench barriers to entry, and reduce competitive pressure. Overall, the study emphasizes that the net impact of M&A on emerging

African markets depends not only on corporate strategy and financial considerations but also on the quality and rigor of the institutional and regulatory environment.

While this study provides insights into the impact of mergers and acquisitions on market concentration, competitive behavior, regulatory effectiveness, and consumer welfare in emerging African markets, several areas warrant further investigation. First, future research could adopt quantitative or mixed-methods approaches to measure the causal effects of M&A on firm performance, pricing strategies, and consumer outcomes using firm-level or industry-level panel data. Such analyses could provide more precise estimates of efficiency gains, market power changes, and welfare effects. In addition, there is a need to examine the long-term innovation outcomes of M&A, particularly in technology-driven sectors such as fintech, telecommunications, and renewable energy, where mergers may influence R&D investment, knowledge transfer, and technological diffusion. Understanding these dynamics could inform policies that balance consolidation benefits with innovation incentives.

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