



THE EFFECT OF MERGERS DURING THE COVID-19 PANDEMIC ON FINANCIAL PERFORMANCE, STOCK PRICES, AND STOCK TRADING VOLUMES ON THE INDONESIA STOCK EXCHANGE: A CONCEPTUAL MODEL

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ABSTRACT

Due to the COVID-19 Pandemic, Indonesia suffered from an economic recession, which impacted a lot of companies and resulted in a halt in mergers and acquisitions. An act of merger may result in improved performance or the absence of significant changes between, before, and after the merger. This quantitative research aims to study the merger actions of three Sharia Banks subsidiaries of state-owned banks and their influence on the financial performance, share price, and transaction volume of BRIS shares on the Indonesia Stock Exchange as a surviving entity.

Keywords

Merger, Financial Performance, Stock Prices, Stock Trading Volumes, Conceptual Model.

INTRODUCTION

2020 was a very difficult year for companies, especially in Indonesia, due to the outbreak of the Coronavirus Diseases 2019 (Covid-19) pandemic. This was proven by the economic recession in the third quarter of 2020, a minus of 3.49%, which was the worst situation since 2014 and ultimately resulted in many companies deciding to stop operations or carry out mergers and acquisitions to improve the company performance. In general, mergers and acquisitions aim to create additional value for the company's shareholders or improve shareholder peace and generate better synergies⁶.

The ownership of BRI Syariah (BRIS) shares by the public will be diluted after the merger of Islamic banks, but public investors can get compensation from the increase in BRIS share price due to the sentiment of the Sharia bank merger, which is proven in the trading day of the announcement of the signing of the merger agreement has increased by up to 25% (ARA). Even so, the subsequent increase in share price will still depend on how far the issuer can fundamentally improve its performance⁷.

However, according to the results of previous research, it is known that a merger decision does not always create additional value for the company or the company's shareholders according to what is expected from the company's merger policy. The results of the research of Fahlevi et al (2015), Dr. Devarajappa S (2017), Abdulazeez, D. A., Suleiman, O., & Yahaya, A (2016), Bileam Tarliman Wahyu (2019), and Vivi Porwati, et al (2021) showed improved results after the merger. Research by Abbas (2014), Nugraheni Wijayanti (2014), Novrizal Adinandaru (2012), Sylvi Liani Dewi (2020), Halima Tusyahdiya (2021), Arifah Dhiya (2021), I Gusti Ayu Made Agung Mas Andriani Pratiwi, et al (2021), and Mentari Permata Suci (2021) indicates the absence of significant changes between, before, and after the merger.

Considering the information, data, reports, and/or information related to company needs, consumer needs, investor needs, market needs, and the results of previous research that are inconsistencies with existing theories, the personal background of researchers who are Muslims, students, customers, entrepreneurs, investors and traders, the researchers are interested in conducting research regarding merger actions of three Sharia Banks subsidiaries of state-owned banks and their influence on the financial performance, share price and transaction volume of BRIS shares on the Indonesia Stock Exchange as

a surviving entity.

LITERATURE REVIEW

A. COVID-19: Social and Economic Impact

Coronavirus disease 2019 (COVID-19) or commonly known by the wider community as coronavirus, is a disease that can be transmitted through droplets from infected people, for example, when sneezing or coughing. The coronavirus is caused by a corona-like protein that is still in the same group as SARS (severe acute respiratory syndrome), namely SARS-Cov-2 or Coronavirus-2 (Ministry of Health of the Republic of Indonesia, 2020). The spread of this virus began in Wuhan City, the capital of Hubei Province, China, at the end of December 2019, which caused a global pandemic. Governments in various countries have finally made lockdown and social distancing policies that seek to stop the spread of this coronavirus. In addition to having an impact on the health sector and social life, the existence of COVID-19 also has an impact on the economic sector. Some of the economic problems that have arisen as a result of this pandemic are as follows²²⁾:

- 1) A significant increase in the number of layoffs and the repatriation of employees/workers. The rate increases up to 1.2 million people, or even more (Ministry of Manpower of the Republic of Indonesia, 2020). Out of that number, as many as 10% of workers experienced layoffs, while the rest were repatriated. A total of more than 1 million people are official workers, while 200 thousand or 265 thousand people are workers in the informal sector.
- 2) The manufacturing Purchasing Managers Index (PMI), which is an indicator of economic health in the manufacturing sector, aims to provide information on current business conditions to company decision makers, analysts, and purchasing managers (The Global Economy, 2020). Indonesia's Manufacturing PMI experienced a very significant decline in April 2020, and it reached the lowest point during 2020, which is 27.5. This PMI contains an explanation of the performance of the manufacturing industry.
- 3) Imports in October 2020 decreased by 26.9% yoy (year on year) (Bank Indonesia, 2020).
- 4) The inflation rate from January to October 2020 was 0.95%, while the year-over-year/yoy inflation rate (October 2020 against October 2019) was 1.44%.
- 5) The slowdown in the pace of economic growth in Indonesia began in the fourth quarter of 2019. This phenomenon is caused by the government's policy to implement health protocols, one of which is by ratifying Government Regulation number 21 of 2020 concerning Large-Scale Social Restrictions in the Context of Accelerating the Handling of Corona Virus Disease 2019 (COVID-19) (Financial Audit Agency, 2020). However, in the second quarter of 2020, the pace of economic growth increased again.

B. Signaling Theory

Signaling theory (Husnan, 2005) states that a policy taken by an issuer, government, or investor in principle gives signals or indications to the market about future trends or tendencies. Merger activities have informative value for investors as they will influence investment decisions in the form of changes in stock prices due to increasing or decreasing transactions (Sutrisno, 2004)²⁰⁾.

C. Corporate Action

Corporate action or issuer action is an activity carried out by a company whose weight is enough to cause the possibility of affecting the share price of the company concerned on the stock exchange (Ang, 1997). The action of issuers, which generally have a relationship either directly or indirectly with the company's financial performance, the company's survival, affecting the company's growth and company management, will have an influence on the company's share price on the stock exchange. Some of the issuer's actions include (1) strategic alliances, (2) private placement, (3) divestiture, (4) acquisitions, (5) hostile acquisition, (6) mergers, (7) consolidation, (8) tender offer²⁰⁾.

D. Mergers

Some theories on the definition of a merger are as follows:

1. According to Law Number 40 of 2007 concerning Limited Liability Companies, it is stated that a merger is a legal action carried out by one or more companies to merge with another existing company, which results in the assets of the merged company being transferred because the law to the company that accepts the merger and subsequently the status of the legal entity of the merged company ends due to law²³⁾.
2. According to the Law of the Republic of Indonesia Number 21 of 2008 concerning Sharia Banking, it is stated that a merger is a legal action carried out by one or more banks to merge with other existing banks that result in the assets of the merged bank switching because the law to the bank that accepts the merger and subsequently the legal entity status of the merged bank ends due to law²⁴⁾.
3. According to the Law of the Republic of Indonesia Number 7 of 1992 concerning Banking, it is stated that a merger is a

fusion of two or more banks by maintaining the establishment of one of the banks and liquidating other banks. In the case of state-owned commercial banks, mergers can only be carried out between state-owned commercial banks. Thus, private ownership of the shares of state-owned commercial banks can only be done through the stock exchange. In carrying out a merger, it is mandatory to avoid the emergence of a concentration of economic power on one group in the form of a monopoly that harms society. Similarly, the merger carried out must not harm the interests of the customers²⁵⁾.

4. According to Government Regulation Number 28 of 1999 concerning Mergers, Consolidations, and Acquisitions of Banks, it is stated that a merger is a fusion of two or more banks, by maintaining the establishment of one bank and dissolving the other banks without liquidating first²⁶⁾.
5. According to Abdul Moin, the definition of a merger is the fusion of two or more companies, and then there is only one company that remains alive as a legal entity while the other stops its activities or dissolves. Of course, the merger is carried out because there are certain goals and reasons to be achieved. Some of the purposes of the merger are as follows:
 - Growth or Diversification. A company can carry out mergers or acquisitions if it wants to grow faster, whether in size, stock market, or business diversification.
 - Increase Funds. Companies that want to carry out internal expansion will need funds. The need for these funds can be obtained by expanding externally, such as combining with companies that have high liquidity.
 - Creating Synergies. One of the goals of the merger is to achieve a synergy, which is to produce a level of economies of scale. Synergy will be clearly seen when the company merges with businesses with identical forms because it can make efficiencies in its workforce and functions.
 - Tax Considerations. Spending on taxes can result in losses for a company. Companies that suffer tax losses can merge themselves with profit-making companies to take advantage of tax losses. In this case, the company making the acquisition will increase the combination of post-tax income by reducing the pre-tax income of the acquired company.
 - Improving Company Skills. An enterprise can have difficulty developing due to a lack of skills in terms of management and technology. In order to overcome these problems, a company can join other companies that have qualified management and technology.
 - Protection from expropriation. Any company has the potential to be a target of hostile takeovers. The merger actor acquires another company and finances its takeover with debt. Because of this debt burden, the company's obligations become too large to be borne by interested bidding firms.
 - Increase Owner's Liquidity. Every company that merges has the opportunity to have greater liquidity. When the company is bigger, the stock market will be wider and easier to obtain so that it is more liquid than a small company. Based on its purpose, the merger is related to Islamic banks in Indonesia, which also has a purpose. The purpose of the merger of three Islamic banks included in the horizontal merger type is to increase the role of Islamic banks in the development of the Islamic financial industry in order to provide more value to the prosperity of the people¹⁸⁾.

Mergers can be distinguished into several types, such as¹⁾:

1. Horizontal Merger combines two or more types of businesses where the company purchases similar products in the form of goods or services. Carried out to strengthen market share and gain efficiency.
2. Vertical Merger combines two or more types of businesses where the company purchased has a supplier or customer relationship. Carried out to maintain the continuity of production supplies.
3. Conglomerate Merger combines two or more types of businesses where the companies purchased are not related to each other, so it can be said that this merger model is diversification of efforts to reduce risk.

Merging a company is an option of many strategies that can be used by banking companies in Indonesia to be more efficient. If the company does so, it is expected to make banks with good management take over banks whose management is not good enough to increase company value. Merging can also lower operational costs and offer benefits to the community as a whole because it has freedom in choosing its resources.

By restructuring the company in the form of a merger, it is hoped that it can increase the economic scale, which will create more efficient banks as a result of the restructuring and drive banks that formed from mergers to have larger market power. Mergers can provide benefits to the community if the cost and profit efficiency due to the merger increase²⁷⁾.

E. Islamic Banks

Based on the Law of the Republic of Indonesia Number 21 of 2008 concerning Sharia Banking, it is stated that²⁴⁾:

- 1) Sharia Bank is a bank that carries out its business activities based on Sharia Principles, and according to its type, consists of Sharia Commercial Banks and Sharia People's Financing Banks.

- 2) Sharia Commercial Bank is a Sharia Bank that, in its activities, provides services in payment traffic.
- 3) Sharia People's Financing Bank is a Sharia Bank that, in its activities, does not provide services in payment traffic.
- 4) Sharia Business Unit, hereinafter referred to as SBU, is a work unit of the head office of a Conventional Commercial Bank that functions as the main office of the office or unit that carries out business activities based on Sharia Principles or a work unit in the branch office of a bank domiciled abroad that carries out business activities conventionally which functions as the main office of the sharia sub-branch office and/or sharia unit.

Sharia principles are Islamic legal principles in banking activities based on fatwas issued by institutions that have the authority to determine fatwas in the sharia field.

F. Financial Performance and Financial Performance Ratio

According to Fahmi (2013), financial performance is an analysis carried out to see the extent to which a company has implemented using good and correct financial implementation rules. According to Erlina (2013), financial performance is a picture of the results of many decisions made continuously by management to achieve certain goals effectively and efficiently. According to Darsono (2012), financial performance is a management achievement that is measured from a financial point of view, namely maximizing company value. Based on those definitions, it can be concluded that financial performance is an analysis carried out in order to analyze the extent to which an enterprise uses financial rules correctly and to see the capabilities or achievements that the company has achieved in carrying out certain activities in a certain period of time¹⁵⁾.

To measure the success of a banking company, investors can look at the bank's performance, which consists of the company's existing achievements due to a good management decision-making process. Looking at the financial performance that the company has achieved in a certain period is to gain a picture of whether a bank is healthy or not. A healthy banking company can provide a profit for investors. A good bank performance will make the market performance even more improved, as investors can see a future prospect for the bank's performance²⁷⁾.

Financial performance ratio analysis is a common method used to measure a company's performance in the financial field. A ratio is a tool that compares something with other things so that it can show the relationship or correlation of a financial statement in the form of a balance sheet and income statement. To measure the financial performance of Islamic banks, the Financial Services Authority (OJK) has issued regulations related to financial ratios used to assess bank performance, namely²⁹⁾:

1. Minimum Capital Provision Obligation Ratio

Ratio Calculation Formula:

$$\frac{\text{Capital}}{\text{RWA}}$$

Information:

- Calculation of capital and Risk-Weighted Assets (RWA) in accordance with the provisions of the Financial Services Authority Regulation regarding the obligation to provide minimum capital for Islamic commercial banks³²⁾
- The ratio formula is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the health level of Islamic commercial banks and sharia business units³³⁾.

2. Ratio of non-performing productive assets and non-performing non-productive assets to total productive assets and non-productive assets

Ratio Calculation Formula:

$$\frac{(\text{Non-performing productive assets} + \text{Non-productive non-performing assets})}{(\text{Total productive assets} + \text{Total non-productive assets})}$$

Information:

- The scope of components and quality of productive assets and non-productive assets in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the asset quality of Islamic commercial banks and sharia business units³⁴⁾.
- Non-performing productive assets and non-productive non-performing assets are assets with less current, doubtful, and bad quality.
- The figure is calculated based on the value recorded in the Financial Position Statement and the Statement of Commitment and Contingency on a gross basis (before deducting ILRR).

3. Ratio of Non-performing productive assets to total productive assets

Ratio Calculation Formula:

$$\frac{\text{Non-performing productive assets}}{\text{Total productive assets}}$$

Information:

- The scope of components and the quality of productive assets in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the asset quality of Islamic commercial banks and sharia business units³⁴⁾.
- Productive assets other than administrative account transactions
- Non-performing productive assets are productive assets with less current, doubtful, and bad quality.
- The figure is calculated based on the value recorded in the Financial Position Statement on a gross basis (before deducting ILRR).

4. Impairment Loss Reserve Ratio (ILRR) of financial assets to productive assets

Ratio Calculation Formula:

$$\frac{\text{ILRR Financial Assets}}{\text{Total productive assets}}$$

Information:

- Productive assets are other than administrative account transactions.
- ILRR financial assets are ILRR which has been formed in accordance with financial accounting standards regarding financial instruments and PAPSI (Indonesian Islamic Banking Accounting Guidelines).
- The scope of the productive asset component is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the asset quality of Islamic commercial banks and sharia business units³⁴⁾.
- Total productive assets are calculated based on the value recorded in the Financial Position Statement on a gross basis (before deducting ILRR).

5. Non-Performing Financing (NPF) gross

Ratio Calculation Formula:

$$\frac{\text{Non-performing financing}}{\text{Total financing}}$$

Information:

- Financing is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the asset quality of Islamic commercial banks and sharia business units³⁴⁾.
- Financing only includes financing to third parties, not banks.
- Problematic financing is financing with poor quality, doubtful, and bad.
- The figure is calculated based on the value recorded in the Financial Position Statement on a gross basis (before deducting ILRR).
- The ratio formula is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the health level of Islamic commercial banks and sharia business units³³⁾.

6. Non-Performing Financing (NPF) net

Ratio Calculation Formula:

$$\frac{(\text{Non-performing financing} - \text{ILRR non-performing financing})}{\text{Total financing}}$$

Information:

- Financing is financing in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the asset quality of Islamic commercial banks and sharia business units³⁴⁾.
- Financing only includes financing to third parties, not banks.
- Problematic financing is financing with poor quality, doubtful, and bad.
- ILRR non-performing financing is ILRR which has been formed for financing with poor, doubtful, and bad quality in accordance with financial accounting standards regarding financial instruments and PAPSI.
- The number of non-performing financing and total financing is calculated based on the value recorded in the Financial Position Statement on a gross basis (before deducting ILRR).

7. Return on Asset (ROA)

Ratio Calculation Formula:

$$\frac{\text{Profit before tax}}{\text{Average total assets}}$$

Information:

- Profit before tax is the profit of the current year before the annualized tax.
- Profit after tax is the net profit of the current year after the annualized tax. Example for June positions: (Accumulated profit per June/6 position) x 12.
- The average figure of total assets is the accumulation of total assets each month divided by the number of months. Example for June positions: Accumulated total position assets from January to June/6.
- The ratio formula is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the health level of Islamic commercial banks and sharia business units³³.

8. Return on Equity (ROE)

Ratio Calculation Formula:

$$\frac{\text{Profit after tax}}{\text{Average equity}}$$

Information:

- Profit after tax is the net profit of the current year after the annualized tax. Example for June positions: (Accumulated profit per June/6 position) x 12.
- Equity is the total assets minus total liabilities in the Statement of Financial Position.
- Core capital is core capital in accordance with the provisions of the Financial Services Authority Regulation regarding the obligation to provide minimum capital for Islamic commercial banks³¹.
- The average figure of equity/core capital is the accumulation of equity/core capital each month divided by the number of months. Example for June position: Accumulated equity/core capital position from January to June/6.

9. Net Rewards (NI)

Ratio Calculation Formula:

$$\frac{(\text{Revenue distribution after profit sharing-Rewards and bonuses})}{\text{Average total productive assets}}$$

Information:

- The income of disbursement of funds after profit sharing minus rewards and bonuses is the income of disbursement of funds after deducting the profit sharing expenses, rewards, and bonuses, which are annualized. Example for June position: (Accumulated disbursement income after profit sharing minus rewards and bonuses per position in June/6) x 12.
- Fund disbursement income includes all income from the distribution of funds.
- Revenue sharing expenses, rewards, and bonuses include the entire revenue sharing expense, rewards, and bonuses from raising funds.
- The average number of productive assets is the accumulation of productive assets that generate margin, profit sharing, and rewards in the Financial Position Statement and commitment and contingency statement each month divided by the number of months. Example for June positions: Accumulated productive assets that result in margins, revenue sharing, and rewards from January to June/6.
- The ratio formula is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the health level of Islamic commercial banks and sharia business units³³.

10. Net Operating Margin (NOM)

Ratio Calculation Formula:

$$\frac{(\text{Revenue disbursement after revenue sharing-Operating expenses})}{\text{Average productive assets}}$$

Information:

- Fund disbursement income after profit sharing minus operating expenses, namely fund disbursement income after deducting profit sharing expenses and other operating expenses, which are annualized. Example for June position: (Accumulated disbursement income after profit sharing minus rewards and operating expenses per position in June/6) x 12.
- Fund disbursement income includes all income from the distribution of funds.
- The profit-sharing burden includes the entire profit-sharing expense of raising funds.
- Operating expenses include all operating expenses, including profit sharing expenses, bonuses, and rewards.
- The average number of productive assets is the accumulation of productive assets that generate margin, profit

sharing, and rewards in the Financial Position Statement and commitment and contingency statement each month divided by the number of months. Example for June positions: Accumulated productive assets that result in margins, revenue sharing, and rewards from January to June/6.

- The ratio formula is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the health level of Islamic commercial banks and sharia business units³³⁾.

11. Operating Expenses to Operating Income (OEOI)

Ratio Calculation Formula:

$$\frac{\text{Total operating expenses}}{\text{Total operating income}}$$

Information:

- Operational expenses are all operational expenses, including profit sharing expenses, bonuses, and rewards.
- Operating income is the entire margin income, profit sharing, and other rewards and operating income.
- The number is calculated per unannualized position.

12. Cost to Income Ratio (CIR)

Ratio Calculation Formula:

$$\frac{(\text{Operational expenses other than disbursement of funds - bonus expenses and rewards - ILRR})}{(\text{Revenue after the distribution of revenue share + operating income other than from the distribution of funds - bonus expenses and})}$$

Information:

- Bonus and reward expenses include bonus expenses from raising funds and reward expenses to Bank Indonesia.
- ILRR is the ILRR of financial assets and ILRR of non-financial assets that have been formed in accordance with financial accounting standards regarding financial instruments and PAPS.
- ILRR recovery is the recovery of ILRR of financial assets and ILRR of non-financial assets of operational, namely all operating expenses, including profit sharing expenses, bonuses, and rewards.
- The number is calculated per unannualized position.

13. Revenue sharing financing against total financing

Ratio Calculation Formula:

$$\frac{\text{Revenue sharing financing}}{\text{Total financing}}$$

Information:

- Financing is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the asset quality of Islamic commercial banks and sharia business units³⁴⁾.
- Financing only includes financing to third parties, not banks.
- Profit sharing financing is all financing with a profit-sharing agreement both using the profit sharing and net revenue sharing methods.
- Total financing is calculated based on the value recorded in the Gross Statement of Financial Position (before deducting ILRR).
- The ratio formula is in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the health level of Islamic commercial banks and sharia business units³³⁾.

14. Financing to Deposit Ratio (FDR)

Ratio Calculation Formula:

$$\frac{\text{Financing}}{\text{Third-party funds}}$$

Information:

- Financing is financing in accordance with the provisions of the Financial Services Authority Regulation regarding the assessment of the asset quality of Islamic commercial banks and sharia business units³⁴⁾.
- Financing only includes financing to third parties, not banks.
- Third-party funds include current accounts, savings accounts, and time deposits (excluding interbank placements).

G. Stock

According to the Indonesia Stock Exchange (2021), the stock is defined as a sign of capital participation of a person or party (business entity) in a company or limited liability company. By including the capital, the party has a claim on the company's income, a claim on the company's assets, and is entitled to be present at the General Meeting of Shareholders (GMS). Stock consists of two kinds, preferred shares or special shares and ordinary shares. The two stocks have differences in the rights and obligations owned by investors or shareholders.

In stock trading activities in the capital market, shareholders will get capital gains, which is the difference between the purchase price and the selling price of stocks. When investors own stocks, investors will get a profit, which is in the form of stock returns. The rate of return or return on shares is the amount of profit/return that investors will get. There are two types of returns on these stocks, namely dividends and capital gains.

Capital gains are profits earned by investors, which are caused by the purchase value of shares being smaller than the selling value. Meanwhile, dividends are defined as the net profit earned by the company, which is given to the owners of the company. In addition to the positive side of getting a profit, stock investment also has risks. The risks of this stock investment include liquidation risks and capital loss. Capital loss is a loss earned by investors because the value of selling shares is smaller than the purchase value. This capital loss is the opposite of capital gains¹⁸⁾.

H. Stock Price

Stock Price is the price of a company's shares, which occurs in the capital market at a certain moment and is determined by market participants on the demand and supply of the stock price. The stock market price is formed through the mechanism of demand and supply in the capital market. If the company's performance develops well, the stock price tends to increase. The stock price is the price per share prevailing in the capital market. Stock price is one of the indicators of successful improvement management in providing profits and satisfaction for investors who invest their stocks on the Indonesia Stock Exchange (IDX).

The stock price can be defined as the market price. The market price is the price that is easiest to determine because the market price is the price of a stock in the ongoing market. If the stock exchange market is closed, then the market price is the closing price. Therefore, it is this market price that expresses the rise and fall of a stock.

Stock price can also be interpreted as a factor that makes investors invest their funds in the capital market because it can reflect the rate of return on capital. In principle, investors who buy stocks is to get dividends and sell the shares at a higher price (capital gains).

According to Ciptaningsih (2010), if the stock price is overvalued by the market, the amount of demand will decrease. A stock price that is too high results in the stock not being liquid. Investors become reluctant to buy both because they think that the price has reached its peak and because of the increasingly high costs. In order for stocks to be liquid, a public company has the option of increasing the number of stocks to make the price lower. If there is an increase in the number of stocks, the stock price will automatically fall. Investors not only use stock prices in assessing company performance but use the company's ability to generate profits. If the company has good profitability, it will certainly be attractive to potential investors¹⁸⁾.

Every investor or potential investor must thus know the price or value of a stock of different magnitudes. Here's a stock price example¹⁸⁾:

1. **Nominal price.** Every stock issued by the company has a price. The nominal price of the stock is the price stated on the stock to be issued.
2. **Prime price.** Although the nominal price has been set, the price of the initial public offering to investors in the initial market is not necessarily the same as the nominal price. It could be that the initial price of the stock is smaller or higher than the nominal. If the initial price is higher than the nominal price, there will be a difference called agio. Conversely, if the initial price is lower than the nominal price, the difference is called a disagio. The initial price can also be interpreted as the price that applies during the public offering period.
3. **Opening price.** The opening price is the stock price that took effect at the time the stock market opened on this day.
4. **Market price.** After being traded on the stock exchange, the stock price is the stock price on the stock exchange at that time. For stocks that are targeted by investors, the movement of the stock market price is usually very volatile, changing in minutes and even seconds. Conversely, for "sleeping" stocks that at the time lacked interest, there was usually little movement or even no movement at all.
5. **Closing price.** After opening since the morning, the market or stock exchange will be closed in the afternoon. After closing, the sale and purchase of stocks on the Indonesia Stock Exchange were stopped and will continue the next day. When the stock exchange closes, the stock market price that is currently in effect will be the closing price for the day. The closing price of the stock that day will also be the reference opening price for the next day.

I. Factors affecting the Stock Price

Zulfikar (2016) argues that there are factors affecting the stock price that come from internal and external factors of the

company, the factors affecting the movement of the stock price are¹⁸⁾:

Internal Factors

- Announcements about marketing, production, and sales such as advertising, contact details, price changes, new product recall production reports, product safety reports, and sales reports.
- Financial announcements, such as announcements related to equity and debt.
- Management board of directors' announcements, such as changes and changes in directors, management, and organizational structures.
- Diversification-taking announcements such as merger reports, equity investments, take over reports by acquirers and acquisitions.
- Investment announcement, factory expansion, research development, and other business closures.
- Labor announcements, such as new negotiations, new contracts, and others.
- Announcement of the company's financial statements.

External Factors

- Announcements from the government such as changes in savings and time deposit rates, foreign exchange rates, inflation, as well as various regulations and economic deregulations issued by the government.
- Legal announcements, such as employee claims against the company or against its managers and company claims against its managers.
- Securities industry announcements, such as annual meeting reports, insider trading, trading volumes or prices, trading restrictions or delays.
- Domestic political turmoil and exchange rate fluctuations are also factors that have a significant influence on the occurrence of stock exchange price movements on a country's stock exchange.
- Various issues both domestically and abroad.

J. Stock Trading Volume

Stock transaction volume is the number of stocks traded in a certain period. The large volume of stock transactions shows how much interest investors have in making transactions, both buying and selling stock of a company. The value of the high transaction volume does not necessarily indicate a high stock price. The value of this transaction volume can change due to events that occur both within itself and other events that occur outside the company. Transaction volume is an accepted part of technical analysts. Transaction activity in very high volumes on an exchange will be interpreted as a sign that the market will improve (bullish). The increase in trade transactions accompanied by an increase in prices is a stronger symptom of bullish conditions.

Stock trading volume is a confluence of the power between demand and supply, which is a manifestation of investor behavior. The increase in trading volume is an increase in the buying and selling activity of investors on the stock exchange. The more the volume of supply and demand of stock, the greater its influence on fluctuations in stock prices on the stock exchange, and the increasing trading volume of shares shows the increasing interest of the stock by the public and will have an influence on the increase in the price or return of stocks¹⁸⁾.

According to Umam and Sutanto (2017:186), there are several principles in the interpretation of trading volume,¹⁾:

- 1) The most important principle is that the trading volume is in line with the trend. Trading activity will increase when the market is on an uptrend, and trading activity will decrease when the market is on a downtrend. This means that trading volume can be used to predict the trend at that time. Trade measures the enthusiasm of buyers and sellers. At times of uptrend market with low trading volumes can be caused by the lack of sellers compared to the enthusiasm of buyers. Sooner or later, this will push the market to a price that makes sellers willing to sell shares.
- 2) The activity of buyers and sellers in the capital market greatly affects the stock price. For example, if a seller reacts to bad news and then sells his stock, this will cause the stock price to fall. The stock price increases and the trading volume decreases is an abnormal condition and indicate that the trend is not strong and will undergo changes. This kind of activity is usually a bearish trend and is one of the things to take into account. That is, the trading volume measures the enthusiasm of buyers and sellers. At times of uptrend market with low trading volumes can be caused by the lack of sellers compared to the enthusiasm of buyers. Sooner or later, this will push the market to a price that makes sellers willing to sell shares.

CONCEPTUAL MODEL

Based on the literature review mentioned above, a conceptual model can be formed as follows:

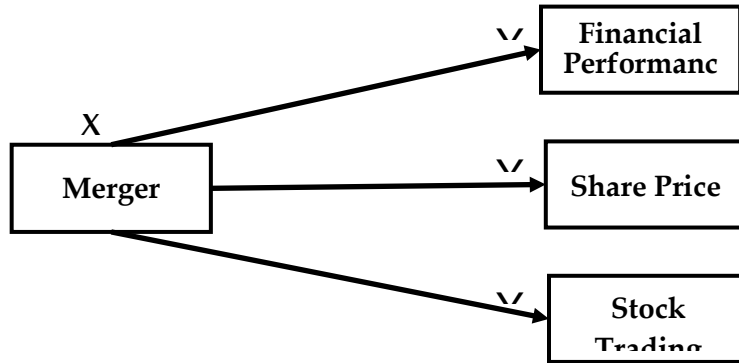


Figure 1. Conceptual Model

HYPOTHESES

Based on conceptual models and theoretical studies, hypotheses can be formulated as follows:

- H₁: Merger affects the financial performance of BRIS companies, indicated by differences in the financial performance of BRIS companies before the merger process, during the merger process, and after the inauguration of the merger.
- H₂: Merger affects the share price of BRIS companies, indicated by differences in the share price of BRIS companies before the merger process, during the merger process, and after the inauguration of the merger.
- H₃: Merger affects the trading volume of BRIS company shares, indicated by differences in the trading volume of BRIS company shares before the merger process, during the merger process, and after the inauguration of the merger.

METHODOLOGY

The methodology used in this study is a descriptive analysis method with a quantitative approach and a case study, which is to compare three or more independent groups to determine whether there are statistically significant differences. In this paper, the type of descriptive research used is a case study, that is, a series of scientific activities that are carried out intensively, in detail, and in-depth about a program, event and activity, both at the level of an individual, a group of people, institutions, or organizations in order to acquire in-depth knowledge about the event.

The population is the whole subject of the study. The population of this study is all companies listed on the Indonesia Stock Exchange. The sample is part of the number and characteristics possessed by a population to be studied. The sample of this study is the ratio of BRIS's financial performance to data from the quarterly reports of banks and BRIS shares with data from stock prices and transaction volumes in the period before the merger process, during the merger process, and after the inauguration of the merger. The sampling technique in this study is a non-probability sampling technique. Nonprobability sampling is based on certain criteria such as judgment, status, quantity, volunteerism, and so on. The data used in this study are secondary data through financial

performance ratio data on quarterly reports accessed from the <https://www.bankbsi.co.id> website, BRIS stock price data, and stock transaction volumes at the close of trading every day of the exchange accessed from the financial platform, and news website <https://id.investing.com>.

The data analysis technique in this study is to use descriptive quantitative analysis. This study also used trend analysis method,

and in processing and analyzing data, Microsoft Office Excel application tools and IBM SPSS Statistics Version 26. This analysis method is used to measure how much difference the financial performance, price, and volume of BRIS stock transactions are before the merger process, during the merger process, and after the inauguration of the merger.

CONCLUSION

This research developed a conceptual model aimed at analyzing the influence of mergers on financial performance, stock prices, and stock trading volumes on the Indonesian Stock Exchange. This study is complemented with background research, literature review, hypothesis, and research methodology to develop a conceptual model. The conceptual model will then be used to analyze the merger actions of 3 (three) Sharia Banks subsidiaries of state-owned banks and their influence on the financial performance, share price, and transaction volume of BRIS shares on the Indonesia Stock Exchange as a surviving entity.

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