



# Comparison analysis of financial performance before and after the merger (case study at PT. Bank Danamon Indonesia Tbk and PT. Bank Syariah Indonesia Tbk)

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## ABSTRACT

This study aims to analyze the financial performance before and after the merger at PT. Bank Danamon Indonesia Tbk which merged in 2019 and PT. Bank Syariah Indonesia Tbk which will merge in 2021. This study uses a quantitative approach by using secondary data obtained from the official website of each bank. The valuation variables used in this study consist of the current ratio, return on assets, return on equity, debt to equity ratio, and total asset turnover. The analytical method used to answer the hypothesis is to use the normality test and paired sample T-test. The results of hypothesis testing indicate that there is no significant difference to all financial ratios at PT. Bank Danamon Indonesia Tbk and PT. Bank Syariah Indonesia Tbk.

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## INTRODUCTION

Currently the development is so fast and business competition is getting more and more competitive, so that the company has to reformulate its strategy (Apreku-Djan, Ahiale, et al., 2022). This condition requires every company to have a variety of strategies and innovations to improve company performance, so as not to lose competitiveness with other companies (Guptaa & Ramanb, 2022; Tarigan & Lie, 2022). Companies are required to choose the right strategy for the long term in order to maintain their existence in today's tight competition. According to Apreku et al (2022) Maintaining the company's sustainability and its ability to withstand external threats does not only depend on readiness and strong operational planning, but must be supported by an action in order to provide good performance (Gandhi et al., 2020; Zuhri et al., 2020). Most analysts, researchers, and administrators have paid attention to performance evaluation in order to improve performance and develop performance measurement tools that are consistent with conditions in the surrounding environment. They believe that performance evaluation is very important for all parties who benefit to achieve the desired performance (Rafaqat & Rafaqat, 2020)

In achieving this, a mature strategy is needed both from the company's internal and external sides. Internal strategies can be carried out, namely improving product quality and launching new products (Satapathy & Mishra, 2020). While one of the external strategies that can be done by the

company is by way of expansion, namely the company develops and expands its business. The company's expansion can be done by means of a merger (Acharya, 2020).

According to Gupta, I & Ramanb (2022) merger is one of the inorganic growth strategies used to restructure the company. Mergers have increased over the years, both in volume and value. To meet growing domestic and global demand, companies in Indonesia are aggressively expanding their capacity through mergers. According to Zafar & Shah, (2020) a merger is defined as a form of absorption by one company against another company. If two or more companies merge, there will only be one company. Furthermore, according to (Gandhi et al., 2020), in general, states as a combination of two or more organizations, where only one company survives. With a merger, changes will occur in a company, one of which is finance, with merger activities all finances will be merged into one company, both assets, capital and liquidity owned by all merged companies. The merger is considered appropriate to do, to see whether or not the financial condition can be seen from the company's financial statements (Apreku-Djan, Ahiale, et al., 2022; Apreku-Djan, Ameyaw, et al., 2022)

Mergers are also carried out in various corporate sectors in order to be able to survive in various economic conditions in Indonesia. This is also one of the strategies to improve the quality of the company, so it is hoped that this merger can improve the company's performance (Tarigan & Lie, 2022). Merger is the merging of two or more companies into one company, where the takeover company retains its identity, while the acquired company ceases their business activities and merges into one legal entity with the company taking over. Tampubolon (2013). According to Hariyani et al (2011) merger is one of the strategies carried out by the company to diversify and develop the company, in addition to strengthening the company's position in the market.

Financial statements are a reflection of financial performance which is the result of a series of activities carried out by the company within a certain period of time (Gupta et al., 2021) (Cahyandari et al., 2021). Financial reports are a valid source of information for reporting on company performance for its users because from financial reports, users of information can easily find out how the condition of a company is, decision making by management, analysis data for stakeholders, as well as company evaluation for the period that has been determined. present in the financial statements. Based on data from the KPPU website, in the period 2019 to 2021, there have been 8 banking company merger processes in Indonesia.

## RESEARCH METHOD

### Types and sources of research

The type of data used in this study is quantitative data, where this data is in the form of numbers that can be calculated. While the sources used in this study are secondary data sources. Secondary data, namely data collectors do not get data through their data sources directly (Sugiyono, 2017). Secondary data in this study is the company's financial statements taken from the official website of each company.

### Research sample

The sample used in this study are companies in the banking sector that merge in 2019 and 2021. Research Sample Criteria is as follows:

The selected sample is determined based on certain criteria that have been determined by the author. The criteria for companies that are used as samples in this study are:

1. Banking merging
2. Banks conducting mergers
3. Banks that are the target of the merger

From the criteria already mentioned, the researchers only examined the banks that were the targets of the merger, so the number of samples in this study was 2 target banks, as follows:

**Table 1.** Research sample

Company Name	Name of the Merged Company	Merger Date
PT. Bank Danamon Indonesia Tbk	PT Bank Nusantara Parahyangan Tbk	1 Mei 2019
PT. Bank Syariah Indonesia Tbk	PT. Bank BNI Syariah Tbk PT. Bank BRI syariah Tbk	1 Februari 2021

Sumber: Processed data, 2022

The data analysis technique used in this study is the normality test, and the two-average difference test (paired sample T-test).

## RESULTS AND DISCUSSIONS

### Descriptive Statistics of Research Variables

Basically the variable in this research is financial performance. In particular, the financial performance here focuses on the financial performance of the merging companies. Financial performance is measured using the liquidity ratio (current ratio), profitability ratio (return on assets and return on equity), solvency ratio (debt to equity), and activity ratio (total asset turn over). Descriptive statistics in this study are useful for providing information about the variables in the study, namely the mean, standard deviation, maximum value and minimum value.

**Table 2.** Descriptive statistics of research variables

Variable	Company	Time	Mean	Standard Deviation	Maks	Min
CR	PT. Bank Danamon Indonesia Tbk	Before Merger	1.4	0.141	1.5	1.3
		After Merger	1.4	0.141	1.5	1.3
	PT. Bank Syariah Indonesia Tbk	Before Merger	3.87	0.424	4.17	3.57
		After Merger	2.8	2.3	4.4	1.2
ROA	PT. Bank Danamon Indonesia Tbk	Before Merger	3.1	0	3.1	3.1
		After Merger	1.9	1.556	3	0.8
	PT. Bank Syariah Indonesia Tbk	Before Merger	1.265	0.001	1.27	1.26
		After Merger	2.005	0.559	2.4	1.61
ROE	PT. Bank Danamon Indonesia Tbk	Before Merger	10.55	0.071	10.6	10.5
		After Merger	7.2	4.384	10.3	4.1
	PT. Bank Syariah Indonesia Tbk	Before Merger	10.135	0.177	10.26	10.01
		After Merger	10.855	4.037	13.71	8
DER	PT. Bank Danamon Indonesia Tbk	Before Merger	3.45	0.071	3.5	3.4
		After Merger	3.3	0	3.3	3.3
	PT. Bank Syariah Indonesia Tbk	Before Merger	6.135	5.282	9.87	2.4
		After Merger	9.55	0.071	9.6	9.5
TATO	PT. Bank Danamon Indonesia Tbk	Before Merger	0.045	0.049	0.08	0.01
		After Merger	0.035	0.035	0.06	0.01
	PT. Bank Syariah Indonesia Tbk	Before Merger	0.07	0.07	0.07	0.07
		After Merger	0.05	0.028	0.07	0.03

Sumber: processed data, 2022

Based on table 2 above, it can be seen that the average value (mean), standard deviation, maximum value and minimum value of each variable. It can be seen that the value of the standard deviation for the variable current ratio (CR) PT. Bank Danamon Indonesia Tbk and PT. Bank Syariah Indonesia Tbk before and after the merger, return on assets (ROA) of PT. Bank Danamon Indonesia Tbk and PT. Bank Syariah Indonesia Tbk before and after the merger, return on equity (ROE) of PT. Bank Danamon Indonesia Tbk and PT. Bank Syariah Indonesia Tbk before and after the merger, the debt to equity ratio (DER) of PT. Bank Danamon Indonesia Tbk before and after the merger, and the variable total asset turn over (TATO) for PT. Bank Syariah Indonesia Tbk before and after the merger the standard deviation value is smaller than the average value (mean). This means that there is no big difference between the maximum value and the minimum value. For PT. Bank Syariah Indonesia Tbk variable total asset turn over (TATO) before the merger, the standard deviation value and the average value have the same value. While the variable total asset turn over (TATO) PT. Bank Danamon Indonesia Tbk before and after the merger, the standard deviation value is greater than the average value, this means that there is a large difference between the maximum value and the minimum value.

### Normality Test Results

The normality test is useful for knowing whether the data is normally distributed or not. The level of significance used is 0.05. Data can be declared normally distributed if the probability value > 0.05.

**Table 3.** Summary of normality test results

Company	Period of time	Variable	Prob	Significance Level	Conclusion
PT. Bank Danamon Indonesia Tbk	Before and after the merger	CR	0.716	0.05	Normal
		ROA	0.62	0.05	Normal
		ROE	0.62	0.05	Normal
		DER	0.788	0.05	Normal
		TATO	0.758	0.05	Normal
PT. Bank Syariah Indonesia Tbk	Before and after the merger	CR	0.69	0.05	Normal
		ROA	0.723	0.05	Normal
		ROE	0.851	0.05	Normal
		DER	0.62	0.05	Normal
		TATO	0.618	0.05	Normal

Sumber: processed data, 2022

### Hypothesis Test Results

Hypothesis testing in this study used the paired sample T-test to measure the comparison of financial performance before and after the merger at PT. Bank Danamon Indonesia Tbk and PT. Bank Syariah Indonesia Tbk. Data processing results using Eviews 10 can be seen below:

**Table 4.** Results of hypothesis testing recapitulation

Variable	Hypothesis	Mean		Prob	Conclusion
		Before	After		
CR	H1 Average before merger vs average after merger	1.4	1.4	1	There is no significant difference
	H2 Average before merger vs average after merger	3.87	2.8	0.578	There is no significant difference
ROA	H1 Average before merger vs average after merger	3.1	1.9	0.095	There is no significant difference
	H2 Average before merger vs average after merger	1.265	2.005	0.202	There is no significant difference

ROE	H3 Average before merger vs average after merger	10.55	7.2	0.393	There is no significant difference
		10.135	10.855	0.825	There is no significant difference
DER	H4 Average before merger vs average after merger	3.45	3.3	0.095	There is no significant difference
		6.135	9.55	0.457	There is no significant difference
TATO	H5 Average before merger vs average after merger	0.045	0.035	0.838	There is no significant difference
		0.07	0.05	0.423	There is no significant difference

Sumber: processed data, 2022

Based on the data from table 4 above, it can be concluded that:

### Current Ratio Analysis

Based on the table above, it can be seen that the average PT. Bank Danamon Indonesia Tbk before and after the merger got a significance value of 1. While the results of the average PT. Bank Syariah Indonesia Tbk before and after the merger got a significance value of 0.578. It can be seen that the significance value obtained is greater than the significance level used, namely 0.05, which is  $1 > 0.05$  and  $0.578 > 0.05$ . This shows that the merger cannot give an increase in the current ratio. So it can be concluded that H1 is accepted, which means that there is no significant difference in the company's current ratio before and after the merger.

### Return on Asset Analysis

Based on the table above, it can be seen that the average PT. Bank Danamon Indonesia Tbk before and after the merger got a significance value of 0.095. While the results of the average PT. Bank Syariah Indonesia Tbk before and after the merger got a significance value of 0.202. It can be seen that the significance value obtained is greater than the significance level used, namely 0.05, which is  $0.095 > 0.05$  and  $0.202 > 0.05$ . This shows that the merger cannot provide an increase in the return on assets. So it can be concluded that H2 is accepted, which means that there is no significant difference in the company's return on assets before and after the merger.

### Return on Equity Analysis

Based on the table above, it can be seen that the average PT. Bank Danamon Indonesia Tbk before and after the merger got a significance value of 0.393. While the results of the average PT. Bank Syariah Indonesia Tbk before and after the merger got a significance value of 0.825. It can be seen that the significance value obtained is greater than the significance level used, namely 0.05, which is  $0.393 > 0.05$  and  $0.825 > 0.05$ . This shows that the merger cannot increase the return on equity. So it can be concluded that H3 is accepted, which means that there is no significant difference in the company's return on equity before and after the merger.

### Debt to Equity Ratio Analysis

Based on the table above, it can be seen that the average PT. Bank Danamon Indonesia Tbk before and after the merger got a significance value of 0.095. While the results of the average PT. Bank Syariah Indonesia Tbk before and after the merger got a significance value of 0.457. It can be seen that the significance value obtained is greater than the significance level used, namely 0.05, which is  $0.095 > 0.05$  and  $0.457 > 0.05$ . This shows that the merger cannot increase the debt to equity ratio. So it can be concluded that H4 is accepted, which means that there is no significant difference in the company's debt to equity ratio before and after the merger.

### Analysis of Total Assets Turn Over

Based on the table above, it can be seen that the average PT. Bank Danamon Indonesia Tbk before and after the merger got a significance value of 0.838. While the results of the average PT. Bank Syariah Indonesia Tbk before and after the merger got a significance value of 0.423. It can be seen that the significance value obtained is greater than the significance level used, namely 0.05, which is  $0.838 > 0.05$  and  $0.423 > 0.05$ . This shows that the merger cannot provide an increase in total asset turnover. So it can be concluded that H5 is accepted, which means there is no significant difference in the company's total asset turnover before and after the merger.

## CONCLUSION

Based on the results and discussion as well as the literature review that has been presented, the conclusions in this study are as follows: 1) Current Ratio there is no significant difference before and after the merger. 2) Return On Assets there is no significant difference before and after the merger. 3) Return On Equity there is no significant difference before and after the merger. 4) Debt To Equity Ratio there is no significant difference before and after the merger. 5) Total Asset Turn Over there is no significant difference before and after the merger.

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