

Does Acquisition Improve Financial Performance? Evidence from Public Companies in Indonesia

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ABSTRACT.

Mergers and acquisitions (M&A) activity in Indonesia has continued to increase and is theoretically expected to generate synergies—such as cost efficiency, strengthened market share, and diversification—thereby improving corporate financial performance. However, empirical evidence is often inconsistent and suggests that the benefits of acquisitions are not always immediately reflected in post-transaction performance. This study employs a quantitative approach with a comparative design to examine differences in financial performance before and after acquisitions among 10 publicly listed companies that conducted acquisitions in 2021, using an observation period of one year prior to the acquisition (2020) and three years after the acquisition (2022–2024). Performance is measured using ROA, ROE, DER, Current Ratio (CR), and EPS. The analysis is conducted using the Wilcoxon Signed Rank Test. The results show no significant differences between pre-acquisition and post-acquisition financial performance across all variables for the 2022–2024 period. These findings indicate that acquisitions have not been proven to improve profitability, liquidity, capital structure, or shareholder value in the short to medium term. Therefore, acquisition success is likely determined more by the effectiveness of post-acquisition integration, integration cost control, and the quality of synergy strategy implementation than by the acquisition decision alone.

Keywords: Acquisition; Financial Performance; Synergy; Wilcoxon Signed Rank Test.

INTRODUCTION

Mergers and acquisitions (M&A) activities have become one of the key drivers of corporate restructuring and non-organic growth in various countries, including Indonesia. In theory, M&A is seen as capable of creating synergies through increased economies of scale, diversification, strengthened market position, and cost efficiencies, ultimately improving financial performance and company value. The latest bibliometric study shows that M&A research in the financial industry continues to grow and has become one of the main topics in international financial literature. In Indonesia, the Mergers & Acquisitions Update 2023 report published by PwC Indonesia (Indonesia, 2023) confirms that the value and volume of M&A transactions recovered strongly after the pandemic, even reaching a decade high in 2021–2022, with the energy, mining, telecommunications/technology, and financial services sectors dominating. This condition indicates that acquisitions are not a marginal phenomenon, but rather a strategy actively used by public companies to pursue growth and competitiveness.

A recent meta-analysis combining more than 200 studies by (King et al., 2021) also concluded that, on average, acquisitions tend to yield moderate to negative results, and their success is greatly influenced by the context and characteristics of the specific transaction. A study (Lou et al., 2020) in eight East Asian markets, including Indonesia, shows that although the market reacts positively at the time of the acquisition announcement, in the long term, the share price of companies that make acquisitions tends not to achieve optimal performance, raising questions about the effectiveness of acquisitions as a value creation strategy.

In the Indonesian context, a number of recent studies provide an equally inconsistent picture. (Tarigan et al., 2018) analyzed various accounting ratios and market indicators for non-bank companies on the Indonesia Stock Exchange and found that M&A is not always followed by a significant improvement in performance; some ratios even deteriorated after the transaction. A follow-up study (Tarigan et al., 2022) focusing on long-term stock performance shows that acquiring companies in Indonesia experience negative abnormal performance for three years after M&A, as measured by both cumulative market-adjusted return and buy-and-hold abnormal return. These findings indicate an acquisition paradox where transactions expected to create synergies often fail to translate into improved performance.

Other studies reinforce the indication that the impact of acquisitions on the financial performance of companies in Indonesia is selective and inconsistent. (Nurfauziah & Ainy, 2018) analyzed companies that underwent mergers and acquisitions and found that most financial ratios did not show significant differences before and after M&A, except for certain leverage ratios. (Nurjanah & Fitrijanti, 2023), who studied manufacturing companies, also concluded that acquisitions did not cause significant changes in the majority of financial performance indicators, although there were variations in certain ratios. Research by (Salsadila et al., 2021) and (Purba & Az Zahra, 2024) showed a similar pattern where there were improvements in several ratios, but in general, performance before and after M&A did not differ statistically. In fact, (Robbani & Adawiyah, 2023) emphasize that the strategic motivation behind M&A does not always lead to improved company performance, so it is important to evaluate whether acquisitions are indeed an effective means of creating value in the Indonesian market.

The discrepancy between theoretical expectations, rampant acquisitions, and diverse empirical evidence raises a key question: do acquisitions improve the financial performance of public companies in Indonesia? This issue is important because acquisitions absorb significant resources, are high risk due to the complexity of integration, and are influenced by regulations and domestic capital market dynamics. However, studies in Indonesia are often limited to specific sectors or periods, narrow performance proxies, or before-and-after comparisons without controlling for macroeconomic factors and company characteristics. Therefore, more comprehensive, cross-sector studies based on longer observation periods are needed.

Based on this background, this study aims to empirically test whether acquisitions improve the financial performance of public companies in Indonesia. The

study will analyze changes in a number of key indicators such as profitability, liquidity, leverage, operational efficiency, and market performance before and after the acquisition, using financial statement data and market data from issuers on the Indonesia Stock Exchange that have made acquisitions in the recent period. With a comparative quantitative approach that can be enriched with panel models or difference-in-differences techniques, this study is expected to provide a stronger and more measurable picture of the financial consequences of acquisition decisions in the context of emerging markets.

Theoretically, this study is expected to enrich the literature on post-acquisition performance through new evidence based on data from Indonesian public companies, while also testing whether global meta-analytic findings on acquisition performance remain valid in different institutional environments. In practical terms, the results can be taken into consideration by management in designing and evaluating acquisition strategies, by investors and capital market analysts in assessing the prospects of issuers that are actively pursuing acquisitions, and by regulators and policymakers in developing a regulatory framework that encourages acquisitions that truly create value. Thus, this article is expected to provide a more convincing answer to the question of whether acquisitions effectively improve the financial performance of public companies in Indonesia.

LITERATURE REVIEW

In financial and strategic management literature, acquisitions are viewed as an external growth strategy that aims to create added value through operational and financial synergies. According to (Gaughan, 2018), mergers and acquisitions are carried out to achieve cost efficiency, expand market share, acquire technology, or strengthen capital structure. Theoretically, the success of an acquisition will be reflected in an improvement in the company's financial performance.

Synergy theory explains that the combination of two companies can generate greater value than if they operated separately (Bruner & Perella, 2004). Synergy can take the form of increased profits, efficient use of assets, reduced capital costs, and increased cash flow. If synergy is successfully achieved, then indicators of profitability and company value will increase.

However, agency theory reminds us that acquisition decisions are not always oriented towards increasing shareholder value. In this context, post-acquisition financial performance may deteriorate, particularly in terms of profitability ratios and capital structure. Thus, the relationship between acquisitions and financial performance is contingent and can be analyzed through various financial ratios that represent the dimensions of profitability, leverage, liquidity, and market value.

Conceptually, ROA measures a company's ability to generate profits from all assets used in operations. ROA is used as an indicator of management efficiency in converting asset investments into profits, and is often positioned as a measure of "firm-level profitability." Corporate finance and financial statement analysis references explain that ROA is highly sensitive to changes in profit margin and asset

turnover; thus, post-acquisition changes may reflect cost/revenue synergies or changes in asset productivity due to integration.

ROE is an indicator of the return enjoyed by shareholders on their invested capital (equity). In modern corporate finance literature, ROE is considered crucial because it captures profitability that is “relevant to owners,” but it is also greatly influenced by the financing structure (leverage). This means that ROE can increase not only because profits are rising, but also because equity is relatively small compared to total financing, so the interpretation of ROE must be linked to DER.

DER describes how much of company's funding sourced from debt compared to its own capital. Corporate finance literature emphasizes that leverage creates a trade-off: debt can provide benefits (e.g., managerial discipline, potential tax efficiency), but it increases the risk of bankruptcy and cash flow pressure. In performance research, DER is often positioned as a proxy for financial risk and funding policies that affect a company's profitability and stability.

Acquisitions are highly relevant to DER because many transactions are financed through debt (bank loans, bonds, or credit facilities). If acquisition financing is predominantly debt, DER tends to rise after the transaction; this condition can be beneficial if synergies increase profits and cash flow, but dangerous if profits do not immediately increase. A number of recent studies also show that leverage (including debt-to-equity) often correlates with profitability performance such as ROA/ROE and market indicators such as EPS, but the direction and strength are contextual depending on the industry and economic conditions.

The current ratio is a financial ratio used to assess whether a company is able to pay its short-term liabilities using its current assets. Financial statement analysis literature emphasizes that liquidity reflects daily “operational resilience”—particularly the ability to pay current debts, maintain supplies, and withstand cash shocks. CR is important in post-acquisition studies because integration often triggers changes in working capital policies: inventory integration, customer credit harmonization (accounts receivable), supplier restructuring (trade payables), and cash requirements for integration costs.

EPS measures net income per share outstanding and is an indicator that investors frequently use to assess performance and valuation potential. Contemporary valuation and corporate finance materials emphasize that EPS is a function of two main components, namely net income and the number of shares outstanding. Therefore, EPS is highly relevant in acquisition research. EPS can increase when synergies boost profits, but it can decline in the event of dilution or when integration costs weigh on profits.

RESEARCH METHODOLOGY

This study uses a quantitative approach with a comparative study design to assess differences in financial performance before and after the acquisition. A quantitative approach was chosen because the study focuses on testing changes in financial ratios that are numerical in nature and can be analyzed statistically. The

comparative design is appropriate for the characteristics of this study, which evaluates the impact of a corporate event, namely acquisition, on specific financial performance indicators, thereby enabling researchers to assess significant differences between periods (Sugiyono, 2019).

The data sources in this study are secondary data in the form of annual reports, information disclosure on IDXNet, and stock price data from public platforms such as RTI Business or Yahoo Finance. The data was obtained from the official website of the Indonesia Stock Exchange, company websites, and official corporate publications.

Data collection was carried out using the documentation method, namely by downloading the financial reports of companies that made acquisitions in 2021. This study used an observation period of 1 year before the acquisition in 2020 and 3 years after the acquisition in 2022-2024.

The population in this study was all public companies listed on the Indonesia Stock Exchange that made acquisitions in 2021. The determination of 2021 as the year was based on empirical evidence because that year was a period of post-pandemic economic recovery when acquisition activity in Indonesia increased significantly, as reported by PwC (Indonesia, 2023). From this population, the study used purposive sampling with the following criteria: the company conducted acquisitions in 2021, the company had complete financial reports for 2020, 2022, and 2023, the company did not experience delisting or prolonged suspension, and the company did not undergo other major restructuring that could obscure the research results.

The dependent variable in this study is financial performance, which is measured using five key ratios: Return on Assets (ROA), Return on Equity (ROE), Debt to Equity Ratio (DER), Current Ratio (CR), and Earnings per Share (EPS). The independent variable is represented by the acquisition event itself, with a comparison of ratio values between the 2020 period and the 2022–2024 period. All ratios are calculated based on standard financial formulas used in financial statement analysis.

The data analysis technique uses a paired sample t-test to test the difference in the average financial ratio before and after the acquisition. This test is appropriate because the data comes from the same unit but is measured at two different points in time (Gujarati & Porter, 2009). If the data does not meet the assumption of normality, the Wilcoxon Signed Rank Test is used as a nonparametric alternative.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics

Variable	Year	Mean	Std. Dev	Min	Max
ROA	2020	0,037	0,151	-0,238	0,351
	2022	0,002	0,139	-0,360	0,146

	2023	0,024	0,061	-0,065	0,125
	2024	1,407	4,390	-0,060	13,9
ROE	2020	-0,015	0,302	-0,823	0,266
	2022	0,058	0,079	-0,063	0,186
	2023	1,560	4,982	-0,476	15,73
	2024	1,728	5,595	-0,681	17,64
DER	2020	0,808	0,697	0,06	1,92
	2022	0,577	0,653	0,04	1,68
	2023	0,550	0,509	0,03	1,55
	2024	0,626	0,631	0,02	1,81
CR	2020	2,220	1,658	0,45	5,46
	2022	1,975	1,2708	0,66	3,82
	2023	2,047	1,7077	0,69	4,97
	2024	1,981	1,5126	0,65	4,74
EPS	2020	27,887	61,605	-76,18	138,83
	2022	111,056	303,021	-46,34	967,05
	2023	-72,462	310,474	-951,29	77,64
	2024	-21,12	160,281	-467	82,43

Source: data processed using SPSS, 2026

This study analyzes 10 public companies that conducted acquisitions in 2021 with an observation period of one year before the acquisition and three years after the acquisition. The variables analyzed include ROA, ROE, DER, Current Ratio (CR), and EPS.

Descriptively, the average ROA in 2020 was 0.037 and remained relatively stable in the post-acquisition period. ROA in 2022 decreased slightly to 0.0019, then increased to 0.024 in 2023 and 1.407 in 2024. However, the increase in 2024 was accompanied by a very high standard deviation (4.390), indicating the presence of outliers and disparities between companies.

ROE shows a fluctuating pattern. The average for 2020 was -0.015, then increased in 2022 to 0.058. In 2023 and 2024, the average ROE increased significantly, namely 1.556 and 1.728, but the high standard deviation above 4.982 indicates that the increase was not evenly distributed across the sample.

The capital structure, as measured by the DER, shows a decline from 0.808 (2020) to 0.577 in 2022 and 0.550 in 2023, before increasing again to 0.626 in 2024. This indicates a post-acquisition leverage adjustment. The Current Ratio remained relatively stable in the range of 1.9–2.2 during the observation period.

EPS showed high volatility, with a mean of 27.887 in 2020, increasing sharply in 2022, then returning to negative in 2023 and 2024. In general, descriptive analysis shows that the impact of the acquisition did not result in a consistent pattern of improvement in all financial performance indicators.

Wilcoxon Signed Rank Test

The Wilcoxon test was conducted to compare financial performance in 2020 with that in 2022, 2023, and 2024. The test results show that there are no significant differences in all variables (ROA, ROE, DER, CR, and EPS) when comparing 2020 and 2022. This indicates that one year after the acquisition, there has been no significant change in performance.

In the comparison between 2020 and 2023, all variables still show a significance value above 0.05. DER shows the value closest to significance, but it is still above the critical limit. Thus, two years after the acquisition, there has been no significant change in capital structure or other indicators.

In the comparison between 2020 and 2024, again no significant differences were found in all variables. This indicates that up to three years after the acquisition, the financial performance of public companies in the sample has not undergone significant changes compared to before the acquisition.

Table 2. Wilcoxon Signed Rank Test Results

Variable	Comparasion	Z Hitung	Asymp. Sig (2-tailed)	Explanation
ROA	1 year before and 1 year after	-0,357	0,721	Not Significant
	1 year before and 2 year after	-0,255	0,799	Not Significant
	1 year before and 3 year after	-0,357	0,721	Not Significant
ROE	1 year before and 1 year after	-0,663	0,508	Not Significant
	1 year before and 2 year after	-0,459	0,646	Not Significant
	1 year before and 3 year after	-0,255	0,799	Not Significant
DER	1 year before and 1 year after	-1,274	0,203	Not Significant
	1 year before and 2 year after	-1,886	0,059	Not Significant (approximate)
	1 year before and 3 year after	-0,561	0,575	Not Significant
CR	1 year before and 1 year after	-0,770	0,441	Not Significant
	1 year before and 2 year after	-0,663	0,508	Not Significant
	1 year before and 3 year after	-1,172	0,241	Not Significant
EPS	1 year before and 1 year after	-0,764	0,445	Not Significant

1 year before and 2 year after	-0,051	0,959	Not Significant
1 year before and 3 year after	-0,153	0,878	Not Significant

Source: data processed using SPSS, 2026

Discussion

The results of this study indicate that acquisitions do not automatically improve the financial performance of public companies in the short to medium term. Although descriptively there are fluctuations and some indications of improvement in certain variables, these changes are not statistically significant.

These findings do not fully support the Synergy Theory, which states that company combinations will result in operational efficiency and increased profitability. The insignificance of ROA and ROE indicates that the benefits of operational synergy have not been optimally realized within the three-year period.

CONCLUSION AND RECOMMENDATIONS

Based on descriptive statistical data analysis, there were several changes in the average during the period after the acquisition. ROE and ROA showed descriptive increases in certain years, while DER tended to decline compared to before the acquisition. However, high variability in several variables, particularly ROE and EPS, indicated that these changes were not uniform across all companies in the sample.

The normality test results indicate that not all variables are consistently normally distributed, so the main hypothesis testing uses the Wilcoxon Signed Rank Test as a non-parametric method. The test results show that there is no significant difference between financial performance before and after the acquisition for all variables in all observation periods.

Thus, it can be concluded that acquisitions made in 2021 have not been statistically proven to increase profitability, significantly improve capital structure, increase liquidity, or create added value for shareholders up to three years after the transaction. These findings indicate that the impact of acquisitions on the financial performance of public companies in Indonesia tends to be limited in the short to medium term.

Based on the results of the study, companies that make acquisitions need to pay more attention to the post-transaction integration process so that the potential for synergies can be realized optimally. Acquisitions should not only be viewed as an expansion strategy, but also be followed by strengthening operational management, controlling integration costs, and making continuous adjustments to the financial structure. For investors, investment decisions related to companies that conduct acquisitions need to be accompanied by a more comprehensive analysis because performance improvements do not always occur in the short term. For further research, it is recommended to extend the observation period and add market-based

variables and moderating factors in order to gain a deeper understanding of the impact of acquisitions on company performance.

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