
GROWTH STRATEGY ANALYSIS OF MERGER PT. BANK CIMB NIAGA TBK WITH LIPPO BANK

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Abstract:

PT. Bank CIMB Niaga Tbk. is a bank which was founded on September 26, 1955 and is the 5th largest bank in Indonesia based on asset value. The initial purpose of establishing this bank is to build values and professionalism, especially in the banking sector. To achieve this goal, research was carried out with using pure quantitative research and then to process the data used descriptive quantitative research. Secondary data sources in this study from the internet or research from another author. The main reason for *the merger* between the two banks is due to the rules applied by Bank Indonesia regarding the *single presence policy*. Rule It states that a party is only allowed to be the owner of shares controllers on one bank only. When any party is affected by the rule, then given three options for restructuring, including: *merger* or acquisition, transfers shares and the formation of a holding company. Changes due to *the merger* can have an effect on changes in performance. Performance need evaluated regularly because it is very important to maintain company productivity. From the calculation data above, it can be concluded that the merger process is not always bring positive results. This can be seen from the significant decrease in net profit margin and net income total assets. Many things caused the decline in both parts. One of them occurs due to an increase in operating costs which was delegated to Bank CIMB Niaga after the merger. This condition is due to the addition of the number of ATM machines and the development of technological systems that applied to some access and service features.

Keywords: Metode Reward and Punishment, Minat Belajar, Passing Bawah

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INTRODUCTION

PT. Bank CIMB Niaga Tbk. is a bank which was founded on September 26, 1955 and is the 5th largest bank in Indonesia based on asset value (Kristanto & Sihotang, 2013). The initial purpose of establishing this bank is to build values and professionalism, especially in the banking sector (Goh, 2005).

For more than five decades since its establishment, Bank CIMB Niaga has been known as the bank with the best customer service tradition (Radnan & Purba, 2016). In addition, this bank also continues to innovate to his service. In 1987, the bank introduced ATM services and systems online banking in 1991. With a composition of 6,000 employees, CIMB Niaga Bank consistently offers complete and good banking services in the field sharia and conventional (Defung, 2014).

Over time, Bank CIMB Niaga has a vision to become a trusted bank in Indonesia are also part of the leading universal banking network in Asia Southeast (Defung, 2014). With this vision, Bank CIMB Niaga has several times received awards, among them: 2007 first place for Performance Management

and Training and Development at the HR Excellence Award event. Besides, this bank received an award in the field of Annual Report Award as the best private bank from 2003-2007 years.

In June 1989, Bank CIMB Niaga conducted an initial public offering (IPO) on Bursa Jakarta Stock Exchange (JSX)(Cahyono, 2007). The offer was made with a figure of 5 million shares. When the offer is done carried out, the results of the calculation show that the subscription of shares of Bank CIMB Niaga reached 20.9 million shares or about 4 times the shares offered. This shows that Bank CIMB Niaga shares are in great demand by investors and public(Cahyono, 2007). With a positive image embedded in the community, the management of Bank CIMB Niaga continues to work hard to improve financial performance indicators.

Bank Lippo

Lippo Bank has a rich history long in the banking sector Indonesia. This bank was founded on March 1948 was a bank 9th largest in Indonesia based on the amount of assets have on the era(Harada & Ito, 2005).

Following the *merger* process with PT. Asian Commercial Bank, Bank Lippo listed shares in the JSE in November 1989. The Indonesian government becomes the shareholder majority in Bank Lippo through the recapitalization program which was carried out on 28 May 1999 (Fasikhatun, 2012).

On September 30, 2005, with the approval of Bank Indonesia, Khazanah Nasional Berhad (a holding company of the Malaysian government investment arm) acquired majority ownership in Lippo Bank. Since then, Bank Lippo has moved implementing a new growth strategy that was formulated to make Bank Lippo equivalent to a world-class bank. Bank Lippo is also a pioneer in *e.services banking* in Indonesia.

Definition of Merger

Merger is the process of uniting two companies, in which the companies who merged as takers or made purchases of all assets and purchased company liabilities(Reed, Lajoux, & Nesvold, 2007). Thus, the merging company purchase at least 50% of the shares of the company being purchased. Furthermore, company purchased will cease to operate and the existing shareholders will receive a certain amount of money or shares of the new shareholders.

In simple terms, a merger can be described as follows:

Types of mergers

In the process, *the merger* has several types based on the type of business:

- a. **Horizontal merger:** this type of *merger* is carried out between similar companies (having same type of business)(Ramaswamy, 1997)
- b. **Vertical mergers:** *mergers* are carried out between related companies, for example being in a sequential production flow(Lewellen, 1971)
- c. **Conglomerate mergers:** *mergers* of companies that differ in product and tend to be unrelated. This type of *merger* aims to achieve growth business entities quickly also get better results. How to do this *merger* This can be done by exchanging shares between the merged companies(Hubbard & Palia, 1999).
- d. **Congeneric merger:** a *merger* between two business units in different industries and not related to each other. This model is an example of diversification efforts to reduce risk.

Terms and motivations for merger

Hazel J. Johnson (1995) stated that there are at least four conditions for *a merger* at both banks, including:

- a. the bank's financial condition, both must be in sound financial condition or *collapse*
- b. capital adequacy
- c. company management must be good
- d. the merger must provide benefits to customers of both banks

The motivation for *the merger* according to Joseph F. Sinkey (1983) is as follows:

- a. take advantage of market forces that are not yet fully formed

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- b. gain market access with cheaper funds
 - c. obtain cheaper sources of raw materials (for the production sector)
 - d. achieve certain economies of scale

METHODS

To achieve this goal, research was carried out with using pure quantitative research and then to process the data used descriptive quantitative research (Antwi & Hamza, 2015). Secondary data sources in this study from the internet or research from another author. Then secondary data is also obtained from previous articles. Secondary data sources from this research are documents from articles, and journals about merger.

RESULTS AND DISCUSSION

A. The reason for the *merger of Bank Niaga with Bank Lippo*

The main reason for the *merger* between the two banks is due to the rules applied by Bank Indonesia regarding the *single presence policy*. Rule It states that a party is only allowed to be the owner of shares controllers on one bank only. When any party is affected by the rule, then given three options for restructuring, including: *merger* or acquisition, transfers shares and the formation of a holding company. Changes due to the *merger* can have an effect on changes in performance. Performance need evaluated regularly because it is very important to maintain company productivity.

From here, it can also be seen whether the *merger* that was carried out gave positive results or not. An important job appraisal is carried out by company management, government, shareholders and all stakeholders. The same thing needs to be done in the banking system. One way to see the level of performance of a bank is through financial statement analysis.

At that time, the shares of Bank Niaga and Bank Lippo were owned by Khazanah Nasional Berhad in Indonesia under the Malaysian Ministry of Finance following the regulations in force in Indonesia (Lai, 2012). The decision taken at that time was to merge the bank owned in Indonesia. The first reason for this merger is to create a structure stronger capital. If the two capitals are combined, they can provide credit without having to collide with the LLL rules (maximum credit limit). Second reason namely to accelerate the fulfillment of API (Indonesian Banking Architecture) requirements which requires a minimum capital of 10 trillion to become a large-scale bank national (Kristanto & Sihotang, 2013).

Merger Process PT. CIMB Niaga Bank and Lippo Bank

The *merger* process between Bank Niaga and Bank Lippo was carried out on June 3, 2008 with a new name, namely PT. Bank CIMB Niaga Tbk (Gelo, Braakmann, & Benetka, 2008). This transfer indicates that all assets and liabilities of Bank Lippo are transferred to PT. Bank CIMB Niaga Tbk. Previously, Bank Lippo was known as a bank that focused on MSMEs and systems payment. This is believed to be able to build a positive synergy for Bank CIMB Niaga as a player in the housing and corporate loan segment. Through the general meeting of shareholders (GMS), Bank Niaga changed its name to CIMB Niaga. The name change is part of a performance transformation within CIMB Groups. This merger also requires the two banks to adapt their technology systems and operations of all branches. The result of the merger is total assets above 100 trillion rupiah which made CIMB Niaga the sixth largest bank in Indonesia by assets.

The merger of the two is expected to give birth to a bank that is able to compete and grow in the midst of the tight banking sector in Indonesia (Hawkins & Mihaljek, 2001).

Merger Determinants

Before carrying out a *merger*, there are several considerations that must be made regarding: working atmosphere on both sides. It is necessary to find factors that can be used as ingredients analysis

so that the *merger* process runs properly. Compatibility, alignment and Compatibility is a factor that must be taken into account. Neil M. Kay (1997) stated that *the merger* will be successful if the merged companies have *market links* and *technological link*.

In addition to the above two factors, another factor that also determines is the cultural factor organizational and financial factors. On organizational culture factors, although not aspects of economical but need to be considered during the *merger stage*. In many In some cases, the cultural factor is very important because it determines the mindset of employees. If this

not overcome from the start, then it is possible in the future employees become reluctant to cooperate and there is no adjustment of methods labor. From a financial point of view, the merger raises the expectation of higher profits big. The new synergies generated through the merger should be able to sustain the merger financing process so as to provide substantial dividends to the owners modal.

Comparison of CIMB Niaga Bank Financial Analysis Before and After the Merger

A. Quick ratio average comparison

Tahun	Cash Assets	Total Deposit	Quick Ratio	Rata-rata
	(Dalam jutaan rupiah)			
Sebelum Merger				
2006	7.317.929	65.836.665	11,12%	10,69%
2007	7.889.249	75.504.905	10,45%	
2008	8.824.506	84.051.318	10,50%	
Sesudah Merger				
2014	22.590.693	174.723.234	12,93%	11,63%
2015	21.193.436	178.533.077	11,87%	
2016	18.231.618	180.571.134	10,10%	

B. Comparison of Average Banking Ratio

Tahun	Total Loan	Total Deposit	Banking Ratio	Rata-rata
	(Dalam jutaan rupiah)			
Sebelum Merger				
2006	44.020.694	65.836.665	66,86%	76,75%
2007	58.495.469	75.504.905	77,47%	
2008	72.219.844	84.051.318	85,92%	
Sesudah Merger				
2014	169.380.619	174.723.234	96,94%	96,24%
2015	170.732.978	178.533.077	95,63%	
2016	173.587.691	180.571.134	96,13%	

C. Comparison of Average Cash Ratio

Tahun	Operating Income	Operating Expense	Gross Profit Margin	Rata-rata
	(Dalam jutaan rupiah)			
Sebelum Merger				
2006	8.687.045	7.064.266	18,68%	15,21%
2007	9.032.374	7.318.734	18,97%	
2008	11.025.025	10.144.578	7,99%	
Sesudah Merger				
2014	22.942.768	13.404.610	41,57%	41,47%
2015	24.004.908	15.088.495	37,14%	
2016	23.709.109	12.877.537	45,69%	

Tahun	Net Income	Operating Income	Net Profit Margin	Rata-rata
	(Dalam jutaan rupiah)			
Sebelum Merger				
2006	1.154.587	8.687.045	13,29%	12,05%
2007	1.508.386	9.032.374	16,70%	
2008	678.189	11.025.025	6,15%	
Sesudah Merger				
2014	2.343.840	22.942.768	10,22%	6,93%
2015	427.885	24.004.908	1,78%	
2016	2.081.717	23.709.109	8,70%	

Tahun	Net Income	Total Assets	Net Income Total Assets	Rata-rata
	(Dalam jutaan rupiah)			
Sebelum Merger				
2006	1.154.587	79.891.925	1,45%	1,24%
2007	1.508.386	93.797.189	1,61%	
2008	678.189	103.197.574	0,66%	
Sesudah Merger				
2014	2.343.840	233.162.423	1,01%	0,68%
2015	427.885	238.849.252	0,18%	
2016	2.081.717	241.571.728	0,86%	

CONCLUSION

From the calculation data above, it can be concluded that the merger process is not always bring positive results. This can be seen from the significant decrease in net profit margin and net

income total assets. Many things caused the decline in both parts. One of them occurs due to an increase in operating costs which was delegated to Bank CIMB Niaga after the merger. This condition is due to the addition of the number of ATM machines and the development of technological systems that applied to some access and service features

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