The aftermaths of acquisition in Indonesia

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Abstract: Indonesia is entering a new phase of the business competition after the launching of the Government Regulations No. 57 of 2010 about Mergers and Acquisition. A drastic inclination in numbers of acquisition deals indicates that the acquisition is a technique to show power and dignity yet might result in losing focus on improving the operating performance. Therefore, this paper aims to examine the post-acquisition operating performance of acquirer companies. Their financial performances are reflected by financial ratios which are calculated based on the accounting information from the financial statements. Data are gathered from one year to three years prior and following acquisition years and compared the significance using the Wilcoxon signed-rank test. The total population is 322 acquisition transactions. The results show that asset efficiency, the level of debt, and profitability worsen after the acquisition deals, whereas liquidity and stock price are not impacted.

Keywords: acquisition; assets efficiency; financial performance; financial ratio analysis; leverage; liquidity; market prospect; merger; profitability; Indonesia.

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1 Introduction

Most publicly traded companies seek to acquire stocks, assets, or other ways to transfer or combine ownership. It has become a trend in these last three decades, especially in emerging economies. The value of global mergers and acquisitions reached US$2.2 trillion (Valentini, 2016).

Mergers and acquisitions have been booming in Indonesia since the Government Regulation No. 57 of 2010 is in force. From 2010 to 2018, a total of 481 deals were approved by the Indonesian government, among which 69 transactions occurred in 2018 (retrieved from http://www.kppu.go.id/id/merger-dan-akuisisi/ on 26 December 2018). Unless they examined thoroughly, this rocketing volume might cause failure and performance dissatisfaction (Vrontis et al., 2012). As Indonesia is officially new to regulate business combination, more literature of empirical studies related to merger and acquisition in emerging countries is necessary to be a guidance and lesson learned.

There are some reasons of a company to make an acquisition, such as to penetrate the wider industry, to diversify products or services, as well as to control the supply of raw material supply or to market the finished products. According to Valentini (2012), acquisition can help companies to grow faster, achieve financial synergy, and receive more access to capital growth. Moreover, the highest priority should be to improve financial performance and the wealth of shareholders.

Not only as a method for operational stabilisation, are acquisitions often used to create news within the industry and to catch attention from the government. Companies usually alert government about their potential acquisition to anticipate 'too-big-to-fail' (Beccalli and Frantz, 2013) as gaining this status enables them to obtain cost-of credit advantages over smaller competitors (DeYoung et al., 2009).

Acquisitions can be a highway to hell. Kennedy et al. (2006) found that several acquisitions fail to show the expected benefits to shareholders. One of the reasons why shareholder value can be destroyed is because of the large deals which comprise the bulk of acquisition market value (Alexandridis et al., 2017). Some real cases of worsening financial performance and the diminishing of value are the cases of XL Axiata-Axis merger (TeleGeography, 2014), AOL-Time Warner merger (Rita Gunther Mcgrath, 2015), and Microsoft-Nokia acquisition (Darrow, 2017).

There is voluminous research about the impact of merger and acquisition activities on financial performance in developed and developing countries, such as in the USA, UK, India, Malaysia, and Pakistan. However, limited numbers of research talked about the aftermath of the business takeover in Indonesia. Therefore, this confirmative study aims to investigate the impact of the acquisition deals on the financial performance of Indonesian acquiring companies. The result of this paper can be used by managerial boards and other corporate decision-makers to know if acquisitions are a strategy to boost financial performances. In the end, it answers the research questions of (RQ1) do acquisition deals decrease the performance of Indonesian acquiring companies, and (RQ2) Do the performance indicators correlate each other?

2 Literature review

Every type of business combination in Indonesia is being watched by the government under the Commission for the Supervision of Business Competition or KPPU (*Komisi Pengawas Persaingan Usaha – www.kppu.go.id*). Companies in the country should avoid monopoly and other unfair business practices. Any intention to do merger and acquisition should notify the Commission if the consolidated companies reach the threshold of the asset value of 2.5 trillion rupiahs or sale value of 5 trillion rupiahs. This requirement is ruled in the Government Regulation No. 57 of 2010 on Merger or Consolidation of

Business Entities and Acquisition of Company Shares that May Cause Monopolistic Practices and Unfair Business Competition.

Most of the deals in Indonesia are domestic transactions because Indonesia is new to regulate merger and acquisition officially. Businesses are still reactive to the implementation of the Regulation. The number of deals has been increasing in these ten years, as shown in Figure 1. The government's website also shows that 50 deals have been listed to the government before the first half-year of 2019.

Figure 1 Number of merger and acquisition in Indonesia

An acquisition can be made in a domestic, cross-border, or international scope. Unlike cross-border and international takeovers which handle interdisciplinary dialogues like economics, finance, law, international business, and strategy (Xie et al., 2017), domestic acquisition is explained in a more straightforward context yet more in-depth.

An acquisition can be addictive since the acquiring companies usually engage in a subsequent deal as the experience opens a broader knowledge and networks (Collins et al., 2009). However, not all acquiring companies have capabilities to improve their performance by learning from prior experience (Reis et al., 2015). Some acquisitions cannot maximise shareholder's wealth as a result of a principal-agent relationship uncertainty (Tampakoudis, 2010). Researchers from various countries have been debating whether an acquisition is an effective way to improve financial performance.

In the UK construction industry, Delaney and Wamuziri (2004) found that abnormal returns of the target firms are minimal after the announcement and there is a small excess return of 0.97% on the bidding firms. In the US pharmaceutical industry, Hassan et al. (2007) also discovered short-term and long-term abnormal returns as well as efficiency effect following the acquisitions. In the cases of the European banking industry, Hagendorff and Keasey (2009) agreed that the banks experience efficiency by cost-cutting on labour costs and lending, and Drymbetas and Kyriazopoulos (2014) found that acquisition benefits acquiring banks in the long-run from the synergetic gains. In the high emerging economy of Malaysia, Rahman and Limmack (2004) found that operating performance improved as a result of both increases in return on sales and asset turnover. Kumar and Bansal (2008) in India also found higher cash flow, more business, diversification, and cost cuttings in the acquiring firms. Rani et al. (2015) identified that profitability and liquidity significantly improve; operating cash flow and efficiency level shows improvement on Indian acquisition cases.

However, Kumar (2009) argued that profitability, asset turnover, and solvency show no improvement after the deals in India. Uddin and Boateng (2009) also found that UK acquirer companies do not obtain statistically positive stock returns. Srinivasa Reddy et al. (2013) also found no significant evidence for financial performance to improve on those Indian manufacturing and service firms. Jayaraman et al. (2014) discovered that technical efficiency deteriorates on Indian post-merger activities, and no significant effect is found for profitability as well as operational cost. More, Lebedev et al. (2015) uncovered that the average performance of acquiring companies in emerging economies was found deteriorated following the acquisition year. The latest research of Harp and Barnes (2018) in the US market also found that acquisitions contribute significant value-destroying consequences. Sergi et al. (2019) also agreed that in many acquisitions, buyers' or acquiring companies' value usually drops. Table 1 summarises findings from related studies.

In emerging economies, there is no trend of creating or destroying shareholders' value of acquirers (Lebedev et al., 2015). This absence of consensus elevates the motivation to obtain more information regarding acquisitions in developing countries. Specifically, there is no single paper published in international journals discussing the case of Indonesia.

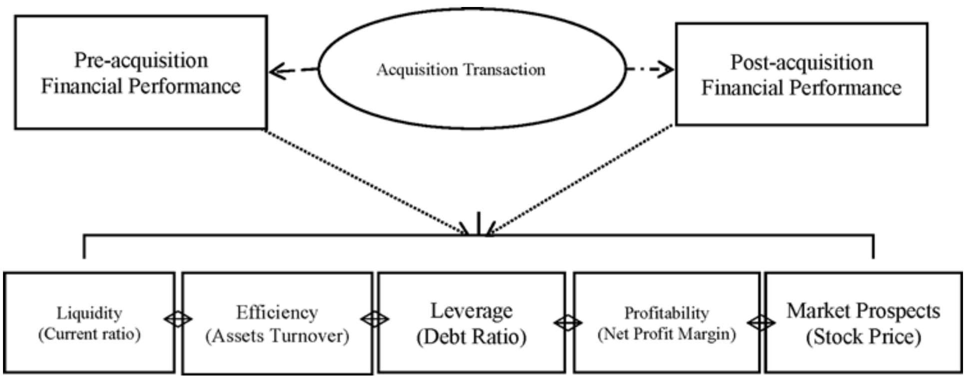
Table 1 Summary of related studies

Author(s)	*Sampling level*	*Country*	*Key findings*
Sharma and Ho (2002)	National	Australia	• Operating performance does not improve.
Delaney and Wamuziri (2004)	Construction industry	UK	• Merger activities create wealth for target firms' shareholders.
Rahman and Limmack (2004)	National	Malaysia	• Operating performance improves significantly.
Hassan et al. (2007)	Pharmaceutical industry	USA	• Acquisition activities involving US transactions create short-term abnormal returns while "mergers" activities do not and that acquisitions create value to the pharmaceutical industry, while mergers do not destroy value.
Al-Sharkas et al. (2008)	Banking industry	India	• Merged banks are more efficient than unmerged banks.
Kumar and Bansal (2008)	National	India	• Most of the performance measurements improve.
Hagendorff and Keasey (2009)	Banking industry	USA and EU	• There is no effect on US companies, but there is a positive impact on EU banks.
Uddin and Boateng (2009)	National	UK	• The companies do not earn statistically significant, positive abnormal returns in the short-run.
Kwoka and Pollitt (2010)	Electric utilities industry	USA	• There is no performance improvement.
Agorastos et al. (2011)	Regional	Greek and Southeast Europe	• International M&A experience better performance than domestic M&A after the deals.

Table 1 Summary of related studies (continued)

Author(s)	*Sampling level*	*Country*	*Key findings*
Bertrand and Betschinger (2012)	National	Russia	• Performance deteriorates.
Nguyen et al. (2012)	National	USA	• Value-increasing and value-decreasing motives may coexist.
Bhabra and Huang (2013)	National	China	• The performance remains positive, lower, and insignificant.
Srinivasa Reddy et al. (2013)	Manufacturing and Service	India	• The performance after acquisition significantly increases.
Khanal et al. (2014)	Ethanol-based biofuel industry	USA	• There is a positive gain.
Ratcliffe et al. (2017)	Real estate investment trust	Australia	• The abnormal return is significantly positive.
Rani et al. (2015)	National	India	• The performance of the acquiring firms shows improvement in the long run.
Rao-Nicholson et al. (2016)	Regional	Southeast Asian Countries	• It has lower performance.
Shah and Khan (2017)	Banking industry	Pakistan	• The performance deteriorates.
Kiesel et al. (2017)	Logistics service industry		• The performance is significantly positive.
Srivastava (2018)	Sun pharmaceutical		• Overall performance of the acquirer improves.
Nderitu and Ndiritu (2018)	Processed milk companies	Canada	• Market shares of the merging firms improve.

Figure 2 Research framework



Considering the research objective and the literature review above, the framework of this paper is drawn, as shown in Figure 2. Therefore, the hypotheses are constructed as follows:

1 The liquidity of acquiring companies decreases after acquisition activities (H1).

2 The efficiency of acquiring companies decreases after acquisition activities (H2).

3 The leverage of acquiring companies increases after acquisition activities (H3).

4 The profitability of acquiring companies decreases after acquisition activities (H4).

5 The market prospect of acquiring companies decreases after acquisition activities (H5).

3 Methodology

3.1 Sampling

The Government Regulations No. 57 of 2010 of Indonesia says that the consolidated companies that reach the threshold of the assets value of 2.5 trillion rupiah (+/–165 million dollars) and sale value of 5 trillion rupiahs (+/–330 million dollars) are required to notify the Commission. Therefore, the first characteristic of our sampling is acquiring companies that involved in a big acquisition transaction.

Three hundred twenty-two acquisition transactions happened during 2010-2016 in Indonesia reported by the Commission for the Supervision of Business Competition. Out of 322 deals, only 19% was conducted by public companies that provided accessible financial accounting information. Financial businesses that provide banking and insurance services have a unique format in financial reporting and cannot be comparable to other companies, so they need to be taken out from the samples. Delisted companies in 2017 are also excluded as samples. At last, there are 34 acquisition cases work as samples in this research. This sampling technique is summarised in Table 2.

Table 2 Sampling attrition

	Prerequisites	*Number of acquisition transactions*
The acquisition transaction is approved by the Indonesian Commission for the Supervision of Business Competition		322
Less:	The acquirers are not listed on the Indonesian Stock Exchange	(261)
	The acquirer companies are financial service business	(12)
	Acquiring more than one companies in the same year	(11)
	Others: (listed on IDX until 2017 and outliers)	(4)
The final number of samples		**34**

3.2 Data collection

The financial information from three years before (Y–3) until three years after (Y+3) the acquisition years is extracted from the financial statements downloaded from the website of the companies. The data is financial accounting information, such as financial ratio and stock price.

3.3 Variable operationalisation

Most previous researchers examined the post-M&A performance by the abnormal return, which is used for day-to-day performance test and more suitable for big samples. Since this study has relatively small samples, it is more appropriate to utilise financial ratios for operating performance measurement, instead of using abnormal return.

The five performance examined in this study includes liquidity, leverage, efficiency, profitability, and market prospect. Measuring these five performances in a single study is believed as a comprehensive approach to evaluate how well companies are operating.

In this study, we conduct the one-to-one assessment, one ratio to measure one performance. The financial ratios comprise current ratio for liquidity, debt ratio for leverage, asset turnover for asset efficiency, net profit margin for profitability, and stock market for market prospect. The remark in Table 3 provides the names of authors who used the same ratio in their research to measure the post-M&A performance.

Table 3 Variable operationalisation

Financial ratio	*What to measure*	*Remark*
Current ratio	The capability to pay short-term debts	Rashid and Naeem (2017), Bertrand and Betschinger (2012), Yang et al. (2019)
Debt ratio	The composition of debt funding	Alexandridis et al. (2017), Altunbaş and Marqués (2008)
Asset turnover	The level usage of assets in generating revenue	–
Net profit margin	The profit portion from the sales	Rashid and Naeem (2017) and Chi et al. (2011)
Stock price	The share value	–

3.4 Data analysis method

This research paper agreed to the suggestion of Bernad et al. (2010) stating that whatever the method used to examine the consequences of merger and acquisition, research should take a long-run analysis. Furthermore, a short-run analysis, such as daily abnormal return may satisfy investors, but it does not work well on the fundamental side (Chi et al., 2011). That is why this study examines the impact of acquisition at one-year (–1, +1), two years (–2, +2), and three years (–3, +3) before-after acquisition.

Data are processed using statistical tools to conclude the result promptly. To answer the research question 1 (RQ1), the data are processed through the Wilcoxon Signed Ranks test. To answer the research question 2 (RQ2), it is tested by Spearman’s Rho.

4 Results and findings

4.1 Liquidity

Liquidity can be measured by the current ratio, which is derived from dividing current assets with current liabilities. It is usually used by short-term creditors, such as financial service institution to scale their existing and prospective debtors’ ability to pay the short-term debt within one year. A higher current ratio means a stronger power to pay current debts.

The uptrend of both current assets and current liabilities can be seen in Figure 3, but there is a slight downward slope at one year before the acquisition. At Y+3 period, the current assets increase vastly, which may indicate increases in cash collection. A more in-depth observation might be needed to see which current assets elements increase substantially.

Table 4 showcases the statistical results to test hypothesis 1. At one year before-after the acquisition, the average current ratio decreases for 0.09, and it implies that acquisition activities can worsen the liquidity of acquiring companies. For the periods of (–2, +2) and (–3, +3), the current ratios increase to a small extent, which suggest that acquisition can escalate the liquidity of acquirer companies. These statistically insignificant effects explain that acquisition cannot cause a meaningful impact on liquidity. Due to this, the first hypothesis (H1) cannot be accepted.

Figure 3 Attributes of the current ratio

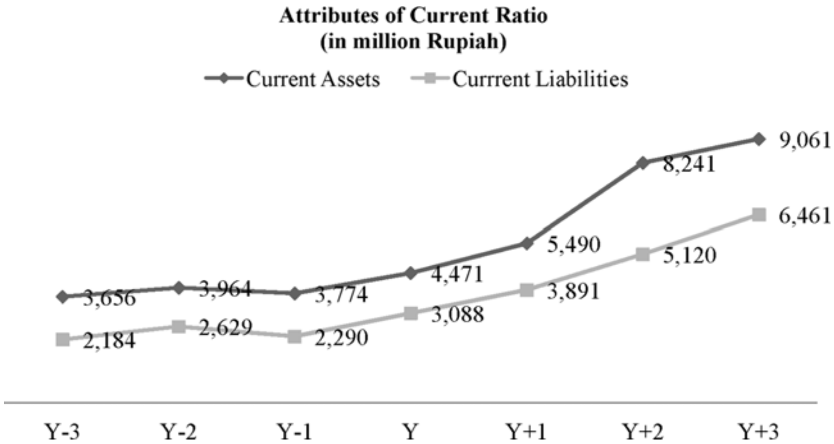


Table 4 Statistical results of current ratio for liquidity

Descriptive statistics and test statistics				
Before, after	*N*	*Mean before acquisition*	*Mean after acquisition*	*Sig.*
Current ratio				
(–1, +1)	34	2.2971	2.2074	0.478
(–2, +2)	26	1.9165	2.2869	0.638
(–3, +3)	17	1.9400	2.3859	0.619

4.2 Efficiency

Efficiency can be measured by asset turnover, dividing total revenues or net sales with total assets. It explains the efficiency level of a company to generate revenues by using its every rupiah of assets.

Figure 4 Attributes of asset turnover

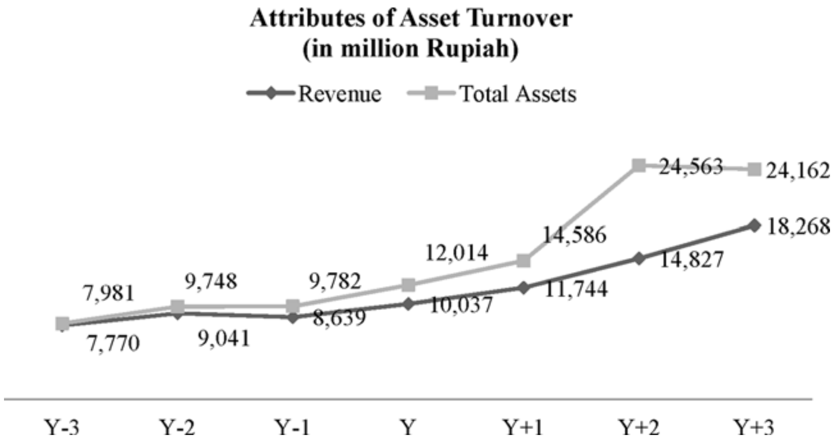


Figure 4 shows an up-hilling slope for both lines of revenues and total assets. The total assets doubled to 25 billion Rupiah at two years after the acquisition deals. However, a more significant change of assets compared to that of revenues will lower the asset turnover ratio. Table 5 shows that the asset turnover of two years after the acquisition is the lowest during the seven-year range.

Table 5 Statistical results of asset turnover for efficiency

Descriptive statistics and test statistics				
Before, after	*N*	*Mean before acquisition*	*Mean after acquisition*	*Sig.*
Asset turnover				
(–1, +1)	34	0.9226	0.7994	0.172
(–2, +2)	26	0.9962	0.7273	0.002
(–3, +3)	17	1.2147	0.7482	0.002

All of the mean value of asset turnover decreases which reflects inefficiency in using assets to generate sales. The worsening asset efficiency is caused by the increasing of assets is not followed by a higher increment of sales. As the company size is bigger, it cannot manage its asset usage.

The decreasing of asset efficiency is not significant in the short-term period. Despite that, asset efficiency is significantly worsening for longer periods. Due to this, the second hypothesis (H2) is accepted.

In the USA, where studies on acquisition are done in a more specific industry, the outcome of acquisition is different compared to emerging economies such as Indonesia. A study in the US electric power sector showed that acquiring companies obtain a little or no gains on efficiency performance because the acquirers overtake a better-performing target company (Kwoka and Pollitt, 2010). For the banking industry, which is neglected in this study, the cost and profit efficiency was also statistically better after acquisition (Al-Sharkas et al., 2008).

4.3 Leverage

Asset purchasing can be funded by debt and equity. Both types of financing have their own risk. Liabilities, another word for debts, are a third-party source of the fund which can be collected from credit suppliers or banks. More liabilities indicate more future interest expense plus principles to be paid at the maturity. Leverage, the level of liabilities financing, can be measured by debt-ratio, which explains every rupiah of debt to finance assets.

Figure 5 shows both assets and liabilities are growing proportionately. At one year before-after the acquisition year, the assets increase for 67% and liabilities for 60%. For the same period of time, as shown in Table 6, the change in the debt ratio is significant with 90% confidence level. It, then, concludes that the third hypothesis is accepted.

Figure 5 Attributes of debt ratio

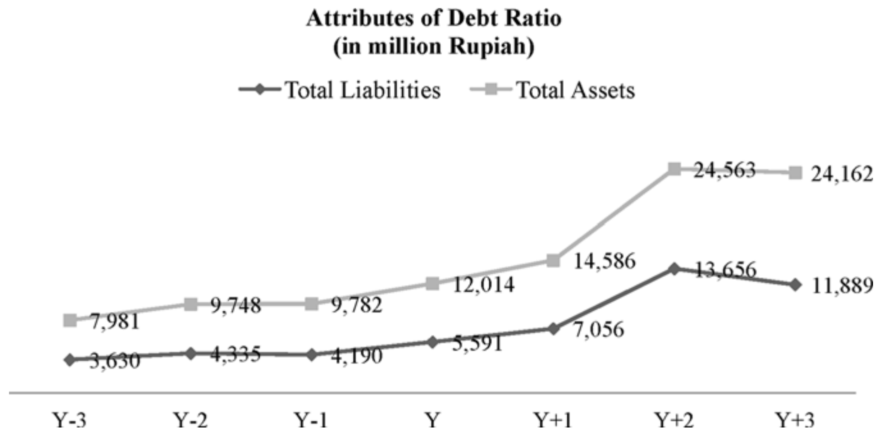


Table 6 Statistical results of debt ratio for leverage

Descriptive statistics and test statistics				
Before, after	*N*	*Mean before acquisition*	*Mean after acquisition*	*Sig.*
Debt ratio				
(–1, +1)	34	0.3850	0.4368	0.072
(–2, +2)	26	0.4365	0.4165	0.959
(–3, +3)	17	0.4612	0.4476	0.737

The portion of internal funding is still bigger than loans, but the debt is higher significantly comparing a year before and after the acquisition year. As a loan needs to be paid the principal plus interest to creditors, borrowers will have a more limited free cash flow (Mrad, 2015). This is why higher debt ratio can lead to worsening performance. However, loans may be a better option if companies want to minimise the risk of reliance from internal funding or shareholders (Soedarmono et al., 2019).

Acquirers finish the deal to show power among the competitors, and hubris (overconfidence) can lead to overpayment of a target. Due to the lack of fund, the acquirer needs third-party financing more than the actual value of the acquired company (Kandil and Chowdhury, 2014). That is why the decision to acquirer companies looks more emotional than rational (Srivastava, 2018). In more dramatic cases, target companies increase debt before the acquisition to look less attractive (Harrison et al., 2015), which can increase the total debt in the acquirer's consolidated balance sheet.

Large-sized acquiring companies suffer from substantial shareholders' wealth destruction because of managerial self-interest and hubris (Bhabra and Huang, 2013). In other words, wealth creation is usually pursued by small and mid-sized acquiring companies (Kohli and Mann, 2012) which has restricted capital. To conclude, the acquirer is less susceptible to hubris-motivated leverage if it has limited retained earnings (Ratcliffe et al., 2017).

4.4 Profitability

Profitability can be measured by dividing revenues with net profit which is the so-called net profit margin. As depicted in Figure 6, there is a considerable increment in revenues from 7.8 billion to 18 billion rupiahs from Y–3 to Y+3. Within the time scope, the average net profit slightly increased from one billion to 1.7 billion rupiahs. The acquirers' combined financial statements show a considerable increasing in revenue and relatively similar net profit. It might be due to an extreme increase in expenses, such as interest expenses.

The statistical result to test hypothesis 4 is exhibited in Table 7. The net profit margin at (–3, +3) period decreases significantly from 0.1459 to –4.3341. It indicates that acquisition activities materially worsen the profitability in more extended periods. Therefore, the fourth hypothesis (H4) is accepted.

Figure 6 Attributes of net profit margin

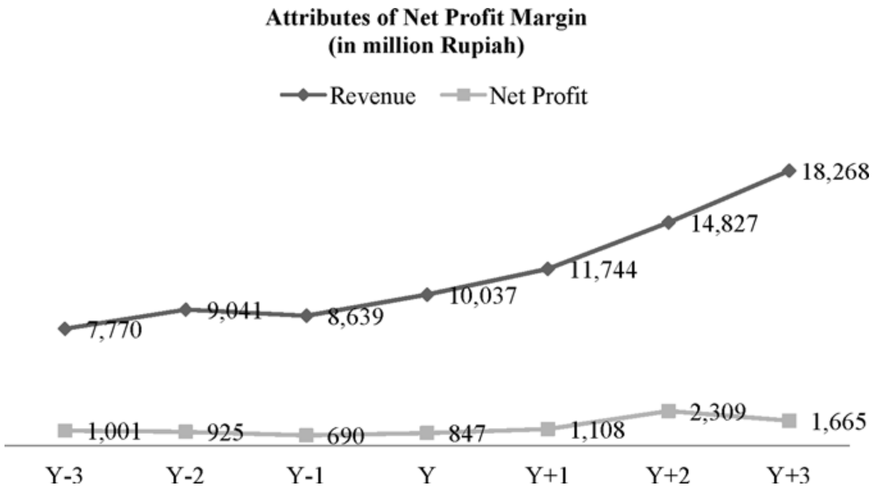


Table 7 Statistical results of net profit margin

		Descriptive statistics and test statistics		
before, after	*N*	*Mean before acquisition*	*Mean after acquisition*	*Sig.*
Net profit margin				
(–1, +1)	34	0.1021	0.1006	0.634
(–2, +2)	26	0.2158	0.5731	0.353
(–3, +3)	17	0.1459	–4.3341	0.052

4.5 Market prospects

Share price tells the image of a company in the stock market. An increasing price means more shareholders want to own the share of the companies, therefore, a better prospect for the company.

The market prospect is measured by the stock price movement. The average stock price, as shown in Figure 7, is entirely fluctuating and does not show any trend. Based on the line graph, almost no changes are found in the stock price at the pre- and post-acquisition period.

Figure 7 Stock price

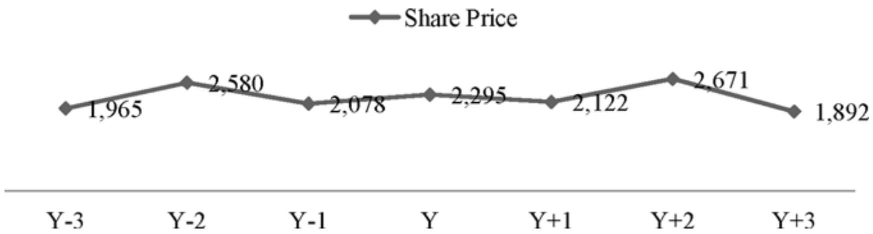


Table 8 confirms the non-acceptance of the fifth hypothesis (H5) as there are no statistically significant changes in stock price during the observed periods. However, it is found that the average stock prices increase during (–1, +1) and (–2, +2) periods. This result is similar to the study by Khanal et al. (2014) which found that the market prospect of acquiring companies improved in the US ethanol-based biofuel industry. In a smaller economy, such as Pakistan, the average CAR (cumulative abnormal return) also improved but not statistically significant (Bashir et al., 2011).

Table 8 Statistical results of stock price for market prospect

		Descriptive statistics and test statistics		
Before, after	*N*	*Mean before acquisition*	*Mean after acquisition*	*Sig.*
Share Price				
(–1, +1)	34	2078	2122	0.387
(–2, +2)	26	2580	2671	0.212
(–3, +3)	17	1965	1892	0.255

4.6 Correlation test result

This section is supplementary, which is not to confirm any hypothesis. At 95% confidence level, the current ratio negatively correlates to debt ratio and positively correlates to the other four financial measurements. This result can indicate that while having better liquidity, the company is less leveraged, more efficient in using its assets, more profitable, has a higher stock price. Table 9 exhibits the correlation degree among the five measurements.

Table 9 Correlation test result

			CR	*ATO*	*DR*	*NPM*	*SPrice*
Spearman's rho	CR	Correlation coefficient	1.000	0.336**	–0.491**	0.123*	0.206**
		Sig. (1-tailed)	–	0.000	0.000	0.046	0.002
		N	188	188	188	188	188
	ATO	Correlation coefficient	0.336**	1.000	–0.037	–0.271**	0.179**
		Sig. (1-tailed)	0.000	–	0.308	0.000	0.007
		N	188	188	188	188	188
	DR	Correlation coefficient	–0.491**	–0.037	1.000	–0.101	–0.100
		Sig. (1-tailed)	0.000	0.308	–	0.083	0.087
		N	188	188	188	188	188
	NPM	Correlation coefficient	0.123*	–0.271**	–0.101	1.000	0.133*
		Sig. (1-tailed)	0.046	0.000	0.083	–	0.035
		N	188	188	188	188	188
	SPrice	Correlation coefficient	0.206**	0.179**	–0.100	0.133*	1.000
		Sig. (1-tailed)	0.002	0.007	0.087	0.035	–
		N	188	188	188	188	188

*Correlation is significant at the 0.05 level.

**Correlation is significant at the 0.01 level.

5 Conclusion

Acquisitions are a crucial business decision to improve the performance of the company. This empirical research finds that acquisition deals statistically decrease asset efficiency, increase leverage, and decrease profitability, but do not affect liquidity and market prospect. Additionally, based on the correlation test, the current ratio is correlated to all measurements, the debt ratio is negatively correlated to current ratio, the stock price is positively correlated with net profit margin and assets turnover, and net profit margin is negatively correlated to assets turnover.

Based on this finding, the decision to process an acquisition deal can deteriorate efficiency, level of debt, and profitability. At this moment, the acquisition is not the best strategy for the acquirers to improve their performance. Since Indonesia is officially new to the acquisition rules, documentation, and registration, acquiring companies may have motives other than to improve performance. Stojanovic and Pavkovic (2009) argued that acquisition does not necessarily give positive impact or benefit to shareholder and management because a business combination is usually aimed for other purposes rather than an improvement on operation performance, such as product diversification, management image, geographic coverage, and growth with lower costs. Despite that, companies can earn more value from acquisition transactions if managers of acquiring companies acted at their best on behalf of the owners (Mueller and Schiereck, 2011) and learn from mistakes and other harmful impacts from previous experience (Bertrand and Betschinger, 2012).

Table 10 displays the summary of hypothetical testing results. The result can contribute to both academic and practical implications. For scholarly contribution, this finding fills the research gap for literature purposes. In the form of practical, managerial teams must be aware of the risks that can damage the business performance after accepting the acquisition transactions.

Table 10 Summary for hypothetical results

	Statistical result			
Ratios	*–1, +1*	*–2, +2*	*–3, +3*	*Hypothetical result*
Current ratio	Decrease	Increase	Increase	H1 is not accepted!
	Insignificant	Insignificant	Insignificant	
Assets turnover	Decrease	Decrease	Decrease	H2 is accepted!
	Insignificant	Significant	Significant	
Debt ratio	Increase	Decrease	Decrease	H3 is accepted!
	Significant	Insignificant	Insignificant	
Net profit margin	Decrease	Increase	Decrease	H4 is accepted!
	Insignificant	Insignificant	Significant	
Stock price	Increase	Increase	Decrease	H5 is not accepted!
	Insignificant	Insignificant	Insignificant	

This paper works as stepping-stone research about acquisitions in Indonesia. Therefore, some limitations can be found in the methodology and findings. The limitation of this research includes:

- this paper uses fundamental financial ratios which are used as a one-to-one evaluation
- the sample size is relatively small since it takes only public companies as the sample
- this study does not elaborate the effect of acquisitions on target companies.

To complement this research, there are some recommendations and advice for further studies. Recommendations for future researchers can be:

- next studies should utilise more indicators to measure performances, such as the acid-test ratio, return on assets, working capital to total assets ratio, or earnings per share
- future researchers should broaden the samples by including non-public acquiring companies

- exploration on the operating performance after acquisitions should be conducted and compared to the acquisition impacts on the operating performance of acquired companies.

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