E-ISSN : 2549-3280 P-ISSN : 2549-5933
INTEGRATED JOURNAL OF BUSINESS AND ECONOMICS
Email: ijbe.feubb@gmail.com
Laman: http://ojs.ijbe-research.com/index.php/IJBE/index

Company Life Cycle, Merger Activities in Indonesia

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Abstract

This study aims to explain and analyze the influence of the company's life cycle on the probability of conducting mergers, shareholder wealth, percentage of company stock ownership and payment methods by mergers. The sample of the research is 36 companies which have merged and acquired in Indonesia that are listed on the Indonesia Stock Exchange (BEI) in the period 2018-2022. Data analysis uses logistic regression and multiple linear regression methods. The results showed the company's life cycle did not significantly affect the probability of companies doing mergers. The company's life cycle has a significant effect on shareholder wealth. The company's life cycle has no significant effect on the percentage of share ownership, the company's life cycle has a positive and significant effect on payment methods for companies that have made mergers. The theoretical implications of this study provide an overview/explanation of the company's life cycle of the activities of mergers in company policy seen from the company's growth prospects.

Article Info

- **Received** : 25th August, 2023
- **Revised** : 10th October, 2023
- **Published** : 31th October, 2023
- **Pages** : 607-621
- **DOI** : 10.33019/ijbe.v7i3.755
- **JEL** : G34, M13
- **Keywords** : *Start Up, Growth, Maturity, Decline, Merger Activities*

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1. Introduction

Increasing competition becomes a challenge that must be faced in business people in Indonesia today, because for business people who cannot keep up with the dynamics of their competitors, they will be crushed, lose the competition, and eventually they will go bankrupt. Therefore, companies need a strategy in dealing with such competition. One of the external growth strategies that can be carried out by companies is through mergers. One of the company's expansion strategies is by merging businesses to get control of assets or operations of companies that join. Merging business is expected to lead to synergies, increase market share, and business diversification (Putra, 2014). According Kamaludin *et al*, (2015) merger is one of the strategic restructuring of the company by merging two or more companies into one company. In the broadest sense is the takeover of a company from one company by another company when the affairs of each company are brought and managed together. in the narrow sense, two companies with relatively the same size do the pooling of resources in one business. According to Usadha & Yasa (2009), a merger is a business merger of two or more companies, but one company name is still used , while the other merges into one legal entity or another definition states that a merger is a merger of two or more companies and only one companies that remain as legal entities and others dissolve themselves (Moin, 2003). According to Kamaludin *et al*, (2015) the motives of companies to merge and acquisition can be seen from various perspectives, starting from the perspective of maximizing shareholder wealth, managerial perspective, economic perspective, synergistic perspective, diversification perspective and non-economic perspective. The purpose of mergers is to increase the growth and expansion of the company's assets, increase sales, and expand the market share of the acquirer (Kamaludin et al., 2015) . However, all of these goals are medium- term goals. A more fundamental objective is the development of shareholders' wealth through acquisitions aimed at accessing or creating reliable competitive advantages for the acquirer. The phenomenon of mergers in developed countries has been a lot going on including in the United States Companies me ngalami some waves to conduct merger and acquisition activity which is characterized by horizontal, vertical and characterized by koglomerasi (they make acquisitions of expansion and diversification in all directions) and also merged with average rat purchase (Son, 2014). Companies merger in Indonesia also accomplished by companies in the Indonesia Stock Exchange (IDX) About a r 1990, as was done by PT. Indocement conducted an internal acquisition of Bogasari, Indofood and Wisma Indocement companies, while PT Japfa Comfeed acquired eight of its subsidiaries. A merger company occurred in the 1970s where several banks merged with a view to strengthening the capital structure due to policies implemented by Bank Indonesia. Meanwhile, not all companies belonging to one industry group are in the same corporate life cycle. Each company's life cycle in general is divided into four stages, namely the stage of birth (*start-up*), growth (*growth*), *maturity* (*maturity*) and down (*decline*) (Drobetz *et al* .,2015). Each stage has different criteria including in terms of company performance in terms of mergers. The company's life cycle, namely the process of company development through several stages in the company

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(Bhaird *et al* ., 2010). Every company must experience a life cycle, where the cycle is identical to the life cycle of the company. While the stages of the life cycle of companies chronologically is the stage of the establishment (*start up*), expansion stage (*growth*), stage of maturity and the stage of decline to have different characteristics. The consideration of differences in characteristics between companies, is a guideline which is made as a basic principle, and its implementation must consider the characteristics of the company (Sukamulja, 2004: 6). Implications with regulations issued by the government, it will affect the various policies in the life cycle (*corporate life cycle*), as well as mergers firms large scale (*big size companies*) is having financial problems. Based on previous studies and *research gap* above it can be concluded that the life cycle of the company shows there is its difference in investment and restructuring activities. Vojislav & Gordon, (2008) argues that companies experience a transition from the company's life cycle when competitive advantage for companies changes. In addition, Miller & Friesen, (1984) argue that companies will have a variety of organizational structures, investment strategies and activities when companies are categorized as different stages of the company's life cycle. The company's life cycle can affect the condition of the wealth of shareholders of companies that carry out mergers.

This research has been done by many researchers, but previous studies only examined one dependent variable and one independent, while the researchers do now examine the whole both of the independent variables and the dependent variable together. Life cycle research still disagrees, are described in the study were conducted by Gul (1999) and Lestari (2014) that every stage of the life cycle of different companies. Both from investment and from company value. In the initial stage the company has a negative relationship to the value of the company, this indicates that companies are more likely to reinvest profits and increase company growth so that dividends are paid lower. At the stage of expansion and maturity the company has a positive relationship with investment opportunities (Pagalung, 2012). Both of the above opinions are interesting to do research again by reviewing to analyze and provide an overview of the relationship between the life cycle of companies with the activities of mergers in companies in Indonesia. In addition, this study also analyzes the relationship between the life cycle of companies that carry out merger activities. The theory that underlies the study of this research uses perspective which is the view of market power, agency view, company life cycle and signal theory.

Investment decisions can be proxyed with the company's life cycle, but the life cycle inherent in the company is not a reflection of investment decisions. The theory underlying this study is the company's life cycle theory which was put forward (DeAngelo et al., 2006) that the company's growth prospects will signal investors in making decisions. Investment decisions are proxied by the company's life cycle supported by control variables to describe the company's activities in mergers. The theory underlying this study is the signaling theory proposed (Ross, 1977) that the prospect of a company's growth will signal investors in making decisions. Based on previous research and new facts available, this study aims to explain and analyze

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the influence of the company's life cycle on merger and acquisition activities in Indonesia so that a theoretical and empirical framework on this topic will be built. This study aims to explain and analyze the influence of the company's life cycle on merger activities in Indonesia. the purpose of this study is to explain and analyze the influence of the company's life cycle on merger activities which also relate to the wealth of the company's shareholders, share ownership and payment methods of companies that carry out mergers.

2. Literature Review

Company Life Cycle Theory

According to Owen & Yawson (2010), life cycle stages, namely focusing specifically on two types of life cycle stages, namely adult and impaired. This is based on companies that are in the adult life cycle with a large amount of free cash flow, stated to have the ability and greater likelihood to carry out mergers with more frequent frequencies than companies at other stages of the life cycle. In this study, the company's life cycle is represented by the proportion of *Retained Earnings to Total Equity* (RE/TE). In contrast to the research of De Angelo *et al* (2006) which uses *Retained Earnings to Total Equity* (RE/TE) and *Retained Earnings to Total Assets* (RE/TA) as *Proxies.* This study uses RE/TE because it wants to further analyze *Earned Equity* as part of *Total Equity* which represents corporate funding, so that according to what is stated in the research of De Angelo *et al,* (2006), namely whether the company is *Self Financing* or relying on external capital. Companies with large amounts can be considered as adults, with decreasing investment opportunities. Whereas companies with a low number of RE / TE tend to be declining companies and growing companies. De Angelo & Stulz (2006), which examines *the Life Cycle Hypothesis* by checking whether the probability to pay a dividend related to *earned contributed capital mix*, as measured by retained earnings to total equity (RE/TE). Typically, companies with low RE/TE tend to be in a growth phase and are dependent on external capital. While companies with high RE/TA tend to be more mature with high profits. Thus the company can pay dividends well. Consistent with the life cycle theory, evidence *earned contributed capital mix* have a significant positive correlation with the probability of paying dividends, control the size of the company, current earnings are lagging behind, the company's growth, FCF and liquidity of the company. This relationship also applies to the probability of a company doing in mergers. De Angelo et al, (2006) show evidence that *aggregate* dividends do not decrease over time, but are concentrated among the largest and most profitable companies. These findings are consistent with the prediction of *life cycle hipothesis* that the distribution of cash flow is the primary determinant of dividend policy to pay cash or not.

Agency Theory

The theory of agency Jensen & Meckling (1976) explains that the separation between ownership and management of the company will always be followed by the emergence of costs due to the absence of alignment of interests between owners and managers. These costs are called agency costs which include: expenses to

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monitor manager's activities, expenses to create an organizational structure that minimizes undesirable managers' actions, and opportunity costs arising from conditions where managers cannot make decisions immediately without shareholder approval. One important implication of the agency problem is concerning the company's financial policy, especially on two choices whether to use debt or equity to finance business activities. As Jensen (1986) explained that the conflict of interests of managers and shareholders occurs with the assumption that the owner (shareholder) and manager (agent) each want a high return on investment projects but with a different interest in risk (Jensen, 1986; Amihud & Lev, 1981; Lane et al., 1998). The difference in risk is explained by Amihud & Lev, (1981) that shareholders are more interested in systematic risk, whereas managers are more concerned with unsystimatic risk.This conflict especially occurs in companies with large free cash flow because managers will invest in excess cash to optimize profits compared to cash payments to shareholders. Based on the description, agency theory can explain why companies conducting mergers do not create corporate value. The essence is that if mergers are carried out to get efficiency benefits and can ensure all interested parties that the organization's activities are carried out professionally and free from various conflicts of interest, then the company's value should be increased. The rationality of companies conducting mergers is to overcome agency conflicts within the company, because mergers can provide incentives for agents through investment and ownership. Therefore, the emphasis on performance evaluation is not only based on financial outcomes, but rather emphasizes on optimizing behavior (Jensen & Meckling, 1976; Jensen, 1986; Adams, 1994).

Signaling Theory

The existence of special characteristics in the company will give a difference in the quality of information between companies, because of differences in information (*Asymmetric Information*) that is owned by the company, the manager will try to give a signal about the information he has to investors, and ensure that the signal is information that can be trusted. In this case *Signaling Theory* can be stated directly through disclosures in the company's annual financial statements. As a basis, information about *Intellectual Capital* can be disclosed directly to investors through voluntary disclosure in the company's annual financial statements. Spence (1973) explains, *Signaling Theory* high-performance companies use financial information to send signals to the market. Therefore, managers are more motivated to express *Intellectual Capital* as *Private Information* voluntarily. This is due to the manager's expectation that providing a good signal about the company's performance to the market will reduce *Asymmetric Information* (Oliveira *et al,* 2008).

Merger Activities

In the 21th century business world, mergers become one of the most important strategic tools for achieving specific business goals, (Sudarsanam & Mathate, 2003). Merger and acquisition merge occurs when two assets and liabilities of a legal entity are combined into one legal entity. In the business world, mergers are generally used interchangeably and abbreviated as mergers. Basically, mergers

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produce the same results, where two entities become one entity (Frantlikh, 2003). According to Lee & Pennings, (1996). A merger is a complete absorption of one company by another company, where the company that conducts mergers maintains its identity. Then, the merged and acquisition companies no longer exist as separate entities. According to Larsson & Wallenberg, (2002). A merger is a combination of two companies, where both companies retain most of their strength, in the sense that both have influence in decision making. Whereas Ross *et al.* (2003). A merger is the complete absorption of one company by another company, where the company obtains an identity and the merged company and acquisition no longer exist as separate entities. Weston & Weaver (2001) argue mergers mean that one company buys the assets or shares of another company. Bidder discussions between companies that conduct mergers, then high-ranking company officials can be held. If a mutual agreement is not reached during the merger and acquisition process, a bid can be made directly to the company's shareholders to buy their shares at a certain price. Bidder bid bids may become hostile. According Firer et.,al (2004) merger are transactions in which an individual or a company known as quoter / bidder to gain control over the management and assets of other companies, known as the quoter or targets, either by being the owner of the asset, or indirectly gain control of the company's management through the process of mergers and acquisition of shares.

In general, mergers can be interpreted as a takeover of ownership by another party. In the Law of the Republic of Indonesia (RI Law) Number 40 of 2007 concerning Limited Liability Companies, the first article of paragraph one states: Takeover is a legal act carried out by a legal entity or individual to take over the company's shares which results in a change of control over the company the. Based on the contents of the first article of paragraph eleven of the aforementioned Act, mergers or takeovers are legal (legal) actions by legal entities (companies) or individuals by taking over shares of a company. In this case the company or individual that took over is referred to as 'mergers parties'. The implication of this legal action, then the full control of the company along with the rights and responsibilities with other external parties will transfer to the new company. According to Kamaludin, Suseno, & Berto (2015). Mergers are attempts to take ownership of a company by another company by buying part or all of the company's shares. Where companies that are taken over still have their own legal entities, with a view to increasing business growth. (Kamaludin et al., 2015) added, mergers are acquisition of ownership of assets or shares of other companies, usually both mergers and those that are merged continue as usual. The next impact for mergers companies has full rights to companies that are merged, both aspects of management, finance, operations, marketing, and other strategic policies. The result of research conducted by Owen & Yawson (2009), the effect of the company's life cycle on acquisition activities from the perspective of the company that made the acquisition. Where steps in the life cycle that is used is divided into two stages, which stages the young and the stage of adulthood. The company's life cycle is represented by a *proxy* that is *retained earnings* of RE/TE and RE / TA as alogical *proxy* , because it can measure how much the company relies on internal or external funding and measure the level

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of profit accumulation that reflects the stage of the company's life cycle is located. The results of this study empirically prove that there is a significant influence between the stages of the company's life cycle with acquisition activities, namely mature companies that are active and able to carry out acquisitions. While decline companies tend not to be able to do mergers.

In this study, we will examine all stages of the company's life cycle, but we will focus more on three stages: growing, mature and old. Because it can be said mergers tend to be done on all three stages of the life cycle of these, and as a life cycle stages that can be clearly distinguished and generally experienced by the entire company. Based on previous research, mature companies are stated to be in a state of decreased innovation level (Miller & Friesen, 1984). However, adult companies generally have a very large amount of *retained earnings* and *free cash flow* so they tend to do mergers to generate company growth (Owen & Yawson, 2009). Company in conditions down m compassion had many occasions as mergers to achieve growth. (Ismail & Krause, 2010) and (Owen & Yawson, 2009) state that the condition of the company is decreasing with the *FCF* amount which is still low, making it a low tendency to conduct mergers. While *old* companies are stated to experience *organizational inertia*, which is less able to adapt to changes in the organization, so it has a low tendency to make mergers. Therefore, the first hypothesis in this study is:

H1: Lifecycle companies positive effect on the probability of doing mergers

This hypothesis is supported by previous research, namely the existence of various levels of *return* for companies that do mergers. (Yook, 2004) and (Owen & Yawson, 2010). The results of the study stated that the stock *returns* of companies that carry out mergers occur a negative market reaction lower than the stock *returns* of adult companies that do mergers, generally do large merger and acquisition transactions that occur negative market reactions, and show a negative relationship and significant between the life cycle of a company conducting mergers with the condition of the company's wealth. This is in accordance with research (Faccio *et al*., 2006) which states, companies that do mergers experience a negative *return* in the period of the announcement of mergers because the *acquirer's* shareholders bear lower costs when conducting mergers of companies with targeted targets.

H2: The company's life cycle affects the wealth condition of the shareholders of mergers

Companies that are at the stage of the adult life cycle can be said to have more adequate financial conditions than companies in mature companies at conditions with fewer variations in opportunities for company growth. Based Adizes & Miller, (1989), companies that are in the zone ny safe (can be categorized as an enterprise adults) tend to decrease and loss of creativity, so it tends to do mergers for the changes to become longer life cycle. (Regev, 2005). In addition, companies with large amounts of cash (eg. adult companies) generally make mergers to achieve company growth (Regev, 2005). So the mature companies with adequate financial conditions make mergers as the primary means of growth, it can be said to have the

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ability to conduct large merger and acquisition transactions. By conducting mergers of share ownership that are higher than the company at other stages of the life cycle, in order to achieve company growth. Similarly, research (Vidyastuti, 2012) where companies at the stage of growth and maturity have the ability to conduct mergers and share ownership is more dominant at that stage due to financial conditions that are already quite established compared to other stages.

H3: The Company's Life Cycle influences the share ownership of merged and acquisition companies

Companies in accordance with the stages of their life cycle have different financial conditions, so that it can affect their payment methods when conducting mergers. Based on (Ismail & Krause, 2010), companies that are in the adult life cycle stage already have a large amount of *FCF*, so they tend to pay with cash when making mergers. In addition, a decline company is stated to still have various opportunities for growth, so it tends to finance it with cash and use the method of payment with shares when conducting mergers. Companies that have just issued their initial shares (can be said to be in a declining stage because they are still looking for a large source of funds for growth), are stated to still get a high valuation of the of their shares, so they tend to finance mergers with their shares (Wiggaenhorn *et al* ., value 2007).

3. Research Methods

This study uses purposive sampling, which is the technique of determining samples with certain considerations. The considerations used in this study are: first, companies listed on the Indonesia Stock Exchange that have submitted financial statements as of December 31 on a regular basis for ten years according to the required period, namely 2018-2022. Second, companies included in mergers and secondary data and listings. Third, issuers included in mergers and secondary on the Indonesia Stock Exchange who submit their data in full according to the required information, namely Retained Earning / To Equity (RE / TE), Retained Earning / To Asset (RE / TA), Leverage, Return on Asset, Size, Asset Growth Rate and Dividend Payout Ratio. Quantitative descriptive analysis is a data analysis conducted to determine and explain the variables studied in the form of numbers as a basis for decision making. Product Moment Correlation or Pearson is used to determine the relationship between variables if the data used has interval or ratio scale. The rationale for Product Moment correlation analysis is the change between variables. That is, if changes in a variable are followed by changes in variables followed by changes in other variables, the two variables are correlated with each other. Hypothesis testing in this study was conducted by multivariate analysis using multiple linear regression and logistic regression, where this analysis is used to test the independent variables consisting of Retained Earning to Total Equity and Retained Earning to Total Assets and control variables consisting of Leverage, Return On Assets, Size and Asset Growth Rate for mergers. In this study the dependent variable is divided into four frameworks. First, framework 1. The company's life cycle to the probability of mergers. Companies that do mergers are

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worth 1 and companies that do not do 0. Second, framework 2. Life cycle of shareholder wealth. Third, framework 3. Life cycle to the percentage of shareholders. Fourth, framework 4 life cycle to the payment method for companies that have made mergers.

Table 1. Indicators of Enterprise Life Cycle Stages

Company Life Cycle Stages	Indicator		
	Sales Growth	Company Age	Dividend Payment
Start-up	Low	Young	Low
Growth	High	Young	Low
Maturity	Is	Is	Is
Decline	Low	Old	High

Sources: Anthony and Ramesh (2004)

4. Results

In accordance with the Pearson correlation analysis technique, the correlation coefficient shows,l action of men u n j UKK 's, the life cycle of the company did not have a relationship and no significant effect on the probability mergers. This is because the life cycle of the company with control variables ROE, sales growth, and the size of the company's FCF not be used to explain the phenomenon of probability conduct merger and acquisition. this is because the growth of a company does not depend on the stages of the company's life cycle. It appears that both *mature* and *young* companies alike have no probability of mergers. This can occur because mergers are one of the company's efforts to achieve company growth, these results do not support the findings of previous studies. Meanwhile, for the company's life cycle, it significantly influences the wealth of shareholders after the company makes mergers. This is because the company that acquires the target company are *listed* experienced *return* negative in the period due to the acquisition announcement corporate shareholders *acquirer* bear a lower cost, if the acquisition of a smaller company, or a company whose shares are not traded (*Not Listed*). Hacyl regression that variable *lifecycle* has a positive coefficient, but not significant at α = 5%. For the company's life cycle of share ownership of companies that carry out mergers. The test results show that the company's life cycle has no influence on the ownership of the acquired shares. In addition, test results of *the F-statistic* for 0455 show that together the variables *independent* and control variables have not described the effect of the variable *dependent* .
Ownership of shares in institutions does not affect the determination of dividend policy, which means that institutional ownership does not play a role in the company taking dividend policy. However, ownership of the institute has a significant negative effect on returns, where high institutional ownership will allow the exploitation of the majority shareholders of the shareholders of minory bags, so that it will have an impact on decreasing stock returns. These findings do not support the argument convergence of (Jansen & Meckling, 1976) which states that a high institutional ownership, will have an impact on improving surveillance capabilities that will reduce agency problems between managers and shareholders.

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On the contrary, this finding supports the entrenchment argument raised by (Morck et al., 1988) which states that high institutional ownership will have an impact on *voting power* which can harm the interests of minority shareholders and thus have an impact on the decline in share prices. In the capital market conditions in Indonesia, majority shareholders are institutions and minority shareholders are public.The majority shareholder will control the company and at the same time make decisions that are contrary to the interests of minority shareholders, so this is responded to by the public in the form of a decline in share prices. The findings of this study are consistent with the previous researchers' finding of (Sudarma, 2004), (Murhadi, 2008) in the Indonesian capital market as well (Amidu and Abor, 2006) in Ghana Stock Exchange.The stages cycle of life companies do not have the steps of life cycle of the company does not has a significant influence on stock prices. This means that the high RE / TE (the company is in the mature life cycle stage) is not responded to by the market. The findings of this study indicate that manufacturing companies on the IDX are in the mature life cycle stages that have limited development opportunities so that their shares are also relatively stable, so they have no effect on stock prices.

The company's life cycle to the payment method based on the regression results under the *lifecycle* variable has a positive and significant coefficient at $\alpha = 5\%$. The test results show that the company's life cycle has an influence on payment methods in mergers. Therefore, the test results support the four research hypotheses so that the four hypotheses are accepted. is the first researcher to develop a hypothetical framework that links a company's life cycle with dividend payment policies and payment strategies. They divide the company's life cycle into: first, when experiencing rapid growth or growth. Second , there is a growth stage that is low or mature. Third, the growth stage is the first researcher to develop a hypothetical framework that links a company's *lifecycle* with dividend payment policies and payment strategies. They divide the company's *lifecycle* into: first, when experiencing rapid growth or growth. Second, at the stage of growth is low or mature. Third, the stage of negative growth or decline.

Lee & Murhadi (2011) asserted that dividends tend to be paid by companies in developed countries, where the opportunity to grow has been low and the benefits gained are high. Meanwhile companies in developing countries with high investment opportunities tend to maintain their income to finance investment rather than pay dividends. Fama & French (2001) explained that large companies with high profits and relatively small growth opportunities will tend to pay more dividends than companies with the opposite characteristics. Bodie, et.al, (2007) said that companies usually go through *life cycles* with different dividend rates in different phases. In the early years, opportunities for profitable reinvestment in the company were still large, even with a low payout ratio, and rapid growth. Over the next few years, the company will grow up, where enough production capacity to meet market demand, competitors enter the market, and attractive opportunities for reinvestment can be difficult to find. The adult stage is marked by the company can choose to increase the dividend payout ratio, not maintain revenue.

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The dividend rate rises, but after that it grows at a slower rate because the company has fewer growth opportunities than the initial phase. These results are consistent with the results of pene Litian Ismail & Krause (2010) which states, company *young* have a wide variety of related opportunities *growth* is still big, so it tends to make acquisitions through the method of payment for shares as using cash at his disposal to finance various activities related company growth. Meanwhile, the company *mature* otherwise have had a number of *FCF* large, so it tends to do mergers and acquisition through cash payment method. These test results are also consistent with the results of the study Owen & Yawson (2009) which states, companies that are in the life cycle stages of *young* represented by the condition of the low number of *FCF*. While companies *mature* represented by the accumulated number of conditions have been *retained earnings* and *FCF* large, so that management tends to use it to conduct merger and acquisition.

5. Conclusion and Suggestion

This study discusses the company's life cycle of merger and acquisition activities in Indonesia which consists of four conceptual frameworks and four research frameworks. Based on the results of testing and analysis of data management that has been done, it can be concluded as follows: The first test results , showed that there is no significant effect of the company's life cycle on the probability of the company to make mergers. This result means that both companies in the stage of growth, stage of mature and step down equally do not have the probability to do mergers. One reason is because of mergers the company's efforts to achieve the company's growth is not affected by the company were certain in life cycle. The second result, the life cycle of the company is proven to have a negative and significant influence on the condition of the wealth of the acquirer's shareholders from mergers. This result means, the company at the stage of growth and adult stage in general, making large transactions will affect the condition of its wealth which is represented by a negative stock *return* value or close to zero in the year of mergers. One of which is the cause of that is *the return* of negative are caused by the shareholders of the company acquirer view that will bear lower costs if companies do on company size and the transaction of acquisition if the acquisition made in companies and transaction acquisition of a smaller company. The third framework, the company's life cycle of the share ownership of companies that carry out mergers. Share ownership is higher than other companies seen from the results of testing and analysis, the company's life cycle has a positive effect, but not significantly to the ownership of the acquired stock. This would mean company at the stage of growing and adult stage can do mergers with a variety of magnitude the percentage acquired shares. The fourth step is the company's life cycle to payment methods for mergers. That the company has a greater probability to make the cash payment method than other methods. Where the test results indicate the company's life cycle has a positive and significant effect on payment methods. This means, companies in the mature and down stages with a greater amount of FCF

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accumulate, can affect the company's payment methods, so they tend to do mergers with the payment method in cash.

The recommendations cover two things, namely for the needs of company life cycle research and the activities of future mergers (academic). While for capital market development in Indonesia (practical). This research has several weaknesses, among others: 1) Conducting quantitative research to retest using alternative categorization of the *dependent* variables tested by *logit* regression in subsequent studies, and payment methods in acquisition worth 1 if payment is *mixed payment,* and value 0 if payment is fully in cash or stock. 2) Re-research using a sample of companies with a broader scope, such as using a sample of companies that are not *listed* or obtain samples of *listed* companies from other sources. 3) Conduct research again by getting sample *match* data from complete data sources, both stock data and other data.

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