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INTRODUCTION

In the era of globalisation, which keeps developing repetitively, competition between businesses seems to be getting tougher. In each period, companies continue to develop and innovate to create new and innovative products or services in order to become excellent in their respective sectors according to consumer wants and needs. The market situation that flocks to ask for an innovation revolution makes every company must be ready to face the changes and developments of the times that exist to survive in the business world. In carrying out the development of business scale, of course, each company has different tricks and strategies to be applied, whether from increasing sales, increasing the workforce, product expansion in accordance with current trends, and many more ways to develop a business scale. Besides, companies also have various alternatives in carrying out the development of scale, starting from doing a partnership or cooperation, trying to open a new business, and some even decide to do mergers and acquisitions as an easier and more efficient alternative.

Merger & Acquisition activity can be told as an external expansion event that occurs when there is a merger between two companies into one company. Mergers and acquisitions occur when one company takes over the entire operation of another corporate entity where the corporate entity after being taken over must be dissolved immediately (Floyd A. Beams & Amir Abadi Yusuf, 2000). Mergers can also be termed as a merger between two or more companies with the same vision and mission to achieve success. On the other hand, acquisition is a company activity in taking over the ownership of a company or taking over the shares of a company with a proportion of more than 50% of the total shares owned by an equity (Rizki, 2019). Apart from that, there are also reasons why companies carry out mergers and acquisitions, including because they provide several effects such as (1) Can increase power in the market because it can reduce competition, (2) Save the company's operational costs that incurred for marketing, management, distribution and production costs, (3) Save financial costs, which include lower transaction costs and provide the best evaluation for securities analysts (Brigham and Houston, 2001). In other words, every company taking steps to carry out merger and acquisition transactions is not done for fun, but with all the true calculations. If the calculation is wrong, the company will experience unwanted things.

Companies that have carried out Merger & Acquisition activities are expected to have several impacts, namely positive impacts and negative impacts. This expectation is based on the potential for synergy after the merger and acquisition process. Merger and acquisition activities can be said to be a good alternative, especially in forming for operational synergy and financial synergy for both the acquiring company and the acquired company (Kusstatscher & Cooper, 2005). In Merger & Acquisition activities, practice does not always produce positive results in their application, even if they do have a positive impact, their financial ratios tend not to show significant differences between before and after mergers and acquisitions (Risma & Rosalia, 2021). Research by Abbas, Hunjra, Saeed, Hassan, & Ijaz, (2014) found that the financial performance of banks in Pakistan did not produce positive results after mergers and acquisitions. There is a decrease in financial performance after mergers and acquisitions, especially in the aspects of profitability, efficiency, liquidity, and leverage ratios. Apart from that, there is also research that discusses the comparison of the financial performance of companies before mergers and acquisitions and after mergers and acquisitions which is discussing about Current Ratio, Debt to Equity Ratio (DER), Debt to Assets Ratio (DAR), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) (Alfian and Triyonowati, 2015). Companies that have good financial performance will certainly make the company a major competitor and be able to increase the value of the company.

In addition to creating benefits for the company, merger and acquisition activities can also have both positive and negative impacts on shareholders. If the company experiences a positive performance after carrying out merger or acquisition activities, it will have a good impact on investors where investors will earn excess income through capital gains determined through company performance measurement ratios such as Return on Asset (ROA), Return on Equity (ROE), Total Asset Turnover (TAT), Fixed Asset Turnover (FAT), and Gross Profit Margin (GPM). These five indicators can identify the income earned by the company to determine whether a company has significantly increased or decreased profits before or after the merger and acquisition process. If it turns out that the company experiences a significant level of loss, it can be concluded that the company is not effective in carrying out the merger and acquisition process so that investors need to be vigilant in investing. Through research conducted by Shleifer and Vishny (1989), managers of a company can make investment decisions in increasing the managerial value of the company, however, this is not necessarily accompanied by a satisfactory rate of return or return for investors. Research from Mitchell and

Mulherin (1996), argues otherwise where the payment method made by the company can affect the rate of return from the merger and acquisition event to be positive according to the agreed nominal.

LITERATURE REVIEW

In the previous studies, mergers and acquisitions are said to be one of the company's strategies in maintaining and even expanding the scale of the company where the method is carried out by merging with two or more separate companies or taking over most of the ownership proportion of a company that has the same vision and mission. With the rapid development of globalisation, merger and acquisition activities are increasingly widespread, even in 2010, *Komisi Pengawas Persaingan Usaha* (KPPU) conducted a large-scale corporate restructuring by establishing a special Bureau in handling merger and acquisition events that have the potential to experience significant development (KPPU, 2010). According to a study conducted by Putri (2007), the merger and acquisition process can fail because the partner of the merger does not take into account the availability of the human resources component, even though it can be indicated as a strategic variable in a merger and acquisition agreement. On the other hand, according to a study conducted by Rei (2004), there are as many as 7 things that become the main obstacles in the success of mergers and acquisitions, including (1) The inability of a company to maintain financial performance, (2) Decreased company productivity, (3) Differences in culture or vision and mission between companies that carry out merger and acquisition activities, (4) Loss or resignation of mainstay employees due to doubts after the merger and acquisition process, (5) Competition or conflict between members of the company that conducts mergers and acquisitions, (6) The company's inability to defend in fierce competition and unwillingness to make and accept changes, (7) Lack of communication and unclear objectives of mergers and acquisitions and lack of synergy between companies.

Beyond the many companies that have failed in conducting mergers and acquisitions, there are also companies that can be said to be successful and continue to grow after carrying out this phenomenon. One example is Gojek and Tokopedia, which now has the name Gojek Tokopedia Ltd. (GoTo), where Tokopedia as an e-commerce service provider certainly requires logistics facilities in delivering goods sold to consumers (Merlin et al., 2023). According to Abdul Moin (2013), the causes of the success of merger and acquisition events include 5 factors, namely (1) Post-acquisition integrity planning and speed in executing this integrity, (2) Clear acquisition objectives, (3) The existence of a common vision and mission between companies conducting mergers and acquisitions, (4) The level of implementation of good cooperation between companies conducting mergers and acquisitions, (5) Knowledge and understanding of the acquirer of the company to be acquired. In 2020, through the website published by *Komisi Pengawas Persaingan Usaha* (KPPU), 83.08% of 195 companies have successfully made acquisitions, which is a positive sign for the development of industrial competition in Indonesia. Apart from that, referring to the data of this research conducted through the period 2017 to 2021, it can be seen that the trend of increasing interest in acquisitions from various companies in Indonesia tends to increase from initially only 70 to 90 companies, to 100 to 195 companies towards the end of the research period.

With the potential impacts as stated in paragraph 1 and paragraph 2, whatever conditions experienced by the company either experiencing profits or losses will cause a return whether with a significant comparison or not. If the comparison of the rate of return experienced by the company is significantly too far, then the term can be referred to as abnormal returns or unnatural rates of return which can be calculated using the indicators mentioned in the introduction. This research is based on the Fama-French Calendar Time Portfolio Approach method to determine the proportion of value addition or reduction experienced by companies before and after experiencing mergers and acquisitions. Therefore, a more detailed explanation will be explained further in the next chapter.

DATA AND METHODOLOGY

The data examined through this study are publicly listed companies that took merger and acquisition actions in the 2017-2021 period. The focus of the study is to determine the rate of return that occurs for public companies that carry out merger and acquisition activities in the Indonesian capital market whether there is an abnormal rate of return or not. Through data obtained through the *Komisi Pengawas Persaingan Usaha* (KPPU) website, it was found that approximately 100 companies carried out merger and acquisition transactions in which as many as 42 public companies were involved or around 42% of the events that occurred.

To determine the market reaction towards the merger and acquisition transactions, these are the indicators that need to be used for the basic calculation:

$$R_{i,t} = \hat{\alpha}_i + \hat{\beta}_i \, R_{m,t} + \varepsilon_{i,t}$$

The symbol Ri,t contained in the calculation formula above assumes the rate of return or return owned by company i in time period t. Apart from that, the symbol Rm,t contained in the formula above is the rate of return or return that occurs in the market according to the time period in this study. Apart from that, 2 other indicators that can be found in the formula above are alpha and beta. The data used is the estimated value obtained through the returns of 42 companies that carried out merger and acquisition transactions using the independent variable (X) market return for the 2017-2021 period, which in this study refers to the Jakarta Composite Index (JCI). Apart from that, the dependent variable (Y) used is the return of each company that carries out mergers and acquisitions in the 2017-2021 research period. After knowing the dependent variable (Y) and the independent variable (X), the regression method is used so that the alpha and beta estimation values are found.

Variable	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95,0%	Upper 95,0%
Intercept	0,0495	0,0065	7,6714	0,0000	0,0368	0,0622	0,0368	0,0622
X	-0,0075	0,0074	-1,0098	0,3138	-0,0222	0,0071	-0,0222	0,0071

From the regression that has been done above, the alpha was found as a coefficient of intercept, and beta is known as the coefficient of the "X" variable. With the acquisition of the formula that has already occurred above, the Abnormal Return or the level of return beyond reasonable limits in each company is obtained through the following formula:

$$AR_{i,t} = R_{i,t} - (\hat{\alpha}_i + \hat{\beta}_i \, R_{m,t})$$

After finding the alpha and beta needed to calculate the first calculation formula, the abnormal return for the company will be calculated. In this second formula, the ARi,t symbol means the level of abnormal returns owned by company (i) in time period (t). From the calculation formula above, abnormal return is being counted by doing a calculation by the return of the company i by the time of merger and acquisition (t) minus the estimated alpha of the company that has been calculated at the regression form before plus the estimated beta that has been calculated also times the market return in the period of the merger and acquisition that has been done by company i which is Jakarta Composite Index (JCI) which this study refers to Jakarta Composite Index (JCI). After the calculation, the abnormal return has been solved and could be used as the dependent variable (Y) in the result and discussion section.

RESULTS AND DISCUSSION

In conducting mergers and acquisitions, companies basically expect to get a good return as compensation for the transaction. When the acquirer decides to conduct mergers and acquisitions, most image the acquired company as a good company due to the high sense of ownership owned or emotions felt by the acquiring company. However, when merger and acquisition transactions have occurred, in fact, the decisions taken by the acquiring company do not always match the expected expectations, resulting in different reactions where the company can experience positive abnormal returns, while the company can also experience negative abnormal returns. Excessive emotions related to the decision to conduct mergers and acquisitions can cause someone to feel hopeless and can even trigger someone to commit suicide as stated by Kusstatscher, V., & Copper, C. (2005).

Although according to most studies, emotions are one of the most important factors in determining human behaviour, it is unfortunate that mergers and acquisitions actors, especially acquiring companies, largely ignore this factor. But actually, even if a company conducts a merger and acquisition transaction with detailed and mature thinking, in the eyes of investors it may have a different view. The decision to conduct mergers and acquisitions by the acquiring company is not necessarily considered as a decision that will have a positive impact on the share price of the acquiring company. Investors may doubt the ability of the acquiring company to integrate the culture, technology, human

resources, operations, finance, customers, supply chain, and legal compliance of the two companies conducting the merger and acquisition, so that the synergies expected to result from the merger and acquisition process will not occur. Apart from the synergy between the two companies, to create a good and comfortable working environment, it is also necessary to create a good emotional atmosphere in the work environment. In a healthy company, the leader must also direct the work environment with good emotions in order to carry out post-merger integration well and more optimally.

Referring to the implementation that has been carried out in Indonesia, public listed companies in Indonesia tend to have carried out merger and acquisition transactions properly and in accordance with applicable laws in Indonesia. However, it cannot be denied that there are also companies that experience losses after conducting merger and acquisition transactions, where these losses can be proven through the acquisition of returns that tend to experience negative values after executing the desired merger and acquisition transactions. Seeing the tendency to prioritise emotions owned by humans, including company leaders, it is natural that the company's performance fund does not always produce something positive. Therefore, to minimise the risk of failure in conducting merger and acquisition transactions, it is better for companies to carry out the following 6 steps, including: (1) Increase the value of the company and maintain the value in the company's daily life, (2) Focus on carrying out capabilities that are long-term and can maintain the company's performance, (3) Commitment to keep up with the times and be ready to accept differences that exist both through internal and external companies, (4) Proving the company's value through increasing positive company data, (5) Improving Environmental, Social, Governance (ESG) standards, and (6) Making appropriate investments in order to avoid unwanted risks.

Variable	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	0,0888	0,2603	0,3411	0,7350	-0,4392	0,6168	-0,4392	0,6168
ROA (X1)	0,1493	3,4562	0,0432	0,9658	-6,8601	7,1588	-6,8601	7,1588
ROE (X2)	-1,0736	1,8243	-0,5885	0,5599	-4,7735	2,6263	-4,7735	2,6263
TAT (X3)	0,2192	0,2146	1,0215	0,3138	-0,2160	0,6545	-0,2160	0,6545
FAT (X4)	-0,0241	0,0403	-0,5970	0,5543	-0,1059	0,0577	-0,1059	0,0577
GPM (X5)	0,1447	0,5237	0,2763	0,7839	-0,9175	1,2069	-0,9175	1,2069

Seeing the phenomenon in mergers and acquisitions where companies do not always record success, this study is intended to determine the factors that influence companies in recording abnormal returns after mergers and acquisitions. As found in the regression data conducted in this study, it is evidenced that companies that managed to obtain good results on abnormal returns after conducting merger and acquisition transactions reached 52.38% or as many as 22 companies out of 42 public companies studied in this report. In addition, there are 20 companies that experience negative abnormal returns after conducting merger and acquisition transactions. With this data, it can be said that the 5 independent variables (X) used in this study include Return on Asset (ROA) (X1), Return on Equity (ROE) (X2), Total Asset Turnover (TAT) (X3), Fixed Asset Turnover (FAT) (X4), and Gross Profit Margin (GPM) (X5) owned by each company do not significantly affect the dependent variable (Y), namely the abnormal return of each company because there are companies that provide positive abnormal returns and there are also companies that provide negative abnormal returns. With this proof, it can be concluded that the average company that carries out mergers and acquisitions in Indonesia does not prioritise emotions in carrying out its transactions, but rather the action is carried out based on a truly detailed and integrated analysis and survey which is good because the company will run in accordance with the vision and mission that was previously formed.

CONCLUSION

After obtaining data and performing regression calculations on each company that has carried out merger and acquisition transactions in the period 2017 to 2021, two conclusions were found, namely the existence of factors that affect abnormal returns which show positive values on the relationship between variables and no factors were found that affect abnormal returns which show negative values on the relationship between variables. From the calculation of the data above, it shows that the nominal value of the positive abnormal return is 22 companies where this figure is greater than the negative abnormal return value of 20 companies so that it can be concluded that the five variables used in this study include Return on Asset (ROA), Return on Equity (ROE), Total Asset Turnover (TAT), Fixed Asset Turnover (FAT), and Gross Profit Margin (GPM) have an effect but are not significant to changes in abnormal returns that occur in

public companies that carry out mergers and acquisitions in Indonesia. This can be proven through the p-value obtained in the regression calculation where none of the dependent variables (X) show significant criteria where the requirement must be a maximum of 10%. Apart from that, through regression, it can be seen that this model does not fit because the f-significance exceeds the significance limit that should be 10%.

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