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FINANCIAL PERFORMANCE AND ABNORMAL RETURN OF BANKING STOCK BEFORE AND AFTER ACQUISITION(Acquirer Banking Studies at IDX)

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ABSTRACT : This study aims to analyze financial performance post-acquisition than pre-acquisition and to analyze differences in abnormal returns of banking stocks between before and after the acquisition. This research was conducted on acquirer banking on the IDX which made acquisitions in the period 2008-2011. The variables of this research are financial performance and abnormal stock returns. Financial performance variables are measured by the ratio of ROA, NIM, LDR, CAR, and NPL. Abnormal Return is calculated using the Market Adjusted Model. The research sample was drawn by nonprobability sampling, namely the approach purposive sampling. The sample in this study amounted to three companies. The inferential analysis tool used in this study was Pair-Sample T-Test. The results showed that the banking financial performance was not better after the acquisition than before the acquisition. Abnormal returns on banking stocks did not differ significantly between before and after the acquisition. These results indicate that the acquisition does not always have a good impact on the company's financial performance and shareholder satisfaction.

KEYWORDS: *Acquisitions, Financial Performance, ROA, NIM, LDR, CAR, NPL, Abnormal Return.*

I.   INTRODUCTION

Strategy development is something that must be done by every company to face challenges and obstacles in the business world so that the company can withstand increasingly fierce competition. The company is expected to use the right strategy to maintain its business continuity and expand its business. Some many ways or strategies can be used, one strategy that can be done is to carry out an expansion strategy, namely mergers and acquisitions. In recent years, mergers and acquisitions have become a popular topic in many countries. The dominant reason for mergers and acquisitions is that conducting mergers and acquisitions can improve financial performance, besides that merger and acquisition activities can be considered as a means of company diversification (Selcuk and Kiymaz, 2015).

In Figure 1, it can be seen that after the global crisis in 2008 there was an increase in the value of merger and acquisition transactions in various parts of the world, namely by 25% per annual. Mergers and acquisitions are expected to help improve company conditions, restructure company finances and facilitate *economic recovery* of the existing crisis.

Figure 1. Graph of Merger and Acquisition Offer Value
Source: *Rehm& West, Mckinsey report Dec* 2015

Table 1. *Quarterly Reviews Regional Deals Matrix of Worldwide Merger and Acquisition*

Target Region / Nation	YTD Value (the US $ b)	Deals	% Change YoY	
Worldwide	579.8	7,319	-9%	V
Americas	225.1	2,565	-39%	V
North America	203.1	2,387	-43%	V
Canada	8.9	364	-68%	V
United States	194.2	2,023	-41%	V
Caribbean	13.6	16	1670%	∧
Latin America	8.4	162	23%	V
Europe	212.7	2,175	158%	∧
Western Europe	164.1	1,831	122%	∧
France	19.6	248	51%	∧
Germany	41.9	292	329%	∧
United Kingdom	51.6	371	105%	∧
Eastern Europe	48.6	344	482%	∧
Russia	42.9	110	1316%	∧
Middle East	8.5	83	-73%	V
Africa	4.2	103	-40%	V
South Africa	0.6	24	-89%	V
Asia (ex. Japan)	107.8	1,841	-18%	V
Australia	11.2	233	39%	∧
China	38.5	668	-42%	V
India	13.8	279	-3%	V
South Korea	5.5	224	-50%	V
Southeast Asia	28.2	290	14%	∧
Japan	21.6	547	60%	∧

Source: Refinitiv Deals Intelligence (March 12, 2020)

Based on Table 1, it can be seen that Southeast Asia is a potential region, namely the movement of the value of mergers and acquisitions, which increased by 14% from the previous year. At the same time, mergers and acquisitions in Asia (except Japan), Africa, and the world (except Europe) experienced a decline. This increase can mean that investors are starting to make countries in Southeast Asia as investment destinations, including Indonesia.

Figure 2. Mergers and Acquisitions in Indonesia 1990-2013

Source: KPMG *Analysis*, 2014

Figure 2.shows that the trend of mergers and acquisitions in Indonesia has fluctuated but has tended to increase since the economic crisis in 1998 as well as in 2008, and the highest occurred in 2010.

Table 2. Value of Southeast Asian Merger and Acquisition Transactions in 2019.

	Value of Transactions (in Billion USD)								
	Singapore	Thailand	Indonesia	Malaysia	Vietnam	Philippines	Myanmar	Cambodia	Total
Real Estate, Infra & Construction	10,635	1,079	221	438	1,001	1,853	-	-	15,217
Telco, Media & Technology	4,521	347	1,040	11	7	72	-	-	5,998
Energy & natural Resources	926	443	384	2,257	228	282	-	-	4,520
Consumer Markets	454	687	90	373	33	-	13	7	1,657
Industrials & Manufacturing	442	268	727	113	10	-	-	-	1,560
Financial Services	315	7,670	3,931	14	5	-	21	-	11,956
Other	660	258	181	115	155	21	18	-	1,408
Total	17,953	10,752	6,564	3,321	1,439	2,228	52	7	42,316

Source: KPMG Analysis, 2019

Table 2.shows that in Indonesia at 2019 for every industrial sector there will be merger and acquisition transactions. The highest value of merger and acquisition transactions in Indonesia occurred in the financial services sector, amounting to USD 3.931 billion. The reason this research focuses more on researching the banking sector is that banks have a very important role in developing the national economy. Policies carried out by banks can be a part of national development policies together with other sectors to achieve various economic development targets, as well as overcoming various problems that arise in them, such as the impact of the economic crisis that occurred in mainland Europe and the United States in 2008-2009 which had a global impact as well as on the Indonesian economy.

Mergers and acquisitions are both aimed at obtaining synergy and getting instant growth, but it turns out that acquisitions are more popular than mergers because of their fast process without having to go through many legal requirements and formalities to be completed. Therefore, this study wants to focus on examining whether the acquisition is the right strategy for business expansion. Efforts to improve performance or gain profits through acquisitions certainly use a lot of funds, so this high investment is very important to assess its success. The way to see the success of an acquisition can be seen from the financial performance through financial statements and also the prosperity of the shareholders through abnormal return.

Financial performance is an important thing that must be achieved by every company because that is a reflection of the company's ability to manage and allocate its resources. In theory, after the acquisition, the size of the company will increase because the assets and liabilities of the company combined. The logical basis for accounting measurement is that if the size increases with the synergy resulting from simultaneous activities, then the company's profits will also increase (Payamta and Setiawan, 2004). Therefore, the financial performance after the acquisition should be better than before the acquisition. However, based on the phenomenon of acquisition transactions that continues to increase, it turns out that many studies state that the financial performance after the acquisition has actually shown a decline and is far from popular expectations, even some acquiring companies have shown poor performance.

According to Ashfaq (2014), absolute financial performance (synergy realization) and relative performance (accounting ratio) worsened after mergers and acquisitions. Fatima &Shehzad (2014) in their research also show that mergers and acquisitions do not have a significant effect on bank financial performance. Likewise, what was found by Bhutta*et al.* (2015) research results state that in the long term, post-acquisition the company's financial position remains unaffected and shows a stable trend during the study period. Research conducted by Yusuf & Raimi (2019) concluded that banks that carry out M&A in Nigeria, like most in the world, actually fall far short of the popular opinion that states that there will be an increase in performance after mergers and acquisitions.

In line with the phenomenon that occurs, Putra *et. al.,* (2018), show that the ROA, OER, NPL, NIM, and LDR of banks improve after mergers and acquisitions. Research by Saut and Diansyah (2019) also states that there are significant differences in bank financial performance as measured by CAR, NIM, and LDR before and after the acquisition. Rao and Kumar (2013) also revealed that the overall average financial performance of commercial banks in India increased after mergers and acquisitions by 34% as indicated by the ROA and CAR ratios. Likewise, Sujud and Hachem (2018) found that acquisition and merger mergers have a significant positive impact on bank asset quality, capital adequacy, management efficiency, and bank liquidity.

Apart from improving financial performance, companies also need to pay attention to the prosperity of shareholders through investment decisions, funding, and dividend policies. The acquisition is included in an investment decision. Therefore, it is very important to evaluate acquisition decisions because this information can be viewed positively or negatively by the public. According to the Signaling Theory, when the announcement of acquisition has important information, the market will react to the announcement which can be indicated by a change in share prices. Following the event study theory, the market reaction is the output of corporate action. Adnyani and Gayatri (2018) state that the presence or absence of the influence of the

information content can be seen from the presence or absence of significant abnormal returns around the date of the acquisition. According to Dananjaya&Wiagustini (2015), a normalreturn can be used as a measuring tool to see the market reaction that occurs.

In theory, the acquisition announcement should have information that could affect the market. However, it turns out that not all companies that make acquisitions are responded positively by the market and there is not always an abnormal return around the date of the acquisition. Dogru *et. al.,* (2018) stated that the return on equity was mostly flat (not changed significantly) after the acquisition. Shah and Arora (2014) also showed in their research that merger and acquisition announcements did not produce abnormal returns. Dananjaya and Wiagustini (2015) also stated that there was no significant difference in the company's abnormal return between before and after the acquisition.

Meanwhile, different results were found by Yaghoubi *et. al.,* (2014), in his research found differences in long-term abnormal returns in acquirers across industries. Elad (2017) also in his research shows that acquisition events have a significant effect on returns on abnormal returns on stocks. These results indicate that market players respond to acquisition events and if associated with the signaling theory states that the information obtained by shareholders generates good signals so that shareholders are interested in trading shares with the company or issuer.

Based on the results of previous research, it was found that there were inconsistent results that had been conducted by the researchers. The existence of a research gap shows that this research is still important to do to strengthen the results of previous findings so that they can be used as material for consideration in making acquisition decisions. Based on this background, this study will reexamine how banking financial performance and stock abnormal returns before and after the acquisition. The purpose of re-conducting this research is to analyze the financial performance of banks after the acquisition compared to before the acquisition and to analyze the differences in the abnormal return of banking shares between before and after the acquisition. The results of this study are useful for adding to the literature and references regarding financial performance and abnormal returns of banking stocks between before and after the acquisition, as a contribution and consideration in making acquisition decisions, and as a contribution of thought regarding the importance of acquisition publication information in investment activities so that it becomes material. considerations to determine the right investment options to maximize profits and minimize investment risks.

II. REVIEW LITERATURE

According to Sherman (2017: 3), an acquisition is the purchase of assets such as factories, divisions, or even the entire company. Hasanah and Oktaviani (2017) state that acquisition in business terminology is defined as the takeover of ownership or control over the shares or assets of a company by another company, and in the event of either the takeover or the acquired company still exists as a separate legal entity. Hariyani et al (2011: 9) mention some of the benefits of acquisitions, namely getting experienced employees, getting *cash flow* quickly because the product and market are clear, acquiring customers without having to start from scratch, obtaining an established operational and administrative system, reducing the risk of business failure. , save time to enter a new business, mastering the supply of raw materials and auxiliary materials, business diversification, increases the size of the company, and decrease the level of competition. Meanwhile, according to Hariyani et al. (2011: 10), some of the weaknesses of the acquisition are expensive consultant fees, increased bureaucratic complexity, and the integration process is not easy.

Tarigan*et. al.,* (2016: 33) state that in general, there are two motives in conducting mergers and acquisitions, namely based on the motives of the interests of shareholder gains (shareholders) and managerial gains (company managers). The motives for the interests of shareholder gains are growth motivation, operational synergy, financial synergy, diversification, horizontal integration, vertical integration, management improvement, and tax motives. While the motives for the interests of managerial gains are hubris motives and concentration motives. According to Hariyani*et. al.,* (2011: 11), several factors trigger the success of the acquisition, namely conducting an audit before the acquisition, the acquisition target company is in good condition, and some because of previous acquisition experience While Hariyani*et. al.,* (2011: 10) mentions the failure of the acquisition trigger factor is the low suitability of company targeted by the acquirer and the anxiety among the company's staff were not addressed decreased employee performance from the company. According to Ashfaq (2014), the objective achievement of a company can be checked through the use of the event study method and financial ratios. Assessing the success of the acquisition can be done by comparing the company's financial performance and the abnormal return of shares before and after the acquisition.

Financial performance describes the good and bad financial condition of a company that reflects work performance in a certain period. According to Harvey (2015) using accounting measures to calculate the long-term perspective of acquisition performance can show actual accounting performance, which consists of comparisons of accounting performance measures before the acquisition and after the acquisition. Fundamental analysis with the help of ratio analysis can be used to see synergies and acquisition capitalization in the long run.

Signaling Theory is the encouragement of economic factors from a business unit to voluntarily disclose an incident to external parties. Signaling Theoryis concerned with reducing information asymmetry between two parties (Spence, 2002). According to Tandelilin (2010:565), news that is considered goodwill be responded positively by the market which is marked by a positive *abnormal return*. An event study is a study that studies the market's reaction to an event whose information is published as an announcement. This approach examines the excess return on share prices due to the announcement of unexpected events such as mergers and acquisitions (Claes and Lejeune, 2017: 22). The reaction can be measured by using returns as the value of changes in prices or by using abnormal returns (Jogiyanto, 2017: 644). A positive abnormal return signal indicates that investors believe the event will create value and a negative abnormal return signal means that investors assume that the event will destroy value (Dogru and Kizildag, 2018).

II.1 Differences in Banking Financial Performance Before and After the Acquisition

According to Husnan and Pudjiastuti (2012: 395), the main reason for the company to make an acquisition is economic motives. The purchase of a company will be justified if the purchase is profitable. If the scale increases and there is synergy, the company's post-acquisition performance should be better than before the acquisition (Sodikin and Sahroni, 2016). Apart from synergy interests, acquisitions are also carried out to strengthen capital. Results of research Son *et. al.,* (2018) showed that ROA, NIM, LDR, and NPL were playing improved after the acquisition. Things same was also found by Al-Hroot (2015) that the ratio of a bank's profitability as measured by ROA and NIM improved significantly and so does the leverage ratio s emakin improved post- admit s contents. Research by Saut and Diansyah (2019) also states that there are significant differences in bank financial performance as measured by CAR, NIM, and LDR before and after the acquisition. Rao and Kumar (2013) reveal that the overall average financial performance of commercial banks in India as shown by the ROA and CAR ratios shows an increase after mergers and acquisitions. Based on the theoretical study and empirical studies that have been described, the following hypothesis can be formulated:

H ₁: The financial performance of banks after the acquisition is better than before the acquisition.

II.2. The difference of Abnormal Return of Banking Shares Before and After the Acquisition

Adnyani and Gayatri (2018) state that the market reaction to the acquisition publication event can be seen from the presence or absence *of* significant abnormal returns around the acquisition date. According to Tandelilin (2010: 565), news that is considered goodwill be responded to positively by the market so that a positive abnormal return will appear. Conversely, if the news is considered bad, the market will respond negatively so that a negative abnormal return will appear. Elad (2017) in his research states that acquisitions are significantly related to abnormal returns. This occurred after the acquisition, market conditions are in a bullish state, which means that the market has positive feelings about the news of the acquisition. Adnyani and Gayatri (2018) also state that there is a significant difference in abnormal returns between before and after the announcement of the acquisition. Likewise, Yaghoubi, et al. (2014) in their research mention the difference of abnormal return acquirers on cross-industry. Based on the theoretical and empirical studies that have been described, the following hypotheses can be formulated:

H ₂: Abnormal returns of banking stocks differ significantly between before and after the acquisition.

III. REVIEW LITERATURE

The scope of this research area is banking which is listed on the Indonesia Stock Exchange and made acquisitions between the period 2008-2011. The variables used are financial performance and stock abnormal return. Banking financial performance in this research is measured by Return on Assets (ROA), Net Interest Margin (NIM), Loan Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), and Non Performing Loan (NPL) in acquirer bank listed in IDX. The unit used is the percentage.

1. The best measure of ROA according to SE BI No.7/10/DPNP dated March 31, 2005, is above 1.25 %. According to Hanafi & Halim (2018: 81), ROA can be calculated with the following formula:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\% \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (1)$$

2. Based on SE BI No.7/10/DPNP dated March 31, 2005, NIM is said to be good if it is above 2%. According to SE BI No.13/24/DPNP dated 25 October 2011 NIM can be calculated using the following formula:

$$NIM = \frac{\text{Net Interest Income}}{\text{Average Earning Assets}} \times 100\% \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

3. The maximum LDR set according to government regulations is 110%. According to Kasmir (2011: 226), LDR can be calculated with the following formula:

$$LDR= \frac{\text{Total } Loan}{\text{Total } Deposit+Equity} \text{ X } 100\% \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3)$$

4. The size of the CAR determined according to SE BI No.7/10/DPNP dated March 31, 2005, was 8%. According to Harahap (2004: 307), CAR can be calculated with the following formula:

$$CAR= \frac{Stockholders\ Equity}{Total\ Risk\ Weighted\,(ATMR)} \text{ X } 100\% \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (4)$$

5. The best measure of NPL according to SE BI No.7/10/DPNP dated March 31, 2005, is if it is below 5% and if it is above 5% it is considered bad. According to SE BI No.13/30/DPNP dated 16 December 2011, NPL can be calculated using the following formula:

$$NPL= \frac{\text{Bad Credit}}{\text{Total Credit}} \text{ X } 100\% \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (5)$$

   The abnormal stock return referred to in this study is the difference between the actual profit level and the expected profit level of the acquiring banking listed on the IDX and making acquisitions in the period 2008-2011. This study uses the Market Adjusted Model to calculate Abnormal Return. According to Edward (2012) the steps taken to analyze abnormal returns are as follows:

1. Determining the event period for 11 days, namely 5 days before the announcement (D-5), 1 day at the time of the announcement (H = 0), and 5 days after the announcement of the acquisition (H + 5).
2. Developmental Analysis of Abnormal Return. Here's how to analyze the development of abnormal returns :
a. Calculation of actual return (Jogiyanto, 2010: 207):

$$R_{it}=\frac{P_{it} - P_{it\ -\ 1}}{P_{it\ -\ 1}} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (6)$$

Information:
R_{it} : The actual return of stock i on day t
P_{it} : Stock price i on day t
P_{it-1} : Stock price i on day t-1

b. Daily market return calculation (Jogiyanto, 2010: 207):

$$R_{mt} = \frac{IHSG_{t\cdot}\ IHSG_{t-1}}{IHSG_{t-1}} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (7)$$

Information:
R_{mt} : Market return (expected return) on day t
$IHSG_t$: Composite Stock Price Index on day t
$IHSG_{t-1}$: Composite Stock Price Index on day t-1

c. Calculation of expected return (Tandelilin, 2010: 574):

$$E(R_{it}) = R_{it} - R_{mt} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(8)$$

Due to the Market Adjusted Model method, the expected return is the same as the market index return, according to Munthe (2016) the expected return in the market adjusted model method can be formulated as follows:

$$E(R_{it}) = R_{mt} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(9)$$

Information:
$E(R_{it})$: The expected *return* of stock i on the t-event period
R_{it} : The actual return of stock i on day t
R_{mt} : Market index return on day t.

d. Calculation of *abnormal returns* (Jogiyanto, 2010: 580):

$$AR_{it} = R_{it} - R_{mt} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(10)$$

Information:
AR_{it} : The abnormal return of stock i on day t
R_{it} : The actual return of stock i on day t
R_{mt} : Expected return (stock market return) on day t

3. Statistical Testing.

   This study used the paired sample t-test technique through SPSS software. 13 to test the hypothesis compared the abnormal returns prior to the acquisition by the abnormal return after acquisition. The quantitative data used in this research are the acquirer's financial statements (2 years before and 8 years after the acquisition) and historical stock price movements (5 days before and 5 days after the acquisition is carried out. The source of this research uses secondary data, namely banking financial reports accessed through the Indonesia Stock Exchange (IDX) website and historical share prices of the acquirer companies accessed through the Yahoo Finance website. The population in this study were all acquiring banks listed on the IDX that made acquisitions in the period 2008-2011. The sampling technique was nonprobability sampling with a purposive

sampling approach. In this study, the entire population became a sample of 3 companies, namely PT. Bank Central Asia Tbk, PT. Bank PermataTbk, and PT Bank Rakyat Indonesia Tbk. The data analysis methods used were descriptive statistical tests and inferential statistical tests with analysis tools used is the Pair-Sample T-Test.

The first paragraph under each heading or subheading should be flush left, and subsequent paragraphs should have a five-space indentation. A colon is inserted before an equation is presented, but there is no punctuation following the equation. All equations are numbered and referred to in the text solely by a number enclosed in a round bracket (i.e., (3) reads as "equation 3"). Ensure that any miscellaneous numbering system you use in your paper cannot be confused with a reference [4] or an equation (3) designation.

IV.   RESEARCH RESULT

IV.1 Financial performance
1.   Descriptive Statistics Test

Table 3.
Results of the Descriptive Statistic Test of the Acquisitor's Banking Financial Performance

Financial Ratios	2 Years Before Acquisition			8 years After Acquisition		
	Minimum	**Maximum**	**Mean**	**Minimum**	**Maximum**	**Mean**
ROA (%)	1.40	4.68	3.02	0.20	5.15	3.19
NIM (%)	5.70	10.77	7.41	3.60	8.55	6.12
LDR (%)	43.60	90.60	70.97	55.20	90.10	81.74
CAR (%)	10.80	19.20	14.16	12.70	23.10	17.78
NPL (%)	0.60	4.00	2.53	0.40	8.80	2.02

Source: Secondary data processed, 2020

In Table 3 shows that financial performance is proxied by the ROA, NIM, LDR, CAR and NPL minimum values respectively prior to the acquisition of 1:40%, 5.7%, 43.60%, 10 .80% and 0.60%. The maximum values for each ratio are 4.68%, 10.77%, 90.60%, 19.20%, and 40 %. The average ROA, NIM, LDR, CAR, and NPL values were 3.02%, 7.41%, 70.97%, 14.16%, and 2.53%, respectively. The results of descriptive statistical tests after the acquisition show that the minimum value of ROA, NIM, LDR, CAR and NPL after acquisition is 0.2%, 3.60%, 55.20%, 12.70%, and 0.40%.The maximum values for each ratio are 5.15%, 8.55%, 90.10%, 23.10%, and 8.80% . The average ROA, NIM, LDR, CAR and NPL values were 3.19%, 6.12%, 81.74%, 17.78%, and 2.02% respectively.

2.   Data Normality Test
Table 4.Results of Normality Test of Acquisitor Banking Financial Performance Data

Financial performance	Period	Sig	p-value	Information
Return On Asset	before	p- value > 0.05	0.599	Normal
	after	p- value > 0.05	0.299	Normal
Net Interest Margin	before	p-value > 0.05	0.174	Normal
	after	p- value > 0.05	1	Normal
Loan Deposit Ratio	before	p- value > 0.05	0.399	Normal
	after	p- value > 0.05	0.079	Normal
Capital Adequacy Ratio	before	p-value > 0.05	0.63	Normal
	after	p- value > 0.05	0.484	Normal
Non-Performing Loan	before	p-value > 0.05	0.357	Normal
	after	p- value > 0.05	0.961	Normal

Source: Secondary data processed, 2020

The result of the normality test in Table 4 shows that all financial ratios used as a measurement in this study both before the acquisition and after acquisition have a p-value greater than 0.05. This means that all variable data in this study are normally distributed and the scores in the sample can be ascribed to the study population. Therefore, testing the hypothesis on financial performance can use a parametric test, namely the Pair-Sample T-Test.

3.   Hypothesis Testing Results (Difference Test 2 Average)

Tabel 5. Statistical Test Results Pair-Sample T-test Return on Asset

Variabel	Mean	Std. Deviation	Sig. (2-tailed)	Information
ROA Before Acquisition	3.0267	1.34448	0.321	Hypothesis is Rejected
ROA After Acquisition	3.1967	1.40870		

Source: Secondary data processed, 2020

Table 5.above shows that the average ROA of banks has increased after the acquisition, from 3.02% to 3.19%. This means that after the acquisition, the productivity capacity of banking assets in obtaining net profits increases compared to before the acquisition. However, the standard deviation of ROA after an acquisition is higher than before the acquisition, this means that post-acquisition banks have higher ROA variations than before the acquisition. Following SE BI No.7/10/DPNP dated March 31, 2005, the best ROA measure is above 1.25%, so in this study, it can be said that the ROA value is good. Based on Table 5, value-tailed sig.2 > 0,05 (0.321>0,05), then H_0 is accepted, this means performance by the financial bank as measured by ROA are not better at following the acquisition than before the acquisition. The results of this data indicate that after the acquisition when viewed from the ROA ratio, there is no significant increase in banking financial performance

Table 6. Statistical Test Results Pair-Sample T-test Net Interest Margin

Variabel	Mean	Std. Deviation	Sig. (2-tailed)	Information
NIM Before Acquisition	7.4167	2.20303	0.137	Hypothesis is Rejected
NIM After Acquisition	6.1200	1.88000		

Source: Secondary data processed, 2020

Table 6.shows that the average NIM of banks has decreased from 7.41% to 6.12%. This means that after the acquisition the bank's ability to generate net interest income from its productive assets decreases compared to before the acquisition. However, the standard deviation of NIM after the acquisition is lower than before the acquisition, this means that post-acquisition banks have lower NIM variations than before the acquisition. Following SE BI No.7/10/DPNP dated March 31, 2005, NIM is said to be good if it is above 2%, so in this study, it can be said that the condition of the NIM of banking at that time was considered good but there was a decrease in the average after the acquisition. Based on Table 6 , the sig.2-tailed value > 0,05 (0.137>0,05), then H_0 accepted. This means that the financial performance of banks as measured by NIM is no better after the acquisition than before the acquisition. The results of this data indicate that there is a decline in the financial performance of banks after the acquisition as measured by NIM.

Table 7. Statistical Test Results Pair-Sample T-test Loan Deposit Ratio

Variabel	Mean	Std. Deviation	Sig. (2-tailed)	Information
LDR Before Acquisition	70.9733	19.71812	0.227	Hypothesis is Rejected
LDR After Acquisition	81.9467	8.84657		

Source: Secondary data processed, 2020

Table 7.shows that the average LDR of banks after the acquisition has increased, from 70.97% to 81.94%. A high LDR indicates that the bank does not have sufficient capital to provide credit/channel funds to its debtors. Thus, this means that after the acquisition, the ability of banks to channel their funds in the form of credit decreases. The standard deviation of LDR after the acquisition is lower than before the acquisition, this means that post-acquisition banks have lower LDR variations than before the acquisition. The maximum LDR set according to government regulations is 110%, so in this study, it can be said that the LDR condition of banks at that time was considered good, but there was a decline in post-acquisition performance as indicated by an increase in the average LDR. Based on Table 7 , the sig.2-tailed value> 0,05 (0.227>0,05), then H_0 is accepted. This means that the financial performance of banks as measured by LDR is no better after the acquisition than before the acquisition. The results of this data indicate that there has been a decline in banking financial performance after the acquisition as measured by LDR.

Table 8. Statistical Test Results Pair-Sample T-test Capital Adequacy Ratio

Variabel	Mean	Std. Deviation	Sig. (2-tailed)	Information
CAR Before Acquisition	14.1600	3.05725	0.231	Hypothesis is Rejected
CAR After Acquisition	17.7833	2.25154		

Source: Secondary data processed, 2020

Table 8 shows that the average CAR after the acquisition has increased, from 14.16% to 17.78%. This means, after the acquisition, banking capital is stronger than before the acquisition and shows that the shareholder's capital is strong enough to cover risky assets. The standard deviation of CAR after the acquisition shows a lower position than before the acquisition, this means that post-acquisition banks have lower CAR variations than before the acquisition. Following SE BI No.7/10/DPNP dated March 31, 2005, the CAR size was set at 8%, so that in this study the condition of banking CAR was considered good. Based on Table 8, the sig.2-tailed value>0,05 (0.231>0,05), then H_0 accepted. This means that the financial performance of banks as

measured by CAR is no better after the acquisition than before the acquisition. The results of this data indicate that when viewed from the CAR ratio there is no significant increase in banking financial performance between before and after the acquisition.

Table 9. Statistical Test Results of Pair-Sample T-test for Non Performing Loans

Variabel	Mean	Std. Deviation	Sig. (2-tailed)	Information
NPL Before Acquisition	2.5333	1.61581	0.282	Hypothesis is Rejected
NPL After Acquisition	2.0200	1.28526		

Source: Secondary data processed, 2020

Table 9.above shows that the average NPL of banks after the acquisition has decreased, from 2.53% to 2.02%. This means that after the acquisition, the level of bad credit which causes the risk of failure on the bandages decreases. The standard deviation of NPL after the acquisition also shows a lower position than before the acquisition, this means that post-acquisition banks have lower NPL variations than before the acquisition. According to SE BI No.7/10/DPNP dated March 31, 2005, the best NPL measure was below 5%, so in this study, the NPL condition was considered good. Based on Table 9, the sig.2-tailed value > 0,05 (0.282>0,05), then H_0 accepted. This means that the bank's financial performance as measured by NPL is no better after the acquisition than before the acquisition. The results of this data indicate that when viewed from the NPL ratio, there is no significant increase in banking financial performance between before and after the acquisition.

IV.2 Abnormal Return

1.   Descriptive Statistics Test

Table 10. Descriptive Statistical Test Results Abnormal Stock Return

Variabel	Minimum	Maximum	Mean	Std. Deviation
AR Before Acquisition	-0.0107	0.0227	0.00525	0.0100886
AR After Acquisition	-0.0365	0.0202	-0.0035	0.0140435

Source: Secondary data processed, 2020

Table 10. shows that the average value of abnormal stock returns before the acquisition is 0.005253 or 0.52% with a maximum value of 0.0227 (2.27%) obtained by PT. Bank Central Asia, Tbk on D-5 announcement of the acquisition and the minimum value of -0.0107 (-1.07%) obtained by PT. Bank Central Asia, Tbk on D-4 announcement of the acquisition. The standard deviation value before the acquisition is 0.0100886, which means that the average deviation value of the abnormal return of banking stocks before the acquisition is 1%. Table 10. also shows the average value of abnormal stock returns after the acquisition of -0.003480 or -0.34% with a maximum value of 0.0202 (2.02%) obtained by PT. Bank Central Asia, Tbk on H+5 announcement of the acquisition and the minimum value of -0.0365 (-3.65%) obtained by PT. Bank Central Asia, Tbk on D+4 the announcement of the acquisition. The standard deviation value before the acquisition is 0.0140435, which means that the average deviation value of the abnormal return of banking stocks after the acquisition is 1.4%.

2.   Data Normality Test

Table 11. Results of the Abnormal Return on Stock Normality Test

Variable	Sig	p-*value*	Information
AR Before Acquisition	p- value > 0.05	0.773	Normal
AR After Acquisition	p-value > 0.05	0.460	Normal

Source: Secondary data processed, 2020

Table 11.shows that all data on abnormal return variables before and after the acquisition have a p-value greater than 0.05. This means that all variable data in this study are normally distributed, so in testing the hypothesis a parametric test is used, namely the Pair-Sample T-Test.

3. Hypothesis Testing Results (Difference Test 2 Average)

Table 11. Results of Pie Statistic Test r-Sample T-test Abnormal Stock Return

Variable	Sig. (*2-tailed*)	Information
Average AR Before & After Acquisition	0.096	Hypothesis is Rejected

Source: Secondary data processed, 2020

Table 5.11 shows the Sig value. In the 2-tailed difference test, the average abnormal return before and after the acquisition is 0.096 >0.5, thus that H_2 rejected and H_0 accepted. This means that the abnormal returns of banking stocks do not differ significantly between before and after the acquisition.

The results of this study indicate that acquisition is not the right strategy to improve banking financial performance. The synergy motive was not the company's main motive for making acquisitions. There is another motive as motive diversification, tax motive of increasing the size of companies and their motives hubris or pride of management that action overpaid to the target company are carried out by the manager acquirer only for the benefit or ego-self and not for profit companies, so the acquisition not seen in financial performance (Tarigan et al, 2016: 42). Besides, this can also be caused by the company not conducting an audit before the acquisition, the integration plan that was not adjusted to field conditions, the target company and the acquirer company did not have a strategic fit, and other factors.

The insignificant result due to the long study year period is 10 years.The long research period allows other events to occur throughout the study period that affect the results of the study.The selection error for unequal periods, namely 2 years before and 8 years after the acquisition, this may cause by the unbalanced of comparison data.This can affect the average of financial ratio.In addition, the small number of research samples can also lead to insignificant results.According to Cohen (1988) in Akhtar (2020) the number of samples that is too small will cause the power of statistical tests to be low.

The results of this study also indicate that the acquisition strategy will not fully generate returns on abnormal returns. The absence of this difference is caused by various things, namely, the market response to acquisitions tends to be normal and the same so that they do not have different expectations and this is also due to the global economic crisis which causes investors to hold their investment until the economy stabilizes, and company shares are less actively traded in the stock exchange (Mardiyati*et. al.,* 2018). This could also be the same cause for the results of research conducted in Indonesia because the research period conducted was before and after the economic crisis in 2008 which resulted in insignificant results in the acquisition of abnormal stock returns

V. IMPLICATIONS OF RESULT

The implications of theoretical results of this study are expected to add to the literature on financial management, may be empirical evidence for studies in the future will come, this can provide references and contribute the development of the science of financial management related to financial performance and abnormal return of stocks, especially in the banking industry. This study shows different results from existing theories and does not support previous empirical studies that state a post-acquisition financial performance will be better than before the acquisition and there is an abnormal return that may occur around the announcement of the acquisition due to market reactions. The practical implications that can be given are that this study can be used as a reference and consideration for management in carrying out an acquisition strategy, as well as analyzing its impact on financial performance and shareholder prosperity.

The limitation of this study is the small sample size, which is only 3 banks. This number is not sufficient to represent the number of banks on the IDX so that the results cannot be generalized to all banks making acquisitions. Besides, different acquisition dates and long observation years, namely 2 years before and 8 years after the acquisition, made the results of this study insignificant, because there may be other events that occurred during the study period that affected the results of the study.

VI. SUGGESTIONS

Based on the data processing that has been done and the discussion of the research that has been explained, it can be concluded that the financial performance of banks after the acquisition is not better than before the acquisition and abnormal return banking stocks did not differ significantly between before and after the acquisition. Seeing that the acquisition is a sizeable investment decision, it is better if banks are more selective in determining target companies. Investors should be more careful in responding to information on acquisitions made by companies because not all acquisitions have a good impact on the company. For further research, it is recommended to add other variables outside of financial variables to improve quality and strengthen research results. Increasing the number of company samples is also highly recommended so that it will increase the generalizability of research results.

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