RISET
JURNAL APLIKASI EKONOMI AKUNTANSI DAN BISNIS
https://ejournal.ibik.ac.id/index.php/riset **E-ISSN : 2656-7113 P-ISSN : 2797-4057 DOI : doi.org/10.37641/riset.v5i2.268**

THE IMPACT OF MERGERS AND ACQUISITIONS ON EARNING MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE

Dewi Sarifah Tullah[1)], Ramunah Fatmawati Tullah[2)]

[1)] Institute of Business and Informatics Kesatuan, [2)] Pandu Madania College of Economics

E-mail : dewisarifah@ibik.ac.id[1)], ramunah.fatma@gmail.com[2)]

ARTICLE INFO

THE IMPACT OF MERGERS AND ACQUISITIONS ON EARNING MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE

Submitted:
22 – August – 2023
Revised:
04 – September – 2023
Accepted:
23 – September – 2023

ABSTRACT

This study aims to determine whether there are differences between earning management and financial performance during mergers and acquisitions (M&A). Purposive sampling was used to collect data from the Indonesia Stock Exchange (IDX) according to criteria for businesses that completed M&A projects in 2017 and that were publicly traded from 2012 to 2020. The Wilcoxon signed rank test was used to test the hypothesis. The results of the study show that earnings management practices are different after M&A is done with income-increasing patterns. The financial performance of return on assets (ROA) proves that there are differences that cause these activities to decline. But even while these ratios are suffering from a decline, impact M&A does not produce appreciable differences in the current ratio (CR), debt to equity ratio (DER), total asset turnover (TATO), and earnings per share (EPS). Research suggests that businesses exercise greater caution when developing their business plans prior to implementing M&A, and that investors be more picky when allocating capital to businesses that are implementing M&A because not all M&A activities will result in positive outcomes.

Keywords: Acquisitions, Earnings Management, Financial Performance, Mergers.

INTRODUCTION

The business world is becoming increasingly competitive, forcing each business owner to develop unique business strategies, in order to stand out from other industries and perform better. For this reason, each business needs to develop sound strategies for enhancing productivity and enhancing quality of life. A successful and legal strategy will aid businesses who are struggling in the current market and may even make them successful. The company's strategy cannot be derived from specific strategic considerations such as investment, and division. According to Setio (2016), a business can expand and grow its customer base through strategic investments like internal and external expansion. According to Liliana et al. (2016), internal expansion can be accomplished by budgeting capital, while external expansion can be accomplished through business matching. In contrast to internal expansion through mergers and acquisitions, businesses are increasingly employing external expansion strategies to grow and successfully compete with other businesses. Mergers and acquisitions (M&A) are a better option than starting a business from scratch and immediately achieving the company's goals (Gustina, 2017). M&A is becoming more common since the average value of each company after an acquisition is higher than before. In addition to that, M&A has many benefits for businesses, including greater flexibility in planning, doing research, managing personnel, transferring technology, and being more efficient in producing goods at higher prices (Hariyani et al., 2011).

The value of cross-border M&A had a 25% decline in value at the end of 2019, which is a level not seen since 2013, and this decline is attributable to the intensification of geopolitics (Walfajri, 2020). But from January 1 to April 6, 2017, M&A activity in the Asian market increased. In comparison to the prior period of time, the quantity in question increased by 13.5%. India has a target M&A value of $102,1 million, while Tiongkok has a target value of $98,3 million. This is due to the region's weak economies and large populations, which discourage investors from making investments (Walfajri, 2020).

The prevalence of M&A amidst the pandemic is a common occurrence. During the monetary crisis of 1997-1998 and the global financial crisis of 2008, numerous companies experienced significant setbacks. However, the subsequent recovery of the economy was facilitated by means of mergers, acquisitions, and consolidations. The aforementioned phenomenon erodes the liquidity, solvency, profitability, and return on investment of the company. The most rational course of action that company owners may take is to divest a portion or the entirety of their ownership to investors in order to ensure the continued existence of their company. There are also many that sell their companies to establish new companies with new business models that provide greater promise (Investor Daily, 2021). The year 2021 has witnessed a proliferation of corporate merger and acquisition activities, not limited to the financial sector. Companies engaging in M&A activities have been observed across various sectors, including telecommunications, mining, and real estate. The telecommunication sector of PT Solusi Tunas Pratama Tbk has been acquired by PT Sarana Menara Nusantara Tbk, and there has been a merger between Indosat and Tri Indonesia. In the subsequent development, the mining sector of PT Medco Energi International Tbk acquired Conoco Phillips Indonesia Holding Ltd. Additionally, the Northstar Group expanded its operations by the acquisition of BUMA Australia Pty. Ltd by PT Delta Dunia Makmur Tbk (Sidik, 2021). Behind this acquisition event, various controversies arose. One of the controversies mentioned involves the practice of tax avoidance, the inflation of corporate asset values, and the manipulation of controlled company management (Maknuun, 2018).

M&A is carried out as a business strategy and possibly as an alternative survival mode during the COVID-19 pandemic. The COVID-19 Pandemic is active in the business world. Numerous businesses that are struggling must shut down since they can't function in this kind of situation. To enable us to stand and move on with pandemonium, the single solution offered by business people is to engage in corporate action (Smartlegal.id, 2020). M&A frequently sparks controversy because of its complex implications. Numerous organizations regularly experience losses, such as layoffs, yet the accreditor business continues to prosper due to the reduced production costs that persistently affect the company's value. In addition to that, the perception of M&A is still based on problems, such as the high cost of M&A execution and the results that are predicted to be unsatisfactory. In addition, carrying out M&A can be detrimental to a company's financial position if the transaction's terms include methods for paying for stock or debt (Naziah et al., 2014). According to publicly available information, M&A in Indonesia had a decline and a sharp increase between 2015 and 2022.

The smallest number of acquisitions in 2010 was 32 businesses. Then it fluctuated until it reached its peak in 2017, when 88 businesses were consulted, a trend that will start to become more significant in the coming years. Then, there was a slight decline, and by 2020, there were 65 acquisitions. At the time of conducting M&A in an effort to increase the company's profits, the condition described above dampened the long-lasting effects of any earning management that was implemented by the company. In addition to that, the goal of the study is to evaluate the company's earnings capacity, which can provide companies with the confidence they need to conduct mergers and acquisitions and raise the price of their stock. Managers of companies do earnings management for fundamental reasons. In general, the price of stock in a particular company is significantly influenced by speculation, potential profit, and risk. Hence, companies that consistently witness growth in their profits from season to season are at a higher risk of experiencing a greater decline compared to the percentage increase in their profits. Numerous businesses actively manage and reduce risk, as evidenced by this (Sulistyanto, 2014). The year 2017 was chosen as the cutoff point in this study due to it being the year with the highest M&A activity. A period of four years was considered as an observation window to examine the behavior of managers and assess the differences in financial performance and earnings management before and after M&A.

The process of mergers and acquisitions also has a positive impact on the firm's performance, particularly its financial performance. This gives businesses the information that M&A among businesses has shown to be an effective business growth strategy. The financial performance can be measured by periodically published financial statements, which serve as a tool for investors to assess the financial position contained within the financial reports. The results of financial work can be determined through the analysis of financial ratios, such as profitability, liquidity, activity, solvency, and market. Financial ratios are used to evaluate M&A activity, so it is very likely that they can be used to determine whether there are differences between M&A activity before and after it.

Several studies that focus on earning management and currency work yield steadfast results. Previous research on earnings management with M&A has demonstrated the existence of earnings management practices resulting in a decrease in profits (Rahayu et al., 2018). In contrast to research by Usadha & Yasa (2018), which indicates that acquiring firms engage in earning management activities before M&A by increasing their profits, this practice has a negative impact on post M&A firm performance. The study conducted by Wibowo (2015) revealed that two acquiring companies (PT. Aneka Tambang, Tbk/ANTM and PT. United Tractors/UNTR) employed earnings management by increasing pre-acquisition (PT. Energi Mega Persada, Tbk/ENRG, Rukun Raharja, Tbk/RAJA, and Semen Indonesia Persero, Tbk/SMGR) were found to reduce pre-acquisition earning. Velika & Budiharta (2014) demonstrates that earnings management is employed prior to mergers and acquisitions through the manipulation of profits in the bidding firm.

The current investigation is a continuation of a number of investigations that were underway earlier, in which the current investigation was carried out using a modified investigation period. This is done to determine whether there are any differences in earning management practices and financial rates prior to and subsequent to M&A. The study analyzes the earning management and financial performance of companies listed in the Indonesian Stock Exchange before and after M&A.

According to Hery (2015), earning management is a managerial task that involves collecting affirmative information through the use of an affirmative method that is permitted by the affirmative standard. Usadha & Yasa (2018) studied businesses that are acquiring and businesses that are being acquired by ANTM and UNTR, Wibowo (2015) pointed out the existence of earning management issues prior to M&A. Similar findings have been made by Velika & Budiharta (2014), who demonstrate that there are practices for managing the lab before mergers and acquisitions exist in bidding firms. From this study's findings, it can be inferred that earning management practices before and after M&A differed.

Fahmi (2017) states that the analysis of financial ratios is an instrument of company performance that elucidates many financial relationships and indicators while also indicating changes in the financial situation or operational performance of the company. Meanwhile, financial performance is evaluated to determine how far an organization has progressed ethically and lawfully in accordance with financial management best practices (Fahmi, 2017). The following financial ratios are used to measure company performance:

1. The liquidity ratio is a measure of a company's ability to pay its long-term debts (Soemohadiwidjojo, 2017). The current ratio (CR) is a liquidity measurement indicator.
2. The solvency ratio is a measure of a company's ability to pay off all debts owed to it, including long-term and short-term (Soemohadiwidjojo, 2017). The debt-to-equity ratio (DER) ratio is a primary indicator that depicts the level of solvency.
3. The activity ratio is a ratio used to measure the efficiency of a company's asset use (Sutrisno, 2017). The indicator employed to measure the activity ratio is total assets turnover (TATO).
4. The profitability ratio determines the extent of profit that a company can obtain. According to Sutrisno (2017), the larger the ratio, the better the management’s management of the company. The measure of profitability is assessed using the

parameter of Return on Asset (ROA).

5. The market ratio is a metric that measures the current and future value of a company compared to its past value (Hasibuan et al., 2020). One indicator used to measure market ratios is earnings per share (EPS).

Usadha & Yasa (2018) state in their analysis that the volume of administrative work carried out by companies during the period of M&A led to a reduction in the productivity of such companies. As a result, it appears that there are differences between corporate governance and the presence of M&A.

RESEARCH METHODS

The objects used in this study are the earnings management and financial operations of businesses that survive due to merger activity during the 4 years prior to merger and acquisitions, which correspond to the years 2012 to 2015, and the 4 years following merger and acquisitions, which correspond to the years 2017 to 2020. The research unit is done by companies that are listed on Indonesia Stock Exchange (IDX). According to Sekaran & Bougie (2016), purposive sampling is a method of sampling that is done with a specific goal in mind. Based on the sampling that was done, it has been determined that five companies out of the 65 that undertook mergers and acquisitions in 2016 met the required standards. The types of data utilized in this study encompass secondary data obtained using a mixed-methods approach involving both quantitative and qualitative methods. Data that has already been collected and processed are then averaged with a paired sample t-test or the Wilcoxon signed rank test, depending on whether the data have a normal distribution. By contrasting earnings management and financial performance on two or more similar but different scales, the current research model is quite comparative. In this study's data analysis, the SPSS 21 application was used.

1. Discretionary accrual, a component of accrual that is present in management policy, is used to describe earning management. The following is the formula and calculation for earnings management using the Modified Jones Model (Tan & Robinson, 2015)

   DAit = (TAit/Ait-1) – NDAit

   Information:

   DAit = Discretionary Accruals of company i in year period t;
   NDAit = Nondiscretionary Accruals of company i in year periode t;
   TAit = Total Accrual of company in year period t;
   Ait-1 = Total Assets of company i in the year periode t-1.

2. The measurement of company performance in this study was conducted by analyzing financial statements using financial ratios. In this analysis, the following financial ratios are used.
   a. Liquidity Ratio

   $$\text{CR} = \frac{\text{current asset}}{\text{current liabilities}} \text{ x } 100$$

   b. Solvency Ratio

   $$\text{DER} = \frac{\text{total debt}}{\text{Total equity}}$$

c. Activity Ratio
$$\text{TATO} = \frac{\text{Sales}}{\text{Total Assets}}$$

d. Profitability Ratio
$$\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} \text{ x } 100$$

e. Market Ratio
$$\text{EPS} = \frac{\text{Net Profit After Tax}}{\text{Amount of shares outstanding}}$$

RESULTS AND DISCUSSION

Tabel 1 is a desk-top statistical analysis that includes minimum, maximum, mean, and standard deviation.

Table 1. Results of Descriptive Analysis of Earning Management and Company Financial Performance Before and After Merger and Acquisitions

Description		Before	After	Result
Discretionary Accrual (DA)	Minimum	-0.09	-0.29	decrease
	Maximum	0.24	0.14	decrease
	Mean	0.02	-0.07	decrease
	Std. Deviation	0.09	0.10	increase
CR	Minimum	14.33	27.96	increase
	Maximum	223602.50	520.93	decrease
	Mean	11647.92	202.27	decrease
	Std. Deviation	49910.78	156.82	decrease
DER	Minimum	0.01	0.17	increase
	Maximum	5.20	3.31	decrease
	Mean	1.58	1.45	decrease
	Std. Deviation	1.43	1.02	decrease
TATO	Minimum	0.00	0.13	increase
	Maximum	331.00	3.37	decrease
	Mean	17.40	1.06	decrease
	Std. Deviation	73.82	1.09	decrease
ROA	Minimum	-1.04	-11.37	decrease
	Maximum	982.00	9.78	decrease
	Mean	53.85	3.06	decrease
	Std. Deviation	218.50	4.56	decrease
EPS	Minimum	-4.18	-10.37	decrease
	Maximum	149.68	119.70	decrease
	Mean	21.87	6.10	decrease
	Std. Deviation	45.28	27.05	decrease

Source: Data Processed, 2023

Based on the results of the study mentioned above, it can be concluded that the minimum, maximum, and mean values of the earning management are reduced when an organization engages in M&A activities. The minimum change from -0.09 to -0.29, the maximum change from -0.24 to -0.14, and the constant change from -0.02 to -0.07.

When a company does merger activities and its acquisitions experience a plateau, it differs from the deviant standard value. Maximum, average, and standard deviation values all experienced a mass-to-mas decline in the range of 223,081; 57; 11,454; 68; and 49,75 respectively. This means that the company's capabilities in meeting the demand for short-term debt decreases. As a result of a company merging and raising its minimal Current Ratio (CR) rate, however, it has reached 13.63.

The Debt Equity Ratio (DER) measure of solvency has decreased by 0.13 from its previous value of 1.58 to 1.45. Additionally, following merging activities and acquisitions ranging between 1.89 and 0.41 for each individual, DER experienced a decline due to its maximum and standard deviations. The decline in value indicates a decrease in the proportion of assets financed by debt from creditors, implying an improved performance of the company in relation to its financial performance. Because of this low ratio, the company is getting better. In contrast, the minimal DER level increased once there was a merger to approximate 0.16 acquisitions. The increase in value does not necessarily imply that the company's financial performance is improving. Rather, it indicates that the equity held by the company is at risk of being used to secure the company's debts. The more significant the ratio, the more difficult the company's workforce will be.

Following the merger and the TATO value increase by one point, the rate of activity is shown by the indicator TATO, which now reads 16.34 after previously reading 17.40. The data in question indicate that an organization has the capacity to increase earnings that derive from the organization's total number of active employees in order to carry out negotiations. Return on assets shows a profitability ratio that has decreased from 53.85 to 50.79 from 3.06 to 53.85 previously. The rate ratio in question indicates that the business is not yet capable of increasing its level of caution when dealing with active or passive asset use and management. The market ratio, as observed by the EPS indicator, exhibits a decrease in its average value of 15.77. Previously, there was a significant decrease in the average earnings per share (EPS) from 21.87 to 6.10. The declining average value indicates that the company has not been able to increase its profits or the number of outstanding shares.

As a general rule, after any M&A activity, a company's financial operations begin to slow down. This suggests that any benefits from merger and acquisition activities will not be realized by the company for at least 4 years.

Table 2. Financial Performance Normality Test Result

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**		
	Statistic	**Df**	**Sig.**	**Statistic**	**Df**	**Sig.**
DA-Before	0.227	20	0.008	0.880	20	0.018
DA-After	0.102	20	0.200*	0.977	20	0.896
CR_Before	0.490	20	0.000	0.247	20	0.000
CR_After	0.218	20	0.013	0.825	20	0.002
DER_Before	0.243	20	0.003	0.852	20	0.006
DER_After	0.219	20	0.013	0.857	20	0.007
TATO_Before	0.530	20	0.000	0.245	20	0.000
TATO_After	0.302	20	0.000	0.785	20	0.001
ROA_Before	0.521	20	0.000	0.251	20	0.000

Table 2. Financial Performance Normality Test Result (continuation)

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**Df**	**Sig.**	**Statistic**	**Df**	**Sig.**
ROA_After	0.215	20	0.016	0.875	20	0.014
EPS_Before	0.437	20	0.000	0.570	20	0.000
EPS_After	0.404	20	0.000	0.355	20	0.000

Source: Data Processed, 2023

Shafiro-wilk is the penguin used because the sample being used is a small sample. According to the above table, it can be seen that the significance level is between 0.05 and 0.06, indicating that the distribution of the data is not normal. Therefore, the wilcoxon signed rank test was used in the hypothesis test because the data did not have a normal distribution.

Table 3. Hypothesis Test Result

Variable	Mean Rank		Sig	Significant level	Conclusion
	Negative Ranks	**Positive Ranks**			
DA	10.60	10.20	0.044	0.05	Different
CR	11.57	9.92	0.370	0.05	no different
DER	8.86	11.56	0.920	0.05	no different
TATO	11.33	9.82	0.911	0.05	no different
ROA	11.57	8.00	0.033	0.05	Different
EPS	11.88	7.93	0.065	0.05	no different

Source: Data Processed, 2023

Results from the Wilcoxon signed rank test conducted by earnings management show that if the significant value is equal to 0.044, then the hypothesis is true. The aforementioned argument proves that there are differences between average earnings management and subsequent M&A. CR, DER, TATO, and EPS signal levels > 0.05, causing the hypothesis to be rejected. Therefore, it may be inferred from this evidence that there is no difference between CR, DER, TATO, and EPS. Return on Asset indicates that if the sign number is more significant than 0.033, which is less than 0.05, then the hypothesis is true. The conclusion from this test is that there is a difference between the average return on assets.

Earning Management Differences Before and After Merger and Acquisition

The findings of this study are consistent with those of Usadha & Yasa (2018), who found that businesses carried out income-increasing practices prior to mergers and acquisitions. This study also follows Wibowo (2015), which found that businesses engaged in income-increasing practices prior to acquiescence at ANTM and UNTR. The research in question was also published by Velika & Budiharta (2014), who demonstrate that businesses manage their earnings by placing it with bidders before and acquiescence. In contrast to research conducted by Rahayu et al. (2018), which proves that there are earnings management practices with a decreasing income pattern before and after mergers and acquisitions, Wibowo (2015) found that three acquiring companies, namely ENRG, RAJA, and SMGR, engaged in earnings management by cutting their profits prior to the acquisition.

Current Ratio (CR) Differences Before and After Merger and Acquisition

Current ratio liquidity as a result of a merger and an increase in acquisitions is changing and is not the same as previously. The decrease in the ratio is attributed to a smaller composition of current assets compared to current liabilities while still maintaining the same level of liquidity as before. This implies that, in the short term, the company's ability to meet its current obligations remains unchanged following the merger and acquisition activities.

The results of this study are consistent with those of Ifantara (2018), Gustina (2017), Fitriasari (2016), Martono (2016), Suryawathy (2014), Nafilah & Damayanti (2019), Naziah et al. (2014), Dewi & Worokinasih (2018), Murdabahari (2013), and Dewi & Suryantini (2018). There is no difference in the current ratio before and following a merger or acquisition. The results of the study are inconsistent with those from Aprilia & Oetomo (2015), Hamidah & Noviani (2013), and Dewi & Suryantini (2018), assert that there are differences in the current ratio before and following mergers and acquisitions.

Debt to Equity Ratio (DER) Differences Before and After Merger and Acquisition

Following any merger or acquisition activities, the debt-to-equity ratio shifted downward and wasn't different from the previous reading. The decrease is attributed to a decline in the proportion of assets financed by debt from creditors, while the ratio value does not significantly differ from before the implementation of merger and acquisition activities.

The findings of this study are consistent with those of Ifantara (2018), Natawigena & Oliyan (2017), Martono (2016), Aprilia & Oetomo (2015), Suryawathy (2014), and Nafilah & Damayanti (2019), who state that there is no difference in the debt to equity ratio before and following a merger or acquisition. The results of this study are inconsistent with Dewi & Suryantini (2018), Sari & Musdholifah (2017), as well as Nasir (2018), who all state that there are differences in the debt-to-equity ratio before and after mergers and acquisitions.

Total Asset Turn Over (TATO) Differences Before and After Merger and Acquisition

The Total Assets Turnover (TATO) that is currently in question is due to a merger and is not fundamentally different from the ratio that existed before the merger. This decrease means that the company is not efficient enough in utilizing its assets to increase its sales results. The decline is attributed to an imbalanced increase in sales volume compared to the overall increase in total assets.

The results of this study concur with those of Putro & Kusuma (2020), Rahayu et al. (2018), Natawigena & Oliyan (2017), Fitriasari (2016), Martono (2016), Naziah et al. (2014), Dewi & Suryantini (2018), Hamidah & Noviani (2013), and Murdabahari (2013), all of whom state that there is no difference in total asset turnover prior to and following mergers and acquisitions. The results of the study are inconsistent with Dewi & Worokinasih (2018) and Aprilia & Oetomo (2015); there are differences in the total asset turnover ratio before following mergers and acquisitions.

Return on Asset (ROA) Differences Before and After Merger and Acquisition

After every merger or acquisition activity, the profitability ratio that is compared to the return on assets changes and is different from the ratio before. This is due to the fact that the ratio of earnings expenditures to total assets is smaller than it was previously, which indicates that businesses are using less effective methods to produce labs. Increased return on assets leads to increased adverse circumstances for a certain company.

The results of this study are consistent with those of Naziah et al. (2014) and Hamidah & Noviani (2013). There is a difference in return on assets before and following mergers and acquisitions. The results of this study are inconsistent with those from Putro & Kusuma (2020), and Rahayu et al. (2018), and according to Dewi & Suryantini (2018), there is no difference in return on assets before or following a merger or acquisition.

Earnings Per Share (EPS) Differences Before and After Merger and Acquisition

After a merger and acquisition, the earnings per share ratio rose, indicating that there was no change from the prior ratio in the ability of businesses to produce earnings results. This can be explained by the fact that after a company has engaged in merger and acquiescence activities, its earnings per share (EPS) are the measure of its ability to generate profits from each shareholder's equity but are not yet capable of giving investors a warning. As a result of the low liquidity that is available for shareholders, EPS values that are insufficient constitute bad news for investors.

The results of this study are consistent with statements made by Natawigena & Oliyan (2017), Fitriasari (2016), Martono (2016), Serenade et al. (2019), Murdabahari (2013), and Sari & Musdholifah (2017) that there is no difference in earnings per share before and following a merger and acquisition. Results of the study are inconsistent with those found in Naziah et al. (2014), Dewi & Worokinasih (2018), and Murdabahari (2013), who mention that there are differences in earnings per share before and following mergers and acquisitions.

CONCLUSION

Based on the analysis that was previously stated, the takeaway from this study is that there are differences between earnings management practices and the income-increasing policy prior to merger and ascension and also there are differences between currency exchange rates and profitability levels that can be demonstrated by comparing ROA to a rise in the ratio following a merger or acquiescence. However, there were no significant differences in the financial performance ratio before the activities of mergers and acquisitions in terms of liquidity, solvency, activities, and the market.

Based on that, the following several sentences are before completing mergers and acquisitions, every business must carry out the more time-consuming procedures. This statement is consistent with the state of the business, whether from a managerial or financial perspective. In addition to that, it is important to understand the national and international economic conditions, as well as whether they are favorable for businesses or not. The company side is advised to grow more rapidly when M&A carried out so that the company can expect to make the most profit possible in the future. In addition, business leaders must exercise caution when expressing their views on mergers and acquisitions initiatives because it is not yet certain that these initiatives will result in benefits for businesses. If an investor looks to make investments in a struggling company, he should be far more cautious or aware of the company's current state while evaluating its merger and acquisition activity. Investors should pay more attention to companies that will be merging and acquiring in the future. This is necessary because not all merger and acquisition activities result in favorable effects for the companies involved. To ensure that the results of the study can be generalized in a larger room, the next round of analysis should be more complex, with a larger number of samples and varied observation times. The research findings also indicate that the liquidity, solvency, activity, and market variables, proxied by CR, DER, TATO, and EPS, do not exhibit any differences before and after M&A. Therefore, the researcher may consider replacing the proxies of each variable that can be used to measure financial performance.

REFERENCES

Aprilia, N. S., & Oetomo, H. W. (2015). Comparison of Financial Performance Before and After Acquisition in Manufacturing Companies. *Jurnal Ilmu Dan Riset Manajemen*, *4*(12), 1–19. http://jurnalmahasiswa.stiesia.ac.id/index.php/jirm/article/view/3138/3154

Dewi, P. Y. K., & Suryantini, N. P. S. (2018). Comparative Analysis of The Company's Financial Performance Before and After The Acquisition. *E-Jurnal Manajemen Universitas Udayana*, *7*(5), 2323–2352. https://doi.org/10.24843/EJMUNUD.2018.v07.i05.p01

Dewi, Y. R. K. S., & Worokinasih, S. (2018). Comparative Analysis of Financial Performance Before and After Mergers and Acquisitions (Study of Companies Listed on The Indonesian Stock Exchange that Undertake Mergers and Acquisitions in 2013). *Jurnal Administrasi Bisnis*, *62*(2).

Fahmi, I. (2017). *Financial Statement Analysis*. Alfabeta.

Fitriasari, F. (2016). *Comparative Analysis of Company Financial Performance Before and After Mergers and Acquisitions on Entrenchment Management (Study of Companies Carrying Out Mergers and Acquisitions Listed on The IDX for The 2011-2013 Period)*. Muhammadiyah Sidoarjo University.

Gustina, I. (2017). Analysis of Financial Performance Before and After Merger and Acquisitions in Go Public Companies Listed on IDX. *Jurnal Akuntansi Dan Keuangan*, *6*(2), 1–23.

Hamidah, & Noviani, M. (2013). Comparison of Company Financial Performance Before and After Mergers and Acquisitions (on Acquisiting Companies Listed on Indonesian Stock Exchange Period 2004-2006). *Jurnal Riset Manajemen Sains Indonesia(JRMSI)*, *4*(1), 31–52.

Hariyani, I., Serfianto, R., & Yustisia, C. (2011). *Mergers, Consolidations, Acquisitions and Company Separations Smart Ways to Develop and Advance a Company*. Jakarta: Visimedia.

Hasibuan, S., Ikatrinasari, Z. F., & Hasbullah. (2020). *Performance Management System Design: The Case of Manufacturing and Service Industries*. Bekasi: Ahlimedia Book.

Hery. (2015). *Management Performance Analysis: Assessing Management Performance*

Based on Financial Ratios. Jakarta: Gramedia Widiasarana Indonesia.

Ifantara, H. (2018). *Comparative Analysis of Company Performance Before and After Carrying Out Mergers and Acquisitions (Case Study of Companies Carrying Out M&A Listed on The IDX in 2012-2014)*. Widya Gama Lumajang College of Economics.

Investor Daily. (2021). *Behind Mergers and Acquisitions*. Investor.Id.

Liliana, Suhadak, & Hidayat, R. R. (2016). Analysis of The Impact of Acquisitions on Stock Returns and Trading Volume (Study of Multinational Companies Listed on IDX for The 2010-2012 Period). *Jurnal Administrasi Bisnis (JAB)*, *38*(1), 60–67.

Maknuun, L. lu' il. (2018). Profit Management and Financial Performance of Acquiring Companies Before and After Acquisition. *Muhammadiyah Malang University*, *1*(2), 1–13.

Martono, R. A. (2016). *Comparison of The Financial Performance of Acquiring Companies Before and After Mergers and Acquisitions (Study of Companies Listed on The Indonesian Stock Exchange)*. Yogyakarta State University.

Murdabahari, Y. F. (2013). *Analysis of Company Financial Performance Before and After Mergers and Acquisitions (Study of Manufacturing Companies Listed on the Indonesian Stock Exchange for the 2003-2012 Period)*. Diponegoro University.

Nafilah, A., & Damayanti, C. R. (2019). Analysis of Financial Performance Before and After Companies Carrying Out Mergers and Acquisitions (Study of Companies Listed on The IDX and Carrying Out Mergers and Acquisitions in The 2012-2014 Period). *Jurnal Administrasi Bisnis (JAB)*, *72*(1). http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/2854

Nasir, M. (2018). Comparative Analysis of Financial Performance in Companies Before and After Mergers and Acquisitions (Study of Companies Carrying Out Mergers and Acquisitions Listed on The IDX 2013-2015). *Jurnal Economic Resource*, *1*(1), 71–85. https://doi.org/10.33096/jer.v1i1.58

Natawigena, J., & Oliyan, F. (2017). Comparative Analysis of Company Financial Performance Before and After Acquisition (Case Study of a Go Public Non-Bank Company Listed on The IDX in 2012). *Akuntansi Dan Manajemen*, *12*(2), 51–72. https://doi.org/10.30630/jam.v12i2.77

Naziah, U., Yusralaini, & Al Azhar. (2014). Comparative Analysis of Company Financial Performance Before and After Mergers and Acquisitions in Manufacturing Companies Listed on The IDX 2009-2012. *JOM FEKON*, *1*(2), 1–18.

Putro, D. N. S., & Kusuma, D. R. (2020). Comparative Analysis of Financial Performance Before and After Merger-Acquisition in Companies Listed on The Indonesian Stock Exchange (IDX) for The 2015 Period. *Jurnal Fokus Manajemen Bisnis*, *9*(2), 143–155. https://doi.org/10.12928/fokus.v9i2.1556

Rahayu, E. S., Mardani, R. M., & Wahono, B. (2018). Analysis of Profit Management and Company Financial Performance Acquisitioners Before and After Mergers and Acquisitions Listed on The Indonesian Stock Exchange in 2014-2015. *E-Jurnal Ilmiah Riset Dan Manajemen*, *7*(1), 51–61.

Sari, Y. A., & Musdholifah. (2017). Analysis of Company Performance Before and After The Merger. *Jurnal Ilmu Manajemen*, *5*(3), 1–9.

Sekaran, U., & Bougie, R. (2016). *Research Methods For Business: A Skill Building Approach (7th ed.)*.

Serenade, V., Tri Rahmawati, C. H., & Dewi, I. J. (2019). Comparative Analysis of Company Financial Performance Before and After Acquisition. *Prosiding Seminar Nasional Multidisiplin Ilmu*, *1*(2), 268–276. http://repository.usd.ac.id/42530/

Setio, K. (2016). *Comparative Analysis of Company Performance Before and After Mergers and Acquisitions of State-Owned Enterprises (BUMN)*. Northern Sumatra University.

Sidik, S. (2021). *Here It Is! The 8 Most Phenomenal Mergers & Acquisitions of 2021*. CNBC Indonesia. https://www.cnbcindonesia.com/market/20211227155255-17-302401/ini-dia-8-merger-akuisisi-paling-fenomenal-sepanjang-2021

Smartlegal.id. (2020). *Several Things that Must be Done After Carrying Out Acquisitions, Mergers and Consolidation*. Smartlegal.Id. https://smartlegal.id/badan-usaha/2020/05/16/beberapa-hal-yang-harus-dilakukan-setelah-melakukan-akuisisi-merger-dan-konsolidasi/

Soemohadiwidjojo, A. T. (2017). *KPI Key Performance Indicator for Service Companies* (Andriansyah (ed.)). Jakarta: Raih Asa Sukses.

Sulistyanto, S. (2014). *Earnings Management (Theory and Empirical Models)*. Jakarta: Grasindo.

Suryawathy, I. G. A. (2014). Analysis of Financial Performance Before and After Mergers in Companies Listed on The Indonesian Stock Exchange. *Jurnal Ilmiah Akuntansi Dan Humanika*, *3*(2), 1123–1133. https://ejournal.undiksha.ac.id/index.php/JJA/article/view/4050

Sutrisno. (2017). *Financial Management, Theory Concepts and Applications* (2nd ed.). Yogyakarta: Ekonisia.

Tan, C. H., & Robinson, T. R. (2015). *Asian Financial Statement Analysis: Detecting Earnings Management*. New Jersey : Wiley.

Usadha, I. P. A., & Yasa, G. W. (2018). Analysis of Profit Management and Financial Performance of Acquiring Companies Before and After Mergers and Acquisitions on The Indonesian Stock Exchange. *Jurnal Ilmiah Akuntansi Dan Bisns*, *5*(2), 0–23.

Velika, & Budiharta, P. (2014). Analysis of Profit Management Before Mergers and Acquisitions in Bidding Firms (Study of Companies on the Indonesian Stock Exchange 2010-2014). *Jurnal Ekonomi Akuntansi*, 1–9.

Walfajri, M. (2020). *Cross-Border Mergers and Acquisitions Dropped 25% yoy Throughout 2019, Why?* Kontan.Co.Id. https://internasional.kontan.co.id/news/merger-dan-akuisisi-lintas-negara-turun-25-yoy-sepanjang-2019-kenapa?page=all

Wibowo, T. S. (2015). Analysis of Earnings Management and Financial Performance of Acquiring Companies Before and After Acquisition. *Manajemen Bisnis*, *5*(2), 53–61. https://doi.org/10.22219/jmb.v5i2.5378