ANALYSIS OF MERGERS, ACQUISITIONS' IMPACT ON ITS FINANCIAL PERFORMANCE
(Case Study on Listed Companies in Indonesia Stock Exchange)

Vonny Putri*

International Management Program, Faculty of Economic and Business, University of Brawijaya
*vonnyputri.r@gmail.com

ABSTRACT

The research aims to know the impact of mergers, acquisitions on the financial performance and to know the difference in company performance before and after mergers, acquisition by its financial ratio. To reveal how big the impact of the mergers, acquisitions to the financial performance, the paired sample t-test used to prove its analysis.

This research is categorized into an event study.There are as many as 21mining companies listed in IDX and the author used 10 companies as sample in this study. The data collection technique used was a documentation method, which is documented by records or took the financial satements of companies listed in IDX.

The sample selection used purposive sampling technique which is a random type of sample determination achieved by considering certain criteria, mainly adjusted to the research objectives or problems. The research instruments are tested by event window, statistical analysis and descriptive analysis. To analyze the data, the paired sample t-test was used.

The research resultshows that there is no significant impact of mergers, acquisitions on the financial performance and the difference on companies' performance before and after mergers, acquisition lies on the greater mean of liquidity and activity ratio after mergers, acquisition, and the decreasing value of leverge and profitability ratio.

Keywords: mergers, acquisitions, financial ratio

Background of the Study

Globalization and free competition requires every company to constantly develop its strategy in order to survive, thrive, and competitive. Competitive strategy which attempt to develop (enlarge) size of the company in accordance with the agreed amount for the company's long-term goal is called growth strategy. This strategy can be implemented through the internal growth and external growth. Internal growth did by expanding its existing companies, for example by adding the companies' capacity, adding the product, looking for new market.

Meanwhile, the external growth did by merge two or more companies merge two or more companies which the name of one of the merge companies is used and others is destroyed. Besides, acquisitions did by buying some of the entire ownership of companies (Hadiningsih, 2007 : 18).

Dennis Carrey (2001:7-11) stated that one of the strategies that can be undertaken by the company so that the company can survive or even thrive is to do a merger and acquisition (M&A). The merger is a united of two or more companies into one force to strengthen the company's position. The mergers are arguably the most popular strategy among firms who seek to establish a competitive advantage over their rivals. In the last seven years, during the fifth merger wave, the value of acquisitions has increased dramatically. In 2006 the total value of acquisitions undertaken reached unprecedented levels, totaling 1,774 billion (Satish Kumar, Lalit K. Bansal, 2008:4).

Another way of merge the companies is by did an acquisition. Acquisition is a take over some or all of the shares of other companies so that the acquired companies have the right of control over the target company. Acquisition which made to the subsidiary company that has already go public is called the internal acquisition, whereas the acquisition of another company is called the external acquisition (Dennis Carrey, 2001 : 12-14)

The purpose of combine the business through mergers, acquisitions are expected to gain synergies, the overall value of the company after the merger or acquisitions are greater than the sum of the respective companies prior to merger or acquisitions. Besides, mergers, acquisitions can provide many benefits to the company include increased ability in marketing, research, managerial skills, technology transfer, and the efficiency of a decrease in production costs (Hitt, 2002).

Large companies in Indonesia have done several mergers, acquisitions, especially in the economic crisis era which results the bankruptcy of several companies. Even nowadays, market is developing where the activities do not buy and sell products, but buy and sell companies (ownership) in the companies. This market commonly called the Market for Corporate Control (Nurhayati, 2009).

One of an interesting merger, acquisitions activity which emerge in Indonesia is mining industry. Sutarno (2013) researched that the Business Supervisor Commission (KPPU) recorded mergers, acquisitions in mining industry since 2010, followed by manufacture, farms, retail. Based on report data of mergers, acquisitions announcement in PP 57/2010 about Mergers and Acquisitions in July 20, 2010, the commission got 79 notifications. Based on those notifications, 32.9% comes from mining sector and energy, 29% comes from processing, farms, and retail sector, 15.2% comes from information and communication sector, 13.9% comes from properties sector, and 9% comes from financial sector. This circumstance becomes an interesting matter because mining Industries become an important part for the economic development and growth in Indonesia. One of the meanful contributions is recorded in Masterplan Acceleration ad Expansion of Indonesia’s Economic Development (MP3I) (Sutarno, 2012).

The reason for companies to choose mergers, acquisitions as a strategy are considered a quick way to realize the goal of the company where the company does not need to restart a new business.

Mergers, acquisitions also be able to create a synergy that is the value of the overall firms after mergers, acquisitions are greater than the sum of the respective companies before the mergers, acquisitions. Besides, more profit is given through mergers, acquisitions to companies such as enhanced capabilities in marketing, research, managerial skills, technology transfer, and a decrease in production cost efficiencies.

Mergers, acquisitions are often seen as a controversial decision because it hasdramatic and complex matter. Many loss parties, as well as others get benefits of the events of mergers, acquisitions. Adverse impacts can be seen from the side of the employees as the policy is often accompanied by a termination of employment, which amount may be very much. Satish Kumar, Lalit K. Bansal (2008) stated that various forms of engineering through mergers, acquisitions. For example, the media is used to avoid the taxes, inflated the value of assets, displacing the management of the acquired company, or increase the compensation of the executives themselves.

Besides mergers, acquisitions' decisions cannot be separated from the issue, the cost to carry out mergers, acquisitions are very expensive, and the results may not be definitive as expected. Implementation of the acquisition also gives negative effect on the financial position of the acquiring company if the structuring of the acquisition involves the payment of cash or through a loan. In mergers, acquisition activity, there are two things to consider that is the value resulting from its merger, acquisition and those who get benefit most from such activities. Mergers, acquisitions are expected to generate synergies that will increase the company's value.

Merger, acquisition managers should take into account the performance of the company to be acquired. Because of the performance of the company can assess the suitability of candidates for the acquired company. The calculation is done by looking at the performance of financial ratios. Philippatos and William C. (1991) said that it can use the net profit margin, return on assets and return on equity in the calculation of the profitability ratios, liquidity ratios calculated with the current ratio, the activity ratio using the total asset turnover ratio, and the leverage ratio using debt ratio and long-term debt to owners' equity ratio.

Literature Review

Financial Ratio

Financial ratio analysis is a common method used to evaluate the firm's financial condition, even in the absence of truly detailed operational information. The ratio is a tool to compare one thing with another to show relationship or correlation of the financial statements in the form of balance sheet and income statement (Philippatos and William C, 1991 : 67-70). Philippatos and William in their book classified types of financial ratios include :

1. Liquidity Ratios
2. Activity ratios
3. Leverage Ratios
4. Profitability Ratios

Merger definition

Merger is one of the strategies taken by the company to develop and grow the company. Mergers are of the word "mergere" (Latin) meaning (1) join together, united, combines (2) lead to the loss of identity due to absorption or swallowed something. Merger is defined as the combination of two or more companies then there is only one company that lingers as a legal entity, while others ceased operations or dispersed (Phillipatos and William, 1991).

Acquisition Definition

Merger is one of the strategies taken by the company to develop and grow the company. Mergers are of the word "mergere" (Latin) meaning (1) join together, united, combines (2) lead to the loss of identity due to absorption or swallowed something. Merger is defined as the combination of two or more companies then there is only one company that lingers as a legal entity, while others ceased operations or dispersed (Phillipatos and William, 1991).

Motives Do Mergers, Acquisitions

Kumar (2008), motives to do mergers, acquisitions are as follows :

1) Economies of scale
2) Increased revenue / market share
3) Cross selling
4) Synergy
5) Taxes
6) Geographical or otherdiversification
7) Vertical integration

Types of Mergers

Mergers, acquisitions by economic activity can be classified into three types, namely (Surresh Mittal, 2012) :

1. Horizontal Merger
2. Vertical Merger
3. Conglomerate Mergers

Advantages and Disadvantages of Merger and Acquisition Activity

The reason why companies merge, there is a benefit derived from it, although this assumption is not entirely proved. Levy and Sarnat (1993) noted the advantages of mergers, acquisitions include :

1) Obtain cash flow quickly because the product and the market is already clear.
2) Obtain ease funding / financing for more creditor believe the company that has been established and settled.
3) Obtain an experienced employee.
4) Getting customers without having established pioneer of early.
5) Obtain operational and administrative systems are established.
6) Reduce the risk of business failure because it does not have to look for new customers.
7) Save time to enter to enter a new business.
8) Getting infrastructure to achieve higher growth.

Besides having the advantage, mergers, acquisitions also have the following disadvantages (Levy and Sarnat, 1993) :

1) The process of integration is not easy.
2) The difficulty of determining an accurate value of the target company.
3) Expensive cost of consultants.
4) Increased complexity of bureaucracy.
5) Coordination costs are expensive.
6) Often demoralized organization.
7) No guarantee an increase in firm value.
8) Does not guarantee an increase in shareholder wealth.

Success and Failure Factors of Mergers, Acquisitions

Hunt et al. (1987) identify factors that contribute to the success of mergers, acquisitions failure. Factors to be considered contributing to the success of mergers, acquisitions, namely:

1) Conduct an audit prior to mergers and acquisitions.
2) The target company is in good condition.
3) Have previous experience of mergers and acquisitions.
4) The company is relatively small targets.
5) Perform a friendly merger, acquisitions.

The success or failure of a merger, acquisition can be seen in the planning processes. At the time of this process usually occurs angle different view of the functions of the organization in response to decision making as mergers, acquisitions increasing momentum, ensured ambiguous expectations where there are differences in the expectations of management. The process can bring out the factors that trigger the failure of mergers, acquisitions, include:

1) The targeted company has a lower compliance strategy than the acquirer company.
2) Strategic analysis is not enough to achieve the success of mergers, acquisitions.
3) The lack of clarity about the value created from each mergers, acquisitions program.
4) Integration approaches are not adapted to target company ie. absorption, preservation or symbiotic.
5) Integration plan that is not adapted to field conditions.
6) Negotiation team is different with the implementation team that will complicate the process of integration.
7) Uncertainty, fear and anxiety among the company's staff were not addressed. For the implementation company’s team, the takeover has to deal with the problem by dignity, compassion and knowledge to grow beliefs and their commitment to the integration process.
8) The takeover parties have not communicated the plans and their expectations of the employees to the targeted company that there were concerns among employees.

Process of Merger

In the process of a merger, there are several steps that must be carried out by the company prior to, within, and after the merger occurred. According to Caves (2001), the steps to be taken can be divided into three parts namely:

1) Pre-merger
2) Mergers Stage
3) Post-merger

Reason for Mergers, Acquisitions

Surresh Mittal (2012), there are several reasons companies are merging, among others :

1) Economies of Scale
2) Synergy
3) Tax benefits
4) Utilization of surplus funds
5) Diversification

Research Methodology

Type of Research

Table 1.1
Companies listed on the Indonesia Stock Exchange Which performMergers, Acquisitions in 2008-2010

No	Acquired Company	Year	Type
1	Adaro Company	July 2008	Merger
2	Aneka Tambang	Des 2010	Merger
3	Bumi Resources	July 2008	Acquisition
4	Dian Swastatika	Des 2010	Acquisition
5	Energi Mega Persada	Nov 2010	Acquisition
6	Medco International Energy	Aug 2010	Acquisition
7	Radiant Utama Interinsco	Sept 2008	Merger
8	Renuka Coalindo	Sept 2008	Acquisition
9	Resource Alam Indonesia	Des 2010	Acquisition
10	Tambang Batu Bara Bukit Asam	Sept 2008	Acquisition

The type of research that will be conducted by the researchers is the kind of event study research. Event study is a method of research which looked at the impact of the announcement information to price securities (Eduardus Tadelilin, 2010). Event studies typically use event period or the event window period is related to how fast the information coming into the market can be reflected by the price of the securities.

This research is a quantitative study, which aimed to determine the effect of mergers, acquisitions on the financial performance of companies listed on the Indonesia Stock Exchange period of 2008-2010.

Sampling Techniques

The research sample was taken after fulfilling some of the criteria that apply to the application of operational definitions of variables. The samples taken by purposive sampling technique sampling with selection based on certain criteria. The criteria used in this study include:

1. The companies exclude the financial institutions.
2. Available financial statements for 1 year before and 1 year after the merger, acquisition activity.
3. Mergers, acquisitions carried the clear date.

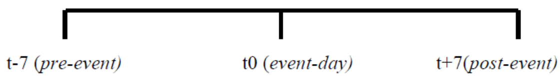
Data Collection Method

Data collection methods used in this research is a method of documentation, which is documented by records or data that is listed in the Indonesian Stock Exchange year 2008-2010 were carried out by taking the data from the financial statements of listed companies in IDX year 2008-2010.

Data Analysis Method

1. *Event Window*

   Event window specified or the period in which the stock price reaction to the events of the presidential election will be measured for 15 days, ie 7 days before the event, when it happened, and 7 days after the event.



2. *Descriptive Analysis*

   Descriptive analysis gives an overview or description for a certain data which showed from the minimum, maximum, mean, and standard deviation with determine the minimum, maximum, mean, and standard deviation of the financial performance indicator from the financial ratio before and after merger, acquisition based on the financial performance of companies listed in IDX.

3. *Statistical analysis*
   The statistical analysis in this study using paired sample t-test. Paired sample t-test is used to determine whether two unrelated samples have an average value that is different with the purpose for comparing an average of two unrelated groups, and whether the two groups have the same average value or not significantly.

This study used paired sample T-test, where we want to know whether there are differences in the financial performance and the stock price changes before and after the mergers, acquisitions activity. The confidence level used is 95%. This means that the significance level is 5%. Then :

- The significance value is more than 5% (μ), then there is no difference significance in the financial ratio and the stock price changes before and after mergers, acquisitions or the impact of financial ratio and stock price changes is just little.
- The significance value is less than 5% (μ), then there is any significance difference in the financial ratio and the stock price changes or the impact of mergers, acquisitions in its financial ratio and stock price is quite big.

Finding and Discussion

Research Object

There are10 sample companiestakenin this study. 10of these companies arevariouscompanieswhichincludecoalmining,oil and gas. 10companiesselected sampleisAdaro Energy, EnergyMegaPersada, RenukaCoalindo, AnekaTambang, MedcoEnergyInternational, DianSwastatika, Tambang Batu Bara Bukit Asam,Bumi Resources, Resource Alam Indonesia, and Radiant Utama Interinsco. These 10 sample companies are companies did mergers, acquisitions in the period of 2008-2010.

Data Analysis

1. *Liquidity ratio*

Based on the analysis, it can be concluded that there is no enough power for company to do merger, acquisitions. The existence of mergers, acquisitions proved that there is no significant impact to its current ratio. The current ratio value before mergers, acquisitions does not have any signifincance with the value after the mergers, acquisitions. The current ratio before activity before mergers, activity is quite high and the current ratio condition is quite good. The current assets after mergers, acquisitions activity keep high along with the high value of current liabilities after mergers, acquisitions. This matter means that the value before and after mergers, acquisitions has no quite differentiation.

It is estimated that in two or three years, companies can increase their current ratio. It is the first year of mergers, acquisitions, companies still need to adjust with the current condition.

Activity ratio

Based on the analysis, companies result the increasing value of activity ratio after mergers, acquisitions. These circumstances predicted because of the decreasing value of assets after mergers, acquisitions. This increasing activity ratio supported by the increasing value of profitability ratio as a whole.Based on the total asset turnover significance test, It shows that there is no significant impact of mergers,acquisitions toward the activity ratio which reject the previous research.

This result is different with Payamta and Setiawan (2004) and Sarah and Maksum (2009) who stated that total asset turnover shows the decreasing result after mergers, acquisitions. It is proved that the economic motives of companies has not reached by doing mergers, acquisitions, and or it is estimated that the goal of doing mergers, acquisitions is not because of economic motives, but perhaps the goals is to save the targeted companies from bankruptcy.

2. Leverage Ratio

Based on the significance test to debt ratio and debt to equity ratio conclude that there is no significant changes against the companies' leverage ratio on the mergers, acquisitions. This result supported along the Widjanarko (2006) research which concluded that this result caused by the wrong implementation of mergers, acquisitions, or both the acquired and acquirer company does not have any experience in did the mergers, acquisitions.

3. Profitability ratio

As a whole, companies' profitability ratio results an increasing value after mergers, acquisitions, except the return on equity which result the decreasing value because of mergers, acquisitions activity.

Based on the test result against the net profit margin, return on assets, and return on equity of the mergers, acquisitions activity conclude that there is no significant changes after mergers, acquisitions activity through the profitability ratio. This result along with Payamta and Setiawan (2004) and Sarah and Maksum (2009) research where the profitability ratios have not affected significantly in the mergers, acquisitions activity. This might be happened because the synergy cannot be reached caused they were less of strategy and perhaps the acquirer company is lack of experience in doing mergers, acquisitions.

4. Stock Price changes

Based on the test have done against the stock price before and at the time acquisitions, 80% shows the significant impact and 20% left shows the insignificant impact. While the test which compared the stock price at the time and after mergers, acquisitions shows 60% significant impact and 40% left shows the insignificant impact.

Similarly, when the activity begins to slow, there is the signal that prices in the market begin to move slower. Mergers, acquisitions activity becomes an attractive activity because lower stock prices are attractive to potential acquirers as they look to consolidate competitors and grab more market share. The stock price changes results caused by several circumstances include the uncertainty which lower the prices. It means that target's stock will likely to drop significantly. Other matter is when the company believes that there is likely to be another bidder that will offer more for the firm. This is more unusual situation but it will happen from time to time when the deal would give the winning bidder a significant competitive advantage.

Discussion

1. Liquidity Ratio

Based on the current ratio test result concluded that mergers, acquisition made no significant impact against the companies' liquidity. This result is different with hypothesis presented previously, but it has the same result with Payamta and Setiawan (2004), Sarah and Maksum (209), and Verma and Sharma (2012), where mergers, acquisitions have not given the significant impact.

The impact of mergers, acquisitions in its liquidity has not seen and changed significantly in the first year. But, the liquidity ratio in the first year started to increase. It can be predicted that mergers, acquisitions can increase the companies' liquidity ratio but it needs longer time to see the results.

The differences on companies' mergers performance before and after mergers, acquisitions is the liquidity ratio mean is greater one year after mergers, acquisitions than the previous year. The company which created the greatest significant value of liquidity ratio after mergers, acquisitions is PT. Aneka Tambang with amount 10.6423.

2. *Activity Ratio*

The lower the total asset turnover ratio as compared to historical data for the companies and industry data, the more sluggish the firm's sales. It may indicates a problem with one or more of the asset categories which compose the total assets - inventory, receivables, or fixed assets. The business owner should analyze the various asset classes to determine in which current or fixed asset problem lies. The problem could be in more than one area of current or fixed assets. (Rosemary, 2012).

In these case, it is predicted that the insignificant and the lower total asset turnover ratio after mergers, acquisition caused by the changing of total assets. The explanation mentioned above concluded that there is a prediction from one of the component of assets faced the decreasing amount and problems, so that it influences the amount of total assets.

The impact of mergers, acquisitions in its activity ratio has not seen and changed significantly in the first year. It can be predicted that mergers, acquisitions can increase the companies' liquidity ratio but it needs longer time to see the results.

The difference on companies' mergers performance before and after mergers, acquisitions is the activity ratio mean is greater one year after mergers, acquisitions than the previous year. The company which created the greatest significant value of liquidity ratio after mergers, acquisitions is PT. Renuka Coalindo with the amount 3.4259. It means that PT. Renuka Coalindo become the best companies from 10 samples which did the acquisition.

3. *Leverage Ratio*

Companies need to carefully manage their financial leverage ratios to keep their financial risk at acceptable level. Careful management of financial leverage ratios is also important when seek loans from banks and financial institutions. Favorable ratios can help the company to negotiate a favorable interest rate.

Debt ratio fell down after mergers, acquisitions. Companies failed to create the decreasing value of debt ratio. It is concluded that the financial health of company get worse after the mergers, acquisitions activity. They do not get enough resource to cover the liabilities, so that in the first year, mergers, acquisitions failed to be implemented.

An increasing trend of debt-to-equity ratio is also alarming because it means that the percentage of assets of a business which are financed by the debts is increasing. In fact, in this case, mergers, acquisition gives no signifinance impact to the debt to equity. The debt to equity ratio after mergers, acquisitions got lower than the time before mergers, acquisitions. There is any improvement of the debt-to-equity in the first year. But actually, the debt-to-equity ratio before and after acquisitions is still favorable and below the ratio of 1.

The impact of mergers, acquisitions on its leverage ratio has not seen and changed significantly in the first year. It tends to be the failure of mergers, acquisitions based on their leverage ratio. This may effect in the company performance to run the business where they are assessed to be lack of experience in doing mergers, acquisitions. Creditor will think twice when the firms need to borrow the loan.

The differences on companies' mergers performance before and after mergers, acquisitions is the debt ratio significance value increases one year after mergers, acquisitions than the previous year which means that mergers, acquisitions of companies tend to be failure. While the debt to equity ratio of companies' performance after mergers, acquisitions is better than the previous year. This means that there is a performance improvement from companies, but still, they have to struggle to result the significant value in two or three years to increase the leverage ratio. The company which created the greatest significant value of leverage ratio after mergers, acquisitions is PT. Renuka Coalindo with the amount 3.4259. It means that PT. Renuka Coalindo become the best companies from 10 samples which did the acquisition.

4. *Profitability Ratio*

The impact of mergers, acquisitions on its profitability ratio has not seen and changed significantly in the first year. It tends to be the failure of mergers, acquisitions based on their profitability ratio. This may effect in the company performance to run the business where they are assessed to be lack of experience in doing mergers, acquisitions and or the synergy cannot reached by companies.

The differences on companies' mergers performance before and after mergers, acquisitions is the net profit margin and return on assets significance value increased one year after mergers, acquisitions than the previous year which means that mergers, acquisitions of companies tend to be failure. While return on equity of companies' performance after mergers, acquisitions approaches to 0.5 which means it is better than the previous year. This means that there is performance improvement from companies, but still, they have to struggle to result the significant value in two or three years to increase the profitability ratio. The company which created the greatest significant value of profitability ratio after mergers, acquisitions is PT. Aneka Tambang with the amount 14.4102. It means that PT. Renuka Coalindo become the best companies from 10 samples which did the acquisition.

5. *Stock Price Changes*

The mergers, acquisitions activity give an impact to the stock price changes of company. Impact of the mergers, acquisitions itself is the increasing in the stock price changes of 10 sample companies listed in BEI. This matter predicted by 2 points include the market accept the mergers, acquisitions activity and the companies' performance which is good so that it influence the rhythm of the stock price changes.

The difference of companies' performance before and after mergers, acquisitions is different each companies based on their stock price changes. Most of companies results the increasing value of stock price at the time of mergers, acquisition which means they get a good response from the market. Other companies face the decreasing stock price at the time of mergers, acquisition. These circumstances predicted that mergers, acquisitions has not successfully influence the stock price changes.

Conclusion

Based on the analysis and discussion of the mergers, acquisitions impact on companies' financial performance, it can be concluded as follows :

In the 10 sample companies, the current ratio, total asset turnover, and the net profit margin result an increasing value at the time of mergers, acquisitions compared with one year before and stay increase in one year after mergers, acquisitions. The debt ratio, return on asset, and return on equity result the decreasing value at the time of mergers, acquisitions compared with one year before, but they were increase one year after mergers, acquisitions. Another phenomenon comes from debt to equity which results the increasing value at the time of mergers, acquisitions compared with one year before, but it downs in one year after mergers, acquisitions activity.

The impact of mergers, acquisitions in its liquidity has not seen and changed significantly in the first year. But, the liquidity ratio in the first year started to increase. It can be predicted that mergers, acquisitions can increase the companies' liquidity ratio but it needs longer time to see the results. The differences on companies' mergers performance before and after mergers, acquisitions is the liquidity ratio mean is greater one year after mergers, acquisitions than the previous year.

The impact of mergers, acquisitions in its activity ratio has not seen and changed significantly in the first year. But, the liquidity ratio in the first year started to increase. It can be predicted that mergers, acquisitions can increase the companies' liquidity ratio but it needs longer time to see the results. The differences on companies' mergers performance before and after mergers, acquisitions is the activity ratio mean is greater one year after mergers, acquisitions than the previous year.

The impact of mergers, acquisitions on its leverage ratio has not seen and changed significantly in the first year. It tends to be the failure of mergers, acquisitions based on their leverage ratio. This may effect in the company performance to run the business where they are assessed to be lack of experience in doing mergers, acquisitions. Creditor will think twice when the firms need to borrow the loan.The differences on companies' mergers performance before and after mergers, acquisitions is the debt ratio significance value increases one year after mergers, acquisitions than the previous year which means that mergers, acquisitions of companies tend to be failure. While the debt to equity ratio of companies' performance after mergers, acquisitions is better than the previous year. This means that there is any performance improvement from companies, but still, they have to struggle to result the significant value in two or three years to increase the leverage ratio.

The impact of mergers, acquisitions on its profitability ratio has not seen and changed significantly in the first year. It tends to be the failure of mergers, acquisitions based on their profitability ratio. This may effect in the company performance to run the business where they are assessed to be lack of experience in doing mergers, acquisitions and or the synergy cannot reached by companies. The differences on companies' mergers performance before and after mergers, acquisitions is the net profit margin and return on assets significance value increased one year after mergers, acquisitions than the previous year which means that mergers, acquisitions of companies tend to be failure. While return on equity of companies' performance after mergers, acquisitions approaches to 0.5 which means it is better than the previous year. This means that there is performance improvement from companies, but still, they have to struggle to result the significant value in two or three years to increase the profitability ratio.

Based on the test did against the stock price before and at the time of acquisitions, 80% shows the significant impact and 20% left shows the insignificant impact. While the test which compared the stock price at the time and after mergers, acquisitions shows 60% significant impact and 40% left shows the insignificant impact.

This means that mergers, acquisitions activity give an impact to the stock price changes of company. Impact of the mergers, acquisitions itself is the increasing in the stock price changes of 10 sample companies listed in BEI. This matter predicted by 2 points include the market accept the mergers, acquisitions activity and the companies' performance which is good so that it influence the rythem of the stock price changes.

The difference of companies' performance before and after mergers, acquisitions is different each companies based on their stock price changes. Most of companies results the increasing value of stock price at the time of mergers, acquisition which means they get a good response from the market. Other companies face the decreasing stock price at the time of mergers, acquisition. This circumstances predicted that mergers, acquisitions has not successfully influence the stock price changes.

Bibliography

Amin Wibowo dan Yulita Milla Pakereng, 2001, *Pengaruh Pengumuman Merger dan Akuisisi terhadap Return Saham Perusahaan Akuisitor dan Non Akuisitor dalam Sektor Industri Yang Sama di Bursa Efek Jakarta*", Ekonomi& Bisnis Indonesia, vol. 16 no. 4, 373-387.

Anonymous, 2013, Accounting Explained : Debt Ratio, (Online), (http://www.accountingexplained.com/financial/ratios/debt-ratio, accessed on July 23, 2013).

Anonymous, 2013, Accounting Explained : Debt to Equity Ratio, (Online), (http://www.accountingexplained.com/financial/ratios/debt-to-equity, accessed on July 23, 2013)

Anonymous, 2013, Debt Ratios, (Online), (http://www.readyratios.com/reference/debt/, accessed on July 23, 2013).

Anonymous, 2013, Return On Assets Ratio (Online), (http://www.accountingexplained.com/financial/ratios/return-on-assets, accessed on July 23, 2013)

Brealey, Richard A. and Stewart C. Myers, 1991, *Principle of Corporate Finance*, USA : McGraw-Hill

Charles Gancel, Irene Rodgers, and Marc Raynaud, 2002, *Successful Mergers, Acquisitions and Strategic Alliances:*

How to Bridge Corporate Cultures, United Kingdom : McGraw-Hill.

Chandra Kumar, 2008, *Mergers and Acquisitions* (Online), (http://mergersandacquisitions-chandra.blogspot.com/2008/02/motives-behind-m.html, accessed on March 10, 2013)

Dennis Carrey, 2001, *Harvard Business Review on Mergers and Acquisitions : The Fine Art of Friendly Acquisitions*, United States of America : Harvard Business School Publishing.

Dyaksa Widyaputra, 2006, *Rasio Keuangan : EPS, OPM, NPM, ROE, ROA, PER, PBV, dan TATO.*

Halfar, Dieter B., 2011, *The Effect of Mergers and Acquisitions on Long Run Financial Performance of Acquiring Companies*, MBA Research Project, University of Pretoria, South Africa.

Hitt, M.A., R.D. Ireland, and Hoskisson, R.E., 2007, *Strategic Management: Competitiveness and Globalization Concepts*, South-Western, London.

Levy, Haim and Marshall Sarnat, 1993, *Capital Investment and Financial Decisions*, 5th Edition, United Kingdom : Prentice Hall International.

Murni Hadiningsih, 2007, *Analisis Dampak Jangka Panjang Merger Dan Akuisisi Terhadap Kinerja Keuangan Perusahaan Pengakuisisi Dan Perusahaan Diakuisisi Di Bursa Efek Jakarta (BEJ),* Minor Thesis of Economic Faculty Islam Indonesia University, Yogyakarta.

Neha Verma and Dr. Rahul Sharma, 2012, *Impact Of Mergers & Acquisitions On Financial Performance: With Special Reference To Tata Group*, vol.3 no.7.

Pankaj Sinha and Sushant Gupta, 2011, *Mergers And Acquisitions: A Pre-PostAnalysis For The Indian Financial ServicesSector*, Faculty of Management Studies, University of Delhi.

Payamta, dan Doddy Setiawan (2004). *Analisis Pengaruh Merger dan Akuisisi Terhadap Kinerja Perusahaan Publik di Indonesia*. Riset AkuntansiIndonesia, Vol. 7 No. 3 (September). 265-282.

Pebrianto Eko Wicaksono, 2012, Industri Pertambangan Jasa Bagian Penting Pertumbuhan Ekonomi, (Online), (http://indutripertambanganjasa.okezone economy.html, accessed on March 23, 2013)

Rosemary Peavler, 2012, What is the total asset turnover ratio and how is it calculated?, (Online), http://bizfinance.about.com/od/financialratios/f/Total_Asset_Turnover.htm, accessed on July 23, 2013)

Philippatos, George C., And William W. Sihler, 1991, *Financial Management Text and Cases*, 2th Edition, United States of America: Library of Congress Cataloging

Ramesh K. S. Rao, 1995, *Financial Management : Concept and Applications*, 3rd Edition, Ohio : International Thomson

Ross, Stephen A., Randolph W. Westerfield, and Bradford D. Jordan, 1993, *Fundamentals of Corporate Finance*, 2nd Edition, USA : Irwin

Sarah and Maksum, 2009, *Rasio Likuiditas, Aktivitas, Leverage dan Profitabilitas*

Satish Kumar, Lalit K. Bansal, 2008, *The Impact of Mergers and Acquisitions on Corporate Performance in India*, Management Decision, vol. 46 Iss: 10 p. 1531 – 1543.

Surresh Mital, Dr., 2012, *Financial Management of Business Expansion, Combination, and Acquisition*

Sutarno, 2013, KPPU : Sektor Pertambangan Paling Banyak Lakukan Akuisisi, (Online), (http://kppusektorpertambangan.www.bisnis.com.html, accessed on March 23, 2013)

Swathen, 2012, Current Ratio, (Online), (https://www.boundless.com/accounting/reporting-of-current-contingent-liabilities/reporting-and-analyzing-current-liabilities/current-ratio/, accessed on July 23, 2013)

Swathen, 2012, Net Profit Margin Analysis, (Online), (http://www.wikicfo.com/Wiki/Default.aspx?Page=Net%20Profit%20Margin&NS=&AspxAutoDetectCookieSupport=1, accessed on July 23, 2013)

Uma Sekaran and Roger Bougie, 2005, *Research Method for Business : A Skill Building Approach*, 5th Edition

Weston, J. Fred, and Eugene F. Brigham, 1973, *Essentials of Management Finance*, 3rd Edition, United Kingdom : McGraw-Hill