



# Analysis of financial ratios before and after acquisition made at pt bank xyz tbk period 2001-2008

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Article Info	ABSTRACT
<p><b>Article history:</b></p> <p>Received Dec 9, 2021 Revised Dec. 20, 2021 Accepted Dec 30, 2021</p> <hr/> <p><b>Keywords:</b></p> <p>Acquisitions; Financial ratios (camels); performance.</p>	<p>This research concerns about the financial performance analysis that was measured using the ratio of banking finance (CAMEL) at the time before and after the acquisition was carried out to PT XYZ during the period 2001 to 2008. The aim in this research was to know whether being gotten by the significant difference and to see factors that could influence the change of financial ratios performance before and after being carried out by the acquisition to PT XYZ. The independent's variable included CAR, ATTM, APB, NPL, PPAPAP, PPPAP, ROA, ROE, NIM, BOPO and LDR. There are two stages of analysis that is the descriptive analysis and the analysis of statistics with used paired sample t-test with the level of the significance of 5%. The results of the descriptive analysis showed that APB, NPL, ROA, ROE, BOPO, and LDR did not show results that were better than before the acquisition. The results of statistics showed that the difference that was significant before and after the acquisition was carried out in CAR, PPPAP, ROE, NIM, and LDR. Based on the results of the analysis indicated that this acquisition did not yet produce synergy as well as the impact that was better for PT XYZ, this could be caused by their strategy that was aggressive to carry out <i>thedevelopmentor the expansion of efforts</i>.</p> <p style="text-align: right;"><i>This is an open access article under the CC BY-NC license.</i></p>



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## 1. INTRODUCTION

The financial services sector was one of the sectors that was most affected by the incident. This can be seen from the many banks that are almost bankrupt and are considered to be no longer able to continue their business. The government has also made efforts to deal with it. These efforts were carried out, among others, by freezing banking operations and restructuring by means of mergers and recapitalization. This effort was taken by the government and the Central Bank in the context of recovery and sound banking.

Of the many private banks whose operations were frozen by the government, there were a number of banks that managed to survive the crisis, one of which was Bank XYZ. XYZ Bank managed to get out of the financial crisis that hit Asia and also the Indonesian banking crisis without the need for a government recapitalization program. As one of the private banks that managed to survive in this crisis, Bank XYZ was thus successfully acquired by Bank ABC. Bank ABC is a foreign bank located in Singapore and has been working with Bank XYZ since 1997. This acquisition was carried out as a

way to increase efficiency, work productivity and competitiveness, as well as develop the market for a bank.

Collateral P. Samosir (2003), analyzes the performance and level of efficiency of Bank Mandiri by using financial ratios ROA, ROE, DER and DTAR. The results of his research are that Bank Mandiri's business performance before the merger, seen from the level of achievement of the four ratios, shows the four state-owned banks that before merging into Bank Mandiri, namely the Export Import Bank (Exim Bank), the Indonesian Development Bank (Bapindo), the Bumi Daya Bank (BBD), and Bank Dagang Negara (BDN) is in a state of bankruptcy, because it has a very bad ratio of debt to assets.

Rinella Putri in Vibiznews–Banking, Tuesday, 09 June 2009, stated that in 1999, the portion of foreign ownership in national banking was only 11.6%. Then at the end of 2007, the portion of foreign ownership skyrocketed to 44.6%. Moreover, after HSBC acquired 88.89% of Bank Ekonomi's shares valued at \$607.5 trillion, now the share of foreign ownership reaches almost half of the national banking industry, or 47.02% to be exact. In fact, foreign ownership has existed since the crisis. Government policies after the 1997 banking crisis increasingly paved the way for liberalization in the financial sector, this had a major impact on the development of the banking sector in Indonesia.

Foreign investment is one of the main sources of financing in the banking sector. Foreign companies are one of the parties that play a major role in the national banking sector through ownership of banking shares. Foreign companies are one of the parties that play a major role in the national banking sector through ownership of banking shares. This is related to the Banking Law and Government Regulation No. 29/1999 concerning Purchase of Commercial Bank Shares, BI provisions stipulate that bank ownership by foreign citizens or foreign legal entities is a maximum of 99 percent of the bank's paid-up capital.

With the presence of foreign parties, it is hoped that it can improve banks in terms of efficiency and bank governance, so that this will increase the stability and competitiveness of national banking.

## 2. RESEARCH METHOD

Time and Place of Research, case study research because the object to be examined in this study has been determined and explained in previous chapters, namely the financial performance of XYZ Bank before and after the acquisition with the research period from 2001 to 2008 using the CAMEL ratio taken based on the financial statements presented by the bank. In data collection, secondary secondary data is a source of data obtained indirectly or through intermediary media.

As for the secondary data included in this study, among others, are literature books, research journals, papers, and magazines that can be used as references or references in this research. In this study, the authors used quarterly and annual financial report data of Bank XYZ which were obtained directly from the financial reports that had been published by Bank XYZ with the publication report period from 2001 to 2008.

Financial performance is defined as management achievements, in this case financial management in achieving company goals, namely generating profits and increasing company value.

The variable used in this study is the CAMEL financial ratio which is used as a measure of financial performance at XYZ Bank. This financial ratio consists of: Capital ratios, including:

capital adequacy ratio and ATTM ratio:

$$\frac{\text{Capital}}{\text{Weighted Assets by Ratio}} \times 100\% \dots\dots\dots(1)$$

Earning asset quality ratio:

Capital		
—————	x100%	.....(2)
Risk Weighted Assets		
Fixed Assets to Equity Ratio (ATTM):		
Fixed Assets And Inventory		
—————	x100%	.....(3)
Capital		
PPAP to Asset Ratio Productive (PPAPAP):		
Established PPAP		
—————	x100%	.....(4)
Total Earning Assets		
Profitability ratios, which consist of: ROA (Return On Assets) ratios:		
.Profit before tax		
—————	x100%	.....(5)
Average Total Assets		
ROE (Return On Equity):		
.Profit before tax		
—————	x100%	.....(6)
Average Total Assets		
NIM (Net Interest Margin) Ratio:		
Net interest income		
—————	x100%	.....(7)
Productive Assets		
Ratio BOPO (Cost Operational to Operating Income):		
Operating costs		
—————	x100%	.....(8)
Operating Income		

After the data used in this study was successfully obtained and then processed, the next step is to analyze the data. The data analysis techniques used in this study are: Descriptive analysis, Descriptive analysis is an analysis by detailing and explaining at length the linkages of research data which are usually listed in the form of tables or graphs and analysis based on the data in the tables and graphs, Statistical analysis, Analysis statistics is an analysis performed using statistical techniques

### 3. RESULTS AND DISCUSSIONS

The results of this study will be divided into two stages, namely descriptive analysis (comparison) as the first stage to analyze differences in performance before and after the acquisition of Bank XYZ which is measured based on financial ratios, then the second stage performs statistical analysis of paired sample t-test to test the significance of the differences performance that occurs.

#### Descriptive Analysis

Descriptive analysis is the first stage in analyzing research results. The bank's financial performance will be analyzed and viewed based on the calculation of the CAMEL ratio which consists of the capital ratio including CAR and ATTM; earning asset ratio includes APB, NPL, PPAP to Earning Assets (PPAPAP), and fulfillment of PPAP; profitability ratios include ROA, ROE, NIM, and BOPO; and the liquidity ratio is LDR.

This attracted Bank ABC's interest in collaborating with Bank XYZ to develop the SME and consumer business in accordance with the strength and growth of Bank ABC. Bank XYZ was

eventually successfully acquired by Bank ABC Singapore through its subsidiary in several rights issues and based on the classification of acquisitions, it is included in the acquisition of horizontal shares.

Apart from that, there was also an improvement in the structure of the collection and distribution of bank funds which was successful due to a decrease in large nominal loans and an increase in the collection of low-cost funds from current accounts and savings. The results of the descriptive analysis of the performance of XYZ Bank's financial ratios are as follows:

#### **CAR (Capital Adequacy Ratio)**

The CAR ratio is an indicator of a bank's capital adequacy, which aims to maintain business continuity in the long term. This is to compensate for dependence on third party funds. The ideal minimum CAR is 8% (Kasmir, 2003). The CAR ratio calculation before and after the acquisition is shown in the table below:

Table 1. Capital Adequacy Ratio 2001-2008

CAR	Year	%	Average(%)
BEFORE	2001	9.03	12.62
	2002	12.57	
	2003	13.78	
AFTER	2004	15.11	17.49
	2005	19.71	
	2006	17.07	
	2007	16.15	
	2008	17.01	

From the data above, in general, between before and after the acquisition, it can be seen that the CAR ratio increased from 12.62% to 17.49%. When compared with the Minimum Capital Provisions, the CAR ratio of banks going public every year means that Bank XYZ has complied with the existing provisions, which is greater than 8%.

#### **ATTM (Fixed Assets to Capital)**

This ratio measures the ability of the bank's management in terms of determining and fulfilling the amount of fixed assets and inventory owned by the bank concerned against its capital. The calculation of the ATTM ratio before and after the acquisition is shown in the table below.

Table 2. Fixed Assets Against Capital in 2001-2008

ATTM	Year	%	Average (%)
BEFORE	2001	33.52	25.56
	2002	28.29	
	2003	18.40	
	2004	22.04	
	2005	19.67	
AFTER	2006	24.83	23.09
	2007	25.20	
	2008	22.67	

From the data above, in general, between before and after the acquisition, it can be seen that the ATTM ratio has decreased from 25.56% to 23.09%.

**APB (Performing Earning Assets) 25.56% to 23.09%.**

This ratio is to show the ability of the bank's management in managing non-performing earning assets of all productive assets owned by the bank. The development of a moderate ratio is ranging from 5% to 8% (SE BI No. 6/23/DPNP dated 23 May 2004). The calculation of the APB ratio before and after the acquisition is shown in the table below.

Table 3. Troubled Earning Assets 2001-2008

APB	Year	%	Average (%)
BEFORE	2001	2.67	1.21
	2002	1.04	
	2003	0.54	
	2004	0.60	
	2005	1.63	
AFTER	2006	1.68	1.67
	2007	1.70	
	2008	1.66	

From the data above, in general between before and after the acquisition, it can be seen that the movement of the APB ratio has increased from 1.21% to 1.67%. Considering that the APB ratio is still below 5%, this ratio shows good performance.

#### **PPAPAP (Allowance for Earning Assets Losses against Earning Assets).**

This ratio shows the ability of the bank's management in terms of maintaining the quality of earning assets by managing PPAP that has been formed by the bank to anticipate the amount of losses that will occur due to uncollectible earning assets.

Table 4. PPAPAP 2001-2008

PPAPAP	Year	%	Average(%)
BEFORE	2001	1.92	1.42
	2002	1.36	
	2003	1.18	
	2004	1.20	
	2005	1.14	
AFTER	2006	1.15	1.17
	2007	1.11	
	2008	1.29	

From the data above, in general, between before and after the acquisition, it can be seen that the PPAPAP ratio has decreased from 1.42% to 1.17%. Overall the results of the descriptive analysis for the period before and after the acquisition were carried out were: The capital ratio which included CAR and ATTM showed a better change after the acquisition was made. The earning assets ratio which included APB and NPL showed a change that was not better than before the acquisition was made PPAPAP and PPPAP show better changes after the acquisition is made. Profitability ratios consisting of ROA, ROE, and BOPO show changes that are no better than before the acquisition is made, while NIM shows better changes after the acquisition is made. Liquidity ratio as seen from LDR shows results that are no better than before the acquisition was made.

#### **Statistical Analysis of Paired Sample t-Test4.**

Statistical analysis of the paired sample t-test in this study was used to test the significance of differences in performance that occurred before and after the acquisition at Bank XYZ. The confidence level used is 95% and the significance level ( $\alpha$ ) is 5%. The following is the result of statistical testing of each financial ratio.

#### **Capital Adequacy Ratio (CAR)**

Based on the paired sample t-test statistical test, the following are the test results;

Table 5 Paired Samples Statistics – Car

CAR	Means	Standard Deviations
Before	12.9921	34.02135
After	17.5250	1.85001

From the table above, it can be seen that the CAR ratio before the acquisition was 12.9921 and after that was 17.5250. This difference based on the t-test is significant

### Fixed Assets to Capital (ATTM)

Based on the paired sample t-test statistical test, the following are the test results for the ATTM ratio:

Table 6. PAIRED SAMPLES STATISTICS – ATTM

ATTM	Means	Standard Deviations
Before	26.7944	8.75715
After	23.0919	1.69401

Source: Research data processed with SPSS 16

From the table above, it can be seen that the ATTM ratio before the acquisition was carried out was 26.7944 and after that it was 23.0919. This difference based on the t-test is not significant.

### Non-Performing Earning Assets (APB)

Based on the paired sample t-test statistical test, the following are the results of testing the APB ratio:

Table 7. PAIRED SAMPLES STATISTICS – APB

APB	Means	Standard Deviations
Before	1.5575	1.18498
After	1.6969	0.38359

Source: Research

data processed with SPSS 16

From the table above, it can be seen that the APB ratio before the acquisition was 1.5575 and after that was 1.6969. This difference based on the t-test is not significant.

### PPAP to Earning Assets (PPAPAP)

Based on the paired sample t-test statistical test, the following are the results of testing the PPAPAP ratio:

Table 8. PAIRED SAMPLES STATISTICS – PPAPAP

PPAPAP	Means	Standard Deviations
Before	1.3856	0.39161
After	1.1981	0.11542

Source: Research data processed with SPSS 16

From the table above, it can be seen that the PPAPAP ratio before the acquisition was carried out was 1.3856 and after that it was 1.1981. This difference based on the t-test is not significant. This can be seen in the Sig (2-tailed) value of 0.119, which is above the probability of 0.05. From the overall results of the analysis of the paired sample t-test, it can be concluded that: There is no significant difference in the ATTM ratio before and after the acquisition of Bank XYZ due to an increase in bank capital which is greater than that of bank fixed assets but not significant, There is no a significant difference in the ATTM ratio before and after the acquisition of Bank XYZ was due to an increase in bank capital that was larger than that of the bank's fixed assets but not significant. There was no significant difference in the PPAPAP ratio before and after the acquisition of Bank XYZ due to the bank's policy in terms of allowance for losses on its productive assets which is conservative in line with the prudential principle adopted by the bank. There is no significant difference in the PPAPAP ratio before and after the acquisition of Bank XYZ because the bank's policy in terms of allowance for losses on earning assets is conservative in line with the prudential principle adopted by the bank, there is no significant difference in the BOPO ratio before and after the acquisition of XYZ Bank was

carried out because the increase in bank operational costs was proportional to the increase in bank operational income. There is no significant difference in the BOPO ratio before and after the acquisition of Bank XYZ because the increase in bank operating costs is proportional to the increase in bank operational income. There is no significant difference in the BOPO ratio before and after the acquisition of Bank XYZ because the increase in bank operating costs is proportional to the increase in bank operational income.

From the results of the analysis and discussion above, it can be concluded that as one of the private banks that was acquired by a foreign party, the impact of the acquisition made at Bank XYZ was not clear after being measured based on its financial ratios. This happens because the possibility is measured based on the financial ratios. This occurs because the possibility of business expansion activities carried out by the bank makes the bank's financial performance post-acquisition unclear or due to a lack of observation time. In addition, it is possible that the performance of the bank's financial ratios will look better when compared to the standards of the peer group review.

#### 4. CONCLUSION

Based on the results of descriptive analysis and statistical analysis, conclusions can be drawn to answer the problem formulation in this study, namely; The financial ratios that had significant differences before and after the acquisition was carried out at Bank XYZ for the period 2001-2008 include the ratios of CAR, Fulfillment of PPAP, ROE, NIM and LDR. Factors affecting changes in the performance of the financial ratios of Bank XYZ after the acquisition include ; Increase in capital from acquisition activities carried out by Bank ABC Singapore and the absence of dividend distribution since 2004. Improvement in terms of raising and distributing bank funds with a decrease in large denominated loans accompanied by a larger increase in small denominated loans compared to before the acquisition was made,

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