

ABSTRACT

Mergers and acquisitions (M&A) are one of the strategic option that can be implemented by companies to expand their business and increase company value. As one of the strategic option for a company, careful consideration and calculation are needed to ensure that M&A practices can deliver the results a company wants to achieve. M&A activities were found to form a wave pattern (merger wave), indicating that there were conditions causing M&A activities to increase or vice versa. This study attempts to explore the effect of economic conditions on M&A activities in Indonesia during 2000 – 2018 using ARDL-ECM to discover the short-term relationships and long-term equilibrium of the variables examined. The data used in the study are quarterly data on the frequency of M&A transactions, GDP, IHSG, lending rates of investment loans from commercial banks, and CPI. The results of this study found that GDP, IHSG, lending rate, and CPI affect the frequency of M&A transactions in Indonesia in the long term but not in the short term. The short-term deviation of changes in economic conditions on M&A activities adjusts toward the long-term equilibrium.

Keywords: *mergers and acquisitions, merger waves, economic conditions, time series, ARDL-ECM*