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Company mergers and acquisitions have a big impact on the public

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Abstract
The study tries to determine the influence of mergers and acquisitions on financial performance by comparing impact on public firm performance before and after mergers and acquisitions. The paired sample t-test shows how mergers and acquisitions affect financial performance.
It's an event study.
The author sampled 10 of IDX's 21 mining businesses for this investigation. Documentation was employed to obtain data from IDX-listed firms' financial statements.
Purposive sampling is a random method of sample selection based on research aims or difficulties. Event window, statistical, and descriptive analysis test research tools. Data was analyzed using paired sample t-test. The study demonstrates that mergers and acquisitions have no substantial influence on financial performance. The difference between a company's performance before and after a merger or acquisition is a higher mean liquidity and activity ratio and a lower leverage and profitability ratio.

Keywords: Mergers, acquisitions, financial ratio

Introduction
In today's era of free trade and intense competition, businesses need to refine their strategies often to stay afloat and ahead of the pack. A growth plan is a competitive tactic that aims to increase the company's size by a certain amount, in line with the organization's long-term objectives. Both internal and foreign expansion are viable options for enacting this plan. By investing in and developing the infrastructure of its already-existing businesses, the company was able to achieve internal growth. However, external expansion was accomplished via mergers, in which the names of just one of the merging firms was retained and the others were dissolved. Additionally, acquisitions accomplished through purchasing a percentage of the total ownership of firms (Agrawal, A., Jaffe, J. F., & Mandelker, G. N. (1992) [1]
According to Betton, S., Eckbo, B. E., & Thorburn, K. S. (2009)) [2], a merger or acquisition is one option for the firm to consider if it wants to remain in business or perhaps grow (M&A). In a merger, two or more businesses combine into one larger entity in order to better compete in the market. The mergers are the most common tactic used by companies to get an edge over their competitors. The value of acquisitions has skyrocketed in the previous seven years, during the fifth merger wave. A record $1,774 billion was spent on acquisitions in 2006, setting a new high point Chemmanur, T. J., Loutskina, E., & Tian, X. (2014) [3].
The firms might also have merged via an acquisition. Acquisition refers to the process through which one corporation purchases the voting stock of another in order to gain control over the latter. Internal acquisitions are those made to a publicly traded subsidiary, whereas external acquisitions are those made to unrelated businesses Coates IV, J. C. (2000) [4]

Literature Review
Financial Ratio
Even in the absence of fully thorough operational information, financial ratio analysis is a popular tool used to analyses the firm's financial situation. Financial documents, such as a balance sheet and income statement, may be analyzed with the use of a ratio, which is a comparative indicator of their connection or association Martynova, M., & Renneboog, L. (2008) [5]

Merger definition
Company leaders have considered merging with other businesses as a means of expanding their operations. The Latin root "merger" (to merge) has two meanings: (1) to integrate or combine into one entity; (2) to be absorbed or eaten whole, so losing one's individuality.

When two or more businesses merge into one, the other corporations either dissolve or cease to exist as a legal entity. In a 1991 study (Phillipatos and William).

Acquisition Definition

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Advantages and Disadvantages of Merger and Acquisition Activity

Companies combine because they expect to get benefits from doing so, a notion that has not been conclusively demonstrated. Benefits of mergers and acquisitions, as outlined by Moeller, S. B., Schlingemann, F. P., & Stulz, R. M. (2004) [7]:

1. Get paid soon because you already know your product and market.
2. Get easier funding/financing so more creditors are comfortable with the established and stable business.
3. Hire a seasoned professional, number three.
4. Gaining patronage after starting out late in the game.
5. Set up the necessary administrative and working structures.
6. Since there is no need to find new clients, the likelihood of failure is decreased.
7. Reduce the amount of time needed to start a company.

Getting infrastructure to achieve higher growth

Motives Do Mergers, Acquisitions

Meglio, O., & Risberg, A. (2010) [6], motives to do mergers, acquisitions are as follows:

- Scale economies
- Earnings and market share growth
- In other words, 3rd-party selling
- Synergy
- Taxes six) Diversification in terms of location or other factors
- Integrating up and down

Research Methodology

Event study research is the type of study that the researchers will be conducting. Studying how news of an upcoming event affects the value of a security is known as an "event study." The event window refers to the time it takes for a change in the price of a security to reflect newly available information in an event study.

This quantitative study looked at the financial performance of companies listed on the Indonesia Stock Exchange between 2018 and 2022 to see how mergers and acquisitions affected their bottom lines.

No	Acquired Company	Year	Type
1	Adaro Company	July 2018	Merger
2	Aneka Tambang	Des 2018	Merger
3	Bumi Resources	July 2018	Acquisition
4	Dian Swastatika	Des 2019	Acquisition
5	Energi Mega Persada	Nov 2019	Acquisition
6	Medco International Energy	Aug 2019	Acquisition
7	Radiant Utama Interinsco	Sept 2021	Merger
8	Renuka Coalindo	Sept 2021	Acquisition
9	Resource Alam Indonesia	Des 2020	Acquisition
10	Tambang Batu Bara Bukit Asam	Sept 2022	Acquisition

Data Collection Method

This study's data was gathered using a documentation technique, namely, by documenting records or data that were listed on the Indonesian Stock Exchange (IDX) between 2008 and 2010. This was done by extracting relevant information from the financial statements of IDX-listed businesses.

Results

The findings indicate that the corporation lacks the resources necessary to pursue mergers and acquisitions. Mergers and acquisitions have shown to have no major effect on its current ratio. There is no correlation between the current ratio value before and after mergers and acquisitions. Activity levels were pretty high and the current ratio was in excellent shape before any mergers were made. After merger and acquisition activity, both the value of current assets and current liabilities remain high. As a result, there is no discernible difference between the value before and after a merger or acquisition.

In two or three years, businesses should be able to improve their present ratio. Since this is the first year of many mergers and acquisitions, businesses still need time to adapt to the new landscape.

Discussion

The results of the current ratio test suggested that the firms' liquidity was not adversely affected by the mergers and acquisitions. Mergers and acquisitions have not had a major influence, which contradicts the preceding premise but is consistent with the findings of Payamta and Setiawan (2004), Sarah and Maksum (209), and Verma and Sharma (2012).

Its liquidity has not witnessed any substantial influence from mergers or acquisitions in its first year. However, there was an improvement in the liquidity ratio throughout the first year. Companies' liquidity ratios are expected to improve as a consequence of mergers and acquisitions, however this will take more time to materialize.

One year following mergers and acquisitions, firms often perform better than they did the year before. This is seen by an increase in the mean liquidity ratio. After taking into account the effects of mergers and acquisitions, PT. Aneka Tambang has the highest liquidity ratio after creating a value of 10.6423.

Conclusion

The following may be inferred from the examination and debate of the effects of mergers and acquisitions on the financial performance of companies:

The current ratio, total asset turnover, and net profit margin all increased in value during the time of mergers and acquisitions in the 10 sample firms and remained elevated a year later. The debt ratio, return on asset, and return on equity all decreased during and immediately after mergers and acquisitions, but recovered the following year. The phenomena of debt-to-equity conversion, which leads to a rise in value during the time of mergers and acquisitions relative to the year before, but a fall in the year after such activity, is another example.

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