

DETERMINATION OF DECISIONS IN MERGER, CONSOLIDATION AND ACQUISITION OF FIRMS LISTED ON THE INDONESIA STOCK EXCHANGE DURING THE COVID-19 PANDEMIC

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ABSTRACT

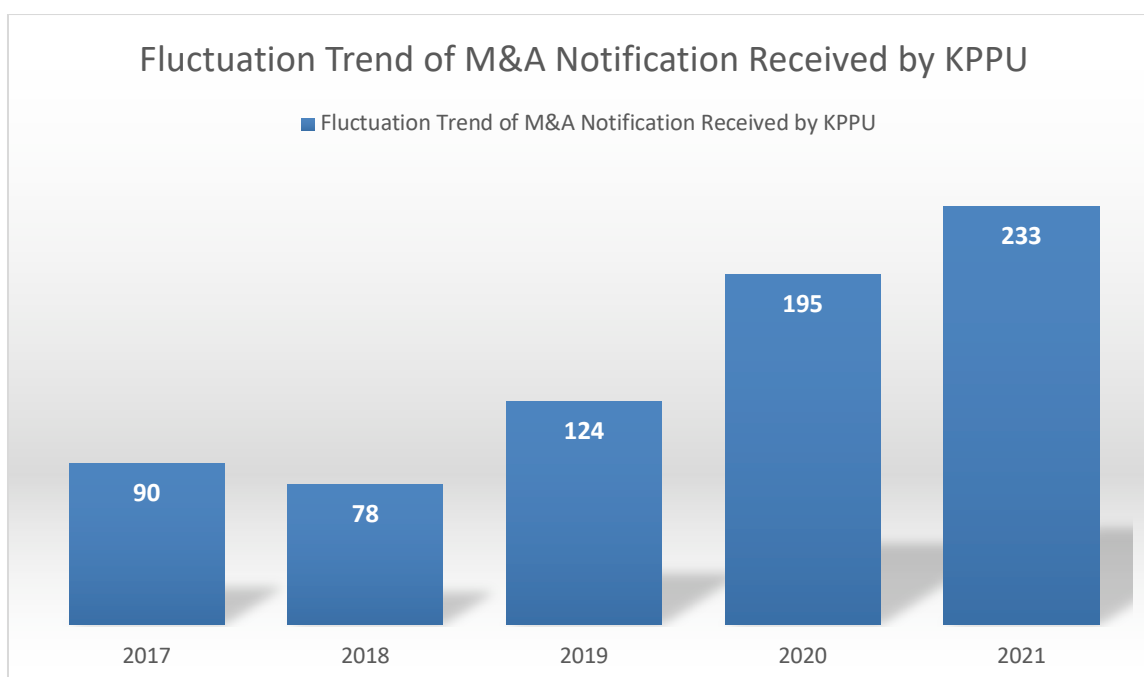
This research was conducted to examine and analyze the effect of firm size, leverage, dividend payout, and board of directors on merger, consolidation, and acquisition decisions proxied by Return on Investment (ROI). This research was conducted on firms listed on the Indonesia Stock Exchange (IDX) in 2020-2021. The sample used in this study was determined by purposive sampling method, and it produced 31 samples. The data analysis was being conducted by using multiple linear regression analysis method. The results of the analysis showed that leverage has a significant negative effect on merger, consolidation and acquisition decisions, and the board of directors has a significant positive effect on merger, consolidation and acquisition decisions, and firm size. Furthermore, dividend payout has no significant effect on merger, consolidation and acquisition decisions.

Keywords: *Firm Size; Leverage; Dividend Payout; Board of Directors; Merger, Consolidation, and Acquisition*

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INTRODUCTION

Figure 1. M&A Notification Received by KPPU



Firms have to continue to create new innovations and improve the firms' performance to be able to compete in today's very tight business competition. One way to improve the firm's performance is to increase and maximize the capabilities of its human resources. In addition, firms can also expand, internally by opening new branches or establishing new subsidiaries, and externally by combining two or more firms (Sudana, 2015). The firms restructuring can also be chosen by the firms themselves, so that they are healthier and have more competitiveness. Merger, consolidation and acquisition are types of restructuring that firms can do. However, in business and legal practice, these three types of restructuring are better known by the term "Mergers and Acquisitions" or often abbreviated as M&A. (Aliandu, 2015) (Nadirah, 2021).

Quoted from the official website of the *Komisi Pengawas Persaingan Usaha* (KPPU) or the Commission for the Supervision of Business Competition, www.kppu.go.id, over the last five years from 2017 to 2021 as seen in figure 1 above that notifications of mergers, consolidations and acquisitions received by KPPU tend to increase. It has been recorded that in 2020 and 2021, there would be an increase in the number of firms conducting mergers, consolidations and acquisitions. It happens because those particular times was the time when the Covid-19 pandemic occurred, and those firms needed to cooperate to simply maintain their business continuity.

Basically, a firm conducts a merger, consolidation or acquisition to develop the firm, strengthen its business, and reduce or minimize risks that will be faced in the future. Merger, which is a combination of two firms with the same line of business, aims to enlarge and develop the business so that the firm will become stronger and more efficient in increasing its market share. Consolidation is a merger between two or more firms where a new firm will be produced while the previous firms will be disbanded with the purpose of preserving the assets they have. Meanwhile, an acquisition is a transfer of a firm's ownership through the purchase of, most or all, the shares of another firm, with the ownership, commonly, of more than 50 percent. The purpose of acquisition activities is to enlarge or expand the firm by acquiring other smaller firms to join the firm and reduce competition.

In a recent study by (Setiawan & Miftahurrohmah, 2021), an investigation was conducted to explore the relationship between company size and decision-making regarding mergers, consolidations, and acquisitions. The findings of their research demonstrated a substantial positive impact of firm size on the effectiveness of such transactions. Likewise, in a prior study conducted by Awan et al. in 2020, firm size was also examined as an independent variable. However, the results of Awan et al.'s research indicated that firm size did not yield a significant influence on the decision-making process and the overall ability to execute mergers, consolidations, and acquisitions (Indonesia, 2007).

(Setiawan & Miftahurrohmah, 2021) also conducted research using the leverage variable. His research was able to show that leverage has a significant positive effect on the performance of mergers and acquisitions. However, it is in contrast to the study by (Nurdin et al., 2020), which has shown that leverage has a significant negative effect on the performance of firms that set up mergers and acquisitions.

A study with another independent variable, dividend payout, was conducted by (Awan et al., 2020). The findings of this research suggest that the dividend payout ratio lacks substantial impact on the decision-making process concerning mergers, consolidations, and acquisitions. However, these results cannot yet be approved or disputed because there have not been many

national studies that use the dividend payout variable in examining its effect on merger, consolidation or acquisition decisions.

The board of directors has an important role in a firm, which is the main key to success in implementing corporate governance principles. (Fitriani & Juliarto, 2021), have carried out research and are able to prove that corporate governance has a significant positive influence on acquisition ability. However, a different result comes from (Awan et al., 2020), stating that the results of his research has shown that corporate governance has an insignificant negative effect on acquisition ability.

Studies looking at the elements that affect merger, consolidation, and acquisition choices have produced a variety of findings. Researchers conducted additional studies on merger, consolidation, and acquisition decisions utilizing independent variables such business size, leverage, dividend distribution, and the board of directors in light of the phenomenon's description and the variations in the findings of other studies. Few studies looked at the impact of dividend distribution on merger, consolidation, and acquisition choices in the prior period. Dividend payout was one of the independent factors in this study that was evaluated. This study aims to determine the effect of firm size, leverage, dividend payout, and board of directors on merger, consolidation and acquisition decisions in firms listed on the Indonesia Stock Exchange (IDX) for the 2020-2021 period.

THEORETICAL FRAMEWORK

Pecking Order Theory

The pecking order idea provides an explanation for the firm's internal and external funding sources.. Firms prefer to use internal funds to finance special jobs. In addition, according to this theory, the firm also adjusts the dividend payout ratio with investment opportunities. The firm's dividend policy is too rigid, and the investment opportunities are unpredictable, resulting in internal revenue being used is not in accordance with the capital expenditure policy. When the funds generated internally are greater, the firm will use them to pay off debt or invest in securities. Meanwhile, if more funding is required, the firm will prefer to apply for debt rather than issuing new shares. This is because the issuance of new shares can lead to unfavorable public opinion and will actually lead to a decrease in share prices. The Pecking Order Theory shows that capital structure is positively related to the size and growth of firm assets. Profitable firms will have a lower debt ratio than the unprofitable ones. So, according to this theory, the number of profits and the firm's debt ratio is closely related to dividend payments to investors.

Agency Theory

According to agency theory, managers and stockholders have different interests. It occurs due to the separation of management and control of the firm. Thus, the manager will prioritize personal gain over the profits and interests of the shareholders. Managers will aim more towards expanding through mergers, consolidations and acquisitions in order to create a larger firm. If the firm gets bigger, the position and salary obtained by the manager will also increase without having to maximize the shareholder's value in the firm.

Merger, Consolidation, and Acquisition

Based on the Law Number 40 of 2007 Paragraph 1 on Limited Liability Companies, it is revealed that a merger is a legal action taken by one or more firms to merge, which causes the transfer of assets and liabilities. Mergers can occur internally or externally. An internal merger is defined when it occurs between firms that are still in the same ownership group. Meanwhile, external merger is when there is a merger between firms with different ownership groups. By law, the assets and liabilities of the merging firms will become the property of the remaining firm, and the status of the merging firms will also end.

Consolidation is a legal action, taken between two or more firms by combining their businesses into a new business entity. After the merger and the formation of a new firm, the previous firms ceased to operate or were dissolved. Whereas, an acquisition is the takeover of shares or assets (or both) by another firm. According to Law Number 40 of 2007 on Limited Liability Companies, takeover is explained in a legal action taken by a legal entity or individual in taking over the firm's shares, thus causing the transfer of ownership and control of the firm. In this case, the firms taking over or being taken over will both continue to exist with their respective legal entities.

The Effect of Firm Size on Merger, Consolidation and Acquisition Decisions

The size of a firm can be observed from the total assets, total sales, total revenue, market value of shares, and so forth. The size of a firm usually indicates that the firm has a good ability to run its operations. The larger the size of a firm is, the greater the capabilities. The size of a firm defines that the firm has resources capable of realizing synergies of scale and economic scope (Reback et al., 2020). In relation to the agency theory, the more resources a firm has, the more agents can use and exploit them to maximize compensation for agent performance.

Firms with larger sizes have better integrity than those with smaller sizes. Firms with a large size are also more efficient because they are able to achieve an economy of scale, meaning that the firms are able to produce more output or products but with lower production costs per unit, so the productivity of the firm will be more optimal. When large firms carry out mergers, consolidations or acquisitions, the profits will be maximized. This is in line with research findings from (Setiawan & Miftahurrohman, 2021), who found that firm size significantly improves the performance of mergers and acquisitions..

H₁: Firm size has a positive effect on merger, consolidation and acquisition decisions.

The Effect of Leverage on Merger, Consolidation and Acquisition Decisions

Leverage is a ratio utilized to assess the amount of financial risk a firm has to endure. Leverage is able to provide an overview of the total assets funded by debt and the firm's ability to make payments on this debt. Leverage can be used to determine whether a firm is healthy or not. Because the higher the leverage ratio in a firm, the greater the risk of the firm being unable to fulfill its obligations to creditors. Thus, leverage can be a control for managers, so they will not make wrong decisions, especially those which are related to the firm's restructuring (mergers, consolidations and acquisitions).

In the pecking order theory, it is explained that firms will prioritize using internal funding sources, then when the funds are insufficient, the firm will issue debt and the final step is to use external equity. Leverage is a debt or capital loan, based on the pecking order theory, that firms prefer to purchase assets and firm operations compared to using external equity.

However, businesses with excessive levels of leverage will hurt themselves. It happens because businesses that already have debt from using leverage must additionally pay interest on that debt. As a result, the company will exercise greater caution when deciding whether to use debt to finance or acquire additional assets. In light of this, it may be concluded that leverage has a detrimental effect on the outcomes and operation of mergers, consolidations, and acquisitions. According to research by (Nurdin et al., 2020), the leverage variable has a negative and significant impact on merger, consolidation, and acquisition decisions, which are proxied by Return on Investment (ROI). However, research of (Setiawan & Miftahurrohmah, 2021), showing that the leverage variable has a positive and significant effect on the performance of mergers and acquisitions.

H₂: Leverage has a negative effect on merger, consolidation and acquisition decisions.

The Effect of Dividend Payout on Merger, Consolidation and Acquisition Decisions

According to the pecking order theory, firms will prioritize using internal funding sources. Firms that are able to finance operations internally indicate that they have high internal equity, so that they are able to provide high dividends as well. It is undeniable that one of the reasons someone makes a purchase or is interested in owning shares of a firm is due to the number of dividends that will be given by that particular firm.

A high dividend payout will result in lower retained earnings and lower opportunities to make investments, including those formed in mergers, consolidations and acquisitions. If the firm creates a large investment, then the dividend distribution will decrease. On the contrary, if the dividend payment of a firm is large, then the firm's investment will decrease. So, if the dividend payout ratio of a firm is high, the less likely the firm is to do a merger, consolidation or acquisition. According to research by (Awan et al., 2020), the dividend payout ratio has a detrimental impact on decisions regarding merger, consolidation, and acquisition.

H₃: Dividend payout has a negative effect on merger, consolidation and acquisition decisions

The Effect of the Board of Directors on Merger, Consolidation and Acquisition Decisions

According to the World Bank, Corporate Governance is a policy in the economic field to manage the behavior of owners, executive actors and the firm management, and to describe their duties, powers and obligations to investors. The Board of Directors is a form of implementing the Good Corporate Governance system in a firm. The Board of Directors plays a role and has full responsibility for the implementation of the firm's operations. For this responsibility, the Board of Directors plays a role in governance and decision making, so the firm's business and operations can run as it should.

Agency theory is trusted to be able to solve problems when principals and agents have different goals, and problems with principals' experience difficulties in supervising agent performance. As the party chosen to act as a liaison between shareholders and firm managers, the Board of Directors will be the supervisor and the person in charge when bad corporate governance results in agency problems and high agency costs. Therefore, when the Board of Directors performs its roles and functions properly and can reduce agency costs, the firm will become more stable, and therefore better prepared to restructure. In line with research conducted by (Fitriani & Juliarto, 2021), which has proven that corporate governance has a significant positive effect on acquisition ability.

H₄: The Board of Directors has a positive effect on merger, consolidation and acquisition decisions.

METHOD

Population

The term "population" refers to a category of things or persons having specific characteristics that are chosen by researchers to be investigated in order to draw a conclusion. In this study, all of the companies listed on the Indonesia Stock Exchange (IDX) during 2020–2021 served as the research subjects or research population.

Sample

Research or testing on this population will definitely take a long period, considering the number of firms listed on the Indonesia Stock Exchange (IDX) is very large. Therefore, samples were obtained for testing. The sample is part of the number and characteristics of the population (S. Sugiyono, 2018). To determine the sample in this study, a purposive sampling method was used. (P. Sugiyono, 2019) explains that purposive sampling is a method of determining a sample by considering several terms and conditions. For this study several conditions were used in selecting the research sample, they are:

1. Firms on the merger notification list at the 2020-2021 *Komisi Pengawas Persaingan Usaha* (KPPU) or Business Competition Supervisory Commission
2. Firms domiciled in Indonesia and listed on the Indonesia Stock Exchange (IDX)

Table 1 Sample Results

No.	Sample Criteria	Total
1	Firms on the merger notification list at KPPU for 2020-2021	301
2	Firms that are not domiciled in Indonesia and/or not listed on the IDX	(269)
Number of Sample Firms/ Total Research Data		32
Outlier Data		1
Sample Data after Outliers		31

Source: Self processed secondary data, 2023

Research Variables and Operational Definitions

Table 2 Research Variables

Variables		Measurements
Y	Decisions on Merger, Consolidation, dan Acquisition	Return On Investment (ROI)
X ₁	Firm Size	ln (total assets)
X ₂	Leverage	Debt to Equity Ratio (DER) = $\frac{\text{Total Debt}}{\text{Total Equity}}$
X ₃	Dividend Payout	$\frac{\text{Dividend Amount}}{\text{Net Income}}$

X ₄	Board of Directors	Dummy variable 0: number of directors ≤ 3 1: number of directors > 3
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RESULTS AND DISCUSSIONS

Descriptive Statistical Analysis

In 31 sample data sets, descriptive statistical analysis is a method used to give a description or image of the research variables. Each research variable's average value (mean), median value (median), frequency of occurrence (mode), minimum value (minimum), maximum value (maximum), and standard deviation are the outcomes of the data processing. The results of the descriptive statistical analysis can be seen in the following table:

Table 3 Results of Descriptive Statistical Analysis

	ROI	Firm Size	Leverage	Dividend Payout	Board of Directors
N Valid	31	31	31	31	31
N Missing	0	0	0	0	0
Mean	.065593	30.176212	1.792899	.366303	.774194
Median	.041398	30.013162	1.270207	.188565	1.000000
Mode	.001938 ^a	30.887992	2.400947	.000000	1.000000
Minimum	.001938	26.552849	.005572	.000000	.000000
Maximum	.198445	34.611627	8.441815	2.442578	1.000000
Std. Deviation	.058226	1.865568	1.797552	.548510	.425024

Source: Self processed secondary data, 2023

From table 2 above, it is obtained that the dependent variable in merger, consolidation and acquisition decisions (Y) proxied by Return on Investment (ROI) has a minimum value of 0.001938, a maximum of 0.198445, an average (mean) of 0.065593, median 0.041398, and mode 0.001938 with a standard deviation of 0.058226. The firm size variable (X₁) has an average value (mean) of 30.176212, a median of 30.013162, a mode of 30.887992, a standard deviation of 1.865568, a minimum value of 26.552849, and a maximum value of 34.611627. Leverage (X₂) has an average value (mean) of 1.792899, a mode of 2.400947, a standard deviation of 1.797552, a minimum value of 0.005572, and a maximum value of 8.441815. Dividend payout (X₃) has an average value (mean) of 0.366303, median of 0.188565, mode of 0.000000, standard deviation of 0.548510, minimum value of 0.000000, and maximum value of 2.442578. The Board of Directors (X₄) has an average value (mean) of 0.774194, a median of 1.000000, a mode of 1.000000, a standard deviation of 0.425024, a minimum value of 0.000000, and a maximum value of 1.000000.

Classic Assumption Test

Table 4 Normality Test Results

One-Sample Kolmogorov-Smirnov Test

Determination of Decisions in Merger, Consolidation, and Acquisition of Firms Listed on the Indonesia Stock Exchange During the Covid 19 Pandemic

		Unstandardized Residual
N		31
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.04241524
Most Extreme Differences	Absolute	.193
	Positive	.193
	Negative	-.080
	Kolmogorov-Smirnov Z	1.077
	Asymp. Sig. (2-tailed)	.196

a. Test distribution is Normal.

b. Calculated from data.

Source: Self processed secondary data, 2023

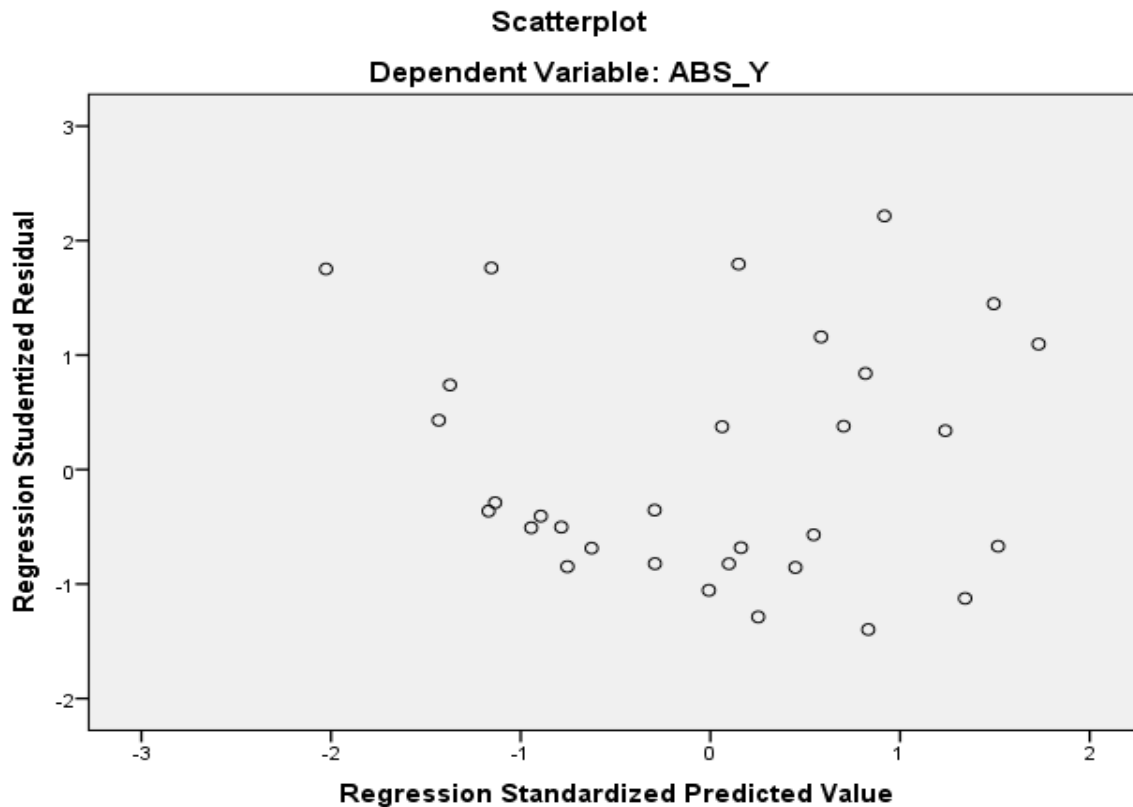
Table 5 Multicollinearity Test Results

		Coefficients ^a	
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Firm Size	.731	1.367
	Leverage	.800	1.251
	Dividend Payout	.843	1.187
	Board of Directors	.858	1.165

a. Dependent Variable: ROI

Source: Self processed secondary data, 2023

Figure 2 Heteroscedasticity Test Results



Source: Self processed secondary data, 2023

The normality test was conducted to identify whether the dependent and independent variable data used in this study were normally distributed or not. The normality test was carried out by the Kolmogorov-Smirnov test using the SPSS tool. Based on the test results in table 4 above, it can be seen that the Kolmogorov-Smirnov value is 1.077 and the Asymp. Sig. (2-tailed) of 0.196. The test results have shown a significance value of more than 0.05, which means that the data in this study are normally distributed.

The multicollinearity test is used to find whether there is a correlation or not between the independent variables. A good regression model is concluded if it is safe from multicollinearity or there is no correlation between the independent variables. Based on the test results in table 5 above, it can be seen that the tolerance value for the firm size variable is 0.731, leverage is 0.800, dividend payout is 0.843, and for the board of directors variable is 0.858. Meanwhile, the VIF value for the firm size is 1.367, leverage is 1.251, dividend payout is 1.187, and for the board of directors is 1.165. It states that the tolerance value on the independent variables has a value of more than 0.01 and the VIF value is less than 10, and it can be concluded that in this study, there was no multicollinearity between the independent variables.

The heteroscedasticity test is used to determine whether there is an inequality of variance or not from the residuals between one observation to another. Based on the test results that can be observed in Figure 2 above, it is known that the Scatterplot graph does not form a clear pattern. The dots in the test results above also appear to be spread out. For the results of the Scatterplot test above are spread and below zero (0) on the Y axis and do not form a clear pattern, it can be concluded that there is no heteroscedasticity in the regression model utilized in this study.

Hypothesis Test

Multiple Linear Regression Analysis and t Test (Partial)

Multiple linear regression analysis aims to observe the strength of the interaction between the independent variable (X) and the dependent variable (Y). Meanwhile the t test (Partial Test) is used to determine whether the independent variables (X) in this study have a partial effect on the dependent variable (Y). To discover this, it can be seen in the following test results:

Table 6 Test Results of Multiple Linear Regression Analysis and t Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.304	.153		1.983	.058
	Firm Size	-.009	.005	-.290	-1.737	.094
	Leverage	-.011	.005	-.344	-2.153	.041
	Dividend Payout	.013	.017	.124	.798	.432
	Board of Directors	.065	.021	.476	3.084	.005

a. Dependent Variable: ROI

Source: Self processed secondary data, 2023

Based on table 5 above it is known that the linear regression equation in this study is:

$$Y = 0,304 - 0,009X1 - 0,011X2 + 0,013X3 + 0,065X4 + e$$

Notes:

- Y : Merger, Consolidation or Acquisition (ROI) Decision
- X1 : Firm Size
- X2 : Leverage
- X3 : Dividend Payout
- X4 : Board of Directors
- e : error

From the above equation it is known that:

1. The constant value is 0.304, which means that if the value of X1 (firm size), X2 (leverage), X3 (dividend payout), and X4 (Board of Directors) is 0, then the value of Y (merger, consolidation and acquisition decisions) is as constant as 0.304.
2. The value of the coefficient X1 (firm size) is -0.009, which means that if the size of the firm is one (1) unit larger, then the possibility of the firm to make a decision to merge, consolidate or acquire will decrease by 0.009 units. The results of the t test in table 6 has shown that the firm size is negative with a significance value of 0.094. The significance value is greater than 5% or 0.05, and it can be concluded that firm size has

no significant effect on merger, consolidation and acquisition decisions. So, H1, which states that firm size has a positive effect on merger, consolidation and acquisition decisions, is rejected.

3. The value of the coefficient X2 (leverage) is -0.011, which means that if the leverage value increases by one (1) unit, then the possibility for a firm to make a decision to merge, consolidate or acquire will decrease by 0.011 units. The results of the t test in table 6 has shown that leverage has a negative value with a significance value of 0.041. This means that the significance value is less than 5% or 0.05, and it can be concluded that leverage has a significant negative effect on merger, consolidation and acquisition decisions. So that H2, which states that leverage has a negative effect on merger, consolidation and acquisition decisions, is accepted.
4. The value of the coefficient of X3 (dividend payout) is 0.013, which means that if the value of the dividend payout ratio increases by one (1) unit, then the probability of a firm to make a decision to merge, consolidate or acquire will increase by 0.013 units. The results of the t test in table 6 has shown that the dividend payout is positive with a significance value of 0.432, which means that the significance value is greater than 5% or 0.05. The conclusion that can be drawn is that dividend payout has no significant effect on merger, consolidation and acquisition decisions. So that H3, which states that dividend payout has a negative effect on merger, consolidation and acquisition decisions, is rejected.
5. The coefficient value of X4 (Board of Directors) is 0.065, which means that if the number of Board of Directors increases by one (1) unit, the possibility for a firm to make a decision to merge, consolidate or acquire will increase by 0.065 units. The results of the t test in table 6 has shown that the number of the Board of Directors is positive and has a significance value of 0.005. It means that the significance value is less than 5% or 0.05, so that the number of the Board of Directors has a significant positive effect on merger, consolidation and acquisition decisions. So that H4, which states that the Board of Directors has a positive effect on merger, consolidation and acquisition decisions, is accepted.

DISCUSSIONS

The Effect of Firm Size on Merger, Consolidation and Acquisition Decisions

Firm size, as one of the independent variables in this study, is calculated using the natural logarithm of total assets. Based on the test results in table 6, it can be seen that firm size has a negative but not significant effect. It means that the size of a firm will not have a significant effect on the decision making of mergers, consolidations and acquisitions. Firms with large or small total assets have the same opportunity to conduct merger, consolidation and acquisition. It is because both small and large firms will still benefit from restructuring (mergers, consolidations and acquisitions). The results of this test are not in line with research conducted by (Setiawan & Miftahurrohmah, 2021), which has shown that firm size has a significant effect on merger, consolidation and acquisition decisions.

The Effect of Leverage on Merger, Consolidation and Acquisition Decisions

The evaluation of leverage provides a comprehensive view of the overall debt utilized to fund the firm's assets. Within this study, leverage is assessed through the computation of the debt-to-equity ratio (DER), which compares the debt amount with the total equity held by the firm. The test outcomes, presented in table 6, demonstrate a significant negative effect of leverage. This signifies that the description of the firm's debt magnitude for asset financing has a noteworthy influence on decisions pertaining to mergers, consolidations, and acquisitions. The test findings reveal that the firm employs a strategy aligned with the pecking order theory, where internal financing from retained earnings takes precedence in financing mergers, consolidations, or acquisitions. These results align with the findings of (Nurdin et al., 2020), although they slightly differ from the research conducted by (Setiawan & Miftahurrohmah, 2021), who observed a positive and significant effect of leverage on merger, consolidation, and acquisition decisions.

The Effect of Dividend Payout on Merger, Consolidation and Acquisition Decisions

Dividend payout ratio is calculated to find out how much percentage of net profit taken by the firm is paid as dividends to shareholders. The amount of the dividend payout ratio can be determined by comparing the number of dividends paid with the amount of net income owned by the firm. Based on the test results in table 6, it is clear that the dividend payout is positive with a significance value greater than 0.05, meaning that it has no significant effect. So, it can be concluded that the size of the number of dividends paid to shareholders (dividend payout) does not have a significant effect on merger, consolidation and acquisition decisions. It shows that the results of this test are not in line with the test by (Awan et al., 2020), which has stated that dividend payout has a negative effect on merger, consolidation and acquisition decisions.

The Effect of the Board of Directors on Merger, Consolidation and Acquisition Decisions

In this study, the effect of the board of directors on merger, consolidation and acquisition decisions is measured using a dummy variable, meaning that if the number of board of directors in a firm is less than or equal to three (3) then it will be coded 0, and if the number of board of directors is more than three (3) it will be coded 1. Based on the test results listed in table 6, it can be concluded that the board of directors is positive and has a significance value of 0.005 or has a significant effect. Therefore, it can be inferred that a firm's decision to combine, consolidate, or acquire has a major positive impact on the number of current boards of directors within the company.

The board of directors in a company is crucial to raising the level of performance. The board of directors is in charge of overseeing, directing, and managing the company's resources so that they can be distributed for the purpose of fulfilling the company's objectives. Furthermore, the board of directors also plays a role in making decisions and determining short- and long-term policy directions. Because it has an important role in decision making, the number of board of directors will influence the implementation of its roles and responsibilities. The results of this test are in line with the research of (Fitriani & Juliarto, 2021), which found that the board of directors has a significant positive effect on merger, consolidation and acquisition decisions.

Conclusion

This research was conducted to test and discover the effect of firm size, leverage, dividend payout, and board of directors on merger, consolidation, and acquisition decisions for firms listed on the Indonesia Stock Exchange (IDX) in 2020-2021. Firm size variable has no significant effect on merger, consolidation and acquisition decisions. The firm size will not affect the merger, consolidation and acquisition decisions. The leverage variable has a significant negative effect on merger, consolidation and acquisition decisions. It is because the higher the leverage, indicating that the greater the debt owned by the firm, so that the decision to merge, consolidate and acquire will be delayed. The dividend payout variable has no significant effect on merger, consolidation and acquisition decisions. It shows that the high or low dividend payout ratio, it does not affect the decision making to perform mergers, consolidations and acquisitions. The board of directors variable has a significant positive effect on merger, consolidation and acquisition decisions. It states that the more the number of the board of directors, the stronger the firm will make decisions to carry out mergers, consolidations and acquisitions.

Limitations

In this study, there are limitations that can be used as material for consideration and evaluation for the implementation of further research, so that the results obtained can be better. One of the limitations of this study is that there are several sample firms that submit financial reports in currencies other than rupiah, particularly in dollars.

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