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Analysis of Financial Performance Before and After Mergers and Acquisitions at Companies Listed on the Indonesia Stock Exchange, 2020–2022

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Abstract

This study aims to analyze the differences in financial performance before and after mergers and acquisitions in companies listed on the Indonesia Stock Exchange during the 2020-2022 period. The sample in this study consisted of 29 companies selected using a purposive sampling technique based on predetermined criteria that align with the research objectives. The method used was a quantitative approach by applying the Wilcoxon signed rank test because all data were proven to be non-normally distributed. Financial performance indicators used in this study include Current Ratio (CR), Total Asset Turnover (TATO), Return on Assets (ROA), and Return on Equity (ROE), each of which represents aspects of liquidity, activity, and company profitability. The results of the study based on descriptive analysis show that several variables experienced an increase in financial performance in the two years before and two years after the merger and acquisition activities, while the results of the Wilcoxon Signed Rank Test indicate that there is no significant difference in financial performance in all these variables between the two years before and two years after the merger and acquisition activities. Thus, the merger and acquisition activities during the research period have not been able to provide significant changes to the company's financial condition in the short term. This finding indicates that the merger and acquisition strategy has not optimally produced the expected financial synergies, so that improving financial performance may take a longer time.

Keywords: *Mergers, Acquisitions, Financial performance, Wilcoxon signed rank test, BEI.*

A. INTRODUCTION

In today's era of globalization, economic conditions at both the national and international levels are undergoing rapid changes, leading to economic instability. Furthermore, the phenomenon of globalization has also spurred the emergence of free trade, which offers extensive opportunities for various producers to compete in the global market. However, as free trade expands, the level of business competition has increased significantly. In some cases, this situation has led to unethical practices aimed at gaining market share. This situation will ultimately result in a decline in sales performance and could put companies at risk of bankruptcy (Ramanda, 2022).

To address global challenges, companies need to implement the right strategies to maintain their performance and competitiveness.. According to Izzatika *et al.* (2021), There are two strategies that a company can implement: internal and external strategies. Internal strategies focus on

strengthening the company's capabilities, such as by developing high-quality products as a means to stabilize and improve the company's performance. On the other hand, external strategies can be implemented by expanding relationships and collaborations with other entities, including business combinations such as mergers and acquisitions. Mergers and acquisitions are chosen because they can generate synergies, increase asset capacity, expand market share, and improve cost efficiency, thereby enabling the company to survive in a competitive business environment. Therefore, it is important to analyze whether merger and acquisition activities actually have a significant impact on financial performance. Mergers and acquisitions are external strategies frequently chosen by companies to address competitive pressures and market instability. According to Ramanda (2022) companies tend to opt for these strategies because they are believed to create synergies that yield greater benefits than those available prior to the merger or acquisition. The alignment resulting from mergers and acquisitions can enhance the company's overall value. Various benefits can be gained, such as economies of scale, which can help reduce a company's operating costs. Additionally, other benefits include tax efficiencies, improved management quality, and diversification, which allows companies to expand their business activities. Thus, mergers and acquisitions are viewed as a key strategy for improving performance and ensuring a company's sustainability amid increasingly intense business competition.

Although mergers and acquisitions are viewed as capable of generating various benefits—such as increased economies of scale, operational efficiency, strengthened management, and business diversification—the success of these activities is not always realized in corporate practice. This situation is particularly relevant to merger and acquisition activities during the 2020–2022 period, which coincided with the COVID-19 pandemic and the early stages of economic recovery. Under these conditions, many companies experienced a decline in market demand, increased business uncertainty, and changes in consumer spending patterns. This situation has the potential to slow down the post-merger integration process and hinder the realization of synergies following mergers and acquisitions. In line with these conditions, various previous studies have also shown mixed findings regarding the impact of mergers and acquisitions on financial performance, indicating that the effectiveness of this strategy has yet to yield consistent results. Therefore, further testing is needed to determine whether mergers and acquisitions can truly bring about changes in the financial performance of the companies involved.

Table 1
Data on Companies Involved in Mergers and Acquisitions
2020–2022

Period	Total Companies
2020	27
2021	23
2022	16
TOTAL	66

Source : www.kppu.go.id,2025

Based on Table 1, it can be concluded that the number of companies engaging in mergers and acquisitions declined from 27 companies in 2020 to 23 companies in 2021 and further decreased to 16 companies in 2022. A decline in the number of companies engaging in mergers and acquisitions does not necessarily indicate that companies' M&A strategies are ineffective. However, economic uncertainty during the study period may have caused companies to be more cautious when making decisions regarding expansion through mergers and acquisitions. By engaging in mergers and acquisitions, companies can access new resources, accelerate growth, and create beneficial synergies, thereby enabling them to survive and thrive in the long term.

The phenomenon of mergers and acquisitions that warrants attention is not only related to the sheer number of companies engaging in such transactions, but also to their success in creating synergies and demonstrating improved corporate performance following the integration process. In theory, mergers and acquisitions are expected to generate operational efficiencies, expand market share, and enhance corporate profitability. Various international studies show that the majority of mergers and acquisitions fail to achieve these objectives. In the study Felker *et al.*(2024) This indicates that the company is facing difficulties in realizing the planned synergies due to organizational integration issues, differences in corporate culture, managerial conflicts, and high post-merger restructuring costs. As a result, the expected improvement in financial performance is often not achieved in either the short or medium term.

A similar phenomenon can also be found in previous studies conducted in Indonesia. The results of the study Damayanti & Suhardiah (2023) shows that there are no significant differences in several of the company's financial performance indicators. In addition, the study also found that Jannah *et al.* (2024) which suggests that merger and acquisition activity has not yet been able to significantly improve all aspects of financial performance. The inconsistency in these research findings indicates that mergers and acquisitions do not always succeed in generating significant improvements in financial performance and still require further testing.

Several other studies, such as Wulandari & Wijaya (2024), Suprihatin (2022), Serta Ali (2020) In fact, they found that financial performance improved following mergers and acquisitions. The reasons for these differing results cannot yet be definitively determined. However, the research gap in this study lies not only in inconsistencies with prior research but also in the lack of clarity regarding the ability of mergers and acquisitions to generate financial synergies specifically in terms of liquidity, activity, and profitability following the integration process. Therefore, this study aims to provide empirical evidence concerning the effectiveness of mergers and acquisitions on corporate financial performance.

To address these issues, companies can strengthen the planning and execution of post-merger and acquisition integration processes to fully realize potential synergies. Furthermore, companies need to conduct a comprehensive evaluation of internal readiness prior to undertaking mergers and acquisitions; this ensures that strategic decisions are not solely focused on business expansion but also incorporate strategies to enhance efficiency, strengthen operational stability, and drive improved financial performance. Additionally, this research offers an academic contribution by providing valid evidence that can serve as a basis for other companies to evaluate the effectiveness of merger and acquisition activities across various market conditions.

The novelty of this study lies in its examination of the effectiveness of merger and acquisition activities in generating financial synergy during the post-COVID-19 pandemic period, achieved by analyzing differences in corporate financial performance specifically the two years prior to and the two years following the transaction among companies listed on the Indonesia Stock Exchange between 2020 and 2022. Based on these observed phenomena, the identified research gap, and the study's novelty, the research aims to analyze financial performance using CR, TATO, ROA, and ROE as proxies for liquidity, activity, and profitability. Furthermore, this study provides empirical evidence regarding the outcomes of merger and acquisition activities in generating financial synergy amidst the economic uncertainty of the post-pandemic era; it is thus expected to offer a more comprehensive understanding of the extent to which mergers and acquisitions can enhance the financial performance of companies in Indonesia.

Signalling Theory

Signaling theory is a fundamental concept and a crucial component of corporate financial management. Originally proposed by Spence in 1973 and subsequently further developed in 2002, the theory involves two parties: management, acting as the signal sender, and investors, acting as the signal recipients. Spence posited that management strives to provide information that is useful to

investors; the transmission of such signals from management to investors assists the latter in making informed decisions (Triono *et al*., 2021).

Signaling theory posits that corporate managers possessing internal information about their company should disclose that information to prospective investors. The objective is to enhance the company's value by conveying specific signals through the annual report (Indomo, 2019). According to Qotimah *et al.* (2023) Signaling theory also posits that information originating from a company may elicit varying responses from investors, depending on whether it is perceived as "good news" or "bad news." These responses, in turn, influence stock price movements. If management conveys good news, it can drive up the stock price and conversely, if the information reflects bad news, the company's stock price may decline.

Merger dan Akuisisi

Merger Under Government Regulation of the Republic of Indonesia Number 27 of 1998, a merger is defined as a legal act in which one or more companies merge into another pre-existing company, whereby the merging entities are legally declared dissolved (Putri, 2024).

Meanwhile, acquisition is a strategy employed to expand business operations or serve as a rescue measure for companies facing a capital crisis. The term "acquisition" is derived from the English word meaning the act of taking over, gaining control, or obtaining something. According to Article 1, Paragraph 11 of Law Number 40 of 2007 concerning Limited Liability Companies (UUPT), an acquisition is a legal act performed by a legal entity or an individual to take over shares of a company, thereby resulting in the transfer of control or authority over that company (Alfonsius & Nugroho, 2025).

In the study Ardiansyah *et al.* (2024) mergers and acquisitions share several similarities as corporate strategies employed to drive growth, enhance competitiveness, and create added value for the company. Both strategies aim to generate synergy by combining the respective resources, competencies, and capabilities of the entities involved. Furthermore, both mergers and acquisitions entail complex transactional processes involving both legal and financial aspects that require in-depth planning and analysis prior to execution. The impact on shareholders, encompassing both potential gains and risks, is another aspect common to both strategies.

Kinerja Keuangan

According to Sanjaya & Rizky (2018) financial performance reflects a company's financial condition over a specific period based on its overall financial activities. It also serves as a crucial indicator for assessing the company's future prospects. Such performance evaluation can be conducted through financial statement analysis, particularly by examining the statement of financial position and the income statement. To assess financial performance more comprehensively, various analytical tools are employed, one of which is financial ratios.

Financial ratios are analytical tools used to assess the performance and financial condition of an industry by comparing elements within financial statements. (Kannapadang & Ta'dung, 2022). Information generated through performance analysis using financial ratios plays a role in assessing the extent to which management has successfully achieved established targets, while also providing vital input for future strategic planning and development. The results of this analysis serve as the foundation for a comprehensive overview of the company's financial condition and position. (Suprihatin, 2022). The following are financial ratios that can be used as indicators of a company's financial performance:

1. Current Ratio (CR)

The Current Ratio (CR) is a financial metric used to measure a company's ability to meet its short-term obligations using its current assets. This ratio illustrates the capacity of a company's current assets to cover short-term liabilities that are due soon; in other words, the Current Ratio reflects the company's liquidity level as well as management's effectiveness in handling short-term obligations in a timely manner. The higher the Current Ratio, the stronger the company's ability to settle its current liabilities. Conversely, a low Current Ratio may signal potential short-term liquidity constraints (Fratiwi & Suryandani, 2021). The relationship between signal theory and CR, if the CR value is high, will give a positive signal to investors that the company is able to meet its short-term obligations with the current assets it owns. This signal increases investor confidence in investing capital, which in turn can streamline the company's operational activities and encourage increased profits (Palayukan *et al*., 2023). The CR formula used is as follows:

$$\text{CR} = \frac{\text{Current Asset}}{\text{Current Liabilities}} \times 100\%$$

2. Total Asset Turn Over (TATO)

Researchers use Total Asset Turnover (TATO) to measure a company's level of activity. This ratio reflects the company's effectiveness in utilizing its total assets to generate net sales. In other words, TATO indicates how efficiently the company's assets are employed to support operational processes and generate revenue (Suprihatin,2022). The link between signaling theory and the Total Asset Turnover (TATO) ratio is evident in the latter's ability to signal a company's performance. A high TATO ratio reflects the company's success in efficiently managing its assets to generate revenue, an efficiency that directly contributes to profit growth. Furthermore, a high TATO ratio sends a positive signal to investors, indicating strong performance and optimal asset management. This boosts investor confidence and encourages capital investment; the company can then utilize this capital to strengthen operational activities, thereby further supporting profit growth and improving its future financial position (Palayukan *et al*., 2023). The TATO formula used is as follows:

$$\text{TATO} = \frac{\text{Net Sales}}{\text{Total Asset}} \times 100\%$$

3. Return On Asset (ROA)

In the study Ranti & Damayanti (2020) Return on Assets (ROA) is used to assess how much net income a company is able to generate from each asset it owns. The higher the ROA, the greater the net income generated from total assets; conversely, a low ROA indicates that assets are not being utilized optimally to generate profits. The link between signal theory and ROA lies in its ability to provide signals regarding the quality of financial performance. A high ROA reflects strong profitability. This signals to investors that the company has strong performance and sustainable growth potential. High profitability boosts investor confidence, encourages sound investment decisions, and contributes to an increase in the company's market value (Susanto & Suryani, 2024).

$$\text{ROA} = \frac{\text{Net Income After Tax}}{\text{Total Asset}}$$

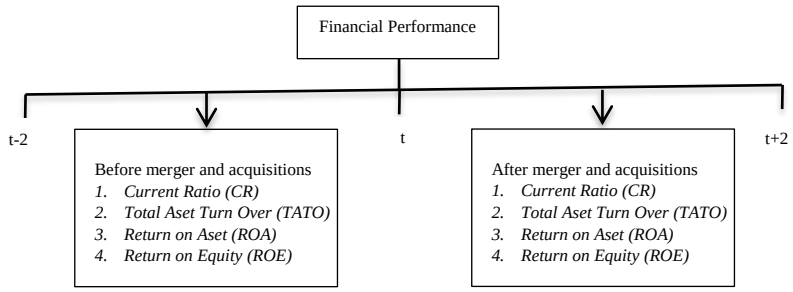
4. Return On Equity (ROE)

Return on Equity (ROE) is a ratio used to assess a company's ability to generate profits for its shareholders. ROE is calculated by comparing net income after taxes to the company's total equity (Pratiwi & Sari, 2023). The higher the ROE, the more effectively a company utilizes its equity to generate profits, thereby providing greater returns to investors. An increase in ROE can also attract

investors to invest capital, as a high ROE is considered to reflect strong company performance and has the potential to drive up the stock price. The connection between signaling theory and ROE lies in ROE's function as an indicator that conveys information about the quality of a company's performance to investors. From the perspective of signaling theory, companies use ROE as a signal indicating their effectiveness in managing equity to generate profits. A high ROE sends a positive signal that the company has sound management and favorable prospects, thereby boosting investor confidence and encouraging more profitable investment decisions (Qotimah *et al.*, 2023).

$$\text{ROE} = \frac{\text{Profit After Interest and Taxes}}{\text{Ekuity}} \times 100\%$$

Hypothesis



H1 : There are suspected differences in the current ratio before and after mergers and acquisitions among companies listed on the Indonesia Stock Exchange during the 2020–2022 period.

H2 :There appears to be a difference in Total Asset Turnover before and after mergers and acquisitions among companies listed on the Indonesia Stock Exchange during the 2020–2022 period.

H3 :There is suspected to be a difference in return on assets before and after mergers and acquisitions among companies listed on the Indonesia Stock Exchange during the 2020–2022 period.

H4 :There is suspected to be a difference in Return on Equity before and after mergers and acquisitions among companies listed on the Indonesia Stock Exchange during the 2020–2022 period.

B. RESEARCH METHODS

This study employs a quantitative method with a comparative study approach to analyze differences in financial performance before and after merger and acquisition activities. This study focuses on companies listed on the Indonesia Stock Exchange that engaged in merger and acquisition activities during the 2020–2022 period. The year in which the merger or acquisition occurred is designated as the reference year. To measure changes in financial performance, this study uses an observation period of two years before and two years after the merger or acquisition activity.

The study population consists of 66 companies that engaged in mergers and acquisitions during the 2020–2022 period. The sample in this study consists of 29 companies that engaged in mergers and acquisitions and were listed on the Indonesia Stock Exchange (IDX) during the 2020–2022 period. The sample was selected using purposive sampling, a method of sample selection based on specific criteria. The data collection technique used in this study was documentation, which involves gathering data from annual reports or financial statements obtained from the official website of the Indonesia Stock Exchange (*www.idx.co.id*) as well as the companies' official websites. The unit of analysis in this study is the company, with financial performance observed during the periods before and after mergers and acquisitions.

The research variables consist of CR, TATO, ROA, and ROE. These variables are used to represent the company's liquidity, activity, and profitability. Data analysis was performed using SPSS Statistics with a significance level of 5% or $\alpha = 0,05$. Before testing the hypothesis, the researcher first conducted a normality test using the Kolmogorov-Smirnov method to determine whether the data were normally distributed. The results of the test showed that all variables indicated that the significance value <0,05, Consequently, the data do not meet the assumption of normality. Therefore, the differences in financial performance before and after mergers and acquisitions were analyzed using the Wilcoxon Signed-Rank Test. This test was chosen because it is appropriate for comparing two paired data sets with non-normal distributions.

C. RESULTS AND DISCUSSION

Results of the Descriptive Statistical Analysis

This study employs descriptive statistical analysis. This analysis provides an initial overview of financial performance before and after the merger and acquisition.

Table 2. Results of Descriptive Statistical Tests

	N	MIN	MAX	MEAN	STD DEVATION
CR BEFORE	58	,12	6,96	1,7053	12,39563
CR AFTER	58	,28	12,88	2,0883	13,34554
TATO BEFORE	58	,05	53,12	1,8412	30,42922
TATO AFTER	58	,02	5,29	,8300	34,98536
ROA BEFORE	58	-39,23	26,05	2,3038	6,99220
ROA AFTER	58	-39,33	33,47	1,8202	1,00102
ROE BEFORE	58	-136,43	32,87	2,0067	1,31397
ROE AFTE	58	-208,72	42,81	1,4166	2,12093
Valid N (listwise)	58				

Source: Data compiled in 2025.

Based on Table 2, the descriptive statistics analyzed using SPSS 25 show that the CR before mergers and acquisitions had a minimum value of 0.12 times, a maximum of 6.96 times, a mean of 1.7053 times, and a standard deviation of 12.39563 times. The mean value of the CR before the merger and acquisition is lower than the standard deviation, indicating that the variation in CR data before and after the merger and acquisition is quite high. Meanwhile, the CR after the merger and acquisition shows a minimum value of 0.28 times, a maximum of 12.88 times, a mean of 2.0883, and a standard deviation of 13.34554 times. The mean CR value after the merger and acquisition is also lower than the standard deviation, meaning that the CR after the merger and acquisition is still relatively high, so the data does not yet show a homogeneous distribution. Economically, an increase in the average CR indicates a trend toward improved company ability to meet short-term obligations following the merger and acquisition. This condition suggests that corporate mergers have the potential to increase the availability of current assets to cover current liabilities. However, this effect has not yet been uniformly observed across all companies in this study. This finding aligns with Ali's assertion that changes in the current ratio following M&A do not always indicate a significant improvement, as companies are still navigating operational adjustments and financial restructuring following the merger.

Table 2 shows that the TATO values before mergers and acquisitions ranged from a minimum of 0.05 times to a maximum of 53.12 times, with a mean of 1.8412 times and a standard deviation of 30.42922 times. The average TATO value before the merger and acquisition was lower than its standard deviation, indicating that the variation in TATO data prior to the merger and acquisition was relatively high. Additionally, the TATO values after the merger and acquisition yielded a minimum of 0.02 times, a maximum of 5.29 times, a mean of 0.8300 times, and a standard deviation of 34.98536 times. The mean value after the merger and acquisition is also lower than its standard deviation, indicating that the TATO data after the merger and acquisition exhibits a wider distribution. Furthermore, the decline in the average TATO suggests that the company has not yet been able to optimally utilize the assets resulting from the merger and acquisition to generate sales. This situation may be caused by the ongoing asset integration process, adjustments to the company's systems, and restructuring, meaning that asset efficiency has not yet been maximized. This is consistent with the research Izzatika *et al.* (2021) which states that TATO reflects a company's effectiveness in utilizing all of its assets to generate sales. Therefore, if the TATO value declines following an M&A, it may indicate that the benefits of operational synergies have not yet been fully realized in the short term.

Table 2 shows that the ROA variable prior to mergers and acquisitions had a minimum value of -39.23 percent, a maximum of 26.05 percent, a mean of 2.3038 percent, and a standard deviation of 6.99220 percent. The mean value of ROA before the merger and acquisition is lower than the standard deviation, which indicates that the dispersion of ROA data prior to the merger and acquisition tends to be high. Similarly, the ROA values after the merger and acquisition showed a minimum of -39.33 percent, a maximum of 33.47 percent, a mean of 1.8202 percent, and a standard deviation of 1.00102 percent. Since the mean ROA value after mergers and acquisitions is higher than the standard deviation, this indicates that the data dispersion for ROA after mergers and acquisitions is lower. Nevertheless, the decline in the average ROA suggests that the assets resulting from M&A have not yet been able to generate profits optimally in the short term. This situation suggests that the company still needs time to optimize its new assets through operational integration, efficiency improvements, and adjustments to its business strategy so that they can make a greater contribution to the company's profitability. These findings are consistent with research Jannah *et al.* (2024) which states that M&A has not yet been able to significantly improve all profitability indicators, including a company's ability to generate profits from its assets.

Based on Table 2, it can be concluded that the ROE variable before mergers and acquisitions had a minimum value of -136.43 percent, a maximum of 32.87 percent, a mean of 2.0067 percent,

and a standard deviation of 1.31397 percent. Since the mean value of ROE before mergers and acquisitions is higher than the standard deviation, this indicates that the dispersion of the initial ROE data prior to mergers and acquisitions is relatively small. Meanwhile, the ROE values after mergers and acquisitions show a minimum of -208.72 percent, a maximum of 42.81 percent, a mean of 1.4166 percent, and a standard deviation of 2.12093 percent. The mean value after mergers and acquisitions is lower than its standard deviation, indicating that the data distribution pattern for ROE after mergers and acquisitions is quite high, resulting in greater variability in returns to shareholders. Furthermore, the decline in the average ROE value indicates that M&A has not yet been able to increase the rate of return on capital invested by shareholders in the short term. This is consistent with the research Wulandari & Wijaya (2024) which shows that ROE is strongly influenced by a company's success in realizing operational and financial synergies. Thus, the decline in ROE observed in this study indicates that the benefits of M&A in terms of increased returns for shareholders were not fully realized during the observation period.

Although descriptive statistical analysis indicates that there were changes in the mean values of several variables following mergers and acquisitions, these changes do not yet reflect stability in the companies' performance. This is evident from the standard deviation values, which are larger than the mean values for most variables, indicating that the degree of data dispersion remains high. In other words, the companies' financial conditions continue to fluctuate and have not yet shown a consistent upward trend. The high variability of the data indicates that the company is still in a phase of operational adjustment, particularly during the two-year observation period following the mergers and acquisitions. Consequently, the increase in the mean values cannot yet be used as a basis for concluding that there has been a change in financial performance.

Normality Test

A normality test is a statistical procedure used to determine whether data are distributed approximately normally. Various methods can be used to conduct normality tests, and each method may yield different results (Sintia *et al.*, 2022).

Normality Test Results

Table 3. Normality Test Results

Variable	N	Kolmogorov-Smirnov	Asymp.Sig. (2-Tailed)	Conclusion
CR BEFORE	58	0,200	0,000	Abnormal
CR AFTER	58	0,247	0,000	Abnormal
TATO BEFORE	58	0,399	0,000	Abnormal
TATO AFTER	58	0,209	0,000	Abnormal
ROA BEFORE	58	0,273	0,000	Abnormal
ROA AFTER	58	0,276	0,000	Abnormal
ROE BEFORE	58	0,323	0,000	Abnormal
ROE AFTER	58	0,314	0,000	Abnormal

Source: Data compiled in 2025.

The results of the SPSS analysis in Table 3 show the significance values for the variables CR, TATO, ROA, and ROE before and after the mergers and acquisitions; these values fall below the significance level of 0.05. Furthermore, the data are not normally distributed. Therefore, in the next step, the researcher will use a nonparametric test, specifically the Wilcoxon Signed-Rank *Test*.

Uji *Wilcoxon Signed Rank Test*

Tabel 3. *Output* Uji *Wilcoxon Signed Rank Test*

Variable	Z	Sig	Level of Significance	Conclusion
CR	-1,734	0,083	0,05	There is no difference
TATO	-1,844	0,065	0,05	There is no difference
ROA	-0,981	0,326	0,05	There is no difference
ROE	-0,565	0,527	0,05	There is no difference

Source: Data compiled in 2025.

The results of the data analysis on the CR variable, comparing performance two years before and after the merger and acquisition, yielded a Z-score of -1.734 with a significance level of 0.083. Since the significance value is greater than 0.05 (0.083 > 0.05), it can be concluded that there is no difference in financial performance regarding the CR variable before and after the merger and acquisition, based on a two-year comparison period. Therefore, the alternative hypothesis is not supported based on the hypothesis test that was conducted.

The results of the data analysis on the TATO variable, comparing performance two years before and after the merger, yielded a Z-score of -1.844 with a significance level of 0.065. Since the significance value is greater than 0.05 (0.065 > 0.05), this indicates that there is no difference in financial performance regarding the TATO variable between the two-year periods before and after the merger and acquisition; therefore, the alternative hypothesis is not supported based on the hypothesis test that was conducted.

The results of the ROA analysis, comparing performance two years before and after, show a Z-score of -0.981 with a significance level of 0.326. Since the significance level is greater than 0.05 (0.326 > 0.05), it can be concluded that there is no difference in performance regarding the ROA variable when comparing the two-year periods before and after the merger and acquisition; thus, the alternative hypothesis is not supported based on the hypothesis test that was conducted.

The results of the analysis of the ROE variable, comparing performance over the two-year period before and after the merger, yielded a Z-value of -0.565 with a significance level of 0.527. Since the significance level is greater than 0.05 (0.527 > 0.05), this indicates that there is no difference in financial performance regarding the ROE variable during the 2-year comparison period before and after the merger and acquisition; therefore, the alternative hypothesis is not supported based on the hypothesis test that was conducted.

The results of the Wilcoxon Signed-Rank Test show that there are no significant differences in the variables CR, TATO, ROA, and ROE. These results indicate that the merger and acquisition strategies implemented by the company have not yet been able to produce significant changes in the company's liquidity, activity, or profitability during the observation period.

The lack of significant differences found in this study may be attributed to several factors, namely that the two-year observation period covering the time before and after mergers and acquisitions was insufficient to capture the synergy benefits expected by the companies. Additionally, companies must contend with various integration costs during the early post-merger phase, such as corporate restructuring costs, operational system integration, harmonization of work culture, and management adjustments. Furthermore, some companies in the sample undertook mergers and acquisitions during the 2020–2022 period, which coincided with the COVID-19 pandemic and the economic recovery phase; consequently, the economic benefits of these merger and acquisition activities were potentially overshadowed by external pressures affecting financial performance.

The findings of this study can be explained through Signaling Theory. From the perspective of signaling theory, merger and acquisition decisions serve as positive signals sent by management to

investors regarding the company's future growth prospects. However, the research results indicate that these positive signals are not yet fully reflected in improved financial performance following merger and acquisition activities. The market and investors interpret signals from merger and acquisition activities as a sign of management optimism; however, the realization of economic benefits within the company takes a longer time, so these benefits have not yet been significantly reflected in the company's financial ratios during the study's observation period.

The results of this study are consistent with the findings of **Error! Reference source not found.** and Jannah *et al.* (2024) which indicates that mergers and acquisitions do not result in significant changes in financial performance following such activities. These findings suggest that the success of mergers and acquisitions is determined not only by the completion of the merger and acquisition activities but also by the effectiveness of the post-merger integration process. However, these findings differ from those of a study conducted by **Error! Reference source not found.**, **Error! Reference source not found.** and **Error! Reference source not found.** which found differences in the improvement in financial performance following mergers and acquisitions. These differences were attributed to variations in the study periods, sample characteristics, economic conditions, company size, and each company's success in realizing operational and financial synergies following the mergers and acquisitions.

Based on descriptive statistics, each variable exhibits a fairly high degree of data dispersion, as reflected by relatively large standard deviations. This indicates heterogeneity in the characteristics of the companies in the sample, meaning that the impact of mergers and acquisitions is not uniformly distributed across all companies. Furthermore, the relatively wide range between the minimum and maximum values for several variables indicates the presence of outliers—that is, companies with performance that differs significantly from that of other companies. This situation can influence the data mean and account for changes in financial performance observed in some companies that are not reflected as statistically significant changes in the overall sample.

In practical terms, this study contributes to the development of signaling theory by demonstrating that positive signals generated through merger and acquisition activity are not always followed by an improvement in financial performance in the short term. In practical terms, the results of this study have implications for corporate management, suggesting that the success of mergers and acquisitions depends not only on transaction decisions but also on the success of the post-merger integration process. For investors, the results of this study indicate that announcements of mergers

and acquisitions cannot always be used as indicators of improvements in a company's financial performance.

A limitation of this study is that the observation period covers only the two years before and after the mergers and acquisitions, so it is not yet able to provide significant results regarding long-term synergies. Furthermore, this study uses only four financial ratios CR, TATO, ROA, and ROE and thus does not fully capture all aspects of a company's financial performance. Additionally, this study does not distinguish company characteristics by industry sector. Therefore, future research is advised to use a longer observation period, include additional performance indicators, and consider industry characteristics to obtain more comprehensive results regarding the impact of mergers and acquisitions on company performance.

D. CONCLUSION

The results of the descriptive statistical analysis show that nearly all variables exhibited an improvement in financial performance during the two-year comparison period before and after the mergers and acquisitions. However, the results of the Wilcoxon Signed-Rank Test indicate that there were no significant differences in financial performance across all variables namely, CR, TATO, ROA, and ROE when comparing the two-year periods before and after the mergers and acquisitions. Thus, it can be concluded that mergers and acquisitions did not result in significant changes in the companies' financial performance.

The results of this study indicate that the absence of significant differences may have important implications for companies. This suggests that the benefits of mergers and acquisitions have not yet been fully realized in the short term; therefore, companies need to reexamine and reevaluate the integration strategies they have implemented. The lack of improvement in financial performance indicates that the consolidation of assets, corporate systems, and management structures has not yet been optimized, and companies are still burdened by substantial integration costs resulting from merger and acquisition activities. Furthermore, the lack of financial performance improvement will also impact investor confidence, as these activities have not yet yielded tangible results. Therefore, companies must strengthen the integration process, improve operational efficiency, and develop more well-thought-out implementation strategies so that the benefits of mergers and acquisitions can truly be realized by the company over the long term.

In addition, these findings can also be explained by several factors that may influence the research results. First, it typically takes a considerable amount of time to complete the integration process following a merger or acquisition, so tangible synergies are not immediately apparent in the

short term. Second, differences in organizational culture, operational procedures, and management structures between the merging companies often lead to integration issues that can slow down performance improvements. Furthermore, the economic conditions during the 2020–2022 study period which were still affected by economic instability caused by the pandemic may have weighed on corporate performance, preventing mergers and acquisitions from yielding favorable results. Third, not all companies that undertake mergers and acquisitions do so based on a strong strategic rationale. Some companies engage in mergers and acquisitions solely to achieve rapid expansion without sufficient managerial or operational preparation. These factors explain why the mergers and acquisitions that occurred among the sample companies did not result in significant changes in financial performance over the relatively short study period.

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