

BASIC AND APPLIED COMPUTATIONAL AND ADVANCED RESEARCH JOURNAL

2021, Vol. 1, No. 2, 63 – 68

<http://dx.doi.org/10.11594/bacarj.01.02.03>

Research Article

The Effect Of Mergers And Acquisitions On Stock Prices In Go Public Banking Companies 2015 – 2021

Umi Fadilah Fatoni*, Amir Soleh

Politeknik STIBISNIS Tegal, Indonesia

Article history:

Submission December 2021

Revised December 2021

Accepted December 2021

*Corresponding author:

E-mail:

umifadilahfatoni@polsti.ac.id

ABSTRAK

The purpose of this study was to determine the effect of mergers and acquisitions on stock prices carried out by publicly traded banking companies in 2015-2021. The research method used includes the type of event study research. Data obtained by conducting secondary data search. The analytical method used is a quantitative method, with the data analysis technique used is the paired sample t-test. The results showed a decrease in the average change in stock prices after the announcement of mergers and acquisitions was made. From these results, it has not shown any positive influence from mergers and acquisitions. It can be seen that between 10 days before and 10 days after the announcement of the merger, the results are 0.00000611 and - 0.00129. By using a significant level of 5%, the t-count value in the merger and acquisition is $0.561 < 2.110$ or by looking at the probability shows that $0.562 > 0.05$. Thus, there is no Significant Different between 10 days before and 10 days after the announcement of the merger and acquisition. Suggestions that can be given are to add a longer period of research so that a larger sample allows for better results and it is necessary to consider other variables that affect stock prices, such as interest rates, inflation rates, and other macro influences, and in the end will affect research results.

Keywords: mergers and acquisitions, event study, and stock prices.

Introduction

Merger is the merger of two companies into one, where the company that takes or buys all the assets and liabilities of the merged company so that the merging company owns at least 50% of the shares and the merged company ceases to operate and its shareholders receive cash or shares in new company (Sundari, 2017). While the acquisition is a decision in the context of the takeover of one

company by another company by maintaining the identity of the company being taken over.

This merger activity is expected not only to combine two or more companies, but also to form a new company with better capabilities and performance than if the companies did their own business. The performance improvement can be in the form of business expansion, marketing network expansion, increasing sales volume and so on.

How to cite:

Fatoni, U.F. & Soleh, A. (2021). The Effect Of Mergers And Acquisitions On Stock Prices

In Go Public Banking Companies 2015 – 2021. *Basic and Applied Computational and Advanced Research Journal*. 1(2), 63 – 68. doi: 10.11594/bacarj.01.02.03

Events of mergers and acquisitions as well as the choice of accounting methods for mergers and acquisitions that are informative will influence investors in making investment decisions. This will cause a market reaction in the form of an increase or decrease in stock prices, which is based on studies or research conducted by the Company (Andriana, 2017) which said that there were significant differences in stock prices before and after the publication of mergers and acquisitions. However, in this study, researchers will conduct research on public banking companies in Indonesia which will be the differentiator in previous research. (Wairooy, 2019) said stated that the steps for business mergers through bank mergers and acquisitions were initiated by state banks through the Decree of the Minister of Finance dated December 31, 1997, regarding the merger of four state-owned banks (State-Owned Enterprises), namely the Indonesian Development Bank (Bapindo), Export Import Bank (Exim Bank).), Bank Bumi Daya (BBD) and Bank Dagang Negara (BDN) and the acquisition of the State Savings Bank (BTN) by Bank Negara Indonesia (BNI). This move brought a strong impetus to private banks to make similar efforts as one of the banking restructuring steps that must be carried out.

The next problem with mergers and acquisitions is the possibility of a corporate culture, so that it affects the human resources that will be used. If the objectives of this merger and acquisition can be realized, it will automatically affect the acquisition price of shares, which in turn will increase the welfare of the shareholders.

Theoretical Review

Signaling Theory

Signaling Theory is the encouragement of economic factors from a business unit to disclose an event voluntarily. Mergers and Acquisitions activities have informative value for investors so that they will influence investment decisions in the form of changes in stock prices due to increased or decreased transactions (Ikriyah et al., 2017).

Signaling Theory also shows that there is asymmetric information between the company's management and other parties (investors,

brokers, and others), so that Mergers and Acquisitions that will be carried out by the company are expected to be responded positively in the form of investments in companies that will carry out Mergers and Acquisitions, or not. invest (negative response).

Merger and Acquisition

Business combinations can be carried out through mergers and acquisitions. Merger or business combination is the act of uniting two companies from the same industry into one company (Widyaputra, 2006). In this case one of the companies will remain, while the other will be lost. Acquisition is the activity of taking part or all of the shares or assets of another company so that the takeover company has control rights over the target company (Sundari, 2017). In the process of mergers and acquisitions, the performance of the companies to be merged and acquired must be considered. Because the company's performance can judge whether or not the prospective company being acquired is appropriate.

In general, there are two motives for conducting a merger. First, to increase the actual profit or profit in the future and thus the parties seeking profits through the merger are the shareholders (shareholder gains). The second group, the merger is for the benefit of the company's managers (managerial gains) and not always for the benefit of the company. In other words, the purpose of the merger is solely for the benefit of the company's management, not the owners. according to (Tari-gan et al., 2017) those goals are for Shareholder gains and Managerial gains. The forms of shareholder gains include: Growth Motive, Operating Synergy Motive, Financial Synergy Motive, Diversification Motive, Horizontal Integration Motive, Improved Management and Tax Motive. Meanwhile, Managerial Gains can be in the form of Hubris Motives or Discretion Motives.

Stock price

The stock price is the closing price of the stock market during the observation period for each type of stock sampled and its movement is always observed by investors. One of the basic concepts in financial management is that the goal of financial management is to

maximize the value of the company. For companies that have gone public, this goal can be achieved by maximizing the market value of the share price in question. Thus, decision making is always based on considerations of maximizing the wealth of shareholders (Khusnah, 2019).

The stock price is the price formed from the interaction of the sellers and buyers of shares against the background of the expectation of the company's profit (Susilawati,

2012). In activities in the capital market, stock prices are a very important factor and must be considered by investors in carrying out investments, because stock prices indicate the value of a company. The higher the value of the stock price, the higher the value of the company and vice versa. The stock price on the exchange is determined by market forces, which means the stock price depends on the forces of supply and demand.

Hypothesis Development

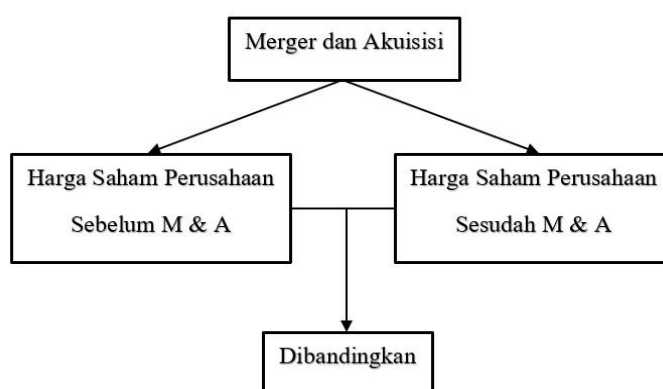


Figure 1. Conceptual Framework

Merger and acquisitions are one of the signals that can change the value of stock prices. according to (Ikriyah et al., 2017) stated that the information about the acquisition announced by the company PT. PP Properti Tbk. Those who made the acquisition resulted in a significant difference in share prices during the observation period, namely the period of 10 days before the acquisition and 10 days after the acquisition.

Quoted in (Andini, 2015), there is a significant difference in stock prices before and after the announcement of mergers and acquisitions, while the trading volume before and after mergers and acquisitions does not show a significant difference.

The 20-day time assessment was chosen because if the events were taken too long, it was feared that another event would significantly affect the results. Based on the explana-

tions and arguments above, the research hypothesis is formulated as follows:

H1: there is a significant difference in the level of stock prices 10 days before and 10 days after mergers and acquisitions.

Research Methodology

The purpose of this analysis is to determine the difference in stock prices before and after the merger and acquisition event carried out by banking companies going public in 2015 - 2021. The data used using the purpose sampling method with the research sample criteria used to select the sample based on the following procedure. :

- Banking companies listed on the IDX.
- Companies carry out mergers and acquisitions after the company goes public.

- c. The company conducted mergers and acquisitions in the 2015-2021 period.
- d. Companies of this type of banking.
- e. Have clear merger and acquisition dates.
- f. Its shares are actively traded.

From the above criteria, the data used in this study were 18 banking companies that carried out mergers and acquisitions during 2015-2021.

Results and Discussion

Descriptive Statistical Analysis

Table 1. Results of the analysis of the sum of changes in stock prices for the entire sample period of 10 days before and 10 days after the publication date of mergers and acquisitions

No	Code	Company name	X Senot yet	X Sealready
1	SDRA	PT. Bank Woori Brother 1906 Tbk.	-0.01346	0.00507
2	BBKP	PT. Bank Bukopin Tbk.	0.00358	-0.00562
3	BEX	PQ. Development Bank Banten Region Tbk.	0.01174	0.00120
4	BBRI 01	PT. Bank Rakyat Indonesia (Persero) Tbk.	0.00210	0.00205
5	BDMN 01	PT. Bank Danamon Indonesia Tbk	0.00776	-0.00299
6	DNAR 01	PT. Bank Oke Indonesia Tbk.	0.00212	-0.00800
7	BTPN	PT. Bank BPTN Tbk.	-0.00126	-0.00242
8	BBRI 02	PT. Bank Rakyat Indonesia (Persero) Tbk.	0.00245	0.00400
9	BDMN 02	PQ. Bank Danamon Indonesia Tbk	-0.00563	-0.03611
10	DNAR 02	PT. Bank Oke Indonesia Tbk.	-0.00032	0.00034
11	DNAR 03	PT. Bank Oke Indonesia Tbk.	-0.00127	0.00760
12	AGRS	PT. Bank IBK Indonesia Tbk.	0.01933	-0.02055
13	BBRI 03	PT. Bank Rakyat Indonesia (Persero) Tbk.	0.00550	0.00019
14	BBCA 01	PT. Bank Central Asia Tbk.	0.00085	-0.00030
15	BBCA 02	PT. Bank Central Asia Tbk.	0.00130	0.00495
16	BNLI	PT. Bank Permata Tbk.	0.000002	0.00120
17	BBCA 03	PT. Bank Central Asia Tbk.	0.00434	0.00474
18	BRIS	PQ. Indonesian Islamic Bank Tbk.	-0.03805	0.00444
Average			0.0000611	-0.0022339

(Source: Data processed with SPSS (2021))

Based on table 1, it can be concluded that the average 10 days before mergers and acquisitions is 0.0000611 and the average results 10 days after mergers and acquisitions is

-0.0022339, so there is a difference of 0.002295. Changes in share prices after the Merger and Acquisition have not shown a significant difference.

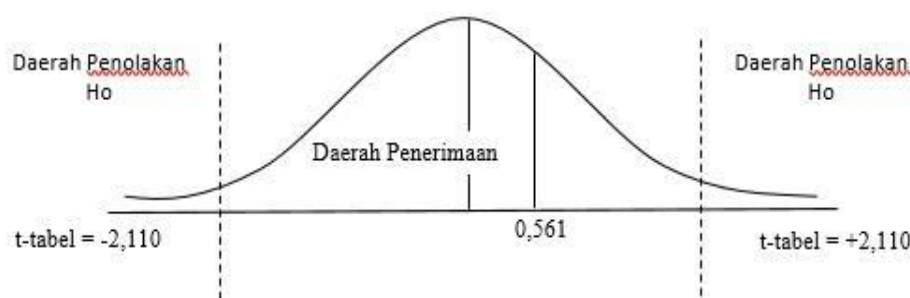


Figure 2. Graph of Stock Price t Test results
(Source: Data processed with SPSS (2021))

From the results of the comparison of tcount with ttable, it can be seen that tcount < ttable, namely t-count is 0.561 while the t-table is 2.110. Thus H_0 is accepted, meaning that there is no difference in the average change in stock prices before and after the announcement of mergers and acquisitions. This result also implies that there is no difference in stock prices before and after the announcement of mergers and acquisitions in public banking companies in the capital market.

These results show a decrease after mergers and acquisitions in banking companies that go public in 2015-2021, but these results have not shown the level of significance which at the t-count value is smaller than t-table, which is $0.561 < 2.110$ and the probability value shows greater than the significance level is $0.582 > 0.05$, then the results of the study state that they accept H_0 or produce non-significance

The unsupported hypothesis is probably because the impact of the business combination has not been felt in the short term. This can be seen from the average change in stock prices before and after mergers and acquisitions, where there has been no significant increase or decrease. The results of this study are in line with research (Safitri, 2019) which states that the announcement of mergers and acquisitions has no significant effect on stock prices, which is presumed that there are internal people who know information about the company's motivation in conducting mergers and acquisitions, so that investors only seek short-term profits. According to research (Faisal &

Basid, 2019) also stated that the announcement of mergers and acquisitions did not produce significant differences in the stock prices of the acquiring companies that carried out mergers and acquisitions, this was because the abnormal returns before and after the announcements of mergers and acquisitions were not statistically different or the same.

Conclusion

Based on the results of research and discussion conducted on the average difference in stock prices before and after mergers and acquisitions in banking companies going public in 2015-2021, it can be concluded that the publication of mergers and acquisitions conducted by public banking companies, has not shown any differences in stock prices. in the sample of this study. This is indicated by the results obtained that t count < t table, namely t count of $0.561 < t\text{-table of } 2.110$, or by looking at the probability shows that $0.582 > 0.05$ so that H_0 is accepted. So it can be interpreted that there is no significant difference in the average change in share prices between the period 10 days before and 10 days after the publication date of mergers and acquisitions.

References

- Andini, D. A. (2015). Analisis Perbandingan Return on Investment (Roi), Earning Per Share (Eps), Dan Abnormal Return Perusahaan Sebelum Dan Sesudah Merger Dan Akuisisi (Studi Pada Perusahaan Di Bursa Efek Indonesia Yang Melakukan Merger Dan Akuisisi Tahun 2010). *Jurnal Administrasi Bisnis*, 27(2).

- Andriana, S. J. (2017). Analisis pengaruh pengumuman merger dan akuisisi terhadap harga dan volume perdagangan saham yang terdaftar di Bursa Efek Indonesia tahun 2011-2014.
- Faisal, S., & Basid, H. (2019). PENGARUH MERGER DAN AKUISISI TERHADAP HARGA SAHAM PERUSAHAAN PENGAKUISISI YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE TAHUN 2012-2016. *Oikos: Jurnal Kajian Pendidikan Ekonomi Dan Ilmu Ekonomi*, 3(2), 116–130.
- Ikriyah, N., Mahsuni, A. W., & Mawardi, M. C. (2017). Analisis Dampak Akuisisi Terhadap Harga Saham Perusahaan Pengakuisisi PT. Pp Properti Tbk. Pada PT. Wisma Seratus Sejahtera Tahun 2016. *Jurnal Ilmiah Riset Akuntansi*, 6(08).
- Khusnah, E. R. (2019). Analisis Harga Saham pada Perusahaan Jasa Subsektor Transportasi yang Terdaftar di Bursa Efek Indonesia. UPN" Veteran" Jawa Timur.
- Safitri, R. A. (2019). Pengaruh Pengumuman Merger dan Akuisisi Terhadap Harga Saham Perusahaan Yang Terdaftar di Bursa Efek Indonesia. Universitas Islam Indonesia.
- Sundari, R. I. (2017). Kinerja Merger dan Akuisisi pada Perusahaan Go Public. *Telaah Bisnis*, 17(1).
- Susilawati, C. D. K. (2012). Analisis Perbandingan Pengaruh Likuiditas, Solvabilitas, dan Profitabilitas Terhadap Harga Saham pada Perusahaan LQ 45. *Jurnal Akuntansi*, 4(2), 165–174.
- Tarigan, J., Yenawan, S., & Wibisono, G. N. (2017). Merger & Akuisi: Perspektif Strategis dan Kondisi Indonesia. *EKULIBRIA GRAHA ILMU*.
- Wairooy, M. A. (2019). Pengaruh Pengumuman Merger Terhadap Abnormal Return dan Aktivitas Volume Perdagangan Saham (Studi pada Perusahaan Perbankan di Bank Indonesia). *Jurnal Ekonomi Balance Fakultas Ekonomi Dan Bisnis*, 15 (2).
- Widyaputra, D. (2006). Analisis perbandingan kinerja perusahaan & abnormal return saham sebelum & sesudah merger dan akuisisi (Di bursa efek Jakarta periode 1998-2004). program Pascasarjana Universitas Diponegoro.