

# Comparison of Banking Financial Performance Before and After Mergers - Acquisitions

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## ABSTRACT

This study aims to determine whether there is a significant difference in the financial performance of public banking companies in Indonesia before and after mergers and acquisitions (M&A). The main focus of the study is to measure the effectiveness of M&A in improving financial performance through certain financial ratios. This study uses a quantitative approach with a comparative design. The sample consists of six public banking companies that conducted M&A during the period 1994–2022, selected through purposive sampling. Data were obtained from published financial reports. The variables analyzed included liquidity ratios (current ratio and quick ratio) and profitability ratios (return on equity and net profit margin). Data analysis techniques used the Paired Sample t-Test and the Wilcoxon Test to examine differences in financial performance two years before and two years after M&A. The results show no significant differences in the Current Ratio, Quick Ratio, Return on Equity, and Net Profit Margin before and after mergers and acquisitions. This indicates that M&A activities have not had a tangible impact on improving short-term financial performance. This study provides practical contributions for company management and investors in evaluating the effectiveness of M&A strategies. These findings can also serve as a basis for further research to expand the scope of variables and observation periods.

## ABSTRAK

Penelitian ini bertujuan untuk menentukan apakah terdapat perbedaan yang signifikan dalam kinerja keuangan perusahaan perbankan publik di Indonesia sebelum dan setelah merger dan akuisisi (M&A). Fokus utama penelitian ini adalah mengukur efektivitas M&A dalam meningkatkan kinerja keuangan melalui rasio keuangan tertentu. Penelitian ini menggunakan pendekatan kuantitatif dengan desain komparatif. Sampel terdiri dari enam perusahaan perbankan publik yang melakukan M&A selama periode 1994–2022, dipilih melalui sampling purposif. Data diperoleh dari laporan keuangan yang dipublikasikan. Variabel yang dianalisis meliputi rasio likuiditas (rasio lancar dan rasio cepat) dan rasio profitabilitas (return on equity dan margin laba bersih). Teknik analisis data menggunakan Uji t Sampel Berpasangan dan Uji Wilcoxon untuk menganalisis perbedaan kinerja keuangan dua tahun sebelum dan dua tahun setelah M&A. Hasil menunjukkan bahwa tidak ada perbedaan yang signifikan pada Rasio Lancar, Rasio Cepat, Return on Equity, dan Margin Laba Bersih sebelum dan setelah merger dan akuisisi. Hal ini menunjukkan bahwa aktivitas M&A belum memberikan dampak yang nyata dalam meningkatkan kinerja keuangan jangka pendek. Studi ini memberikan kontribusi praktis bagi manajemen perusahaan dan investor dalam mengevaluasi efektivitas strategi M&A. Temuan ini juga dapat menjadi dasar untuk penelitian lebih lanjut guna memperluas cakupan variabel dan periode pengamatan.



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## INTRODUCTION

Mergers and acquisitions are external growth strategies often used by companies to expand market share, improve operational efficiency, and create synergies expected to drive performance and company value. Amid increasingly competitive global and regional market dynamics, many public companies in Indonesia have also implemented this strategy as an

adaptation and to maintain business continuity. However, the effectiveness of mergers and acquisitions remains a subject of debate, as not all companies show improved performance after such corporate actions. The phenomenon occurring in the Indonesian capital market shows that several companies that have undergone mergers and acquisitions have actually experienced a decline in financial performance, as reflected in financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), which tend to decline in the period after the merger compared to before the merger. For example, data from the Indonesia Stock Exchange shows that of the companies that have undergone mergers and acquisitions in the last 5 years, most have not shown significant improvement in key financial performance indicators. This shows that the post-merger integration process does not always run smoothly and can be influenced by various factors such as organizational culture incompatibility, inflated operating costs, and ineffective strategy management.

Previous studies have examined the impact of mergers and acquisitions on corporate financial performance by analyzing financial ratios such as the current ratio, quick ratio, return on equity (ROE), and net profit margin (NPM). The Current Ratio measures a company's ability to meet its short-term obligations, while the Quick Ratio offers a more conservative view by excluding inventory from current assets. Meanwhile, ROE is used to assess a company's ability to generate profits for shareholders from its equity, and NPM shows a company's efficiency in generating net income from sales. The analysis and interpretation of various ratios can provide a clearer view of a company's financial condition and performance than an analysis based solely on financial data not expressed as ratios. Research by Mismiwati et al. (2023), which analyzed financial sector companies listed on the IDX, found significant changes in ROE and NPM following the acquisition. Another study by Budiantoro et al. (2022) also confirmed that mergers have different effects on liquidity and profitability ratios across industry sectors.

Although numerous studies have examined the impact of mergers and acquisitions (M&A) on companies' financial performance, the results remain inconsistent. Some studies found no significant differences in key financial ratios such as the Current Ratio, Return on Equity, and Debt to Equity Ratio (Aquino, 2019; Silaban & Silalahi, 2019), while others showed significant changes in Return on Assets and Total Asset Turnover (Finansia, 2017; Nasir & Morina, 2018). These differences in results indicate an empirical gap that remains unaddressed, particularly in the context of public companies in Indonesia, which have distinct structural and market characteristics compared to companies in other countries. From a theoretical perspective, mergers and acquisitions are expected to create synergies that can improve companies' operational efficiency and profitability. However, in reality, not all companies realize these benefits, a fact attributed to weak post-merger integration and agency problems between management and shareholders (Silaban & Silalahi, 2019). In addition, the lack of research that provides a comprehensive analysis of the periods before and after M&A, accounting for key financial ratio variables, indicates room for further research.

This study focuses its analysis on publicly listed companies on the Indonesia Stock Exchange (IDX). This context has not been studied in depth in prior literature, particularly regarding comparisons of financial performance before and after mergers and acquisitions (M&A) using a comprehensive financial ratio approach. Unlike previous studies, which tended to be fragmented and only evaluated a small portion of financial indicators, this study presents a more comprehensive approach by testing four key ratios, namely the Current Ratio, Quick

Ratio, Return on Equity, and Net Profit Margin, to assess post-M&A financial performance. Another novelty lies in this study's attempt to bridge the gap between theory, which promises synergy and improved performance through M&A, and empirical reality, where results are still varied and inconsistent. Thus, the main objective of this study is to empirically test whether there are significant differences in the financial performance of companies before and after mergers and acquisitions, and to contribute to the development of corporate strategy theory and practice in the Indonesian capital market. This study is also expected to provide relevant references for stakeholders to make data-driven business decisions and conduct measurable financial analysis.

## LITERATURE

### *Synergy Theory*

Synergy theory is one of the conceptual foundations in merger and acquisition studies, which states that the combination of two business entities will produce greater value than if they operated independently (Feldman & Hernandez, 2022). Ibrahimi (2018) explains that synergy is not only evident in financial results but also in the creation of strategic value through collaboration, the integration of resources, expertise, and complementary networks between the merging companies. From a strategic management perspective, synergy can be classified into three main types: operational, financial, and managerial synergy. Operational synergy arises from process efficiency and cost reduction through economies of scale. In contrast, financial synergy occurs when the merged company gains access to stronger funding and a more optimal capital structure. Meanwhile, managerial synergy arises from integrating best practices, winning strategies, and mutually reinforcing management capabilities (Bauer & Friesl, 2024). Furthermore, Bodner & Capron (2018) emphasize the importance of effective post-merger integration to ensure that the potential for synergy is actually realized in practice. The theory of synergy does not stop at the formal merger of two entities; it also encompasses how these entities are managed strategically after integration.

However, not all mergers and acquisitions produce the expected synergies. According to Bauer & Matzler (2014), the success of synergies depends on several prerequisites, such as organizational cultural fit, clarity of integration strategy, and the speed and level of business process harmonization. If these elements are not taken into account, mergers can trigger internal conflicts, duplication of functions, and cost inflation. Čirjevskis (2021) highlights that to measure the success of synergy, companies must possess dynamic capabilities to anticipate change and manage uncertainty during integration. In practice, synergy evaluation is not only carried out after the merger takes place but must also be planned from the beginning of the acquisition process, as described by Meglio & Risberg (2010), who underline the importance of a more rigorous methodology for realistically assessing the potential for synergy. In addition, Suryaningrum et al. (2023) argue that managerial capabilities also play an important role in achieving synergy, as sound strategic decisions in post-merger management are the main determinants of successful integration. As exemplified by Kumar et al. (2019) in a case study of major global mergers, achieving synergy depends on the readiness of the organizational structure and on systematic, long-term planning, holistic managerial.

### *Financial Performance*

Financial performance is a fundamental aspect in evaluating a company's success, as it illustrates the entity's capacity to generate profits, manage assets, and meet its financial obligations (Noy, 2023). Measuring this performance is not only important in annual reports but also serves as the main basis for management's strategic decision-making and stakeholders' assessment of company value. According to Katrancı et al. (2025), accurate financial performance evaluation plays an important role in assessing a company's competitive strength, especially for publicly traded companies listed on stock exchanges. Mukherjee & Sen (2022) show that leadership and managerial strategy variables also significantly impact long-term financial performance, which in turn contributes to a company's reputation. In contemporary practice, technologies such as machine learning for predicting changes in profitability have become widely used, as noted by Jones et al. (2023), who emphasize the importance of historical financial data and market behavior in generating accurate projections.

To measure and understand financial performance more comprehensively, various financial ratios serve as key indicators. Liquidity ratios such as the current ratio and quick ratio are used to evaluate a company's ability to meet its short-term obligations. In contrast, profitability ratios such as ROE and NPM are used to assess how efficiently a company generates profits from the capital it uses. Mengstie et al. (2024) found that working capital management significantly impacts the profitability of banks in Ethiopia, confirming that operational efficiency is strongly correlated with financial performance. On the other hand, financial performance is also influenced by a company's risk and exposure within the broader financial system, as revealed by Hou et al. (2024) in their study of credit risk in SMEs within supply chain financing schemes. Additionally, Mateev et al. (2024) found that management's role is becoming increasingly important in maintaining bank stability and performance, especially amid economic pressures such as the COVID-19 pandemic. In the ESG and governance dimension, research by Barros et al. (2024) and Danilov (2024) shows that financial performance can be significantly improved through good corporate governance practices and sustainability strategies. These findings confirm that financial performance is not only numerical in nature, but also the result of complex interactions between managerial, structural, and business environment factors.

### *Merger*

Mergers are a strategic approach to non-organic corporate expansion and are often used by companies to enhance competitiveness and strengthen their position in increasingly competitive markets (Andanika, 2024). In the context of strategic management, a merger is the combination of two or more business entities into a new legal entity, with the primary objective of creating added value and achieving operational scale efficiencies. Ibrahimi (2018) asserts that mergers are not merely legal and financial processes, but rather planned steps in companies' efforts to achieve faster growth through the accumulation of complementary assets, capabilities, and networks. Suryaningrum et al. (2023) emphasize the importance of managerial capabilities in identifying potential synergies from such mergers. Based on their orientation, mergers can be classified into three main types: horizontal mergers that aim to increase market share within the same industry, vertical mergers that integrate stages of the supply chain, and conglomerate

mergers that aim to diversify business lines (Ibrahimi & Liassini, 2022). Each of these forms has different strategic consequences, both in terms of operations, organizational structure, and the company's long-term focus.

However, not all merger processes result in improved corporate performance. Bauer & Friesl (2024) state that the success of a merger largely depends on the effectiveness of identifying, managing, and realizing synergies between companies across operational, financial, and managerial aspects. Čirjevskis (2021) emphasizes the importance of developing dynamic capabilities to support successful post-merger integration, enabling companies to respond adaptively to changes in the business environment. In this case, operational synergies can be achieved through increased process efficiency and reduced functional duplication. In contrast, financial synergies arise from optimizing the capital structure and expanding access to broader funding sources (Rashid et al., 2025). On the other hand, the success of a merger is also influenced by the ability to maintain and increase customer loyalty and to strengthen brand position, which, in many cases, is closely related to communication strategies and organizational culture alignment (Hatch & Schultz, 2008). Strategic fit between the merging companies is a crucial element in ensuring that the merger provides added value (Hitt et al., 2001). Therefore, mergers must be understood as a long-term corporate strategy that requires comprehensive planning, thorough risk analysis, and managerial commitment to sustain organizational transformation.

### *Acquisition*

Acquisition is the process by which one company takes ownership of another, with the intention of controlling the target company's operations, assets, and management rights (Muslim, 2023). In business literature, acquisition is a form of corporate strategy that aims to expand business scale, increase efficiency, and gain a competitive advantage through direct control over other entities (Ibrahimi, 2018). This approach provides opportunities for acquiring companies to enter new markets, access the latest technology, or obtain strategic resources more quickly than through internal growth strategies. Kumar et al. (2019) explain that acquisitions are also often used as a response to increasing competitive pressures and the need to strengthen one's position in the industry. Based on their structure and objectives, acquisitions can be classified into three types: horizontal, vertical, and conglomerate. Horizontal acquisitions occur between companies in the same industry to increase market share. In contrast, vertical acquisitions involve entities in different stages of the supply chain to increase control over production and distribution. On the other hand, conglomerate acquisitions are carried out between companies from different sectors as an effort to diversify (López-Manuel et al., 2024). Apart from the type, the acquisition process can also be categorized as friendly or hostile, which greatly affects the dynamics of the relationship and the level of successful integration between the acquiring and acquired companies (Bodner & Capron, 2018).

The main motivation for the acquisition decision is closely tied to the company's efforts to enhance long-term competitiveness. Several strategic reasons include the desire to accelerate innovation, strengthen the product portfolio, eliminate competitors, and achieve operational efficiency through synergy (Bauer & Friesl, 2024). However, the post-acquisition stage does not always run smoothly. Many companies face serious challenges in terms of organizational culture integration, information system harmonization, and managerial structure adjustments.

Čirjevskis (2021) emphasizes the importance of dynamic capabilities in addressing uncertainty during the integration process to achieve the acquisition's strategic objectives. Research by Suryaningrum et al. (2023) also shows that the managerial role is a crucial factor in ensuring that acquisitions provide added value and do not merely become a structural burden. Conversely, failure in integration can lead to reduced efficiency, internal conflicts, and even a decline in the company's market value (Lähteenmäki & Töyli, 2023). Therefore, acquisitions must be viewed as a strategic process that requires not only financial planning but also organizational readiness to undergo a comprehensive structural transformation.

## RESEARCH METHODS

The research approach is quantitative. A quantitative approach is one in which data are in a form that can be calculated (Sugiyono, 2017). The data used in this study are secondary, namely the annual reports of IDX-listed banking companies for 2019-2022. The data collection method used in this study is documentation. The documentation method is a data collection method that involves studying relevant documents or data, followed by recording and calculation. The t-test was conducted by comparing the difference between two mean values with the standard error of the difference between the two sample means, or in formula form, it can be written as follows:

$$t = \frac{\text{First Sample Average} - \text{Second Sample Average}}{\text{Standard Error of the Difference Between the Means of the Two Samples}}$$

The Wilcoxon test is the most useful test for social scientists, because it can make judgments about "greater than" between two performances in each pair, and it can also make judgments between two different scores arising from each pair.

$$z = \frac{T - E(T)}{\sigma_T}$$

## RESULTS AND DISCUSSION

### Results

#### *Evaluation of the Measurement Model (Outer Model)*

Before testing the hypothesis, the step taken is to calculate the average of each ratio before and after the merger and acquisition. The following are the average financial ratios of the sample companies before and after the merger and acquisition:

**Table 1** Average Liquidity and Profitability Ratios Before and After Mergers and Acquisitions

Types of Ratios	Before Mergers and Acquisitions	After Mergers and Acquisitions	Change
Current Ratio (CR)	3,09 x	1,38 x	-1,71 x
Quick Ratio (QR)	3,08 x	1,38 x	-1,70 x
Return on Equity (ROE)	11,69 x	12,46 x	0,77 x
Net Profit Margin (NPM)	20,7 x	22,15 x	1,45 x

**Source:** Secondary Data (2024)

As shown in Table 1, it can be seen that:

- The average current ratio of companies after mergers and acquisitions decreased by -1.71x. This means that after mergers and acquisitions, companies become less liquid. The guarantee that current assets will cover short-term debt has decreased since the company underwent mergers and acquisitions.
- The average Quick ratio of companies after mergers and acquisitions decreased by -1.7x. This means that after mergers and acquisitions, companies become less liquid because the assets used to secure current debt repayment are lower than before.
- The average Return on Equity after the company conducted mergers and acquisitions increased by 0.77x. This means that the net profit earned by shareholders increased after the company completed mergers and acquisitions.
- The average net profit margin after the company conducted mergers and acquisitions increased by 1.45 times. This means that the company's net profit per rupiah of revenue after mergers and acquisitions is higher than before.

#### *Normality Test Results*

Data normality testing is conducted to determine whether the data are normally distributed. Normality testing is important because it determines which statistical test to use for hypothesis testing.

**Table 2** *Tests of Normality*

Variable	Group	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
CR	Before	.316	14	.000	.504	14	.000
	After	.290	22	.000	.784	22	.000
QR	Before	.317	14	.000	.505	14	.000
	After	.285	22	.000	.792	22	.000
ROE	Before	.149	14	.200*	.945	14	.492
	After	.156	22	.174	.961	22	.517
NPM	Before	.145	14	.200*	.935	14	.357
	After	.176	22	.075	.958	22	.441

a. Lilliefors Significance Correction

The normality test in this study was conducted using two approaches, namely the Kolmogorov-Smirnov and Shapiro-Wilk tests, to determine whether the data for each variable were normally distributed. The test results for the Current Ratio (CR) show that the significance value (Sig.) for the groups before and after the merger and acquisition is 0.000 in both the Kolmogorov-Smirnov and Shapiro-Wilk tests. This value is below the significance threshold of 0.05, indicating that the Current Ratio variable is not normally distributed.

The normality test results for the Quick Ratio (QR) also show a significance value of 0.000 for both groups (before and after the merger and acquisition). This indicates that the data for the Quick Ratio is also not normally distributed, so non-parametric statistical tests are required in further analysis. In contrast, the normality test results for Return on Equity (ROE) show that the significance values for the Shapiro-Wilk test are 0.492 before the merger and 0.517 after the

merger. Both values are greater than 0.05, which means that the ROE data is normally distributed.

As for the Net Profit Margin (NPM) variable, the significance value for the group before the merger is 0.357, and after the merger, it is 0.441. Both values exceed the significance level of 0.05, so it can be concluded that the NPM data are normally distributed.

### *Hypothesis Testing*

The basis for decision-making in this test is that if the probability is  $< 0.05$ , there is a significant difference between before and after the merger and acquisition; if the probability is  $> 0.05$ , there is no significant difference.

### *Wilcoxon Sign Test*

The Wilcoxon signed-rank test is used to analyze paired observations from two data sets to determine whether they differ, either before or after a particular treatment. The Wilcoxon test is the most useful test for social scientists, because it can make judgments about “greater than” between two appearances in each pair, and can also make judgments between two different scores arising from each pair.

**Tabel 2** *Tests of Normality*

Variable	Test Statistics <sup>a</sup>		
	Z	Asymp. Sig. (2-tailed)	Info
<b>Current Ratio (CR)</b>	-1.177	0.239	There is no significant difference.
<b>Quick Ratio (QR)</b>	-1.177	0.239	There is no significant difference.

a. Wilcoxon Signed Ranks Test

b. Based on negative ranks.

Based on the statistical test output in Table 2, the p-value is 0.239. Since 0.239 is greater than 0.05, it can be concluded that there is no difference in the current ratio of banking companies before and after mergers and acquisitions. Thus, it can be concluded that hypothesis H1, which states that “the current ratio of companies before mergers and acquisitions is different from that after mergers and acquisitions,” is rejected.

Based on the statistical test output above, the p-value (sig) is 0.239. Because 0.239 is greater than 0.05, it can be concluded that there is no difference in the quick ratio of banking companies before and after mergers and acquisitions. Thus, it can be concluded that hypothesis H1, which states that “the quick ratio of companies before mergers and acquisitions is different from that after mergers and acquisitions,” is rejected.

### *Paired Sample T-Test*

The t-test is used to determine whether two unrelated samples have different means. So, the purpose of the t-test is to compare the means of two unrelated groups to determine whether they have the same mean or a significantly different one.

**Table 3** Paired Sample T-Test Return on Equity

		Paired Differences					t	Df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before - After	.40917	7.45708	2.15267	-4.32884	5.14717	.190	11	.853

Based on Table 3, from the results of the paired sample t-test, it can be seen that the t-value = 0.190 with a significance level of 0.853 probability (significance level) 0.853 is greater than 0.05, so  $H_0$  is accepted. This means that there is no difference in Return on Equity before and after the merger and acquisition. Therefore, it can be concluded that hypothesis H3, which states that “The Return on Equity of companies before the merger and acquisition is different from that after the merger and acquisition,” is rejected.

**Table 4** Paired Sample T-Test Net Profit Margin

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before - After	2.74667	12.41467	3.58381	-5.14124	10.63457	.766	11	.460

Based on Table 4, the paired-sample t-test results show a t-value of 0.766 and a significance level of 0.460. The probability (significance level) of 0.460 is greater than 0.05, so  $H_0$  is accepted. This means that there is no difference in Net Profit Margin before and after the merger and acquisition. Therefore, it can be concluded that hypothesis X4, which states that “The Net Profit Margin of the company before the merger and acquisition is different from that after the merger and acquisition,” is rejected.

## Discussion

### *Current Ratio Before and After Mergers and Acquisitions*

The results of the study show no significant difference in the current ratio between the two years before and the two years after the merger and acquisition. This finding indicates that mergers and acquisitions undertaken by banking companies do not necessarily improve their liquidity positions. Although in theory, mergers and acquisitions are expected to create synergies that improve operational efficiency and strengthen financial structures, in practice, post-merger increases in assets are greater for fixed assets than for current assets. This causes the company's ability to meet short-term obligations to decline. The financial balance sheet reports for companies analyzed in the period after the merger show that current liabilities increased faster than current assets, causing the current ratio to decline. In addition, external factors such as unstable financial market conditions and an integration process that has not been running optimally also contribute to the decline in the company's liquidity.

When linked to Synergy Theory, these results indicate that the expected synergies from mergers and acquisitions have not been fully realized in the short term, particularly with respect to liquidity. This theory assumes that the merger of two business entities will generate greater added value than if the two companies remained independent. However, in the context of this study, these expectations have not been realized; at least in the initial period after the merger, there is pressure on current liabilities and no significant increase in liquid resources. These findings are consistent with research by Gustina (2017), who also found that mergers and acquisitions do not always have a positive impact on a company's liquidity ratio. Her research explains that companies that undergo mergers tend to face an increase in short-term liabilities that is not offset by a commensurate increase in current assets. The results of this study confirm that mergers and acquisitions are not necessarily an immediate solution for improving a company's financial structure, particularly regarding liquidity. Although mergers can theoretically provide long-term benefits, in practice, an effective integration process and careful financial management are required for the expected synergies to be realized and reflected in the company's financial indicators.

#### *Quick Ratio Before and After Mergers and Acquisitions*

The results of the study show no significant difference in the quick ratio between the two years before and after the merger and acquisition. This finding indicates that the merger and acquisition have not had a positive impact on the company's overall liquidity, particularly its ability to meet short-term obligations without relying on inventory. In this context, the quick ratio is an important indicator because it reflects how quickly a company can meet its current liabilities with its most liquid assets, such as cash, accounts receivable, and cash equivalents. After mergers and acquisitions, the increase in assets was more dominant in fixed assets, while liquid current assets tended to stagnate. On the other hand, current liabilities increase significantly, which may be due to additional funding requirements for operations and expansion following the merger. This is common because the merger process is usually followed by adjustments to the organizational and operational structure, which require substantial financing and are often obtained through short-term debt.

From the perspective of Synergy Theory, mergers and acquisitions should ideally create added value for the merged entities, including improved efficiency, strengthened financial structures, and increased liquidity and profitability. However, the results of this study indicate that the expected synergies have not been realized in the immediate post-merger period, particularly in the management of liquid assets and short-term liabilities. Suboptimal post-merger integration processes or high operational funding requirements actually create pressure on the company's short-term financial position. These findings reinforce the results of research conducted by Gustina (2017), which states that mergers and acquisitions do not necessarily improve a company's liquidity ratio. The study explains that merged companies tend to experience a faster increase in liabilities than in liquid assets, ultimately negatively impacting the quick ratio. Thus, the results of this study confirm that without proper financial management and a well-thought-out integration strategy, mergers and acquisitions can pose new liquidity challenges rather than deliver the benefits promised by synergy theory.

### *Return on Equity (ROE) Before and After Mergers and Acquisitions*

The results of the study indicate that there is no significant difference in the return on equity (ROE) ratio between the two years before and the two years after banking companies carried out mergers and acquisitions. This finding indicates that the strategy of merging business entities has not had a significant impact on the company's ability to generate net income from shareholders' invested capital. ROE, as the primary indicator of equity-based profitability, should reflect the effectiveness of management in deploying shareholder funds to generate profits. However, the results of this study show stagnant performance, influenced by several post-merger internal factors, such as increased operational costs for financing expansion, network development, adding human resources, and implementing managerial strategies and structural transformation in the merged company. The decline in net profit, driven by high adjustment costs, prevented ROE from increasing significantly.

When linked to Synergy Theory, these results illustrate that the financial synergies expected from the merger and acquisition process have not been fully realized. This theory explains that the merger of two business entities aims to create added value, including cost efficiency, asset optimization, and increased profits. However, in practice, the complex integration process and the need for continued investment often strain the company's finances, so new synergies are felt only in the medium or long term, not immediately after the merger. The results of this study are consistent with Gustina (2017), who found that mergers and acquisitions do not always lead to significant changes in company profitability indicators, particularly ROE. In her study, the author explains that the high costs of implementing strategies and organizational restructuring following a merger can hinder short-term financial efficiency. Thus, it can be concluded that mergers and acquisitions need to be carefully planned and accompanied by a structured post-merger management strategy to ensure that long-term benefits, such as increased profitability, are realized. These findings also provide important input for decision-makers and stakeholders to focus not only on the formal merger of companies but also on strategies for continuity and operational efficiency after the merger is completed.

### *Net Profit Margin (NPM) Before and After Mergers and Acquisitions*

The results of the study indicate that there is no significant difference in the net profit margin (NPM) ratio between the two years before and the two years after the banking company conducted mergers and acquisitions. Net profit margin, as a profitability indicator, measures the net profit generated per unit of revenue. In this context, the results indicate that companies have not been able to improve their operational efficiency to generate greater profits from total revenue after the merger. This may be due to the suboptimal implementation of post-merger strategies, such as operational system integration, strengthening the distribution network, or increasing the selling value of products and services. These findings also indicate that the company has not capitalized on merger and acquisition momentum to drive significant sales growth, resulting in net profits remaining at the same level or even declining.

When linked to Synergy Theory, these results indicate that the expected synergies from mergers and acquisitions have not been achieved. Theoretically, the merger of two companies should create cost efficiencies, expand market share, and increase profitability by combining resources and strategies. However, in practice, the complex integration process and obstacles to implementing operational strategies often hinder the achievement of these synergies in the near

term. The inability of companies to increase post-merger sales volume indicates that the anticipated synergies in revenue and efficiency have not been fully realized. These findings reinforce the results of research conducted by Gustina (2017), which states that mergers and acquisitions do not necessarily increase company profitability, especially net profit margin. Her research explains that merged companies often need more time to adapt and align their marketing strategies and operations. Hence, the benefits of synergy are not immediately visible in short-term financial performance. Therefore, the results of this study underscore the importance of careful planning and effective post-merger integration strategies to ensure that the main objectives of mergers and acquisitions, namely, increased profits through efficiency and expansion, are fully achieved.

## CONCLUSION

This study aims to examine the moderating role of Dividend Policy (DPR) in strengthening the relationship between Liquidity (CR), Profitability (ROA), and Leverage (DER) on Firm Value. The results show that Dividend Policy positively strengthens the influence of Liquidity, Profitability, and Leverage on Firm Value. This indicates that higher levels of these financial indicators, when reinforced by an effective Dividend Policy, contribute to increased Firm Value. Each of these variables, when moderated by Dividend Policy, shows a positive relationship with Firm Value, suggesting that dividend distribution can play an important role in improving investor perception and increasing company valuation.

The originality of this research lies in its comprehensive study of the interaction between Dividend Policy and financial performance indicators (Liquidity, Profitability, and Leverage) on Company Value in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). From a theoretical perspective, this study contributes to the ongoing discussion on the importance of Dividend Policy as a moderating variable in corporate finance research. Practically, the results of this study provide valuable insights for managers to develop strategic dividend policies that can increase company value through increased profitability and sound financial management. In addition, investors can consider companies with strong profitability and appropriate dividend policies as more attractive investment opportunities.

Despite its significant contributions, this study has several limitations that point to directions for further research. First, this study is limited to pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during a specific period, which may limit the generalization of the research findings. Furthermore, this study considers only Dividend Policy as a moderating variable, while other potential moderators, such as corporate governance, market conditions, or company size, are not explored. Future researchers are advised to examine these factors using different industries, samples, and time frames to provide broader generalizations and deeper insights. Expanding the scope of moderating variables and applying similar studies to various sectors will increase the strength and relevance of this study's findings.

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