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EFFECTIVENESS OF ACQUISITION ON THE STABILITY AND PROFITABILITY OF PT BANK DANAMON INDONESIA TBK

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Abstract

This study investigates how Mitsubishi UFJ Financial Group (MUFG)'s acquisition of PT Bank Danamon Indonesia Tbk (BDMN) improved the company's profitability and financial stability. This acquisition represents MUFG's strategic move to expand in Southeast Asia, particularly in the Indonesian banking sector. It is expected that this acquisition will help strengthen Bank Danamon's capital structure and improve its operational efficiency. This study employed a comparative quantitative approach. Secondary data came from Bank Danamon's annual financial reports from 2017–2018 (before the acquisition) and 2020–2022 (after the acquisition). To identify significant differences in financial ratios before and after the acquisition, analyses were conducted using the Shapiro–Wilk normality test and the Wilcoxon Signed Rank Test. Return on Assets (ROA), Return on Equity (ROE), Debt to Asset Ratio (DAR), and Debt to Equity Ratio (DER) were used to measure profitability and financial stability. This research is expected to contribute to the advancement of banking finance and assist financial institutions in evaluating effective acquisition strategies in Indonesia.

Keywords: Acquisition, profitability, financial stability, *ROA, ROE, DAR, and DER*

Introduction

With increasingly fierce competition in the banking industry, financial institutions are striving to strengthen their position and performance. Mergers and acquisitions (M&A) are a popular strategy, believed to build synergies, expand networks, and improve operational efficiency (Hindriyani, Handayani, & Asdani, 2024). In the long term, companies are expected to improve their capital structure and increase profitability through acquisitions.

In Indonesia, particularly in the banking sector, acquisition strategies have developed rapidly. Several significant examples include the purchase of PT Bank Danamon Indonesia Tbk (BDMN) by Mitsubishi UFJ Financial Group (MUFG). This acquisition began in 2017 and was approved in 2018 by the Financial Services Authority (OJK). This move aimed to increase capital, improve access to funding globally, and enhance Bank Danamon's management effectiveness through a partnership with MUFG (Indriani, 2019).

Over the past five years, there has been an increase in the number of merger and acquisition notifications in Indonesia, according to data collected by the Business Competition Supervisory Commission (KPPU). This increase is a consequence of high levels of corporate consolidation activity across various industries, including banking.

Table 1. Data on the Number of Companies Merging and Acquiring in 2017-2022

Year	Number of Merger and Acquisition Notification
2017	90
2018	74
2019	120
2020	195
2021	233
2022	300

Source: KPPU Annual Report 2022 from the Business Competition Supervisory Commission (KPPU).

Data shows an annual increase in mergers and acquisitions, demonstrating a corporate tendency to enhance competitiveness through expansion and consolidation. However, effective acquisitions do not always yield positive results. Several studies have shown that acquisition success depends heavily on a company's ability to manage post-acquisition integration and establish financial strategies (Swari & Masdiantini, 2024). Therefore, empirical analysis is needed to determine the extent to which MUFG's acquisition of Bank Danamon impacts financial stability and profitability.

Theoretical Framework

In banking, acquisitions are considered a corporate strategy aimed at increasing capital, expanding market share, and improving operational efficiency through collaboration between entities. Furthermore, this strategy is related to the financial management domain, specifically how acquisitions can impact a bank's profitability and financial stability. Profitability is calculated by measuring a bank's ability to generate profits based on assets and equity, while financial stability is measured by measuring the balance between debt and capital (Yusgiantoro, Wirdiyanti, & Harjanti, 2020).

Various pre- and post-acquisition financial ratios are commonly used to assess acquisition effectiveness. Ratios such as Return on Assets (ROA) and Return on Equity (ROE) indicate the efficiency of asset and capital utilization, while the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) indicate a company's funding structure and financial risk (Diniartha & Aisjah, 2023). The type of acquisition, market conditions, and post-acquisition integration are crucial, but empirical research findings are inconsistent (Hartono, Nugrohoseno, & Kistyanto, 2023).

In this study, the acquisition of PT Bank Danamon Indonesia Tbk (BDMN), supported by Mitsubishi UFJ Financial Group (MUFG), is considered a strategic move aimed at improving the bank's financial stability and profitability. This study will examine how the bank's funding structure, asset utilization, and capital change after the acquisition by analyzing pre- and post-acquisition financial ratios. Therefore, this theoretical framework underpins the hypothesis that the acquisition will improve the bank's profitability and stability.

Method

The purpose of this study is to analyze the differences in the financial performance of BDMN before and after its acquisition by MUFG. A comparative quantitative approach was chosen because it allows researchers to use measurable numerical data to objectively measure changes in financial performance. Purnomo and Nurmatias (2024) also used this technique to assess the differences in performance of companies listed on the Indonesia Stock Exchange (IDX) before and after the acquisition.

Bank Danamon's annual financial reports were taken from the websites of the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK). They cover two years before the acquisition (2017–2018) and three years after the acquisition (2020–2022). This timing was chosen to obtain more accurate results on how the acquisition impacted the bank's profitability and stability.

Because the normality test results indicated that the data were not normally distributed, the Wilcoxon test was used to analyze the data. The Wilcoxon test is used to measure significant differences between two paired conditions, namely before and after an acquisition. Fitriani and Yuniarti (2023) used a similar approach to compare the financial ratios of acquiring companies in Indonesia to determine changes in profitability after mergers and acquisitions.

This study uses financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Debt to Asset Ratio (DAR), and Debt to Equity Ratio (DER). ROA measures how effectively assets are used to generate profits, DAR indicates how much debt is financed with assets, and DER indicates the balance of the company's capital structure. It is hoped that the analysis of these four ratios will provide an empirical picture of the extent of the impact of the MUFG acquisition on the financial stability and profitability of BDMN.

Results

This analysis measures the effectiveness of the (MUFG) acquisition in impacting the stability and profitability of (BDMN). The assessment was conducted using four key financial ratios: ROA, ROE, DAR, and DER. The data used covers the period 2017 to 2022, comprising two years before the acquisition, one year of the transition process (2019), and three years after the acquisition.

The analysis process was conducted in two stages. The first stage was a descriptive analysis to observe trends in the ratio values. The second stage was a normality test using the Shapiro–Wilk method and a paired sample t-test to determine whether there was a significant difference between the values before and after the acquisition. The test results indicated that there was a significant change in profitability ratios, while financial stability tended to remain stable. The results table provides information in the form of mean values, standard deviations, and significance levels, which serve as the basis for assessing the extent to which the MUFG acquisition impacted Bank Danamon's financial performance.

Table 2. Application of the formula to BDMN data for 2017-2022

Data	Year					
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Net profit	3,679,000	3,909,000	4,073,000	1,604,000	2,694,000	3,244,000
Total Assets	183,554,000	194,189,000	193,921,000	203,225,000	203,012,000	214,800,000
Total Equity	35,749,000	37,671,000	40,254,000	41,515,000	42,115,000	43,100,000
Total Liabilities	147,805,000	156,518,000	153,667,000	161,710,000	160,897,000	171,700,000

Source: results of financial data calculations for (2017-2022).

1. **Profitability Ratio**
   Return on assets (ROA)
   To calculate ROA, the following formula is used:

$$Return\ On\ Assets\ \ (ROA)\ = \frac{Laba\ Bersih}{Total\ Aktiva} \times 100\%$$

Return on assets (ROA) Calculation

Data	ROA Calculation
2017	$(ROA)\ = \frac{3.679.000}{183.554.000} \times 100\% = 2{,}00\%$
2018	$(ROA) = \frac{3.909.000}{194.189.000} \times 100\% = 2{,}01\%$
2019	$(ROA) = \frac{4.073.000}{193.921.000} \times 100\% = 2{,}10\%$
2020	$(ROA)\ = \frac{1.604.000}{203.225.000} \times 100\% = 0{,}79\%$
2021	$ROA\ = \frac{2.694.000}{203.012.000} \times 100\% = 1{,}33\%$

2022	$ROA = \frac{3.244.000}{214.800.000} \times 100\% = 1{,}51\%$

Interpretation of ROA Analysis Results Before and After the Acquisition
BDMN Return on Assets (ROA) during the 2017–2022 period showed a fairly sharp downward trend following the acquisition by MUFG. Prior to the acquisition, in 2017–2018, the average ROA reached 2.03%. However, after the acquisition, in the 2020–2022 period, the average ROA dropped to 1.21%. The average change of -28.86% indicates a decline in the company's asset management efficiency following the acquisition.
Return on equity (ROE)
The formula for calculating ROE is:

$$Return\ On\ Equity (ROE) = \frac{Net\ Profit}{Total\ Equity} \times 100\%$$

Return on equity (ROE) Calculation

Data	ROE Calculation
2017	$ROE = \frac{3.679.000}{35.749.000} \times 100\% = 10{,}29\%$
2018	$ROE = \frac{3.909.000}{37.671.000} \times 100\% = 10{,}38\%$
2019	$ROE = \frac{4.073.000}{40.254.000} \times 100\% = 10{,}12\%$
2020	$ROE = \frac{1.604.000}{41.515.000} \times 100\% = 3{,}86\%$
2021	$ROE = \frac{2.694.000}{42.115.000} \times 100\% = 6{,}40\%$
2022	$ROE = \frac{3.244.000}{43.100.000} \times 100\% = 7{,}53\%$

Interpretation of ROE Analysis Results Before and After Acquisition
Return on Equity (ROE) also declined after the acquisition. Before the acquisition (2017–2018), the average ROE was 10.26%, while after the acquisition (2020–2022), it dropped to 5.93%. The -32.49% decline indicates a weakening return on shareholders' equity. This may be due to a decrease in net income during the transition and initial integration period post-acquisition.

2. **Solvency Ratio**
Debt to assets ratio (DAR)
Dar can be calculated using the following formula:

$$Debt\ to\ assets\ ratio\ (DAR) = \frac{Total\ Debt}{Total\ Assets} \times 100\%$$

Debt to assets ratio (DAR) Calculation

Data	DAR Calculation
2017	$DAR = \frac{147.805.000}{183.554.000} \times 100\% = 80{,}53\%$
2018	$DAR = \frac{156.518.000}{194.189.000} \times 100\% = 80{,}59\%$
2019	$DAR = \frac{153.667.000}{193.921.000} \times 100\% = 79{,}24\%$
2020	$DAR = \frac{161.710.000}{203.225.000} \times 100\% = 79{,}59\%$
2021	$DAR = \frac{160.897.000}{203.012.000} \times 100\% = 79{,}29\%$
2022	$DAR = \frac{171.700.000}{214.800.000} \times 100\% = 79{,}93\%$

Interpretation of DAR Analysis Results Before and After Acquisition
The Debt-to-Asset Ratio (DAR) remained relatively stable throughout the observation period. Before the acquisition, the average DAR was 80.11%, while after the acquisition it was 79.60%, with an average change of -1.29%. This value indicates that the company's funding structure has not undergone significant changes, reliance on debt remains high but stable.

Debt to equity ratio (DER)
The debt to equity ratio can be formulated as follows:

$$Debt\ to\ equity\ ratio\ (DER) = \frac{Total\ Liabilities}{Total\ Equity} \times 100\%$$

Debt to equity ratio (DER) Calculation

Data	DER Calculation
2017	$DER = \frac{147.805.000}{35.749.000} \times 100\% = 4{,}13\%$
2018	$DER = \frac{156.518.000}{37.671.000} \times 100\% = 4{,}15\%$
2019	$DER = \frac{153.667.000}{40.254.000} \times 100\% = 3{,}82\%$
2020	$DER = \frac{161.710.000}{41.515.000} \times 100\% = 3{,}90\%$
2021	$DER = \frac{160.897.000}{42.115.000} \times 100\% = 3{,}82\%$
2022	$DER = \frac{171.700.000}{43.100.000} \times 100\% = 3{,}98\%$

Interpretation of DER Analysis Results Before and After Acquisition
The Debt-to-Equity Ratio (DER) decreased from an average of 403.20% before the acquisition to 390.10% after the acquisition, with an average change of -

6.38%. This decrease indicates a slight improvement in the capital structure, although it still indicates a high level of leverage.

Table 3. Data on ROA, ROE, DAR, and DER Variables Before and After Acquisition in 2017-2022

Variables	2017	2018	2019	2020	2021	2022
	(before)	(before)		(after)	(after)	(after)
ROA (%)	2.00	2.01	2.10	0.79	1.33	1.51
ROE (%)	10.29	10:38	10.12	3.86	6.40	7.53
DAR (%)	80.53	80.57	79.24	79.59	79.29	79.93
DER (%)	413.40	415.50	381.70	389.60	382.20	398.50

Source: Financial Report of BDMN, Processed Data (2017-2022).

Variable Description Analysis

Variable description analysis is an analytical technique used to explore and provide explanations related to research data. This study analyzes financial ratio calculations (ROA, ROE, DAR, DER) at BDMN from 2017 to 2022. These calculations provide results regarding the differences in each variable each year. The following is the result of the variable description analysis at BDMN 2017 to 2022.

Table 4. Data on ROA, ROE, DAR, and DER Variables Before and After Acquisition in 2017-2022

Variabel	2017	2018	2019	2020	2021	2022	Rata-rata
	(sebelum)	(sebelum)		(sesudah)	(sesudah)	(sesudah)	(%)
ROA (%)	2.00	2.01	2.10	0.79	1.33	1.51	1.62
Rata-rata perubahan							-28.86
ROE (%)	10.29	10.38	10.12	3.86	6.40	7.53	8.09
Rata-rata perubahan							-32.49
DAR (%)	80.53	80.57	79.24	79.59	79.29	79.93	79.86
Rata-rata perubahan							-1.29
DER (%)	413.40	415.50	381.70	389.60	382.20	396.15	396.15
Rata-rata perubahan							-6.38

Source: BDMN Financial Report, Processed Data (2017-2022).

Normality Test

Before conducting the difference test, a data normality test was first performed to determine whether the data were normally distributed. This study used the Shapiro–Wilk Test because the sample size was less than 50. The results of the normality test for ROA, ROE, DAR, and DER for the 2017–2022 period are presented in Table 5 below.

Table 5. Result of Normality Test Before and After Acquisition (Shapiro-Wilk)

Variables	Statistics	df	Sig.	Information
ROA	0.883	6	0.284	Normal
ROE	0.862	6	0.195	Normal
DAR	0.874	6	0.243	Normal
DER	0.567	6	< 0.001	Abnormal

Source: SPSS 29 Output (2025)

Table 5 shows the results of the data normality test using the Shapiro–Wilk test for the ROA, ROE, DAR, and DER variables for the 2017–2022 period. Based on the test results, the significance values (Sig.) for the ROA (0.284), ROE (0.195), and DAR (0.243) variables were each greater than 0.05, indicating that all three variables were normally distributed. Meanwhile, the DER variable had a Sig. value of <0.001, indicating that the data were not normally distributed.

After the normality test results were known, the next step was to examine the differences in financial performance before and after the acquisition using the Wilcoxon Signed Rank Test. This test was chosen because some of the data were not normally distributed and the sample size was relatively small. Table 6 below presents the ranking results, indicating the direction of changes in financial ratio values before and after the acquisition.

Table 6. Result of the Wilcoxon Signed Rank Test (Rank Test)

Variables	N	Mean Rank	Sum of Ranks
ROA	6	4.50	9.00
ROE	6	5.50	11.00
DAR	6	5.50	11.00
DER	6	4.50	9.00

Source: SPSS 29 Output (2025)

Table 6 presents the results of the Wilcoxon Signed Rank test to observe the differences in the direction of changes in financial ratio values before and after the acquisition. Based on the test results, all variables (ROA, ROE, DAR, and DER) show relatively small Mean Rank and Sum of Ranks values, with N = 6 for each variable. The small mean rank value indicates that the difference in values between the pre- and post-acquisition periods is relatively small, so the difference in direction of change is not very significant.

Next, the results of the Wilcoxon Signed Rank Test are presented in the form of test statistics to determine the significance of the differences between the pre- and post-acquisition periods. The results of this test show the Z-value and significance level (Asymp. Sig. 2-tailed) for each variable, as shown in Table 7 below.

Table 7. Result of the Wilcoxon Signed Rank Test (Test Statistics)

Variables	Z	Asymp. Sig. (2-tailed)	Information
ROA	-0.926	0.355	Not significant
ROE	-1,852	0.064	Not significant
DAR	-1,852	0.064	Not significant
DER	-0.926	0.355	Not significant

Source: SPSS 29 Output (2025)

Table 7 shows the results of the Wilcoxon Signed Rank Test to measure significant differences between the pre- and post-acquisition periods. Based on the test results:

- ROA has a Z value = -0.926 with Sig. (2-tailed) = 0.355
- ROE has a Z value = -1.852 with Sig. = 0.064
- DAR has a Z value = -1.852 with Sig. = 0.064
- DER has a Z value = -0.926 with Sig. = 0.355

Discussion

The research results indicate that Mitsubishi UFJ Financial Group's (MUFG) acquisition of PT Bank Danamon Indonesia Tbk (BDMN) did not result in significant changes in the company's financial performance. The Wilcoxon test results show that all examined financial ratios—ROA, ROE, DAR, and DER—had significance values exceeding 0.05. This means there was no significant difference between the pre- and post-acquisition periods.

However, descriptively, there was a decrease in profitability ratios (ROA and ROE) after the acquisition. This indicates that the post-acquisition merger process still requires time to achieve stable performance. Meanwhile, the solvency ratios (DAR and DER) remained relatively stable, indicating that Bank Danamon's financial structure remained sound despite the change in ownership. Overall, these results indicate that the acquisition did not directly improve efficiency and profitability, but did help maintain the company's financial stability.

Conclusion

Based on the analysis, it can be concluded that the takeover of PT Bank Danamon Indonesia Tbk by Mitsubishi UFJ Financial Group's (MUFG) did not have a significant impact on the company's financial performance. Profitability ratios experienced a slight decline, while solvency ratios remained stable. This indicates that the takeover process did not fully improve financial performance, but was able to maintain the stability of the bank's capital and financial structure.

Overall, the results of this study indicate that a successful takeover requires time and a sound integration strategy to optimally create synergies. The success of a takeover depends not only on financial aspects, but also on strategy, integration, and management during the takeover process.

For future research, it is recommended that the observation period be extended (Usaha, 2022)and include other financial ratios, such as liquidity and operational efficiency, to provide a more comprehensive picture of the impact of takeovers on banking performance.

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