Proceeding books:
The 3rd International Conference and Innovation Exhibiti on Global Education (ICEGE)

MERGER PT BPR TUTUR GANDA "ANALYSIS OF FINANCIAL PERFORMANCE BEFORE AND AFTER THE MERGER"

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ABSTRACT

The rapid development of the business world today, driven by free competition and globalization, has pushed companies to develop more effective strategies. One of the widely adopted strategies is mergers and acquisitions, which allow companies to significantly enhance their value and competitiveness. This article analyzes the financial performance of PT BPR Tutur Ganda before and after the merger, focusing on the impact of the merger on the company's ability to raise funds and distribute credit. This research uses descriptive and comparative methods, as well as measuring financial performance through CAMEL ratios. The research results show that mergers not only improve efficiency and financial synergy but also accelerate the achievement of company goals. This finding is expected to provide insights for other companies in considering merger and acquisition strategies as a solution to face challenges in an increasingly competitive market.

Keywords: Merger, Acquisition, Financial Performance, BPR, CAMEL Ratio, Competitiveness, Globalization, Business Strategy.

INTRODUCTION

The development of the business world is currently advancing rapidly. This is due to free competition and globalization. Free competition in the business world is marked by the increasing number of new companies entering the competition. Globalization makes companies develop strategies to keep up with the competition. The strategies developed can be implemented both internally and externally.

Internally, it is done by expanding the company from within, such as increasing production capacity, adding products, cost efficiency, or seeking new markets. Meanwhile, the external strategy is to increase the company's value by merging two or more companies. Mergers and acquisitions are commonly chosen by companies as external strategies to sustain their existence.

There is a tendency for companies to prefer merger and acquisition strategies over time (Hitt, 2002). External strategies with mergers and acquisitions show improvement more quickly compared to internal strategies. This is considered in line with the demands of competition that require companies to achieve improvements quickly. The company undertakes mergers as an effort to meet domestic market needs and also as a way to survive in the competition (Lyroudi et.al, 2000). Merger is the combination of two or more companies while retaining the name of one of the companies. Whereas an acquisition is the merger of two or more companies by purchasing a portion of the shares owned by another company, but the companies remain independent.

In Indonesia, merger and acquisition activities have started to increase in line with the advancement of the capital market in the country. The reason companies prefer mergers and acquisitions is that with this strategy, the company's goals will be achieved more quickly compared to starting the business from scratch. The company's value will also increase after conducting mergers and acquisitions compared to selling the company separately. Another benefit of mergers and acquisitions is the improvement in managerial skills, technology transfer, and cost efficiency (Hitt, 2002).

The increasing number of mergers and acquisitions between companies also occurs between banks. A bank is a business entity whose activities involve collecting and distributing public funds. To create a healthy, efficient banking system capable of competing in free competition and globalization, regulations governing mergers and acquisitions between banks are necessary. One of the regulations governing mergers and acquisitions between banks is the Indonesian Government Regulation No. 28 of 1999. In the regulation, a merger is the combination of two or more banks while retaining one bank and dissolving the other banks without liquidation. Meanwhile, an acquisition is the takeover of ownership of a bank, resulting in a change in the control of that bank.

Mergers and acquisitions between banks occur at the request of the concerned bank, the request of Bank Indonesia, or the request of a special temporary body for the purpose of banking rehabilitation. Bank Indonesia has the authority to request banks to undergo mergers and acquisitions if the bank shows signs of distress in its performance reports. It is expected that after the merger and acquisition, the concerned bank can demonstrate improved performance. Changes after the merger and acquisition will be reflected in its financial statements. Mergers and acquisitions are said to be successful if the bank that undergoes the merger and acquisition shows an improvement in its financial performance.

This research focuses on the analysis of financial performance before and after the merger. BPR functions as a business entity that collects and distributes public funds. PT BPR Tutur Ganda is a People's Credit Bank "Tutur Ganda" that provides very fast and transparent services, as well as quick but accurate services. The merger of this BPR is expected to strengthen its capital and enhance the BPR's ability to gather funds and distribute credit, which in turn can improve the BPR's competitiveness. Given the numerous benefits perceived from this BPR merger, the local government intends to merge several BPR BKKs scattered across each district/city into one BPR BKK. Thus, it is hoped that there will be one BPR BKK in each district/city.

A merger in a BPR is considered successful if the performance of the BPR improves. The improvement in performance is evident from the financial statements of the BPR after the merger. Helfert (1999) stated that the most interested parties in measuring a company's performance are investors, management, the government, and the general public. The performance of a bank can be determined by its health level. The health level of a bank serves as a benchmark for the interested parties. The health level of a bank is measured from several aspects, namely: capital, assets, management, earnings, and liquidity, or referred to as CAMEL. These five aspects use financial ratios.

RESEARCH METHOD

This research uses a descriptive research method. This research method investigates the state or condition that has been described, particularly in the research report (Agung Prajanta 2010). This research measures the analysis of financial performance before and after the merger.

RESULTS AND DISCUSSION

BPR is a People's Credit Bank that provides credit services for MSMEs, offers savings and deposits guarantyd by the Deposit Insurance Corporation, and is registered and supervised by the Financial Services Authority. BPR is 100% Indonesian. Saving and depositing at BPR means you are helping to develop MSMEs in Indonesia, because your funds are channeled to working capital for MSMEs in Indonesia.

In its operations, BPR refers to Law No. 7 of 1992 concerning banking as amended by Law No. 10 of 1998, which conducts business activities conventionally. PT BPR Tutur Ganda merged the businesses of PT BPR Harap Poladana and PT Pangandaran into BPR Tutur Ganda. The business merger became active on September 6, 2022.

Merger is a legal act carried out by one or more companies to merge with an existing company, resulting in the assets and liabilities of the merging company being transferred by law to the receiving company, and subsequently, the legal status of the merging company ceases to exist by law. Acquisition is a legal act carried out by a legal entity or an individual to take over the shares of a company, resulting in the transfer of control over that company.

Merger and acquisition are often referred to as business combinations, which involve the unification of two or more companies into a single economic entity. As researched by Ross et al., a merger is a form of acquisition. The decision of mergers and acquisitions is viewed from two sides, namely corporate finance and strategic management. Mergers and acquisitions from the perspective of corporate finance are considered long-term investments that must be analyzed for their business feasibility. If viewed from a strategic management perspective, mergers and acquisitions are external strategies taken by companies to combine the value of the companies so that the company's goals are achieved.

Merger is the combination of two or more companies while retaining the name of one of the companies. According to Hitt et al., mergers are conducted by companies that agree to combine their operations, thereby creating a stronger competitive advantage (quoted from Rizanah, 2007). Merger can be defined broadly and narrowly (Bryan Coyle, 2000). Broadly, a merger is defined as the acquisition of one company by another. In a narrow sense, a merger is the combination of resources from two companies with nearly equal equity. According to Morris (2000), a merger is similar to a stock acquisition. Acquisition is the merger of two or more companies by purchasing a portion of the shares owned by another company, but the companies still operate independently. Acquisition is the takeover of control of a company by another company, and each company, whether the acquirer or the acquired, continues to operate as a separate legal entity (Abdul Moin, 2004). According to Government Regulation of the

Republic of Indonesia No. 27 of 1998, acquisition is the takeover of either the entire or a majority of shares that can result in a transfer of control.

Based on economic activity, mergers and acquisitions are classified into several types, namely:

Horizontal Merger

A horizontal merger is a merger conducted by two or more companies operating in the same field. The goal is to reduce competitors.

Vertical Merger

A vertical merger is the combination of two or more companies operating at different stages of production. The goal is to stabilize suppliers and product users.

Conglomerate Merger

A conglomerate merger is the combination of two or more companies operating in unrelated industries.

Market Extension Merger

A market extension merger is the combination of two or more companies that work together to expand the market.

Product Extension Merger

A product extension merger is the combination of two or more companies that aim to expand each company's product line.

One of the goals of mergers and acquisitions is the creation of synergy, one of which is financial synergy. The success of mergers and acquisitions in the financial aspect is considered successful if the company resulting from the merger and acquisition has the ability to generate greater profits compared to before the merger and acquisition. In addition to financial synergy, it is also expected that operational synergy will be created. This is demonstrated by an increase in revenue enhancement and a reduction in costs.

Financial statement ratio analysis measures the profitability and growth of a company (Palepu, 1997). Analysis using the CAMEL ratio to determine the strengths and weaknesses of the bank, as well as to identify signs of problems within the analyzed bank. The CAMEL ratio according to Bank Indonesia Circular Letter No. 3/30/DPNP dated December 14, 2001, used in this research is:

Capital (Capital Aspect)

In this aspect, the comparison of equity to total assets is calculated. Equity is obtained from core/subscribed capital, donation capital, the difference in the translation of financial statements, and the difference in fixed assets and retained earnings. The ratio used is CAR (Capital Adequacy Ratio).

Asset (Aspect of Asset Quality)

The aspect of asset quality in this study uses the PPAP ratio, which is the comparison of the Provision for Impairment of Productive Assets that has been formed with Productive Assets. The lower the PPAP ratio, the healthier the bank.

Management (Aspect of Management Quality)

Management assessment is an evaluation of the managerial ability of the Bank's management to run its business, the adequacy of risk management, and the Bank's compliance with applicable regulations as well as its commitment to Bank Indonesia and/or other parties.

Earning (Profitability Aspect)

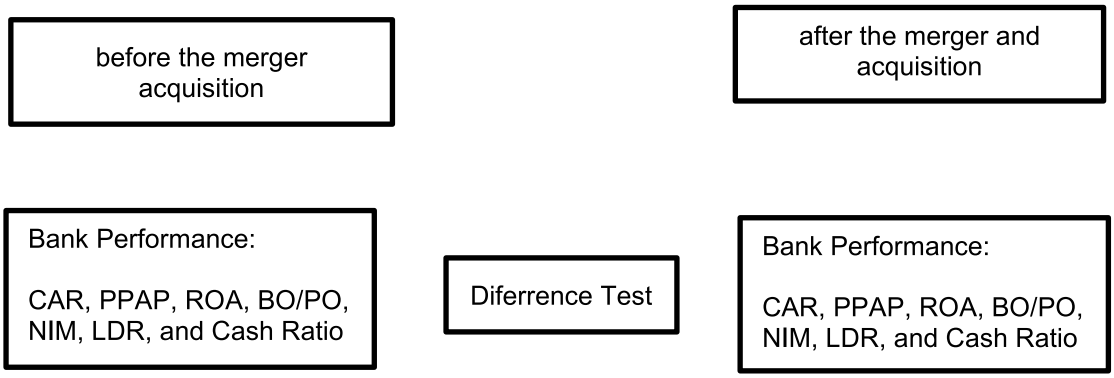
The profitability aspect is calculated using Return on Asset (ROA), the ratio of operating expenses to operating income (BO/PO), and Net Interest Margin (NIM).

Liquidity (Aspek Likuiditas)

The liquidity aspect in this study is obtained from the Loan to Deposit Ratio (LDR) and cash ratio.

Merger of PT BPR Tutur Ganda

PT BPR Tutur Ganda was established on March 24, 2016, and has received approval from the Minister of Law and Human Rights of the Republic of Indonesia in 2016. The merger of BPR is in accordance with the decision of Bank Indonesia, which aims to facilitate supervision by both the owners or local government and Bank Indonesia. The purpose of the BPR merger is to strengthen the BPR's capital, so it is expected that the BPR's performance will improve. The success of the merger can be seen from the improvement in the performance of the BPR after the merger. The improvement in performance is seen from financial performance using bank financial ratios. Based on the explanation, this research is structured with the following framework:



The narrow definition of a merger is the combination of resources of two companies with almost the same equity (Bryan Coyle, 2000). Based on that definition, it is expected that with the merger, the capital and assets of the bank will increase in order to meet the Bank Indonesia policy No. 8/16/PBI/2006 regarding the minimum capital requirement for Rural Banks. One of the components of capital in banking is the current year's profit. The background of the merger is the presence of synergy. Synergy is the additional capability obtained from the combination of two or more forces. Synergy describes the merging of two factors that will produce greater power compared to the sum of the power generated before the merger. One of them is financial synergy, which means the ability to generate greater profits from the merged and acquired companies than the profit capabilities of each company before the merger and acquisition.

Operational Definition

The type of research is comparative research. According to Sugiyono (2006), comparative research is a type of research that is comparative in nature. This research compares the performance of BPR before and after the merger. Performance is defined as the management's achievement in operating. The performance being studied is divided into two, namely pre-merger performance and post-merger performance. There is a time frame that allows performance to be compared, namely before and after the merger. The CAMEL ratio is used to measure the financial performance of the merged BPR. The ratios used include:

Capital using the CAR indicator obtained from:
CAR = Capital/(Risk-weighted assets)
The asset quality indication used is PPAP obtained from:
PPAP = PPAP formed/PPAP formed
The profitability aspect uses the ROA, BO/PO, and NIM indicators obtained from:
ROA = Net profit/total assets
BO/PO = Total operating expenses/total operating income
NIM = Net interest income/earning assets
The liquidity aspect uses the LDR and cash ratio obtained from:
LDR = Total credit successfully placed/total funds successfully raised + equity
Cash Ratio = Liquid assets/earning assets.

Financial Ratios of Bank Health Levels Before and After the Merger

Table 1 Before the Merger

Rasio	Before Merger						
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
KPMM	49.54%	51.13%	40.96%	40.83%	58.47%	48.19%	43.28%
PPAP	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

BOPO	79.28%	84.73%	86.82%	87.55%	92.60%	92.23%	92.62%
LDR	59.76%	65.48%	70.59%	68.38%	68.36%	66.72%	61.78%
ROA	14.46%	6.27%	6.60%	7.05%	2.44%	2.95%	3.26%
CR	69.14%	63.28%	48.56%	48.36%	49.82%	49.54%	57.93%

Source: Secondary data from September 2022 processed.

Table 2 After the Merger

Rasio	After Merger						
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
KPMM	52.71%	50.69%	45.67%	45.46%	55.95%	53.14%	43.40%
PPAP	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
BOPO	85.67%	83.09%	86.09%	83.06%	78.81%	77.39%	75.46%
LDR	85.07%	90.05%	86.28%	89.44%	141.36 %	152.54 %	96.54%
ROA	5.40%	7.97%	6.60%	7.79%	8.37%	9.00%	9.85%
CR	32.78%	22.22%	20.94%	17.90%	14.89%	11.67%	16.84%

Source: Secondary data from September 2022 processed.

Development of credit distribution and non-performing loan (NPL) ratio

Table 3 Before the Merger (Millions)

Kualitas Kredit	Before Merger (jutaan)						
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Lancar	11,184	12,713	14,547	14,194	14,173	13,728	11,640
DPK	411	455	299	819	748	915	880
KL	383	287	379	335	445	554	761
Diragukan	926	676	318	408	560	518	554
Macet	1,853	1,917	2,138	2,130	2,105	2,319	2,635
Total Kredit	14,757	16,048	17,681	17,886	18,031	18,034	16,470
NPL	3,162	2,880	2,835	2,873	3,110	3,391	3,950
Rasio NPL	21.43%	17.95%	16.03%	16.06%	17.25%	18.80%	23.98%
Hapusbuku	988	980	980	980	980	980	980

Source: Secondary data from September 2022 processed.

Table 4 After the Merger (Millions)

Kualitas Kredit	After Merger (jutaan)						
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Lancar	58,307	69,515	71,633	74,249	74,178	80,638	78,014
DPK	2,824	2,782	2,853	3,738	4,061	4,177	3,585
KL	1,909	2,139	1,930	2,635	2,917	3,247	3,045

Diragukan	1,916	1,995	2,235	2,026	2,578	3,279	3,447
Macet	6,423	7,000	7,392	7,906	8,340	8,925	9,930
Total Kredit	71,379	83,431	86,043	90,554	92,074	100,266	98,021
NPL	10,248	11,134	11,557	12,567	13,835	15,451	16,422
Rasio NPL	14.36%	13.35%	13.43%	13.88%	15.03%	15.41%	16.75%
Hapusbuku	2,408	2,396	2,394	2,393	2,386	2,385	2,367

Source: Secondary data from September 2022 processed.

CONCLUSIONS

The rapid development of the business world today, driven by free competition and globalization, encourages companies to adopt various strategies to remain competitive. Mergers and acquisitions have become the primary choice for companies, including in the People's Credit Bank (BPR) sector, to increase capital and competitiveness. Thru mergers, companies can optimize resources, increase efficiency, and accelerate the achievement of business goals compared to starting a business from scratch.

This research focuses on the analysis of the financial performance of BPR, specifically PT BPR Tutur Ganda, before and after the merger, using descriptive and comparative methods with the CAMEL ratio as a measurement tool. It is expected that the merger will bring financial synergies that can generate greater profits and strengthen the competitive position in the market. The success of mergers and acquisitions ultimately depends on the company's ability to improve performance and leverage the benefits gained from the merger.Merger is defined as the combination of two or more companies while retaining the name of one of the companies, whereas acquisition involves taking control of another company. One of the main objectives of mergers and acquisitions is the creation of synergy, particularly in financial aspects, which allows the merged company to generate greater profits compared to the conditions before the merger.

Thus, the success of mergers and acquisitions is measured not only by the increase in company value but also by the company's ability to achieve better financial performance. Thru this analysis, it is hoped that companies can understand the importance of merger and acquisition strategies in the context of globalization and increasingly intense business competition. In conclusion, mergers and acquisitions are not only strategies for growth but also vital tools in enhancing the competitiveness and performance of companies in an ever-evolving market.

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