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Do Mergers Matter? Financial Performance Insights from Financial and Non-Financial Sector Firms Listed in Indonesia Stock Exchange

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Abstract: The COVID-19 pandemic significantly impacted global business activities, including a sharp decline in successful mergers and acquisitions (M&A), with failure rates reaching 70–90% in 2020. Despite this, a notable number of M&A transactions still occurred in Indonesia, especially within the financial and non-financial services sectors. This study compares company performance before and after mergers, using market ratios: Price-to-Earnings Ratio (PER), Price-to-Sales Ratio (PSR), and Price-to-Book Ratio (PBV), as indicators of potential returns and risks for investors. The sample consists of Indonesian companies that merged in 2020 and are listed on the Indonesia Stock Exchange, with financial statements available for three years before and after the merger. Data were analyzed using the Kolmogorov-Smirnov test, followed by the Wilcoxon Signed-Rank Test. The results show no significant differences in PER, PSR, or PBV pre- and post-merger. This study contributes to the literature by highlighting the limited effectiveness of mergers, particularly during crisis periods, and provides practical insight into the use of market ratios for evaluating merger success from an investor's perspective.

Keywords: financial restructuring, market ratios, mergers and acquisitions, post-merger, pre-merger.

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INTRODUCTION

Changes in world economic conditions and massive technological developments have made business competition tighter, so there needs to be strengthening in terms of solid business strategies. Competition both

globally and domestically requires companies to restructure their business strategies towards sustainability to survive for the long term (Suryaningrum, 2023).

The reasons for companies to restructure their business strategies include increasing sales, operational efficiency, and improving company management. However, the most important thing is to increase company profits (Kurniasari, 2023). One common corporate strategy is merger, which is expected to increase synergy between companies after the merger is carried out so that it can improve company performance. Mergers and acquisitions, if executed correctly, can create value and synergy for the company (Gupta et al., 2021), but mergers and acquisitions can backfire on companies with high uncertainty and risk (Tang et al., 2021) so that investors seek higher returns as compensation if they put their money in companies that carry out mergers and acquisitions.

Merger is defined as a combination of two or more companies to form a new entity where there is a unification of assets, liabilities and operations of each merged company to the merging company without any pressure from either party (Yadaf et al., 2021; Cho & Chung, 2022). In the concept of merger, there is a willingness to join between several companies with one company that is merging with the aim of strengthening market share, diversifying products or services, and operational cost efficiency where the assets, liabilities, and operations of the merged company become part of the merged company (Cumming et al., 2023).

However, due to the pandemic in 2020–2021, the impact on business globally has made merger practices slightly hampered. Based on global data, the total number of companies that failed to carry out mergers and acquisitions in 2020 was 70% to 90%. Several things that caused the failure, including the failure to achieve the objectives of the merger and acquisition both during the negotiation period and the integration of business strategies after the merger and acquisition were carried out (Harvard Business Review, 2009). In addition, the COVID-19 pandemic has exacerbated the challenging business situation, global economic uncertainty, and strict regulatory changes during this period (Sourcescrub, 2020). However, surprisingly, based on literature data, both online and offline, different results were found regarding the impact of mergers and acquisitions during the 2020 period globally, especially in ASEAN region. This is also used as a general comparison of this study as the basic reason for the success or failure of mergers from samples in Indonesia compared to other ASEAN countries.

The phenomenon of mergers and acquisitions in Indonesia in the 2020–2023 period is quite surprising, where even though there was a drastic increase in 2020–2022, a decline was felt at the end of 2023. KPPU, which is Indonesia's independent government body responsible for overseeing and enforcing fair business competition, registered that in 2020 there were 195 merger and acquisition companies, in 2021 there were 233 merger and acquisition companies, in 2022 there were 300 merger and acquisition companies, in 2023 there were 112 merger and acquisition companies (Komisi Pengawas Persaingan Usaha, 2020). Evaluation of company performance as an output of mergers and acquisitions is the main key to whether the new business strategy implemented has succeeded in supporting and even increasing the company's competitiveness both globally and domestically.

Company performance measurement can be seen from the company's annual report, where the report can show the level of success, achievements and ability of the company in allocating resources effectively and efficiently (Megeid, 2024). Internally, company performance can generally be seen from the activity ratio, liquidity ratio, solvency ratio, and profitability ratio, where each ratio can describe the company's ability to carry out daily company activities (activity ratio), the company's ability to finance operations and meet short-term obligations to third parties (liquidity ratio), the company's ability to generate profits (profitability ratio), and the company's ability to pay off both short-term and long-term debts using owned assets (solvency ratio).

While externally, company performance can be measured using the market ratio or valuation ratio, where this ratio emphasizes the company's ability to increase the company's market value in the form of stock prices and/or stock returns so that it can attract investors. Market ratio measurements used include earnings-per- share (EPS), price-to-earnings ratio (PER), price-to-book ratio (PBR/PBV), price-to-sales ratio (PSR), market-to- book ratio, and dividend yield (Colline & Anwar, 2021). Market ratios or valuation ratios are often used by investors in forming their investment portfolios, especially in measuring investment returns and risks. Even in some studies, measuring investment portfolio performance uses a combination of market data (external) and accounting data (internal). The performance of the stock portfolio can be seen from how accurate the market ratio is in predicting stock prices (Han & Kim, 2021).

Previous research on the market ratio or valuation ratio in companies that have merged and acquired has found varying results. Borodin, et al. (2020) showed an increase in PER and PBV after the merger activity, which indicates a profit prospect for investors after the merger. Herghiligue, et al. (2024) also showed an increase in PBV in European Union companies after mergers and acquisitions were carried out.

Different results were shown in a study conducted by Akhbar et al. (2021) which found a decrease in PER due to mergers and acquisitions. From previous studies measuring company performance after a merger with a valuation ratio (market ratio), very few used the Price-to-Sales ratio (PSR) as comparative data, making it difficult for the author to find a comparison from the results of previous studies on this ratio. This is what makes the author interested in using the Price-to-Sales ratio (PSR) as one of the measurements of the market ratio or valuation ratio in this study.

This study focuses more on the merger phenomenon, thus emphasizing financial services and non-financial services companies registered with the Business Competition Supervisory Commission (KPPU) in 2020 and listed on the Indonesia Stock Exchange. Based on KPPU data in 2020, out of 195 companies that carried out mergers and acquisitions, there were only 41 financial services and non-financial services companies that merged in Indonesia. Of the 41 companies, this study obtained 10 samples of companies that were registered on the Indonesia Stock Exchange and the availability of complete financial reports yr -3 before the merger and yr +3 after the merger.

Tampakoudis & Anagnostopoulou (2020) finds in terms of ESG performance the market value of the acquired company has increased in EU companies. This study is a continuation of the study conducted by Hakim, et al. (2025) which is aimed to analyze determinants of profitability performance (ROA, ROE, and PER) of Indonesia's state-owned enterprises, using mergers and acquisitions as moderating factors. The research was driven by concepts of merger and acquisitions as catalysts of fundamental performance after holdingization policy takes place to a better corporate performance. Hakim, et al. (2025) used profitability ratios (ROA & ROE) and market value (PER) as performance indicators with revenue, liquidity ratio, and leverage as fundamental factors to be independent factors. In terms of merger and acquisitions as mediating to performance, this research indicates significant effect on PER. Therefore, investors use mergers and acquisitions news to earn potential higher capital gain. This research focuses on the changes in market value using price-to-earning (PER), price-to-sales (PSR) and price-to-book value (PBV) before and after the merger.

This study focuses on merger activities among financial and non-financial services companies registered with the Business Competition Supervisory Commission (KPPU) in 2020 and listed on the Indonesia Stock Exchange (IDX). Out of 195 merger and acquisition cases recorded in 2020, only 41 involved financial or non-financial service companies, and from these, only 10 met the sample criteria with complete financial data for three years before and after the merger. Unlike prior studies that primarily examined internal performance indicators such as liquidity, solvency, and profitability, this research emphasizes external market-based measures: Price-to- Earnings Ratio (PER), Price-to-Sales Ratio (PSR), and Price-to-Book Value (PBV). These ratios

are particularly relevant for investors, as they directly reflect market perceptions of value, growth potential, and risk (Zhu et al., 2021).

A key contribution of this study lies in its comparative approach across a six-year window (three years before and after the merger), providing a broader and more robust perspective on post-merger financial outcomes. Additionally, this research expands upon prior work by incorporating PSR, a market ratio that is still rarely used in merger studies in Indonesia. By highlighting the absence or presence of significant changes in market performance after mergers during a time of global uncertainty, this study provides both theoretical insight into merger outcomes and practical guidance for investors and corporate decision-makers assessing merger strategy effectiveness.

METHODS

This study uses a quantitative approach where the research data are financial reports from financial services and non-financial services companies that merged in the 2020 period registered with the Business Competition Supervisory Commission (KPPU) and have been registered on the Indonesia Stock Exchange (IDX). The 2020 period was used as the basis for the merger because it coincided with the COVID-19 pandemic which affected the investment and trade climate globally so that it was expected to show quite significant differences when the merger was carried out.

Non-probability sampling approach with the purposive sampling method is used in sorting data samples. Hypothesis analysis testing uses the Kolmogorov-Smirnov Test and the Paired Sample T-Test if the data has been normally distributed. If the research data found Not yet normally distributed, then Wilcoxon Signed- rank Test is performed. Kolmogorov-Smirnov test is generally used in normality test if the sample value is > 50 and is normally distributed with a significant level above 0.05 ($\alpha > 0.05$). If it is not normally distributed ($\alpha < 0.05$), then Kolmogorov-Smirnov test needs to be tested Wilcoxon Signed Rank Test. The financial report data used were 3 years before (yr -3) and 3 years after (yr +3) after the merger was carried out. The selection of a three-year period before and after the merger (±3 years) is intended to capture a more comprehensive view of the company's financial performance, accounting for both short- term fluctuations and medium-term adjustments following the restructuring. A single year post-merger may not sufficiently reflect the financial impact due to transitional disruptions or delayed strategic integration, while three years allow for performance stabilization and the realization of synergies. Similarly, the three-year pre- merger data provide a stable baseline that minimizes the influence of outliers or one-time events.

According to Almeida & Gonçalves (2022), the market ratio used as gauge performance in this study including: 1) Price to Earnings Ratio (PER). The Price-to-Earnings Ratio is used to assess whether a company's stock is overvalued or undervalued relative to its earnings per share. It reflects market expectations for profit growth and helps investors compare stock valuations across companies and sectors. PER reflects market expectations of future profit growth; high values often indicate great growth potential, while low values can indicate a company that is mature or facing certain challenges. By using PER, investors can make investment decisions, such as buying, selling, or holding stocks, based on an analysis of the company's value relative to the market average or a particular sector. 2) Price-to-Sales Ratio (PSR). The Price-to-Sales Ratio compares a company's stock price to its total revenue, helping investors evaluate how much they are paying per unit of sales. It is useful in assessing companies with thin profit margins or unstable income. Price-to-Sales Ratio (PSR) is a financial indicator used to compare a company's market value to its total revenue or sales. This ratio is used to evaluate whether the stock price is in line with the sales revenue generated by the company. A low PSR is

usually considered attractive because it indicates potential undervaluation, while a high PSR can reflect high growth expectations or overpriced shares. 3) Price-to-Book Ratio (PBV). Price-to-Book Value (PBV) is a financial ratio that compares the market value of a company's stock (stock price per share) to its book value per share. This ratio describes how much investors are willing to pay for each unit of the company's net asset value, which is the assets remaining after subtracting all liabilities. This ratio is often used to assess whether a company's stock is overvalued or undervalued based on the value of its assets. In addition, PBV is also useful in comparing the valuations of companies in the same industry, especially asset-based sectors such as banking or real estate. A low ratio may indicate that the stock is undervalued, or the company is facing financial difficulties, while a high ratio indicates market confidence in the company's growth potential.

These market ratios are widely used across financial markets, allowing for comparative analysis with companies in similar sectors in other emerging economies (Dogan & Ugurlu, 2024). However, variations in regulatory environments, capital market maturity, and investor behavior across countries may affect generalizability. Thus, while the findings offer valuable insights for similar contexts particularly ASEAN markets during crisis periods caution should be exercised when applying conclusions universally.

RESULTS AND DISCUSSION

This study selected its sample based on the list of company mergers recorded by the Business Competition Supervisory Commission (KPPU) in 2020. From a total of 41 companies in the Financial Services and Non-Financial Services sectors, only 10 companies were listed on the Indonesia Stock Exchange (IDX) and met the criteria of having complete financial reports for three years before and after the merger (as seen in Table 1). Companies listed on the IDX have gone public, meaning that ownership is partially shared with the public, and shareholders are involved in decision-making. Many companies, especially those still controlled by families or founders, often prefer to remain private due to concerns over losing control or the high costs and procedural complexity involved in going public. Of the 41 merged companies recorded by KPPU, 31 were not yet officially listed on the IDX or were in the process of doing so and thus excluded from the study. This study observes the financial performance of companies over a 6-year period: 3 years before and 3 years after the merger. This timeframe allows for more robust analysis of whether mergers achieved their intended outcomes. The year 2020 is used as the base year for the merger, with years y-3, y-2, and y-1 representing the pre-merger period, and years y+1, y+2, and y+3 representing the post-merger period. Financial ratios are compared to evaluate changes in performance.

Before doing the hypothesis testing, this study describes each of the variable that want to be analyzed. First is Price-to-Earnings Ratio (PER), which is a financial indicator used to assess the valuation of a company's stock. This ratio shows the relationship between the market price of a stock and earnings per share (EPS), which is calculated by dividing the market price per share by EPS. PER is used for various purposes, such as assessing whether a company's stock price is high, cheap, or fair based on its performance (Youju, 2024). In addition, this ratio also helps investors compare the company's valuation with similar companies in the same industry.

Based on Table 2, it was found that the highest pre-merger PER was recorded by PT Indo Farma (112.90), and the lowest by FKS Food Sejahtera (0.16). Post-merger, FKS Food Sejahtera recorded the highest PER (129.48), while PT KB Bukopin Finance and PT Indo Farma dropped to a PER of 0.00.

Table 1 List of Companies According to Research Criteria

No.	Takeover Company	Target Company	Merger Results	Stock ID
1	The Korea Development Bank	PT Tifa Finance Tbk	PT KDB Tifa Finance Tbk	TIFA
2	Kookmin Bank Co. Ltd	PT Bank Bukopin Tbk	PT KB Bukopin Finance	BBKP
3	PT Konishi Lemindo Indonesia	PT Lemindo Abadi Jaya	PT Konishi Lemindo Indonesia	4956
4	PT Surya Citra Media Tbk	PT Benson Media Kreasi	PT Surya Citra Media Tbk	SCMA
5	PT Pangan Sejahtera Investama	PT Tiga Pilar Sejahtera Food Tbk	FKS Food Sejahtera	AISA
6	PT Forsa Tirta Uway	PT Bina Pertiwi Energi	PT United Tracktors Tbk	UNTR
7	PT Buana Lintas Lautan Tbk	PT Mahameru Nusa Mentari	PT Buana Lintas Lautan Tbk	BULL
8	PT Bio Farma	PT Indo Farma	PT Indo Farma	INAF
9	PT Bio Farma	PT Kimia Farma	PT Kimia Farma	KAEF
10	Bangkok Bank Public Company Limited	PT Bank Permata	PT Bank Permata Tbk	BNLI

Table 2 PER Results Before and After Merger

Company	PER			
	Pre	Post	Difference	Information
TIFA	7.66	35.14	27.48	Increase
BBKP	22.71	0.00	–22.71	Decrease
SCMA	21.66	20.93	–0.73	Decrease
AISA	0.16	129.48	129.32	Increase
UNTR	11.37	5.54	–5.83	Decrease
BULL	5.04	1.70	–3.34	Decrease
BNLI	21.55	23.48	1.94	Decrease
INAF	112.90	0.00	–112.9	Decrease
KAEF	25.09	14.88	–10.21	Decrease

Source: Company Financial Report Data.

Based on Table 3, it was found that the highest pre-merger PSR was recorded by PT Indo Farma (8.61), while FKS Food Sejahtera had the lowest (0.34). Post-merger, PT KDB Tifa Finance Tbk achieved the highest PSR (9.61), and PT Konishi Lemindo Indonesia recorded the lowest (0.61).

Table 4 shows that pre-merger PT Indo Farma held the highest PBV at 26.88, while FKS Food Sejahtera was the lowest at 0.15. Post-merger, PT Indo Farma retained the highest PBV (18.29), while PT Konishi Lemindo Indonesia had the lowest (0.99).

The further stage is to test the normality and hypothesis. The normality test aims to determine whether the confounding variables or residues in the research model follow a normal distribution. One method to detect data normality is through the Kolmogorov Smirnov and Shapiro-Wilk statistical tests. The Kolmogorov-Smirnov type test is used in the normality test if the sample value is > 50 while the Shapiro-Wilk type test is used in the normality test if the sample value is <50. Based on the existing sample values, the study uses the Kolmogorov-Smirnov type test because the sample is more than 50. If the significance probability value is above 0.05 ($\alpha > 0.05$) then the research model is normally distributed. Conversely, if the significance probability value is below 0.05 ($\alpha < 0.05$) then the research model is considered not normally distributed (Natwah & Nurasik, 2024). Table 5 describes the results of data normality testing using the SPSS version 30 program.

Table 3 PSR Results Before and After Merger

Company	PSR			
	Pre	Post	Difference	Information
TIFA	0.58	9.61	9.03	Increase
BBKP	0.39	2.36	1.96	Increase
SCMA	5.69	2.32	–3.37	Decrease
AISA	0.34	0.91	0.57	Increase
UNTR	1.40	0.82	–0.58	Decrease
BULL	0.80	1.22	0.42	Decrease
BNLI	1.67	2.59	0.91	Decrease
INAF	8.61	3.15	–5.46	Decrease
KAEF	1.63	0.84	–0.80	Decrease

Source: Company Financial Report Data.

Table 4 PBV of Companies Before and After Merger

Company	PBV			
	Pre	Post	Difference	Information
TIFA	0.61	5.44	4.83	Ascension
BBKP	0.49	1.02	0.54	Ascension
SCMA	6.40	2.13	-4.27	Decrease
AISA	0.15	1.75	1.60	Ascension
UNTR	2.06	1.12	-0.94	Decrease
BULL	0.39	1.47	1.08	Ascension
BNLI	1.02	1.11	0.09	Decrease
INAF	26.88	18.29	-8.59	Decrease
KAEF	3.52	1.39	-2.13	Decrease

Source: Company Financial Report Data.

Table 5 Kolmogorov-Smirnov Normality Test

	Test of Normality					
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig	Statistic	df	Sig
PER Pre	.387	10	.000	.616	10	.000
PRE Post	.307	10	.008	.634	10	.000
PSR Pro	.369	10	.000	.692	10	.001
PSR Post	.296	10	.013	.662	10	.000
PBV Pre	.330	10	.002	.546	10	.000
PBV Post	.339	10	.000	.525	10	.000

a. Lilliefors Significance Correction

The hypothesis testing conducted through Paired Sample T-Test or Wilcoxon Signed Rank Test. The Paired Sample T-Test can be carried out if the data is normally distributed. Meanwhile, the Wilcoxon Signed Rank Test has requirements that must be met in conducting the test, such as there are sample data that are

not normally distributed, two groups of the same variables and the number of samples in both groups is the same. Based on Table 5, it can be explained, and a conclusion can be drawn that the test conducted with Kolmogorov-Smirnov emphasizes that the PER, PSR and PBV ratios must be tested using the Wilcoxon Signed-Rank Test because the ratios before and after the merger are not normally distributed because all test ratios have a sig < 0.05.

The Wilcoxon Signed Rank Test is a test to test the difference in average between two samples assuming the data is not normally distributed. The purpose of this hypothesis testing is to determine whether there is a difference in the average of each variable used in this study. The following describes the results of the ranks test from the Wilcoxon signed-rank test for each variable.

Wilcoxon Signed-Rank Test Results Table 6 summarizes the Wilcoxon Signed-Rank Test, showing that the significance values for PER, PSR, and PBV were 0.508, 0.878, and 0.767, respectively. All values exceeded the 0.05 threshold, leading to the acceptance of the null hypothesis (H0). This indicates there were no significant differences in PER, PSR, or PBV before and after the merger. These findings imply that, at least in the short-to- medium term, mergers did not result in measurable improvements in the selected market valuation ratios for the sampled Indonesian companies.

Table 6 Wilcoxon-Signed Rank Test

	Test Statictics[a]		
	PER post-PER Pre	**PSR post-PSR Pre**	**PBV post-PBV Pre**
Z	–.663[b]	–.153[c]	–.296[b]
Asymp. Sig. (2-tailed)	.508	.878	.767
a. Wilcoxon Signed Ranks Test			
b. Based of positive ranks			
c. Based on negative ranks			

The Kolmogorov-Smirnov normality test results showed that the significance value for the Price-to-Earnings Ratio (PER) was less than 0.05, indicating that the data were not normally distributed. Therefore, the Wilcoxon Signed-Rank Test was employed to analyze differences before and after the merger. The resulting significance value for PER was 0.508, which is greater than the 0.05 threshold. This means the null hypothesis (H0) is accepted and the alternative hypothesis (H1) is rejected, confirming there is no significant difference in PER before and after the merger.

The absence of change in PER can be attributed to several factors. For instance, the company's stock price may not have fluctuated significantly post-merger, indicating that investors did not perceive the merger as an event that materially altered the company's prospects. External factors—such as stagnant market conditions or economic uncertainty—can also influence investor perception. If a merger fails to generate profit improvements or operational synergies, PER is likely to remain stable. Inefficient merger implementation or lack of synergy may also prevent the merger's benefits from being reflected in the company's financial performance. Thus, the stable PER ratio suggests the merger was not impactful enough to alter key financial valuation elements.

Similarly, the Kolmogorov-Smirnov test showed that the Price-to-Sales Ratio (PSR) data were also not normally distributed, prompting the use of the Wilcoxon Signed-Rank Test. The significance value for PSR was 0.878, again exceeding the 0.05 threshold, leading to acceptance of H0 and rejection of H1. Therefore, there is

no significant difference in PSR before and after the merger. This finding contributes new insights, as there has been limited prior research evaluating post-merger performance using the PSR ratio.

The unchanged PSR ratio may be due to a lack of significant increase in company revenue following the merger. If sales do not improve meaningfully, and the stock price remains relatively stable, the PSR is unlikely to shift. This stability may suggest that the market did not interpret the merger as a transformative event (Eaton et.al., 2022). Moreover, the merger may have failed to generate operational synergies or efficient integration, minimizing its impact on the company's revenue or market value. External conditions, such as high industry competition or stagnant sector performance, could also hinder revenue growth, explaining the PSR's lack of movement (Nawaz et.al., 2024).

The Price-to-Book Value (PBV) ratio also exhibited a significance value below 0.05 in the normality test, leading to analysis using the Wilcoxon Signed-Rank Test. The resulting significance value was 0.767, higher than the 0.05 threshold, indicating no significant change in PBV before and after the merger. These results contrast with studies by Borodin, et al. (2020) and Herghiligue et al. (2024), which reported increases in PBV following mergers in certain cases.

The lack of PBV variation can be explained by the absence of improvements in net assets or equity post-merger. If a company's book value per share remains steady and its stock price does not reflect notable changes, the PBV ratio is unlikely to shift significantly. A stable stock price may indicate that investors did not perceive the merger as adding substantial value. Furthermore, a lack of integration or operational synergy can prevent the merger from yielding financial gains. External factors, such as economic volatility or neutral investor sentiment toward the sector, could also contribute to the observed PBV stability (Suk & Wang, 2021).

The findings of this study, which show no significant difference in PER, PSR, and PBV ratios before and after mergers, suggest a nuanced landscape of post-merger financial performance in Indonesian companies during a volatile period. While mergers are traditionally expected to generate positive synergies—reflected through improved market valuation, this outcome underlines that not all mergers result in immediate or measurable financial improvement, especially during uncertain macroeconomic contexts like the COVID-19 pandemic. The lack of significant differences in PER, PSR, and PBV within the three-year post-merger period may highlight the delayed nature of merger-related benefits. It often takes several years for synergies, such as operational efficiencies, market expansion, or management integration, to materialize. Thus, short-term analyses may not fully capture the strategic benefits of the merger, especially in industries where operational transformation takes time (Hajek & Henriques, 2024).

The data suggests that investors may adopt a "wait-and-see" approach to post-merger, particularly in times of global economic uncertainty. This can lead to a conservative market response, reflected in stable or slightly declining PER, PSR, and PBV values. The merger alone may not be a strong enough signal to shift investor behavior unless accompanied by tangible improvements in profitability, innovation, or competitive positioning. The mixed results, some companies experiencing increases while others saw declines in ratios, highlight the role of industry dynamics (Shaffer, 2024). For example, companies in defensive sectors like food or logistics may weather economic downturns better, whereas those in capital-intensive or regulated sectors may face more hurdles in delivering post-merger value. This stresses the importance of industry context in merger evaluation, which could be explored in future segmented analysis (Hajek & Henriques, 2024).

One potential explanation for the flat results is the complexity of integration. Cultural clashes, mismatched systems, or lack of a cohesive strategic direction can dilute potential benefits. The absence of ratio improvements might indicate that many of the studied mergers were strategic in intent but struggled with execution. This aligns with findings in global literature, where integration challenges are among the top reasons for M&A underperformance. From the lens of the Efficient Market Hypothesis, the market may have

already priced in expectations related to the merger prior to its formal execution. Thus, unless post-merger results surprise positively, stock prices and valuation ratios may not change significantly. This underscores the role of pre- merger announcements, investor sentiment, and analyst forecasts in shaping ratio movements (Bauer & Friesl, 2024).

Compared with peers in the ASEAN region e.g., Singapore's Singlife-Aviva merger (Singlife, 2020), where digital transformation and investor confidence were stronger, Indonesian firms may not have been equally prepared to leverage merger synergies. This reflects institutional gaps, including regulatory burdens, transparency issues, or slower innovation adoption, which can inhibit value realization from M&A activity (Kiesel et. al., 2023).

CONCLUSION

This study concludes that mergers among Indonesian financial and non-financial service firms during the COVID-19 period did not result in significant improvements in market performance, as reflected in the stability of the Price-to-Earnings, Price-to-Sales, and Price-to-Book Value ratios before and after the merger. These findings suggest that, despite the strategic intent of mergers to create synergy and enhance competitiveness, external pressures such as economic uncertainty, integration challenges, and cautious investor sentiment limited their immediate financial impact. By focusing on market-based ratios over a six-year observation window and incorporating the rarely used Price-to-Sales ratio, this research contributes to the academic discourse by broadening the analytical lens beyond traditional accounting measures, providing evidence that mergers do not always yield short- to medium-term financial gains. Theoretically, the study advances understanding of post-merger outcomes in emerging markets under crisis conditions, while practically, it offers valuable insights for investors and policymakers in assessing merger effectiveness and the timing of value realization. One limitation of this study is the lack of previous research using the Price-to-Sales Ratio to measure post- merger performance—especially during the same time frame—making comparative analysis difficult. Most existing research tends to focus on traditional accounting-based financial indicators rather than market-based performance metrics that directly reflect investor perceptions. For further studies, it is recommended to explore post-merger performance using a combination of market- based and accounting-based ratios. This dual approach would provide a more holistic view of how mergers affect both the internal financial health and external market perception of companies. Such insights would be especially valuable for investors evaluating post-merger investment opportunities, particularly in terms of share price performance. The other prospects that can be developed are prolong time horizons which is between 5-10 years post-merger, the use of non-merging firms for benchmarking, the effect of leadership changes may impact the post-merger success (Hossain et.al., 2023).

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