

Investor Response to Financial Performance and Business Prospect Evidence from Consumer Goods Sector

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ABSTRACT

Financial performance is an essential instrument in decision making. However, over time, many researchers stated that the relevance of financial statement information had decreased so that investors did not respond positively to financial performance. Furthermore, investors view corporate action simply because it adds value and growth to the company. This study was conducted to compare investor responses to M&A and financial performance. We tested the model on a sample of 213 companies from the consumer goods sector in ASEAN with CAR as the dependent variable, dummy, EPS, ROA, and CFO / TA as independent variables, and firm size and firm leverage as control variables. We found that investors responded negatively to M&A, while financial performance as measured by ROA and CFO / TA reacted positively. From these findings, we propose that company managers can consider a strategy of conducting M&A to attract investors and add value to the company.

Keywords: Business prospect, Consumer goods sector, Financial performance, Investor response, Merger & acquisition.

1. INTRODUCTION

Financial performance is an essential instrument in making decisions [1], [2], [3], [4]. According to research conducted by [5] and [6], market reactions have a significant relationship with financial statement information. Financial statements, on the other hand, began to lose their significance over time [7], [8], [3]. Furthermore, [9] argues that financial statements do not include all relevant domain variables. [10] stated that the decline in the relevance of accounting information was related to the loss of market participants' confidence in the quality of financial reports. The widespread and growing dissatisfaction regarding the relevance and usefulness of financial statement information, especially among investors and company executives, is also the cause of the declining relevance of financial statements [3]. This dissatisfaction is reinforced by extensive research that consistently documents the gaps between market indicators capital and financial information, especially for reported income. For the most part, financial results

no longer accurately reflect a company's actual performance. It is possible to say that accounting information is less relevant in the pricing of securities when stock prices fail to reflect all available corporate information due to market flaws, such as lack of transparency [5]

Diversely, it is recognized that financial performance has a vital role in decision making [11]. The relevance of financial statements is still high, even tends to increase from year to year [12], [13], [14]. Several other researchers stated that the level of relevance is different [15], [16]. The relevance of financial statements varies depending on the sector and the type of performance measure. [17] says that net income has the highest relevance while operating cash flows and total sales are the lowest.

Corporate action has become an alternative decision-making reference for investors as the relevance of financial performance decreases [18], [19]. According to [20], the announcement of corporate action plays a vital role because it refers to the company's future. Corporate actions can be in the

form of mergers and acquisitions, CSR implementation, bonus shares, stock splits, opening new factories or new investments [21], [22], [23], [24]. Company value generation skills can be developed through smart acquisitions and mergers. If the combined business is able to create stronger cash flows from future operations, shareholders will respond positively or negatively to the merger [18], [19], [20]. One technique to achieve rapid expansion or growth is through mergers and acquisitions [28]. [29] revealed that a review of 698 M&A announcements by EMNE from eight emerging markets from 1991 to 2008 resulted in a considerable favourable market reaction. Most companies, according to [30], responded positively to investor-led mergers and acquisitions. Merger and acquisition news can be predicted by the stock market's reaction.

As a result of this disclosure, it appears that future success will be well predicted [31]. Examine several Asian countries and show that the average target return on shares of target companies is notably favorable when mergers and acquisitions are announced [32], [33]. Disclosing successful acquisitions will clearly signal their ambition and resolve in the worldwide expansion [34], demonstrating their active involvement in acquiring strategic assets to catch up with global giants [35] and influencing investors' optimistic expectations. Acquisitions can bring in managerial expertise and complementing resources [36] as well as spark the formation of fresh, innovative ideas [37]. Success in an acquisition can lead to improved resources and a leap in the future of growth, according to this perspective [22].

The results of previous studies indicate the decreasing role of financial performance in decision making, where this proves the decreasing relevance of accounting information [11], [3]. On the other hand, various previous studies have also proven that corporate action can attract investors' attention because it is believed to positively impact the company's future [20]. Therefore, comparing the two things in one research model is essential to expand previous research on investor responses to financial performance and corporate action. Companies taking corporate action are sending a signal of potential future growth [38]; thus, it's conceivable that financial performance is not the main focus when a company takes corporate action. Ultimately, excellent financial performance is required to demonstrate the success of corporate action.

The researcher will apply this study to the consumer goods sector. The researcher chose the consumer goods sector since this sector is one of the kinds with the most volatile incomes and it is highly dependent on consumers' prosperity and life cycle

[39], [40]. Besides having a high average return, this sector is also the best because it has a low level of risk [41]. The selection of specific sectors is also essential considering that each sector has a different rate of return on shares [41], [42], [43]. [41] researched stocks in these sectors and found that each sector had different results. The consumer goods sector and the agricultural sector had the highest average returns. At the same time, stocks in the primary industry and property sectors had the lowest returns. There was a considerable variation in beta between the bullish and bearish conditions for all of the oil sector companies that were studied by [44]. Three out of eight equities in the banking industry fell to demonstrate a difference. This research suggests that stock returns may respond differently to factors that influence distinct stock market circumstances. There should be more focused study in each field, so that the findings can be more accurate [43].

This study aims to compare how investors respond to M&A and financial performance in the consumer goods sector in ASEAN. Part 2 of this paper will explain the fundamental theories and develop hypotheses. Section 3 will describe the development of the model and data, section 4 will present the results and discussion, and section 5 will conclude the research.

2. LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

2.1 Corporate Action (M&A)

Corporate action is one of the instruments that investors can use in making decisions. There are several types of corporate action: stock splits, dividend distribution, and M&A [45], [46], [47], [48]. M&A is the most effective way to grow a company. In years of a weak economy, strong companies further strengthen their position through M&A [49]. [31] stated that the effect of M&A announcements could indicate the company's success in the future.

[30], in their research, found that M&A in most companies was responded positively by investors. In their study, [45] said that abnormal returns increased three days before the M&A announcement and became significant after the announcement date. According to [50] and [51] investor response to M&A depends on the information obtained. According to [52] research, bidders with a political advantage will get higher abnormal stock returns around the announcement date. [53] also said that investor sentiment has a positive correlation with M&A announcements.

In this study, researchers use dummy variables to measure the M&A. This measurement method is carried out by assigning a number 1 to the company conducting M&A in the research year and a number 0 otherwise. Several other studies have used dummy variables to measure M&A: [54], [55], [56].

2.2 Signaling Theory

The behavior that occurs when two parties (individuals or organizations) access distinct pieces of information can be explained by the signaling theory [57]. Sellers tend to have more information than buyers, which causes buyers to face often economic problems such as losses and the risk of paying more [58]. [59] also states the same thing through his illustrations: good quality cars and lemons. Buyers cannot distinguish between the two, while sellers can. This event shows that there is a difference in the information held by the seller and the buyer.

Companies with good reputations will send excellent signals to shareholders, which will produce positive financial results [60]. When two or more parties are attempting to lessen information asymmetry in order to reach a more favourable outcome, signaling theory is at work [61], [62]. The purpose of signaling is to eliminate information asymmetry. Information asymmetry itself can be indicated as individuals in the company, such as management. Company management also takes signals to provide guidelines for shareholders regarding management's perspective on company prospects [63].

The stock market's reaction to M&A is supported by signal theory. Stock market investors will react to M&A through buying or selling shares according to their perception of the company's future performance, which is a stock market reaction [64]. Information related to agreements is always limited to management [65], thus creating asymmetric information problems. Accordingly, investors turn to signals to help them form their judgments of specific deals, as signals can reduce the effect of information asymmetry in the M&A market [66], [58].

2.3 Efficient Market Hypothesis

If prices accurately represent all available information, a market is efficient [68]. EMH testing is usually carried out on the assumption that there are no transaction fees, no taxes, free access to all information available to all traders, and agreement between them regarding the implications of the information for security prices [69]. [70], [71] distinguish between three forms of efficiency and the most frequently studied is weak, where a market is

said to be inadequate structure efficient if investors cannot use past information to predict future returns. The second form is semi-strong, in which investors anticipate and react to publicly available information. The third form is strong, where the stock price reflects all information.

[72] discover that earnings announcements contain information that has value and that the stock market reacts promptly and efficiently to the data, which is in line with the EMH. EMH focuses on information efficiency, where companies will immediately adjust when new information is generated [73]. [74] also say that this theory underlies the statement that stock prices reflect all relevant and available information, which changes when new information is entered. Therefore, in an efficient market, the rate of return that investors get must be commensurate with the risk they are willing to take, and investors cannot get a favorable rate of return on their investment through corporate governance [75].

EMH describes how investors respond to information available in the securities market. Stock prices that reflect all information make it difficult for investors to predict future stock prices through fundamental analysis or technical analysis [76], so investors cannot get above-average returns [77]. Investors' responses to stock prices containing financial performance information will be used to compare investors' responses to M&A announcements.

2.4 Investor Reaction

Investor reactions reflect the impact of information on financial decisions [78]. Investor reactions can depend on three things: the ability of investors to analyze information, the company's ability to provide information and published information [79]. In decision-making, risk plays a vital role in determining the assessment. Risk reflects that investors are unsure of future returns [80]. Therefore, investors use financial statements as a means to assist decision-making. According to [5] and [6], market reactions have a significant relationship with financial statement information.

In addition to financial statements, previous research has found that M&A announcements can encourage stock market reactions [66]. Investor response in the announcement period may reflect that mergers and acquisitions create value for shareholders of the acquiring company or not. [29] showed a significant positive market reaction based on an analysis of M&A announcements from 1991 to 2008. Investor response can be measured using abnormal returns. Abnormal return is the actual

stock return minus the expected normal return [81]. If the actual return is greater than the expected return, the investor is making a profit on his investment. If the actual return is smaller than the expected return, it means they have suffered a loss on their investment [82]. Abnormal return is considered as the impact of an event on the company's rate of return. Abnormal returns occur when investors perceive an event to positively or negatively impact a company's future cash flows, resulting in the stock price increasing or decreasing significantly above or below the average stock market return. [25], [83]. The more positive the response was given by investors, the more impact given to increasing abnormal returns.

In this study, investor response is measured using Cumulative Abnormal Returns (CAR), where the CAR for the company *i* in the period [t1, t2] is formulated as follows:

$$CAR_i = AR_{it} \quad (1)$$

The higher the CAR value, the more positive the response given by investors. Several studies on investor response use CAR as a measurement [49], [45],[84], [85], [86], [64], [25].

2.5 Financial Performance

Economic factors and the company's capacity to create value are reflected in financial performance [87]. [63] assert that an organization's financial performance reveals how well and efficiently it accomplishes its objectives. For companies to attract investors, they must improve their financial performance. In general, investors see the financial performance through financial statement information [88], [63]. Relevant and transparent financial statement information will make stock prices more informative (predictive) about the company's future [3].

In this study, Return on Assets (ROA) measures the company's financial performance. ROA is a method often used as an indicator of management performance evaluation in the financial sector. According to [89], ROA is obtained by comparing net income with total assets or can be defined as follows:

$$ROA = \frac{Net\ Income}{Total\ Asset} \quad (2)$$

Several studies use ROA to measure a company's financial performance [89], [90], [32], [91], [92], [93]. [94] say that ROA is a suitable way to compare one company's performance with another.

In addition to ROA, the company uses EPS as a measurement of financial performance. [94] said that if you want to see the company's development, it can be done by looking at the company's EPS and comparing it with the previous year. EPS can be defined as follows:

$$EPS = \frac{Net\ Income\ Available\ to\ Shareholders}{Numbers\ of\ Shares\ Outstanding} \quad (3)$$

Several studies use EPS to measure the financial performance and growth of companies, such as: [94], [95], [96], [97], [91].

This study also uses CFO to measure its financial performance. CFO describes the cash generated from the company's day-to-day business activities. The higher the CFO, the lower the external funding needed by the company to fund its current operating activities [98]. The company can also use CFO to predict its future [99]. The formulation of CFO is as follows:

$$CFO = Net\ Income + Non-Cash\ Expenses + Net\ Increase\ in\ Working\ Capital \quad (4)$$

Several studies use CFO to measure the company's financial performance, such as [100] and [101].

2.6 Hypothesis Development

Investors consider corporate actions taken by the company in making decisions. According to research by [102], most investors reacted positively to the announcements issued [103], [104], [105], [102]. Corporate action taken by the company is a signal for investors. According to signaling theory, the signal sent by the company aims to reduce information asymmetry between management and the market [58], [57]. Through the signals sent by the company, investors can predict the future of the company, so it will be easier to make investment decisions.

When companies take corporate actions in mergers and acquisitions (M&A), investors will accumulate information before and after events to predict and make investment decisions [67]. The stock market's reaction to M&A announcements depends on how investors predict future profitability. If investors judge that the M&A activity will create future cash flows, then the announcement will respond positively [106]. M&A benefits shareholders, including the target company and the bidding company [107], [108]. This situation makes investors see a promising future when the company conducts M&A. The stock price after the M&A announcement is a good indicator of future success because the stock price of the M&A company is a measure of the additional (discounted)

profits that the company expects to increase due to the M&A [109].

[110] proves that mergers have a positive effect on stock prices for most industries. [111] and [112] found that mergers and acquisitions are valuable tools to stay competitive, increase market share, and increase profitability. The company's abnormal returns increase due to M&As [113]. Several previous studies have proven that investors respond positively to M&A [105], [114], [115], [116]. M&A provides benefits to shareholders, including the target company and the bidding company [107], [108].

The company's financial performance is a crucial instrument in making investment decisions. The company's performance and prospects are essential factors that determine stock prices. Financial statements reflect financial performance information provided for investment decision-making [117]. According to the EMH theory, an efficient market is stock prices that reflect all information, including financial statements. This case causes investors not to get more profit because there is no hidden information [118], [119], [120].

In his research, [121] found the loss of relevance of financial statements in recent years and still exists in a large sample. The contents of the financial statements are only a tiny part of the relevant; this is because the financial statements are not neutral to the interests of management and specific objectives to be achieved through financial statements.

The decrease in the relevance of the financial performance reports impacts the decreased response of investors to financial performance information. This situation contrasts with the positive response of investors to corporate actions such as M&A, which continues to increase because M&A is more competent and relevant in predicting the company's future.

The above discussion leads to the following hypothesis:

H1: Investors respond more positively to M&A than financial performance.

3. METHOD

3.1 Model of Analysis

The model used in this study uses two control variables: firm size and firm leverage. Firm size is measured to determine the size of the company's market reach. Several factors affect the firm size of a company, such as technological developments, financial structure, industry, and others [122]. Companies with larger firm sizes can be more

efficient and productive and can expand [123]. According to [124], the larger the company's size, the greater the company's influence on the stakeholders. Firm leverage is measured to determine the company's growth rate [125], [126]. The higher the level of firm leverage, the higher the possibility of the company using debt to finance its investment. The lower the level of firm leverage, the more positive the effect on the company's opportunity to experience growth [127].

The research model is written as follows:

$$CAR_{i,t} = \beta_0 + \beta_1 MA_{i,t-1} + \beta_2 ROA_{i,t-1} + \beta_3 EPS_{i,t-1} + \beta_4 CFO_{i,t-1} + \beta_6 SIZE_{i,t-1} + \beta_7 LEV_{i,t-1} + \varepsilon_{i,t-1} \quad (5)$$

3.1.1. Variables operationalization

3.1.1.1. Dependent Variables:

This study uses Cumulative Abnormal Return (CAR) to measure investor response. CAR is calculated by aggregating daily AR over time from before the M&A announcement day to after the M&A announcement date. The calculation of abnormal returns is as follows [25], [45], [128]:

$$AR_{it} = R_{it} - E(R_{it}) \quad (6)$$

In which:

AR_{it} = abnormal return from company i on day t

R_{it} = actual return from company i on day t

$E(R_{it})$ = expected return from company i on day t

Expected return company is formulated using OLS (Ordinary Least Square) regression with the following formula:

$$E(R_{it}) = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (7)$$

In which:

R_{mt} = market return pada hari t

α_i dan β_i = parameter market model

ε_{it} = error

This study uses a CAR calculated for 11 days (-5.0,+5) and 5 days (-2.0,+2), then calculated with 0 as the day of the M&A event [25]. This study uses stock prices for 120 active trading days and uses a market model to consider and reduce risk [129].

3.1.1.2. Independent Variables:

ROA is measured by dividing net income after tax by the total assets of the company. The higher the

ROA, the better the company's performance will be. ROA provides information about how much profit is generated on average by each unit of asset [130], [131].

EPS is measured by dividing the net income available to shareholders by the number of shares outstanding with information taken from the company's financial statements in the study period [132].

CFO is measured by adding net income with non-cash expenses and the net increase in working capital [98].

Corporate action is measured using a dummy variable by comparing companies that do M&A and companies that don't do M&A. Companies that conduct M&A in the research year will be assigned several ones and otherwise will be assigned several 0.

3.1.1.3. Variables Control:

Firm Size is obtained from the logarithm of the book value of total year-end assets [133], [134]. Firm Leverage is formulated as follows [133]:

$$Firm\ Leverage = \frac{Total\ Debt}{Total\ Assets} \tag{8}$$

Total debt is the total of long-term debt and debt in current liabilities [135].

3.2 Research Sample

The researchers selected sample used for this study according to the following criteria: (1) The sample companies are companies in the consumer goods sector in the ASEAN region that publish annual reports for the 2016-2020 period; (2) The company has the complete required data; (3) The acquired company is a go public company; (4) Own stock prices during the study period; (4) The company is engaged in consumer goods. The research sample based on the sub-sector can be seen in Table 1, while if viewed based on the country it can be seen in Table 2

4. RESULTS & DISCUSSION

There are 1225 companies in ASEAN that are engaged in the consumer goods sector in the study period. After deleting companies that did not have complete data, 213 companies met the sample criteria in the 5-year study period, so there were 1065 observations used in the study. The list of consumer goods companies that do M&A and those that do not

do M&A is from Bloomberg. This study carried out the calculation of CAR using data on the publication date of financial statements obtained from each company's website or the stock exchange of each country. Data on ROA, EPS, CFO, firm leverage, and total assets for firm size calculations are also taken from Bloomberg.

4.1 Hypothesis testing

The primary purpose of this study is to prove whether investors respond positively to M&A compared to financial performance in the consumer goods sector. Hypothesis testing tests the CAR with different event windows with the same control and independent variables: EPS, ROA, CFO, Firm Leverage, and Firm Size. Table 3 shows the descriptive statistics of all dependent variables, independent variables, and control variables

Table 1. Sample per sub-sector

No	Industrial Sector	Total	(%)
1	Houseware	27	1
2	Food and Beverages	136	64
3	Cosmetics and Household	44	21
4	Tobacco Manufacture	3	1
5	Pharmaceuticals	3	1
	Total	213	100

Table 2. Sample per country

No	Country	Total	(%)
1	Indonesia	37	17
2	Malaysia	80	38
3	Singapore	24	11
4	Thailand	62	29
5	Vietnam	4	2
6	Philippines	6	3
	Total	213	100

Table 3. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Dev
CAR (-5,0,+5)	1065	-1.25	0.52	-0.027	0.107
CAR (-2,0,+2)	1065	-0.65	0.34	-0.011	0.074
EPS	1065	-319	627	16.405	67.856
ROA	1065	-19.55	55.25	5.214	7.848
CFO / TA	1065	-33.76	45.1	0.197	2.813
DUMMY	1065	0	1	0.154	0.361
LEV	1065	0.6	5.3	1.879	0.774
SIZE	1065	14.27	33.78	22.489	3.864

Table 4. Correlations

	CAR (-5,0,+5)	CAR (-2,0,+2)	EPS	ROA	CFO / TA	DUMMY	LEV	SIZE
CAR (-5,0,+5)	1							
	1065							
CAR (-2,0,+2)	.726**	1						
	<.001							
EPS	-0.008	0.005	1					
	0.79	0.86						
ROA	.101**	.066*	.245**	1				
	<.001	0.03	<.001					
CFO / TA	0.024	0.01	-0.006	0.02	1			
	0.442	0.748	0.844	0.518				
DUMMY	-.072*	-.081**	.104**	-0.042	0.043	1		
	0.018	0.008	<.001	0.175	0.165			
LEV	0.02	0	0.016	-.173**	0.024	.069*	1	
	0.505	0.992	0.595	<.001	0.442	0.025		
SIZE	.069*	0.044	.428**	.111**	-0.001	.065*	.170**	1
	0.024	0.156	<.001	<.001	0.972	0.034	<.001	

*** Correlation is significant at the 0.1 level. ** Correlation is significant at the 0.05 level. * Correlation is significant at the 0.01 level.

Classical tests for normality, multicollinearities and heteroscedasticities are the initial step. The researcher used the one-sample Kolmogorov-Smirnov test to determine whether the data were normal and found that the significance level of 0.05 indicated that the sample data were abnormal. After removing outliers and modifying the data, the researcher was still unable to get a normal result.

Because the Central Limit Theorem (CLT) dictates how much data is required for a study, the greater the sample population, the closer the sample average will be near a normal distribution [136]. Using a multicollinearity test, the researcher found that the tolerance level was greater than 0.10 and the VIF was less than 10. This proves that there is no strong correlation (intercorrelation) between the variables

in question. When comparing the two regression models, the resulting scatter plot does not exhibit any symptoms of heteroscedasticity. This is shown in Table 4 in the form of correlations. Compared to the other CARs, ROA has the strongest association with financial performance and is shown to be negatively

significant (see table 4) for the dummy (M&A). There is a positive-significant relationship between firm size and CAR (-5.0,+5), as well as a positive-significant relationship between dummy and ROA, but a negative-significant relationship between ROA and dummy.

Table 5. Regression of CAR (-5,0,+5)

	Model 1				Model 2				Model 3			
	Standardized Coefficient	t	Sig.		Standardized Coefficient	t	Sig.		Standardized Coefficient	t	Sig.	
(Constant)		-2.835	0.005			-3.557	<.001			-3.484	<.001	
EPS					-0.072	-2.074	0.038		-0.064	-1.842	0.066	
ROA					0.114	3.551	<.001 *		0.109	3.415	<.001 *	
CFO / TA					0.02	0.668	0.504		0.023	0.767	0.443	
DUMMY	-0.078	-2.537	0.011 **						-0.069	-2.263	0.024 **	
LEV	0.014	0.438	0.662		0.027	0.847	0.397		0.03	0.964	0.335	
SIZE	0.072	2.31	0.021 **		0.082	2.406	0.016 **		0.084	2.441	0.015 **	
Adj. R-square				0.008				0.14				0.018
F				3.873				4.09				4.241
Sig				0.009				0.001				<.001

*** Correlation is significant at the 0.1 level. ** Correlation is significant at the 0.05 level. * Correlation is significant at the 0.01 level.

Table 6. Regression of CAR (-2,0,+2)

	Model 1				Model 2				Model 3			
	Standardized Coefficient	t	Sig.		Standardized Coefficient	t	Sig.		Standardized Coefficient	t	Sig.	
(Constant)		-2.097	0.036			-2.371	0.018			-2.286	0.022	
EPS					-0.033	-0.94	0.347		-0.024	-0.677	0.498	
ROA					0.07	2.162	0.031 **		0.064	2.006	0.045 **	
CFO / TA					0.008	0.268	0.789		0.012	0.382	0.702	
DUMMY	-0.084	-2.754	0.006 *						-0.081	-2.613	0.009 *	
LEV	-0.002	-0.074	0.941		0.004	0.135	0.892		0.009	0.269	0.788	
SIZE	0.049	1.592	0.112		0.049	1.423	0.155		0.05	1.462	0.144	
Adj. R-square				0.006				0.002				0.007
F				3.224				1.42				2.328
Sig				0.022				0.214				0.31

Tables 5 and 6 are regression tests results conducted on CAR with two different event windows: CAR (-5.0,+5) and CAR (-2.0,+2). Model 1 examines the effect of M&A and control variables on CAR, model 2 examines the effect of financial performance and control variables on CAR, and model 3 examines the effect of all independent variables on CAR as the dependent variable. The test results in model 1 show that the response given by investors to M&A is negative-significant in both test models, seen from the consistently negative value. The test results in model 2 show that investors respond positively to the ROA and CFO / TA, while EPS gets a negative response. In both CARs, only ROA has a positive-significant effect. In model 3, the results of the dummy measurement still have the same results as model 1, which is negative-significant. The results of the financial performance measurement are also still the same as model 2, where investors responded to ROA and CFO / TA positively, and only ROA is significant. Meanwhile, investors responded negatively to EPS.

4.2 Discussion

This study compares investor responses to M&A and financial performance. M&A is measured by a dummy variable, while financial performance is measured using three independent variables: EPS, ROA, and CFO/TA. The test results show that corporate action (M&A) is responded negatively by investors in CARs with different event windows. Meanwhile, the financial performance received more positive responses from investors in research using the independent variables ROA and CFO / TA, but EPS responded negatively.

Investors' negative response to M&A announcements is inversely proportional to previous studies. Negative market reactions can occur because company management makes poor M&A decisions [137]. [138] prove that M&A has no effect on company growth. This case can be one of the considerations for investors in responding to the M&A announcement. In addition, investors' responses to M&A announcements also depend on the sector and the country [139]. In the pharmaceutical sub-sector, [140] finds that mergers and acquisitions are less effective in long-term returns because the merger involves both patients and doctors. [141] also finds that M&A diversification in several sectors negatively correlates with abnormal returns. In his research, he found that investor responses to M&A announcements and market acquisition performance differ in each country.

Several factors can influence adverse reactions given by investors. [142] stated that the company's

size affects how quickly the company reacts to the actions and policies of the company. [33] explained that the consumer goods sector requires a deeper understanding of preferences in each market, making it difficult to expand, especially in developing countries. ASEAN, which primarily consists of developing countries, makes investors respond positively to their financial performance reports.

In the CAR (-5.0,+5) and CAR (-2.0,+2) test, ROA is significant positive to CAR, indicating that ROA provides more information to more responsive to investors. This finding is consistent with the research of [143] that ROA has a significant positive effect on stock returns. In models 2 and 3 of the regression tests in Tables 5 and 6, CFO / TA responded positively, while EPS responded negatively and were not significant. This situation is consistent with the research of [144], which stated that EPS is seen as less relevant by investors.

Relevant theories also support this finding. The EMH theory supports the positive response of investors to financial performance reports, where stock prices reflect all company information. This situation can help investors in making investment decisions [71]. Meanwhile, the signaling theory supports the negative response to M&A, where the negative response given by investors illustrates that the signal given by the company is viewed negatively by investors. In signaling theory, signalers (management) and signal receivers (investors) have an essential role. Investor response is very dependent on how the perspective of investors in responding to signals sent by the company [145].

This research has several implications for company managers. First, managers must reconsider before conducting M&A whether M&A will add value to the company or not. Decisions that are too hasty and immature will trigger an adverse reaction from investors. Second, managers must also convince shareholders that the corporate actions taken will provide positive returns to their shareholders.

5. CONCLUSION

The purpose of this study is to compare investor responses to M&A and financial performance reports in the decision-making process. The researcher found that the results rejected the hypothesis in this study because it contradicted the findings. Investors responded negatively to the M&A actions carried out by consumer goods companies in ASEAN, as seen from the test results on the two event windows that had a consistently negative-significant value. In contrast, measuring

investor responses to financial performance reports as measured by ROA and CFO / TA get positive results, indicating investors respond positively to company performance reports. Meanwhile, the measurement results with the EPS variable showed negative results. We can see it from the positive value of ROA and CFO/TA and the negative on EPS.

This study concludes that M&A is not always responded positively by investors. Many previous studies have stated that M&A will add value to the company, but this is not absolute. This study proves that different sectors and countries can provide different results using a sample of 213 companies in the 2016-2020 period.

The limitation of this study is that the sample used is only part of the number of consumer goods companies in ASEAN. This situation is due to the difficulty accessing company information such as the publication date of financial statements and other incomplete required data, such as ROA, EPS, and CFO / TA, so the researcher eliminated various data. In addition, this study did not use samples from all countries in ASEAN due to limited data access for several countries. The researcher expected that future research would use a larger sample of data to get better and universal results.

This study has implications on further research to determine the benefits of M&A and financial performance for the future of companies in the consumer goods sector. This study also shows how investors respond to M&A announcements and financial performance, which can be used as a basis and consideration for further research.

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