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THE IMPACT OF MERGER AND ACQUISITION ON FINANCIAL PERFORMANCE IN INDONESIA

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Abstract

Merger and Acquisition are two forms of business combination, where companies that take assets and liabilities or controls are called acquiring companies or bidders, while companies that are taken over are called target companies. The results of the statistical analysis of Wilcoxon signed rank test found that there was no significant difference in Return on Equity and Debt to Equity Ratio financial ratios before and after Merger and Acquisition. We can even see that the median and average of pre- Merger and Acquisition Return on Equity is greater than the post- Merger and Acquisition Return on Equity, the same thing is also obtained from the results of this test that we can even see the median and average before the occurrence of Merger and Acquisition had a smaller ratio and was considered better.

Keywords: Merger and Acquisition, Return on Equity, Debt to Equity, Financial Performance.

1. Introduction

Merger and Acquisition is not a new phenomenon in the business world. This Merger and Acquisition ac-tivity began to flourish in multinational companies in America and Europe since the 1960s while Merger and Acquisition in Indonesia have been known sectoral especially in the banking sector before the en-actment of Law No. 1 of 1995 concerning Limited Liability Companies. The term Merger and Acquisition in Indonesia became increasingly popular after the merger of 4 large government-owned banks that merged due to a crisis that eventually resulted in Bank Mandiri in 1998. In terms of quantity, Merger, and Acquisition activities in Indonesia experienced a significant increase along with the increasingly popular term of Merger and Acquisition among business actors. The Merger and Acquisition is a process of com-pany restructuring that is believed to bring prosperity and profits in a short time.

In Indonesia, the issue Merger and Acquisition is discussed by several groups, such as econom-ic observers, scientists, and business practitioners. The reason for company carried out Merger and Acquisition was explained by Hanafi (2013: 668). He stated that one of the reasons for Merger and Acquisition is to increase and protect market share, and as an effort to survive the company. According to Hanafi (2013), the reason for this consolidation is the need to have competed effectively in the global market.

According to Annisa and Prasetiono (2010), a business combination is a form of merging one company with another company to gain control over assets and operations. The form of a business com-bination that is often carried out in the last two decades is Merger and Acquisition where this strategy is seen as one way to achieve several objectives that are more economic and long-term.

Merger and Acquisition are two forms of business combination, where companies that take assets and liabilities or controls are called acquiring companies or bidders, while companies that are taken over are called target companies. The target company will get a replacement from acquiring a company which can be in the form of cash (cash) or company stock or even a combination of both.

In Merger and Acquisition, there are two main things that must be considered, namely the value generated from Merger and Acquisition and who are the parties who most benefit from these activities. With the existence of Merger and Acquisition, it is expected that it increases the synergies within the group or new entity so that the company's value will increase. However, regarding the party who gets the benefits, prior studies presented mixed results. Some argue, the shareholders of the target company always benefit, and the shareholders of the acquiring company are always harmed.

Merger and Acquisition are carried out by the company in the expectation of bringing several benefits. Mutual benefit conditions will occur if the Merger and Acquisition activities get a synergy. Ac-cording to Brigham and Houston (2001) states that synergy is a situation where two companies, namely each company A and company B join into one company C, and in this merger, the value of firm C be-comes higher than the value of company A and company B when standing by themselves, this is called synergy. The effect of the synergy will arise in four sources: The first is operating savings resulting from economies of scale of management, marketing, production, or distribution — the second financial savings, which include lower transaction costs and better evaluation by securities analysis. The third is the difference in efficiency, which means that management of one company is more efficient and weaker company assets will be more productive after the merger because with one management it will be more efficient in managing, and the fourth is increased market share due to reduced competition.

Financial performance analysis aims to assess the implementation of the company's strategy in terms of Merger and Acquisition. A profitability ratio is considered as a reference to see the success of a company in making a profit, so the company tries to achieve this by trying to increase the ratio. Return on Equity (ROE) is one of the important indicators that investors use to assess the level of profitability of a company. In Return on Equity, three main things can be found, namely the ability of the company to generate profits, the efficiency of the company in managing assets and the debt used in carrying out the business.

Laiman and Hatane (2017) found the results of the analysis showed that there were no differences in financial performance before and after the merger. Likewise with the financial performance variables that are proxied by the ratio of debt to equity ratio, return on assets, and return on equity, all of them are obtained. Namely, there is no difference in financial performance before and after the merger. However, for asset turnover variables, price-earnings ratio, and firm size, the results show that there are differences in financial performance before and after the merger.

Bhabra and Huang (2013) found that Return on Equity generated by companies after Merger and Acquisition did not experience significant changes. This is contrary to what was stated by Gunawan and Sukartha (2013), who found that Return on Equity experienced a significant increase after mergers and acquisition. Contrary to Gunawan and Sukartha (2013), Payamta and Setiawan (2004) and Dyaksa Widyaputra (2006) found that ROE decreased significantly after Merger and Acquisition.

Debt to Equity Ratio (DER) is the ratio between the company's debt and the amount of capi-tal it has. This ratio measures the ability of the company owner with the equity he has to pay the debt to the creditor. The higher this ratio, the more creditor money used as working capital is expected to increase company profits. Kurniawan and Widyarti (2011) in their research on analyzing company performance before and after acquisition with a sample of manufacturing companies listed on the IDX in 2003-2007 found that Debt to Equity did not experience significant changes but based on descriptive data showed a slight increase. Whereas Ardiagarini and Arfianto (2011) who examined the effects of Merger and Acquisition on target companies acquired in 1997-2009) found significant differences only in one year before and one year after.

There have been mixed results of the financial performance (profitability & solvability) of Indonesian firms after Merger and Acquisition. Using different dataset and other dimensions of financial performance, this study evaluates the impact of Merger and Acquisition on company financial performance.

2. Literature Review

Merger

Mergers come from the Latin "mergerer" which means to join, together, unite, combine or cause loss of identity because something is absorbed or ingested. Mergers are a combination of two or more companies to form a new company (Whitaker, 2012). Mergers are commonly used in companies as a process of merging a business. Mergers can be done both internally and externally. Internal mergers occur when the target company is in the same group ownership, while external mergers occur when the target company is in a different ownership group.

In general, mergers can be divided into four groups (Sartono, 2001):

1. Horizontal mergers occur when a company merges with a company that is in the same type of business. For example, a telecommunications company merged with another Telecommunica-tions Company, which is currently being discussed is a merger between XL companies and Axis where both companies have businesses in the same field, namely telecommunications service providers.
2. Vertical mergers occur when a company merges with a company that still has a relationship with its business. This is intended to save operating costs because the company has direct access to upstream and downstream businesses. An example is when a steel casting company merges business with its suppliers. Or it could be a mining product processing company merging with its distributor and marketing company.
3. Kongeneric Merger is a merger of two similar businesses but has different products. For example, a computer company merges with a software company, two companies have the same business sector, namely in the field of technology, but they produce different goods.
4. Merger Conglomerate, namely business merger from two or more industries which is unrelated. Example of a mining company buying a real estate company.

Whereas according to the process, the merger is divided into two, namely:

1. Friendly Merger is a merger approved by both parties, where both parties agree to merge and be-lieve that this merger will bring benefits to both parties.
2. Hostile Merger is when both parties do not reach an agreement in a business combination where the target company feels the price offered is too low and is also possible with the fear of managers losing their positions when a business merger occurs. If this happens, the buyer can approach the target company's shareholders and buy it directly from them so that no approval from the target company's managers is needed.

Acquisition

The other way of combining business is by acquisition. Through this acquisition, the company can make the target company as its subsidiary, so in other words, the company, either the acquirer or the target company, still stands tall (Agus Sartono, 2001). In the acquisition process, most shareholders of the target company will get many benefits compared to the shareholders of the acquiring company. This can hap-pen if in a takeover tender, many companies participate so that the company's stock offer becomes higher.

According to Van Horne and Wachowicz (2005), Acquisitions are divided into two, namely:

1. Strategic Acquisition Strategic acquisition occurs when a company acquires another company as part of the overall strategy of the company. The result of this type of acquisition is a cost ad-vantage. An example of this type of acquisition is when a soft drink company acquires another soft drink company that has excess production capacity or can even increase its dominance in the market to provide increased revenue for the company.
2. Financial Acquisition Financial Acquisition is an act of acquisition of one or several specific companies that are carried out to achieve financial profit. The trend is an attempt to buy the tar-get company at the cheapest price possible, to sell back at a higher selling price. However, if the transaction is carried out between companies that are in the same business group or ownership, the purchase price can be higher or cheaper, depending on the interests and benefits that will be obtained by the majority owner of the company concerned. The main motive for this type of acquisition is to get the maximum profit. Often companies targeted by acquisition are compa-nies that are experiencing a downturn and in relatively weak conditions. The indication is that there are a relatively large debt burden, marketing, and distribution bottlenecks, weakening stock prices in the stock exchange, unemployed production

capacity, and vice versa. However, the ac-quisition of a target company does not always reflect such indications, because in practice the target companies are those that have a fairly liquid financial position and relatively high profit and have good prospects.

Motives of Merger and Acquisition

Achieving economic scale of operation. The economies of scale here are the scale of operations with the lowest average cost. By doing Merger and Acquisition, duplication of operating facilities can be eliminated and can provide more efficient marketing, a better accounting system. With Merger and Acquisition there can be a synergy where the overall value is greater than the sum of the values of each part. Economies of scale occur not only in terms of the production process but in the fields of marketing, personnel, finance, and administration. Broadly the scope of the economic scale to be achieved is in all the use of existing resources. The economic scale can face increasingly fierce competition. With Merger and Acquisition the company can retain employees who truly bring benefits to the company so that shareholders' prosperity can be improved in ad-dition to improving efficiency and employee productivity. There are many examples where companies achieve prosperity when they carry out a business combination such as the merger of four state banks namely Bapindo, Bank Bumi Daya, National Dagang Bank and Exim Bank to Bank Mandiri. Where Bank Mandiri is now one of the largest banks in Indonesia, it is evident that a merger will bring the company to prosperity.

Tax saving. The companies decide to combine business with other companies that to make a profit; with this, the tax that must be paid by the company becomes smaller. In terms of com-panies that are experiencing growth, this has a double benefit, in addition to tax savings as well as utilizing unemployed funds because companies that are experiencing growth generally have a large cash surplus which of course will provide a large tax burden for the company. If the large cash is distributed to shareholders, it will also burden the shareholders because the tax they have to pay is greater.

Diversification. The Merger and Acquisition ease companies to add their business portfolios without having to start new business lines. With the diversification of the company can also min-imize the influence of the company's profit cycle. With diversification, the risks faced by stock can be compensated by other shares. Thus the overall risk becomes smaller. This can occur with the assumption that investors are risk-averse, and investors can diversify efficiently.

It is increasing business growth. This is possible with the broader mastery of marketing networks, better and more efficient management — for example, the purchase of shares of PT. Semen Gresik by Cemex from Mexico can increase production capacity and growth of the company. In other words, this alternative can make it easier for companies to penetrate wider markets, espe-cially foreign markets.

Stages of Merger and Acquisition

In the implementation of Merger and Acquisition, the company usually goes through several processes. In general, the Merger and Acquisition stages are as follows; the first large company will determine the target company they will buy. Then proceed with a negotiation in which if the negotiation goes smoothly it will be followed by the purchase of the target company with the desired value together. Very rarely makes a company offer to be taken over by another company, except in cases when the company has financial problems/difficulties. According to Sartono (2001), the first stage in Merger and Acquisition is that com-panies that will take over will identify the target company. Then proceed with determining the purchase price that is willing to be paid. In the next stage, the management of the takeover company will contact the management of the target company for a negotiation. If the two companies agree, the management of the target company will approach the shareholders to convince them that the merger of this company will bring benefits to both companies, after the shareholders agree that the merger can be carried out ei-ther in the form of cash or in the form of payment with company shares. Whereas according to Estanol and Jo (2005) in the merger there are three stages.

Pre-Merger This stage is a condition before the merger where at this stage, the task of the entire board of directors and second or more management companies is to gather competent and sig-nificant information for the benefit of the merger process of these companies so that synergies from the merger will occur.

Merger When a company decides to merge, the first thing to do at this stage is self-adjustment and mutual integration with its partners so that synergies can occur.

Post – Merger At this stage, there are several steps that must be taken by the company. The first step (1) that will be carried out by the company is by restructuring, wherein a merger, there is of-ten a dualism of leadership that will have a bad influence on the organization. The second step (2) is to build a new culture where the new culture or culture can be a combination of the ad-vantages of the two corporate cultures or can be a culture that is entirely new to the company. The third step (3) is taken by launching a transition, where what must be done in this case is to establish collaboration, can be a joint team or cooperation.

Financial Performance

Financial performance is defined as management achievement, in this case, financial management in achieving company goals, namely to generate profits and increase the value of the company. Financial performance analysis in this study aims to assess the implementation of the company's strategy in terms of Merger and Acquisition.

Ratio analysis is a past event. Therefore factors that may exist in the future period may affect the financial position or results of operations in the future. For this reason, an analysis is required to be able to provide good and accurate results of analysis and interpretation, because the results of this analy-sis will be useful in determining management's policy for future collection. The financial condition of a company can be known by a benchmark that is usually used, namely: financial ratios, but using financial ratios will only know the magnitude of the ratio numbers. Therefore, interpretation of the ratio numbers that have been obtained is needed and choosing the types of ratios that are suitable for the analysis.

Payamta (2001) states that to evaluate the financial performance of companies that carry out mergers or acquisitions can be analyzed using the ratio of financial ratios. Some financial ratios that can be used as indicators of a company's financial performance are Profitability (Return on Equity) and Solvability (Debt to Equity)

Return on Equity

The ratio of net income after tax to ordinary equity shares measures the rate of return on equi-ty (ROE), which can be calculated by the following formula:

$$\text{Return on equity} = \frac{\text{Net income}}{\text{Shareholders' equity}}$$

Debt to Equity

Debt to Equity is a solvency ratio that measures the ability of a company with its equity to pay debts to creditors. In calculating DER the following formula is used:

$$\text{Total debt to assets ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

Merger and Acquisition Activities and Firm Performance

Profitability

Harjeet and Jiayin (2013) conducted a study of companies that carry out Merger and Acquisition in China where Return on Equity before and after Merger and Acquisition did not experience significant changes similar things were also conveyed by Annisa and Prasetiono (2010) where Return on Equity after Merger and Acquisition did not experience significant changes compared to before Merger and Acquisition, while Sisbintari (2011) examined differences in Merger and Acquisition in CIMB Niaga bank. The results showed that Return on Equity increased significantly after Merger and Acquisition. The similar result was also conveyed by Kumara and Satyanaraya (2013) in India companies that carried out Merger and Acquisition. They also found that Indian Merger and Acquisition companies experienced a significant increase in Return on Equity. However, different to the results found in India by Sharma (2013). The results showed a significant decline Return on Equity after Merger and Acquisition.

Widyaputra (2006) found that company performance after Merger and Acquisition did not experience significant changes while partially some ratios experienced significant differences. However, Annisa and Prasetiono (2010) state that there are significant differences in company performance where total asset turnover (TATO) has increased after Merger and Acquisition compared to before Merger and Acquisition, while Net Profit Margin and Return on Equity have decreased after Merger and Acquisition. Harjeet and Jiayin (2013) stated that there were positive changes in companies that were acquired where most of the acquisitions and mergers were carried out by state-owned companies in China.

Solvability

Debt to Equity Ratio (DER) is the ratio between the company's debt and the amount of capi-tal it has. The higher this ratio, the more creditor money used as working capital is expected to increase company profits. Kurniawan and Widyarti (2011) examined a sample of manufacturing companies listed on the Stock Exchange in 2003-2007 found that Debt to Equity did not experience significant changes but based on descriptive data showed a slight increase whereas Ardiagarini and Arfianto (2011) who ex-amined the effects of Merger and Acquisition on the target companies acquired in 1997-2009 found sig-nificant differences only in the period of one year before and one year after.

Sonia Sharma (2013) who researched the metal industry in the Indian market with a sample of 9 companies listed on Indian exchanges that carried out Merger and Acquisition activities in the 2009-2010 period. Research looks at company performance through profitability ratios, liquidity, and leverage where the results show an increase, although not significant to liquidity and leverage ratios and a signifi-cant decrease in profitability ratios. Likewise, Kumara and Satyanarayana (2013) who studied Indian companies with years of research starting in 2010-2012 found that there was no significant increase in company performance after Merger and Acquisition

Hypothesis Development

According to the explanation above, the purpose of Merger and Acquisition is to make the company more effective and efficient in a business competition so that joint management is needed from the pre-vious two different companies. Merger and Acquisition is expected to be able to make the company bet-ter in the market. The achievement of Merger and Acquisition will be measured through several ratios to determine the achievement of the company whether it has progressed or not, we can see the profitability ratio to find out how much profit growth from the company the greater the profit percentage, the better the company and this provides information that the company experiences growth. While the solvency ratio is needed to determine the ability of the company to pay off or repay all loans through the amount of assets owned that affect the type of financial report is expected after the Merger and Acquisition ratio is better than before because one of the objectives of Merger and Acquisition is to strengthen the compa-ny's ability to pay its debt.

Both ratios are expected to be better after the Merger and Acquisition because the company's ability is stronger in facing competition globally Reflecting from the previous research studies that have been conducted, the author recapitulates the hypothesis of this study as follows:

H1: Merger and Acquisitions have a significant positive impact on company profitability

H2: Merger and Acquisitions have a significant positive impact on company solvability.

3. Methods

The purpose of conducting this research is descriptive to examine the impact of Merger and Acquisition on companies listed on the Indonesia stock exchange in 2015 to the company's profitability and solvability. The author believes that by conducting this research it will be beneficial for the reader to gain more understanding about merger and acquisition factors that have influences on financial performance and also to be beneficial by some relevant parties.

The sampling approach of this study will be using non-probability purposive sampling. It is selected for this study to examine the samples of firms listed in Indonesia Stock Exchange (IDX). This study uses secondary data, namely company financial statements listed on the Indonesia Stock Exchange and has carried out Merger and Acquisition during the period pre and post 2015. The list of companies that carried out Merger & Acquisition in 2015 based on the KPPU campaign (Business Competition Supervisory Commission).

The method of data collection used in this research study is secondary data collection method. The data will be taken from the Indonesia Stock Exchange (IDX) website and *Komisi Pengawas Persaingan Usaha* (KPPU). The time horizon of this study is cross-sectional from the period of pre and post 2015. The data used to calculate pre and post-Merger and Acquisition profitability and solvability is collected from the respective company's financial statements. The sampling criteria in this study are as follows:

1. The company conducted Merger and Acquisition in 2015
2. The Merger and Acquisition process is registered with KPPU and OJK
3. The company is an IPO company and registered on IDX
4. Have financial reports that can be accessed by the public
5. Have published financial statements in Rupiah

This study aims to find the effect of merger and acquisition that affects financial performance. The selection of this variable aims to measure the influence of merger and acquisition factors on financial performance before and after Merger and Acquisition. Hence, this research study will be using numeric data and is decided to be quantitative analysis. Thus, after gathering the data, all data will be assembled to Microsoft Excel to be more accessible for interpreting the data.

The data gathered in this research are attained from the annual financial statement of the companies. IBM SPSS 25 will be used to process the data that were inputted to simplify the statistical analysis of the sample. The Wilcoxon signed-rank test is a non-parametric statistical hypothesis test used to compare two related samples, matched samples, or repeated measurements on a single sample to assess whether their population means ranks differ (i.e. it is a paired difference test). A Wilcoxon signed-rank test is a nonparametric test that can be used to determine whether two dependent samples were selected from populations having the same distribution.

Initial data inspection. The researcher used Microsoft Excel 2018 software and SPSS 25 statistical tool. The process of data processing starts from the identification and tabulation of data, then verifies by examining all data. This process is carried out to ensure data accuracy.

Handling of outlier data. Before the data is processed, the researcher conducts a second examination to see whether there is an outlier (extreme observation). All data are checked for maxi-mum values, minimum values, mean, and standard deviation. Test the Wilcoxon Signed Rank Test to find out the differences before and after Merger and Acquisition. Handling of outlier data. Before the data is processed, the researcher conducts a second examination to see whether there is an outlier (extreme observation). All data are checked for maxi-mum values, minimum values, mean, and standard deviation. Test the Wilcoxon Signed Rank Test to find out the differences before and after Merger and Acquisition.

4. Results and Discussion

Sample Selection Results

Following the sample selection criteria specified in the previous chapter, the sample selection procedure is summarized in table 4.1.

Table 4.1 Sample Selection Procedure

No	Data	2015
1	Number of Merger & Acquisition Companies	51
2	Number of companies according to criteria	20

Source: Researcher Data (2019).

From all the companies listed on the Indonesia Stock Exchange in 2015, some of them did not have data following the author's criteria in the form of an annual report which was still incomplete on certain accounts, so that the group of companies was excluded from the sample. The author only chooses companies that make Merger and Acquisition to be used as samples in this study. Overall, the study sample consisted of 20 company observations and covered four years observation period, namely two years before the Merger and Acquisition process and two years after the merger and acquisition process for companies listed on the Indonesia Stock Exchange for the period pre and post-2015 and two financial ratios. The total observation is 120 data.

Descriptive statistics

Based on the sampling process described, table 4.2 presents the results of descriptive statistics on the data sample.

Table 4.2 Descriptive Statistics

	ROE_PRE	DER_PRE	ROE_POST	DER_POST
N	40	40	40	40
Mean	9,1548	1,4193	7,5778	1,7210
Median	7,6600	1,0800	8,4150	1,4600
Std. Deviation	14,7959	1,1187	12,7112	1,1429
Minimum	-17,88	,00	-24,02	,01
Maximum	84,60	5,11	41,29	4,13

Source: Output SPSS 25 (2019).

Where:
ROE_Pre = Return on Equity average before Merger and Acquisition 2013 & 2014
DER_Pre = Debt to Equity average before Merger and Acquisition 2013 & 2014
ROE_Post = Return on Equity average after Merger and Acquisition 2016 & 2017
DER_Post = Debt to Equity average after Merger and Acquisition 2016 & 2017

Return on Equity before Merger and Acquisition has a minimum value of -17.88 and a maximum of 84.60 as well as an average of 9.15 and median 7.66 this gives us information that Return on Equity before Merger and Acquisition is better than after Merger and Acquisition occurs, because on Return on Equity after the process occurs The Return on Equity value has decreased with a minimum value of -24.02 and a maximum of 41.29 and an average value of 7.57 and median 8.41.

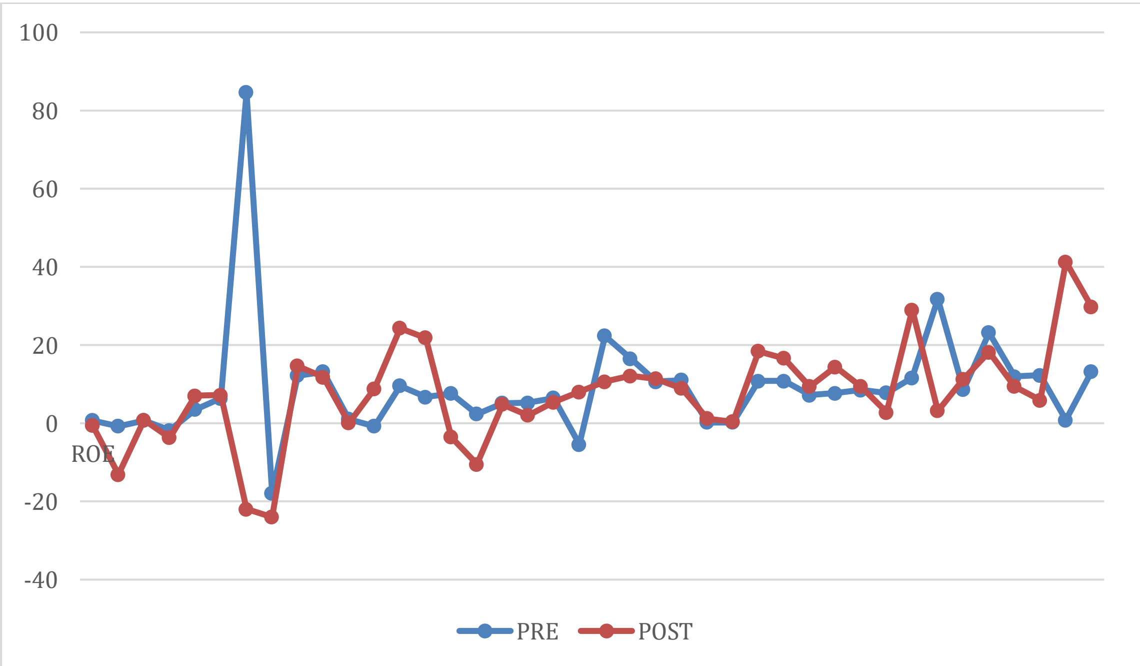

Figure 4.1 Pre and Post Return on Equity

The management of PT Link Net Tbk (LINK) has taken over 6,124 shares of PT First Media Television owned by PT First Media Tbk (KBLV) worth Rp9.4 billion. As of September 2015, First Media recorded a loss of Rp.476.41 billion. In fact, in the same period in 2014, KBLV still posted a profit of Rp27 billion. As is known, the company's loss occurred, after Link Net (LINK) no longer consolidated its financial statements to First Media since November 1, 2014.

Besides, the company's losses were also caused by revenue, which fell 58.94% to Rp739.44 billion as of September 2015, from Rp1.8 trillion as of September 2014. At the same time, KBLV's cost of goods sold jumped by 93.5 % to Rp925.03 billion, from the previous Rp477.99 billion as of September 2014. This caused First Media to suffer a gross loss of Rp185.59 billion as of September 2015. In the same period in 2014, the company still booked a gross profit of Rp1.32 trillion. The operating loss of the media company under the Lippo group reached Rp1.33 trillion as of September 2014, from an operating profit of Rp459 billion. The loss suffered by the company also negatively affected the KBLV share price on the Indonesia Stock Exchange (IDX). From January 2, 2015 to November 23, 2015, KBLV shares had decreased by 12.6%, from Rp2,380 per unit to Rp2,080 per unit. In trading on the IDX.

DER before Merger and Acquisition has a minimum value of 0 and a maximum value of 5.11 as well as an average of 1.41 and median 1.08, this gives us information that DER before Merger and Acquisition occurs more than after Merger and Acquisition even though we find that after Merger and Acquisition occurs decreased in maximum value, after the Merger and Acquisition we can see DER has a value of 0.1 and a maximum value of 4.13 and an average value of 1.72 and median 1.46.

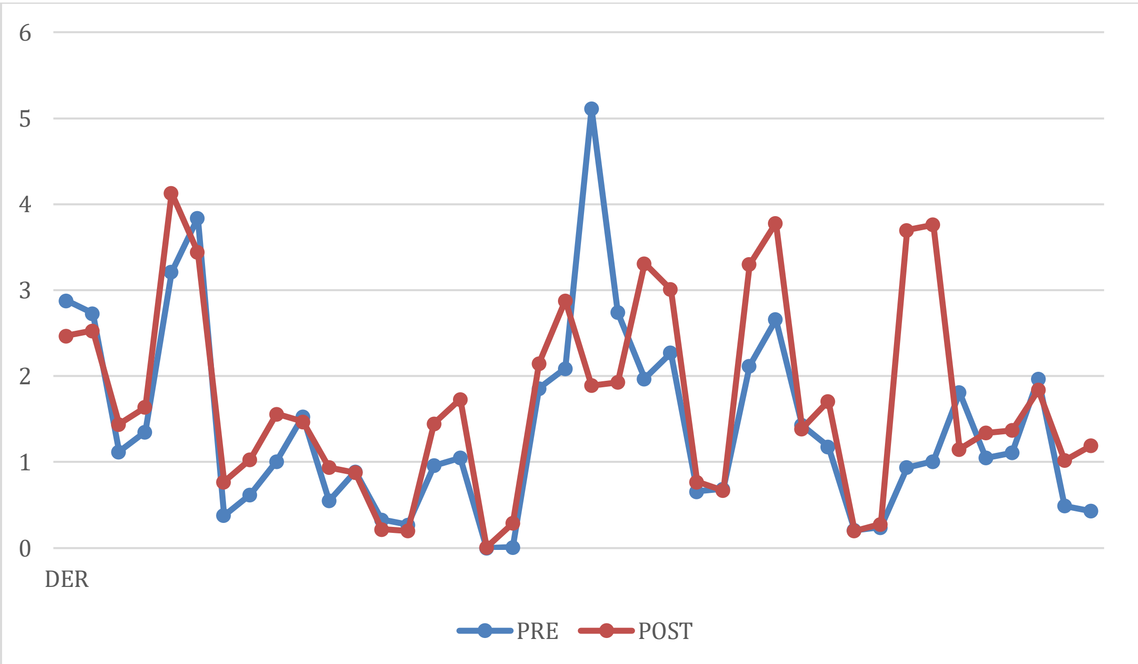

Figure 4.2 Debt to Equity chart

PT Indonesian Rating Agency (Pefindo) downgraded the Medium Term Note (MTN) and bonds issued in 2016, owned by PT PP Properti Tbk (PPRO). The company is considered to be too aggressive in improving the company's capital structure through significant additional debt. Pefindo downgraded PT PP Properti Tbk, MTN in 2016 and bonds in 2016 to BBB, from previously BBB +.

PPRO has revised its capital expenditure projection for 2017 to IDR 2.4 trillion from the previous IDR 1.6 trillion. The majority of this additional expenditure will be allocated to acquire land in several locations, which will be conducted with external funding. This condition, he continued, increased the projected ratio of debt to EBITDA by an average of three years from 2017 to 2019, to be above 8x. Meanwhile, the ratio of internal funds from operations to debt is below 5%.

Meanwhile, the company's outlook is stable because the downgrade has included a debt plan that is higher than projected in PPRO's financial profile. For the record, as of 30 June 2017, PPRO has total cash of Rp.1.1

trillion including rights issue funds that have not been used. In general, based on descriptive statistical data that we get and we compare that the data before the occurrence of Merger and Acquisition gives us information that the company's financial performance is better in general.

Wilcoxon Signed-Rank Test Return on Equity

Table 4.3 Descriptive statistics of Return on Equity

	Mean	Std. Deviation	Minimum	Maximum
ROE_PRE	9,1548	14,79590	-17,88	84,60
ROE_POST	7,5778	12,71129	-24,02	41,29

Source: Output SPSS 25 (2019).

The descriptive statistics table above shows the mean, standard deviation, minimum, and maximum values of each data group (pretest and posttest). It appears that the mean or the average posttest value of 7.5778 is smaller than the pretest value of 9.1548. What is the magnitude of this difference is it statistically significant? That will be answered later by the Wilcoxon Signed Rank Test.

Table 4.4 Ranks of Return on Equity

		N	Mean Rank	Sum of Ranks
ROE_POST - ROE_PRE	Negative Ranks	20[a]	20,60	412,00
	Positive Ranks	20[b]	20,40	408,00
	Ties	0[c]		
	Total	40		
a. ROE_POST < ROE_PRE				
b. ROE_POST > ROE_PRE				
c. ROE_POST = ROE_PRE				

Source: Output SPSS 25 (2019).

Based on the calculation method performed in the Wilcoxon Signed rank Test formula, the values obtained are: mean rank and sum of ranks from negative ranks, positive ranks, and ties. Negative ranks mean the sample with the value of the second group (posttest) is lower than the value of the first group (pretest). Positive ranks are samples with the value of the second group (posttest) higher than the value of the first group (pretest). While ties are the value of the second group (posttest) equal to the value of the first group (pretest). The N symbol indicates the amount, Mean Rank is the average rating, and the sum of ranks is the sum of the rank.

Wilcoxon Test Result

Table 4.5 Wilcoxon Signed Rank

	ROE_POST - ROE_PRE
Z	-,027[b]
Asymp. Sig. (2-tailed)	,979
a. Wilcoxon Signed Ranks Test	
b. Based on positive ranks.	

Source: Output SPSS 25 (2019).

Based on the results of the calculation of the Wilcoxon Signed Rank Test, the value of Z obtained is -0.027 with p-value (Asymp. Sig 2 tailed) of 0.979 which is more than the critical research limit of 0.05 so the hypothesis decision cannot reject H_0 implying there are no significant differences between the pre-test and posttest groups.

Wilcoxon Signed-Rank Test Debt to Equity

Table 4.6 Descriptive Statistics of Debt to Equity

	Mean	Std. Deviation	Minimum	Maximum
DER_PRE	1,4193	1,11879	,00	5,11
DER_POST	1,7210	1,14294	,01	4,13

Source: Output SPSS 25 (2019).

The descriptive statistics table above shows the mean, standard deviation, minimum, and maximum values of each data group (pretest and posttest). It appears that the mean or the average posttest value of 1.7210 is greater than the pretest value of 1.4193. What is the magnitude of this difference is it statistically significant? That will be answered later by the Wilcoxon Signed Rank Test.

Table 4.7 Ranks of Debt to Equity

		N	Mean Rank	Sum of Ranks
DER_POST - DER_PRE	Negative Ranks	14[a]	14,68	205,50
	Positive Ranks	26[b]	23,63	614,50
	Ties	0[c]		
	Total	40		
a. DER_POST < DER_PRE				
b. DER_POST > DER_PRE				
c. DER_POST = DER_PRE				

Source: Output SPSS 25 (2019).

Based on the calculation method performed in the Wilcoxon Signed rank Test formula, the values obtained are: mean rank and sum of ranks from negative ranks, positive ranks, and ties. Negative ranks mean the sample with the value of the second group (posttest) is lower than the value of the first group (pretest). Positive ranks are samples with the value of the second group (posttest) higher than the value of the first group (pretest). While ties are the value of the second group (posttest) equal to the value of the first group (pretest). The N symbol indicates the amount, Mean Rank is the average rating, and the sum of ranks is the sum of the rank.

Table 4.8 Wilcoxon Test

	DER_POST - DER_PRE
Z	-2,749[b]
Asymp. Sig. (2-tailed)	,006
a. Wilcoxon Signed Ranks Test	
b. Based on negative ranks.	

Source: Output SPSS 25 (2019).

Based on the results of the calculation of the Wilcoxon Signed Rank Test, the value of Z obtained is -2.749 with p-value (Asymp. Sig 2 tailed) of 0.006 which is less than the critical research limit of 0.05 so the hypothesis test decision is to reject H_0 implying that there are significant differences between the pre-test and posttest groups.

Discussion

The results of the statistical analysis of Wilcoxon signed-rank test found that there was no significant difference in Return on Equity financial ratios before and after Merger and Acquisition. We can even see that the median of pre- Merger and Acquisition Return on Equity is greater than the post- Merger and Acquisition Return on Equity. So that in this study, H_0 cannot be rejected. The test shows insignificant difference. The result is consistent with the research conducted by Harjeet and Jiayin (2013), Payamta and Setiawan (2004) and Widyaputra (2006) who found the same thing, namely there were no significant differences of financial performance between before and after Merger and Acquisition on the ROE financial ratio. It can be concluded that Merger and Acquisition taken place in Indonesia in particular year 2015 cannot increase the firms' profitability.

The result of the Wilcoxon signed-rank test find a significant differences in the financial ratios of Debt to Equity before and after Merger and Acquisition, and we can even see the median before the occurrence of Merger and Acquisition had a smaller ratio and was considered better. So that in this study H_0 is rejected, and H_1 is accepted because it is proved there was a significant difference. This result is following the research conducted by Widyarti (2011) and the research conducted by Esterlina, and Firdausi (2017) found the same thing. Namely, there were significant differences of Debt to Equity of companies between before and after Merger and Acquisition on the Debt to Equity financial ratio.

The Merger and Acquisition process requires time to adapt especially structurally in the formation of a new structural and business base that requires time to create a better financial ratio because basically when Merger and Acquisition occurs the business scale changes to become bigger and not the same as before.

5. Conclusion

The results of this study found that generally the Merger and Acquisition A process does not have a significant influence on a company's financial performance, especially at 1 and 2 years after the Merger and Acquisition process, we can see it in the Return on Equity ratio does not have many changes and even tends to have smaller numbers than before The Merger and Acquisition process. However, the Debt to Equity ratio has a significant change after the Merger and Acquisition process of Debt to Equity financial ratios has increased, and this means it worsens. In summary, Merger and Acquisition could not deliver all positive gains in the financial performance in the short-run and long-run period of performance as evident in this paper.

This research is very limited because using several companies as samples in research, and short research time is also a limitation of this study. It is expected that in future studies can be used longer research time and Merger and Acquisition data for more than one year so that more credible conclusions can be taken. The limitations of this study are also because researchers are in Germany, and the object of research is in Indonesia, so researchers can only be a sample of companies that go public that publish financial reports online..

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