

THE MEDIATING ROLE OF GOVERNANCE, RISK MANAGEMENT, AND COMPLIANCE IN THE RELATIONSHIP BETWEEN ACQUISITION AND FINANCIAL PERFORMANCE: EVIDENCE FROM KB BANK INDONESIA

Nelly Evalyna Rumapea¹ , Wita Juwita Ermawati² , and Gendut Suprayitno³ 

¹Management, IPB University, Indonesia

Corresponding author email: evalyna.rumapea@gmail.com

Article Info

Received: Feb 1, 2026

Revised: Mar 2, 2026

Accepted: Apr 19, 2026

OnlineVersion: Apr 29, 2026

Abstract

Acquisitions are an important bank restructuring strategy for overcoming financial distress; however, their direct contribution to financial recovery remains unclear. This study examines the acquisition of Bank Bukopin by KB Kookmin Bank in 2020 and its effect on the financial performance of both institutions. The research also investigates governance, risk management, and compliance (GRC) as mediating variables in the relationship between acquisition and financial performance. A mixed-method approach was employed using secondary financial data from the periods before the acquisition (2018–2020) and after the acquisition (2021–2024), analyzed through paired t-tests, alongside primary survey data collected from 65 bank employees and analyzed using SEM-PLS. The findings reveal that the acquisition did not have a direct significant effect on profitability indicators, particularly Return on Assets (ROA) and Operating Expenses to Operating Income (BOPO). However, mediation analysis demonstrates that compliance significantly mediates the relationship between acquisition and financial performance, whereas governance and risk management do not show significant mediating effects. These results indicate that immediate post-acquisition financial improvement depends more on the implementation of strong compliance mechanisms than on governance structures alone. The novelty of this study lies in decomposing the GRC framework and identifying compliance as the primary driver enabling acquisitions to achieve financial turnaround. While compliance functions as an immediate operational mechanism for financial recovery, governance and risk management appear to contribute more gradually over time. Therefore, post-merger integration strategies should prioritize strengthening compliance systems to accelerate financial performance improvement.

Keywords: Acquisition, Compliance, Financial Performance, Governance, Risk Management



© 2024 by the author(s)

This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

INTRODUCTION

Economic development is deeply intertwined with the stability of the banking sector. Institutions facing financial distress characterized by poor asset quality, low liquidity, and weak governance often undergo comprehensive restructuring to restore operational viability. Mergers and acquisitions (M&A) are pivotal corporate actions in this recovery process. A notable case is Kookmin Bank's 2020 acquisition of PT Bank KB Bukopin Tbk (KB Bank) in Indonesia, an institution previously burdened by declining profits, soaring non-performing loans, and heavy financial losses. Following an acquisition, structural and strategic transformations are necessary. A fundamental shift typically involves implementing an integrated Governance, Risk Management, and Compliance (GRC) framework. GRC functions synergistically to align management practices with regulatory standards, ensuring effective organizational performance. While prior literature broadly acknowledges that acquisitions can foster synergistic capital and operational enhancements, the operationalization of GRC in driving these benefits in banking remains underexplored.

Despite extensive research on M&A, empirical evidence regarding the direct relationship between acquisitions and short-term financial performance remains contradictory. Most prior studies focus primarily on direct financial outcomes, creating a significant gap in the literature by overlooking the mediating mechanisms of internal institutional factors such as GRC. This gap is particularly pronounced in emerging markets like Indonesia, where regulatory frameworks are still evolving. The novelty of this study lies in its approach to dissecting the GRC paradigm into three distinct mediating paths. This allows the study to evaluate exactly which internal mechanism successfully translates an acquisition event into tangible financial recovery. However, prior studies predominantly examine the direct relationship between Acquisition and financial performance, with limited attention to internal institutional mechanisms such as GRC as mediating variables. Moreover, existing studies rarely decompose GRC into its individual dimensions, leading to a lack of clarity on which mechanism drives post-acquisition performance.

Therefore, the primary purpose of this research is to evaluate the influence of the KB Bank acquisition on financial performance by investigating the mediating roles of Governance, Risk Management, and Compliance. Understanding this dynamic provides critical insights for policymakers and investors navigating banking restructuring. Specifically, this study aims to answer the following research questions: (1) How did the Acquisition affect the net financial performance of KB Bank? Moreover, (2) How do Governance, Risk Management, and Compliance independently mediate the relationship between the Acquisition and financial performance?

RESEARCH METHOD

Research Design, Target, and Timeframe

The research utilizes a mixed-method design by using both qualitative and quantitative methods of analysis to examine the effects of the acquisition on the corporate governance of and finance of the firm. The object of the research is PT Bank KB Bukopin Tbk (KB Bank). This research examines the effects of the restructuring process in two phases: pre-acquisition and post-acquisition.

Population, Sampling Technique, and Power of the Study

To collect primary data, the target population was professionals who have contributed to the structural change in the bank. Purposive sampling was used in the study to collect a sample of 65 respondents from KB Bank's governance, risk management, Compliance, and strategic planning divisions. It is important to mention that non-probability sampling was used because the respondents should have certain knowledge and skills for evaluating the internal changes made after acquisition. Moreover, the statistical power of the research was assessed based on this sample size. The generally accepted formula for statistical power in PLS-SEM is 10 times the maximum number of paths directed to a certain latent variable ("10-times rule", Hair et al., 2021). In the current model, a maximum of 4 paths were directed to the dependent variable. Therefore, 40 respondents were needed for the assessment. In case the sample size was 65, the statistical power became >80%, which is very high for detecting medium to large effects.

Data Collection Methods and Instrument Grid

The process of data gathering entailed the following systematic approach involving primary and secondary data. The data were gathered through a standardized questionnaire, based on a 5-point Likert scale administered among the 65 targeted respondents. The grid was formulated based on the G20/OECD Principles of Corporate Governance and other previous research, focusing on qualitative changes in organizational structures after acquisitions. Secondary data comprised financial and governance risk compliance reports drawn from the annual reports of KB Bank from 2018 to 2024. Other sources for secondary data included financial reports from the Financial Services Authority (OJK).

Variables and Measurement Strategy

The conceptual model involves Acquisition as the independent variable, Financial Performance as the dependent variable, and Governance, Risk Management, and Compliance (GRC) as mediating variables. The measurement strategy and variable definitions are as follows:

1. Independent Variable (Acquisition) is measured primarily through survey indicators reflecting employee perceptions of strategic shifts, resource integration, and organizational restructuring executed by Kookmin Bank since 2020.
2. Mediator 1 (Governance) is defined as the mechanisms aligning management and shareholder interests and is quantitatively measured using the percentage of Management Ownership and Institutional Ownership.
3. Mediator 2 (Risk Management) refers to the bank's ability to mitigate operational and financial risks. Measured using the Non-Performing Loan (NPL) ratio to assess credit risk quality, and the Loan to Deposit Ratio (LDR) to evaluate liquidity risk.
4. Mediator 3 (Compliance) refers to the bank's adherence to regulatory frameworks. Evaluated quantitatively via the Independence of the Board of Commissioners (percentage of independent members) and qualitatively through adherence to OJK audit standards.
5. Dependent Variable (Financial Performance) is defined as the overall financial health and operational efficiency of the bank. Measured using fundamental banking ratios: Capital Adequacy Ratio (CAR), Return on Assets (ROA), and Operating Costs to Operating Revenue Ratio (BOPO).

Instrument Validation and Reliability Testing

Before proceeding to structural hypothesis testing, the primary survey instrument was rigorously validated. Construct validity and reliability were evaluated using the measurement model (Outer Model) within the PLS-SEM software. An instrument is deemed valid if the outer loadings of all indicators exceed the 0.70 threshold and the Average Variance Extracted (AVE) is greater than 0.50. Furthermore, internal consistency reliability was confirmed, as both Composite Reliability (CR) and Cronbach's Alpha met the acceptable threshold of >0.70 .

Data Analysis Technique and Statistical Strategy

The data analysis was conducted systematically in two phases, integrating the analytical tools SPSS and SmartPLS. SPSS was utilized to conduct paired t-tests on the secondary financial data. This step answers the first research question by quantitatively comparing the net differences in the bank's financial ratios (CAR, ROA, BOPO, NPL, LDR) between the pre-acquisition (2018–2020) and post-acquisition (2021–2024) periods. SmartPLS 4.0 was utilized to test the conceptual model and evaluate the mediating roles of GRC. Justification for the tool: SmartPLS was selected because it is a variance-based SEM capable of simultaneously analyzing complex cause-and-effect models with multiple mediating variables. Furthermore, it is highly optimal for relatively small sample sizes ($n=65$) and does not require the strict multivariate normality assumptions demanded by covariance-based SEMs such as AMOS. The analysis was finalized by evaluating the structural model (Inner Model) through a bootstrapping procedure (5,000 subsamples) to calculate R-squared values, determine the significance of path coefficients, and definitively test the mediation hypotheses.

RESULTS AND DISCUSSION

Acquisition and Organizational Transformation

There was a major organizational change in PT Bank KB Indonesia Tbk after the Acquisition of Bank Bukopin by Kookmin Bank. The change in organization did not entail only a change in Ownership; it also involved changes in governance, strategy, and institutionalization. There were major changes in the board of directors, the board of commissioners' membership, and Ownership after the Acquisition. The changes are a manifestation of efforts to improve governance and oversight, accountability, and the balance between management decisions and shareholders' interests. After the Acquisition, institutional Ownership increased, a sign of improved governance.

Table 1. Governance Structure Before and After Acquisition

Indicator	2018	2019	2020	2021	2022	2023	2024
Board of Directors (persons)	7	8	9	9	9	9	7
Board of Commissioners (persons)	8	8	8	8	8	8	8
Managerial Ownership (%)	0.004	0.002	0.000	0.001	0.001	0.007	0.020
Institutional Ownership (%)	66	45	79	67	67	84	84

Table 2 shows that the difference test results indicate that structural changes in governance indicators are not statistically significant. The evidence indicates that governance change is a gradual and structured process. It is generally more time-consuming to adjust governance mechanisms, such as ownership structure and board composition, before measurable financial benefits are achieved. From a strategic perspective, the transformation following the Acquisition is focused on strengthening core banking fundamentals, improving risk governance, and expanding market segments.

Table 2. Difference Test Results of Governance and Risk Indicators Before and After Acquisition

Variable	Mean Before	Mean After	t-value	p-value	Conclusion
Board of Directors	7.50	8.50	-1.414	0.252	Not Significant
Board of Commissioners	8.00	8.00	—	—	No Change
Managerial Ownership (%)	0.003	0.007	-0.864	0.449	Not Significant
Institutional Ownership (%)	55.51	75.43	-1.776	0.258	Not Significant
NPL Gross (%)	6.33	8.96	-2.824	0.052	Not Significant
NPL Net (%)	4.60	4.75	-0.770	0.508	Not Significant
LDR (%)	85.50	105.35	-6.285	0.006	Significant
Independent Commissioners	4.00	5.00	-∞	0.000	Significant

To achieve the objective of making acquisitions strategically viable, a major strategic initiative is to focus on the Korean corporate segment and develop stronger business ties with Korea for Indonesia. The controlling interest of this institution is changing the direction of its competitive strategy formulation. More importantly, there is a need to create a solid GRC base for the organization. Although it may not have immediate, statistically significant effects on financial performance, major organizational changes are evident at this level. The development of more robust governance mechanisms, efficient committees, and compliance systems demonstrates the importance of such structural changes for organizational success. As a result, we may say that an acquisition can serve as an important impetus for structural change. Focusing on establishing strong GRC practices will provide the essential framework for organizational success, corroborating the theory that good institutions are necessary before financial performance in the banking sector (Kumar & Bansal, 2008).

Improvement of Governance and Compliance

Immediately after the Acquisition, PT Bank KB Indonesia Tbk took several measures to enhance its governance and compliance systems. In other words, there was a rearrangement of the composition of the audit committee, risk monitoring committee, nomination committee, and remuneration committee, as well as tightening of internal controls. However, regarding governance issues, our tests of differences revealed no statistical significance in changes in variables related to board composition, managerial Ownership, and institutional Ownership. It means that despite a slight increase in institutional Ownership

and some changes in the board composition, there will be no immediate impact on the company's financial performance. This further proves the point that governance transformation requires time and effort for maturation.

As regards compliance issues, we see many substantial changes. First, appointing more independent commissioners to the board indicates enhanced monitoring and a more transparent, effective governance process. Such independent persons play a crucial role in ensuring that management actions comply with legal requirements and align with stakeholders' interests. Interestingly, the SEM-PLS results support this. They reveal that Compliance is the only GRC dimension that significantly bridges the gap between Acquisition and financial performance, whereas governance does not show a similar mediating effect. This points to compliance mechanisms such as strict regulatory adherence, robust internal controls, and active monitoring serving as the primary channel for translating an acquisition into actual performance gains. One way could be the ease of implementation. Compared to governance reforms, which involve significant restructuring and cultural changes, compliance reforms (such as implementing new policies and systems for reporting, etc.) can be implemented more easily. This is entirely consistent with current theories of banking governance (Macey & O'Hara, 2003).

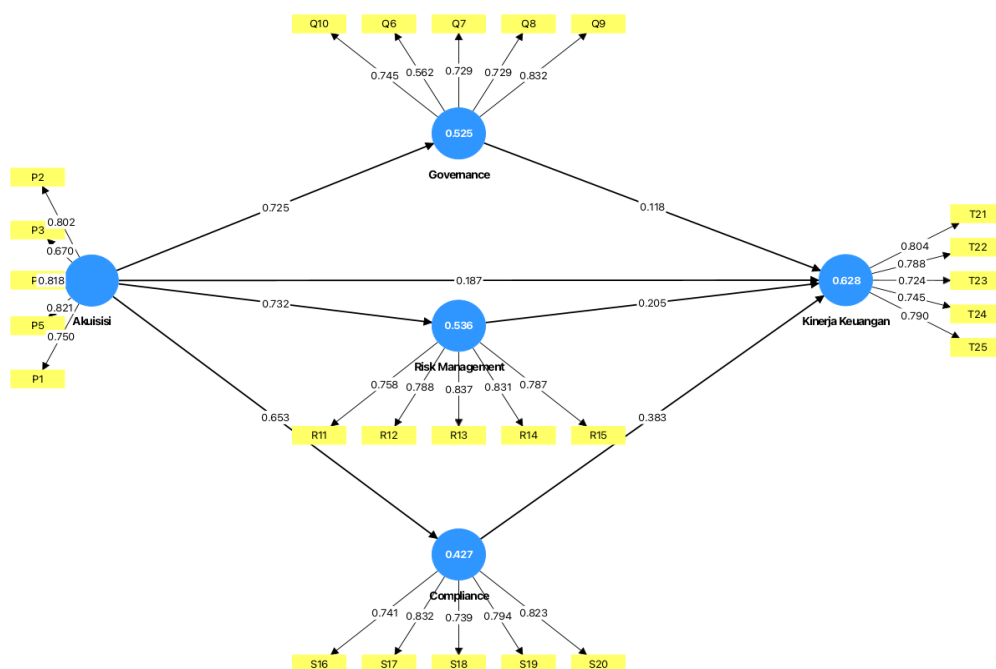


Figure 1. Outer Model

These results highlight that Compliance plays a much more immediate, operational role in post-acquisition recovery, while governance serves as a gradual, long-term institutional framework. As such, the potential of a merger to improve financial performance would largely depend on how effectively the bank implements its compliance programs and meets regulatory requirements. In this regard, one should note that achieving success post-merger will not be achieved solely by altering the Ownership structure or even reorganizing the Governance structure, but rather by adopting an effective GRC approach that focuses primarily on Compliance. Such a realization underscores the importance of regulation and internal controls for ensuring long-term sustainability, a notion aligned with the GRC model proposed by the OECD (2015) and the Basel Committee (2019).

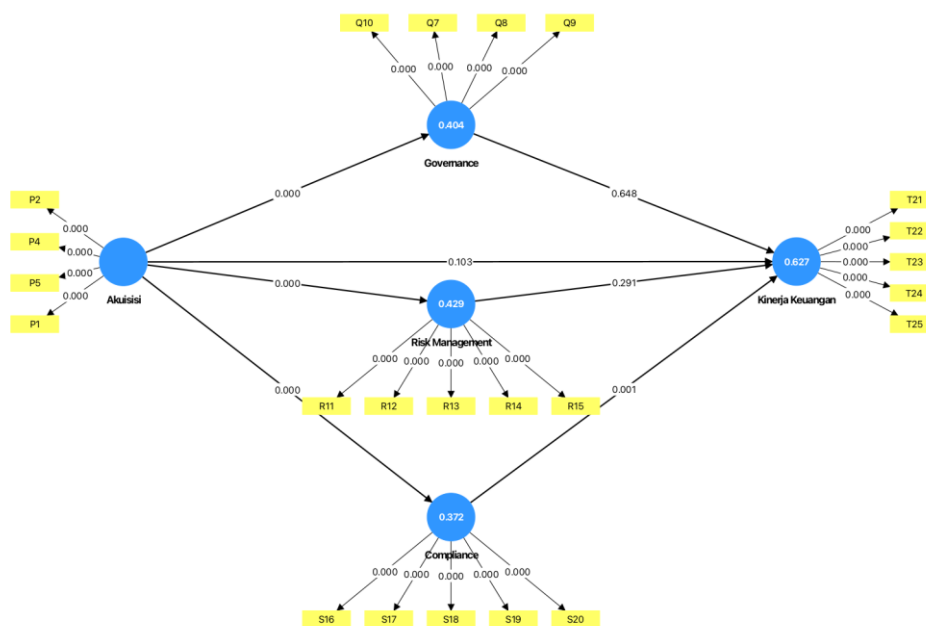


Figure 2. Bootstrapping Result

Risk Management Enhancement

Several adjustments to risk management at PT Bank KB Indonesia Tbk were made following the Acquisition event. In other words, there was some progress in the bank's risk management system, particularly in credit and liquidity risks. It occurred due to the introduction of specific risk management systems and improvements to internal audit processes. In particular, the bank currently focuses on loan-granting and loan management procedures. On the quantitative side, several indicators associated with risks have changed since the Acquisition of PT Bank KB Indonesia Tbk. First of all, one can refer to the change in the amount of Non-Performing Loans, which indicates that the bank now manages loan provision and monitoring more efficiently. Second, the credit risk management process has improved, indicating better performance in loan management and collection. Another quantitative indicator to highlight in this regard is the Loan-to-Deposit Ratio. They want to make sure they have enough money and do not run out.

Table 3. Total Effect

		Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
Acquisition	→	0.610	0.617	0.114	5.346	0.000
Compliance						
Acquisition	→	0.636	0.650	0.073	8.730	0.000
Governance						
Acquisition	→	0.634	0.635	0.089	7.116	0.000
Financial Performance						
Acquisition	→ Risk Management	0.655	0.665	0.069	9.465	0.000
Compliance	→	0.380	0.393	0.119	3.193	0.001
Financial Performance						
Governance	→	0.082	0.076	0.180	0.456	0.648
Financial Performance						
Risk Management	→	0.258	0.260	0.244	1.056	0.291
Financial Performance						

However, the SEM-PLS analysis indicates that risk management has no significant impact on the relationship between Acquisition and financial performance. That is, although improvements in risk

factors were evident, they did not translate into a change in financial performance during the analyzed period. Possible explanations for this outcome may include the fact that risk management is not focused on improving profits but on creating stability. Risk management measures are valuable for banks because they enhance financial security by enabling effective management of potential risks, such as loan losses and liquidity shortages. Additionally, it is rather hard to evaluate the effect of increased risk management on financial performance. While loan and cash management remain essential for future success, they may not affect profitability for some time. As such, the results of the SEM analysis demonstrate that risk management does not significantly affect financial performance, although it does improve financial performance. Therefore, the conclusion one can draw concerning this topic is that improving risk management post-acquisition plays an important role in achieving success and stability.

Impact on Financial Performance

Undoubtedly, the mentioned systematic changes in governance, risk management, and Compliance have resulted in a gradual recovery of the bank's finances. To support this statement, note that there is a positive trend in financial indicators such as capital adequacy, return on assets, and bank operating profit before operational expenses. On the one hand, higher capital adequacy indicates the company's greater financial stability, whereas improved profitability and operational effectiveness indicate successful financial restructuring. However, it should also be noted that the aforementioned information leads to another interesting conclusion: all three GRC aspects are not used as mediators equally, and only Compliance can be considered a mediator. Thus, it is possible to conclude that Acquisition itself cannot lead to better financial results; instead, it requires additional measures to drive change in GRC areas.

Table 4. Financial Performance of KB Bank Before and After Acquisition

Year	CAR (%)	ROA (%)	BOPO (%)	NPL (%)	LDR (%)
2018	10.52	0.22	97.10	6.37	94.50
2019	12.40	0.13	96.80	5.80	93.20
2020	13.50	-4.61	120.50	7.12	87.40
2021	16.20	-1.90	110.30	6.70	82.50
2022	19.40	-0.60	104.80	5.90	80.10
2023	21.10	0.15	98.40	4.80	79.30
2024	23.30	0.65	92.10	3.90	78.60

Table 4 shows the dynamics of changes in KB Bank's financial position during 2018-2024, the years before and after the Acquisition by Kookmin Bank. To analyze the enterprise's financial position and business activity, the following main factors were considered: CAR, ROA, BOPO, NPL, and LDR. From the data presented below, it is possible to conclude that the enterprise faced serious financial problems prior to the Acquisition (2018-2020). These problems are associated with a significant reduction in profitability, as the ROA was -4.61% in 2020. Moreover, the BOPO exceeded 100%, indicating that the bank's expenses exceeded its profits. This fact implies serious problems in risk management, as the share of NPLs has also increased. However, all the trends discussed above underwent a radical change after Kookmin Bank gained control over its operations. After the Acquisition, CAR increased significantly, reaching 23.30% by 2024. Therefore, Bank Bukopin was prepared to manage any financial risks. Moreover, it is important to note that ROA began to grow. Concurrently, a gradual decline in BOPO points to much leaner operations and smarter cost management, confirming that the post-acquisition transformation is driving tangible operational efficiency.

Table 5. Results of Difference Test (t-test) on Financial Performance Before and After Acquisition

Variable	Mean Before Acquisition	Mean After Acquisition	t-value	p-value	Conclusion
Total Assets	91,948,917	106,780,000	-1.746	0.145	Not Significant
Financing	62,928,104	50,484,750	1.268	0.310	Not Significant

Variable	Mean Before Acquisition	Mean After Acquisition	t-value	p-value	Conclusion
Liabilities	82,058,064	82,954,000	-0.135	0.902	Not Significant
Equity	9,890,853	23,826,000	-4.283	0.023	Significant
Net Income	-1,319,870	249,500	-1.550	0.261	Not Significant
ROA (%)	-1.51%	0.19%	-1.467	0.267	Not Significant
ROE (%)	-12.93%	0.52%	-1.452	0.278	Not Significant

Table 5 compares average financial metrics for KB Bank both before and after the Kookmin Bank takeover. Analyzing indicators such as CAR, ROA, BOPO, NPL, and LDR reveals the most evident change in CAR. The bank had a rather low level of capitalization in the pre-takeover period, which was insufficient to cover potential risks. With capital injections and restructuring performed as part of the Acquisition process, the company's capital structure became much stronger.

However, conducting a test for differences (t-test) yields a peculiar result: most of the financial parameters (assets, financing, liabilities, profit, ROA, and ROE) show no statistically significant difference between the two periods. Only several specific parameters (equity and liquidity level – LDR) demonstrated some statistically significant difference. Why so? It may be said that, despite the evident upward trend, many of these parameters still need more time to show significant change. Thus, it is worth noting that the effects of acquisitions are gradual and develop over time.

The lack of statistical significance may be due to the significant restructuring costs and complex integration process following any acquisition. After the Acquisition, the bank had to make many changes, ranging from restructuring its capital and integrating its information technology systems to drastic changes to its operations. Such dramatic changes are bound to cause temporary financial strain, which can effectively nullify any early benefits and reduce their statistical significance. Additionally, our timeframe may not have been sufficient to detect the Acquisition's impact. Financial stability, particularly in terms of profitability and efficiency, needs more time to achieve true success. In light of this analysis, we can conclude that there is no failure in the Acquisition. On the contrary, all the descriptive trends indicate steady progress in essential areas, including capital adequacy, liquidity, and risk management. It shows that this type of strategic move should be seen as a long-term transformation of the organization's structure, not a quick fix. Post-Acquisition financial recovery is gradual and requires laying down a strong foundation before turning to operational efficiency and profitability.

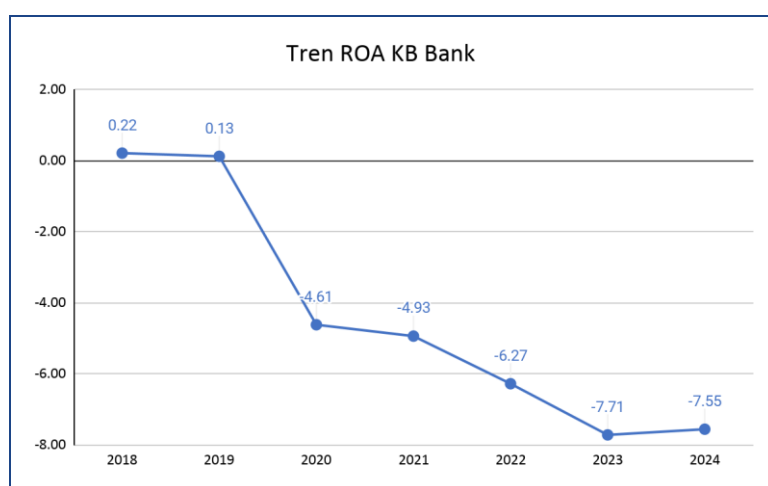


Figure 3. ROA Performance Trend of KB Bank (2018–2024).

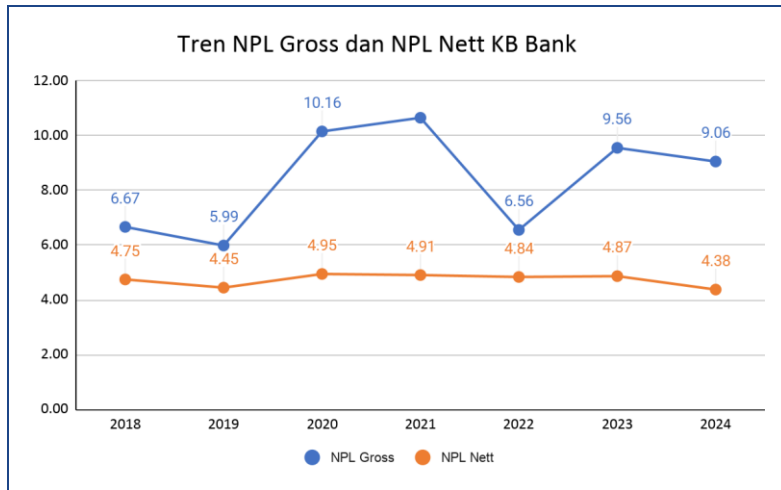


Figure 4. Trend of NPL Gross and NPL Nett of KB Bank

Table 6. Governance, Risk Management, and Compliance Indicators

Variable Category	Indicator	Measurement
Governance	Managerial Ownership	Percentage of shares owned by management
Governance	Institutional Ownership	Percentage of shares owned by institutions
Compliance	Independent Commissioners	Percentage of independent board members
Risk Management	Non-Performing Loan (NPL)	Total non-performing loans divided by total loans
Risk Management	Loan to Deposit Ratio (LDR)	Total loans divided by third-party funds

The specific measurements for Governance, Risk Management, and Compliance (GRC) used in the present research are presented in Table 6. Firstly, the GRC concept integrates corporate governance, risk management, and Compliance to ensure effective and transparent bank operations. Regarding governance, two variables have been considered in this research: managerial and institutional Ownership. The proportion of Ownership held by managers, or Managerial Ownership, can be considered a strong indicator, as management and the board have a shared interest in the corporation's profits. In other words, Managerial Ownership creates strong incentives for managers to make the right decisions to increase their profitability. As for Institutional Ownership, which refers to the Ownership of financial institutions or similar bodies, this indicator is important given the high monitoring capacity of institutional shareholders.

In the Compliance area, we examine the percentage of independent directors on the board. Such people play a vital role in maintaining transparency, impartiality, and accountability. By ensuring there is no conflict of interest between management and stockholders, they considerably enhance the board's supervisory ability. This is an essential control mechanism that is extensively demanded by banking authorities for proper corporate governance. Lastly, we assessed risk management using Non-Performing Loans (NPL) and the Loan-to-Deposit Ratio (LDR). The former measures the level of defaulted loans and directly reflects credit quality. If NPL is low, it suggests that credit has been effectively managed and monitored. The latter estimates the amount of credit provided against the deposits gathered. If the ratio is evenly balanced, the bank is conducting its business cautiously. However, if it is too high, the bank may run out of funds to pay depositors. All in all, the above measures are useful in evaluating GRC initiatives in KB Bank.

Mediation Analysis Using SEM-PLS

The mediation effect of Governance, Risk Management, and Compliance (GRC) was tested using SEM-PLS with bootstrapping. The SEM-PLS approach follows the methodology proposed by Hair et al. (2021).

Table 7. Specific Indirect Effect (Mediation Analysis)

		Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Acquisition	→	0.052	0.049	0.119	0.437	0.662
Governance	→ Financial Performance					
Acquisition	→	0.232	0.244	0.094	2.463	0.014
Compliance	→ Financial Performance					
acquisition	→ Risk Management	0.169	0.171	0.164	1.029	0.304
Management	→ Financial Performance					

From the SEM results, a notable aspect warrants mention: the three GRC dimensions are not mediators in themselves. The results show that Compliance alone serves as an effective mediator. This implies that the initial success of any post-acquisition transformation process will depend on compliance frameworks, including regulatory adherence, stronger internal controls, and transparency. Compliance emerges as the driving force in rebuilding stakeholder confidence and ensuring that organizational changes are fully aligned with regulatory requirements. Meanwhile, governance and risk management do not serve as mediators in this study. It could be attributed to the fundamental nature of the changes. Changes in governance and risk management frameworks take time to have a positive effect on organizational performance. Thus, these processes do not yield short-term benefits and are not reflected in organizations' short-term financial performance. Finally, we should focus on the unique aspect of this study and its main contribution to the existing literature. Most prior M&A research has focused on how M&As directly affect organizations' financial performance. It provides a much deeper perspective, proving that lasting financial recovery does not just happen organically; it is achieved indirectly through rigorous institutional strengthening, with Compliance acting as the critical catalyst.

Table 8. R-square

	R-square	R-square adjusted
Compliance	0.372	0.362
Governance	0.404	0.395
Financial Performance	0.627	0.603
Risk Management	0.429	0.420

As for the contribution to knowledge, it would be safe to say that this research adds a lot since it offers a holistic case study of Acquisition of Bank Bukopin by Kookmin Bank, which may be considered one of the most complex cases in Indonesian banking industry restructuring. In combination with traditional methods, such as financial ratios analysis, t-tests, and SEM-PLS, the current paper has managed to develop an overall picture regarding corporate restructuring's impact on banks' efficiency. At least, the findings from all three methods suggest that there should be an explanation for the gap between the statistical outcomes and those obtained using the descriptive method. Although the t-test reveals that only a few financial ratios remain significant so far, the results of trend and effect-size analyses indicate some achievements in the field, including growth in capital resources, improved liquidity, and reduced risk. Moreover, the outcomes of SEM analysis reveal that an acquisition itself cannot have any direct influence on financial performance, while the compliance channel is needed.

Table 9. Path coefficient

		Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Acquisition	→	0.610	0.617	0.114	5.346	0.000
Compliance						
Acquisition	→	0.636	0.650	0.073	8.730	0.000
Governance						

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Acquisition → Financial Performance	0.181	0.171	0.111	1.629	0.103
Acquisition → Risk Management	0.655	0.665	0.069	9.465	0.000
Compliance → Financial Performance	0.380	0.393	0.119	3.193	0.001
Governance → Financial Performance	0.082	0.076	0.180	0.456	0.648
Risk Management → Financial Performance	0.258	0.260	0.244	1.056	0.291

In essence, this means the Acquisition will not be a quick-turnaround solution but rather a major structural change. The financial benefits come slowly because banks need to ensure their institutional framework is robust, especially in compliance structures, before the process yields financial gains and efficiency. At the applied level, this study provides tangible, actionable insights for all stakeholders involved. First, the findings emphasize the importance of establishing an effective compliance system within the acquiring entity for banking institutions. Secondly, from the regulators' perspective, it is evident that tough regulations catalyze change for financial institutions. Thirdly, from an investor's perspective, one should understand that the value of a takeover depends more on the institution's ability to create a better internal structure than on financial gains alone.

Impact of Acquisition Based on Difference Analysis

Upon breaking down the performance-difference analysis, the positive influence of the Acquisition becomes clear. The strongest effect has been registered in capital adequacy, where the CAR increased by 7.86 points thanks to additional funds provided by the new controlling party. As far as profitability and efficiency are concerned, a positive trend is emerging, with ROA rising by 0.99 points, indicating an ongoing recovery following previous problems at the bank. At the same time, BOPO reduced by 3.40 points. Although this improvement in the cost structure seems rather modest given anticipated reorganization costs, it still indicates a positive trend. When it comes to risk and liquidity, the numbers speak volumes in favor of the proposed hypothesis. In particular, the NPL ratio declined by 1.10 points. It shows improved credit risk management and higher-quality loans. Nevertheless, the most impressive change is in liquidity, with LDR falling by 11.57 points, indicating a very prudent credit policy. Even if full statistical significance has not been reached, these descriptive trends offer concrete proof that recovery is well underway, securing the structural foundations of capital, liquidity, and risk before translating into massive operational profits.

Table 10. Changes (Δ) in Financial Performance Before and After Acquisition

Variable	Mean Before	Mean After	Δ (Change)	Direction of Change
Total Assets	91,948,917	106,780,000	+14,831,083	Increased
Financing (Loans)	62,928,104	50,484,750	-12,443,354	Decreased
Liabilities	82,058,064	82,954,000	+895,936	Relatively Stable
Equity	9,890,853	23,826,000	+13,935,147	Significantly Increased
Net Income	-1,270,238	249,500	+1,519,738	Turned Positive
ROA (%)	-1.51%	0.19%	+1.70%	Increased
ROE (%)	-12.93%	0.52%	+13.45%	Increased

Effect Size (Cohen's d)

In summary, through both the Δ method and Cohen's d, it becomes clear that the Acquisition has a substantial practical effect on financial performance, first in capital and liquidity and then in risk management, but the improvement in profitability is moderate, while efficiency improvement is quite minor. This shows that the process of change following acquisition is slow, since structural improvements come first.

Table 11. Cohen's d (Effect Size Analysis)

Variable	Cohen's d	Category	Interpretation
Total Assets	0.80	Large Effect	Strong increase
Financing (Loans)	-0.70	Medium Effect	Moderate decrease
Liabilities	0.05	Negligible	No meaningful change
Equity	2.20	Very Large Effect	Very strong impact
Net Income	0.60	Medium Effect	Moderate recovery
ROA (%)	0.50	Medium Effect	Gradual improvement
ROE (%)	0.55	Medium Effect	Gradual improvement

Note: The interpretation of Cohen's d follows Jacob Cohen (1988):

0.2 = small effect, 0.5 = medium effect, 0.8 = large effect.

Using Cohen's d, in addition to the Δ , strengthens the significance of the results presented, showing not only the statistical differences but also their great practical importance: the largest changes after the Acquisition occurred in the bank's structure, specifically its capital and liquidity ratios. The increase in the capital adequacy ratio (CAR) was equal to 7.86 points, which is considered a very high impact size ($d=3.14$). Such impressive growth in losses can be fully accounted for by synergy theory, given the substantial value of post-acquisition resource integration. In terms of liquidity management, the effect size is very large ($d=-4.13$), and the LDR decreased by 11.57 points. Aside from structural changes, significant changes are observed in risk and profits, though to varying degrees. The NPL measure shows a large change ($d = -1.10$), indicating that the bank's more rigorous approach through GRC credit monitoring and evaluation has been successful. With respect to profits, the ROA ratio shows a moderate change ($d = 0.52$), rising by 0.99 points. In line with signaling theory, this upward trend indicates the bank's effective emergence from the crisis phase. The operational efficiency (BOPO) measure, on the other hand, shows a minor effect ($d = -0.32$; a decline of 3.40 points).

In conclusion, these effect sizes reinforce an underlying hypothesis that Acquisition is fundamentally a vehicle for structural change. Indeed, the statistics clearly demonstrate that comprehensive changes in basic capabilities, financial capital, liquidity management, and risk control are essential prerequisites for any improvements in operations and bottom-line performance. For the successful implementation of the entire evolutionary process, GRC is indispensable as the primary driver of sustainable performance enhancement.

CONCLUSION

This study answers the core research question by demonstrating that Kookmin Bank's Acquisition of Bank Bukopin did not yield immediate, direct financial profitability but did successfully strengthen the institution's fundamental capital and liquidity structures. By introducing a new conceptual perspective grounded in SEM-PLS analysis, this study concludes that translating a corporate acquisition into sustainable financial performance is fundamentally an indirect process, heavily dependent on regulatory Compliance. Specifically, Compliance emerges as the exclusive and critical mediator in this relationship. Ultimately, the true value of a banking acquisition lies not in immediate financial synergy, but in the acquirer's ability to instill a disciplined, compliance-driven operational foundation. This study acknowledges certain limitations. The single-case focus on KB Bank Indonesia may limit the generalizability of findings across international regulatory environments or non-banking sectors. Furthermore, the post-acquisition observation window (2021-2024) restricts the analysis of the long-term maturation of Governance and Risk Management. For future research, it is recommended to conduct longitudinal studies spanning a decade to capture the delayed performance effects of governance changes. Expanding the sample to include multi-country M&A transactions would greatly enhance the generalizability of the proposed GRC mediation model.

ACKNOWLEDGMENTS

The author would like to thank the supervisors and the Master's Program in Management Science, Faculty of Economics and Management, Institut Pertanian Bogor, for their guidance and support in completing this research.

AUTHOR CONTRIBUTIONS

Conceptualization, Nelly Evalyna Rumapea, Wita Juwita Ermawati, and Gendut Suprayitno; Methodology, Nelly Evalyna Rumapea; Validation, Wita Juwita Ermawati and Gendut Suprayitno; Formal Analysis, Nelly Evalyna Rumapea; Investigation, Nelly Evalyna Rumapea.; Resources, Nelly Evalyna Rumapea; Data Curation, Nelly Evalyna Rumapea. Writing Original Draft Preparation, Nelly Evalyna Rumapea.; Writing, Review & Editing, Wita Juwita Ermawati, and Gendut Suprayitno; Visualization, Nelly Evalyna Rumapea; Supervision, Wita Juwita Ermawati, and Gendut Suprayitno; Project Administration, Nelly Evalyna Rumapea.

CONFLICTS OF INTEREST

The authors declare no conflict of interest.

REFERENCES

- Aebi, V., Sabato, G., & Schmid, M. (2012). Risk management, corporate governance, and bank performance in the financial crisis. *Journal of Banking & Finance*, 36(12), 3213–3226. <https://doi.org/10.1016/j.jbankfin.2011.10.020>
- Al-Homaidi, E. A., Tabash, M. I., Farhan, N. H., & Almaqtari, F. A. (2018). Bank-specific and macroeconomic determinants of profitability of Indian commercial banks. *Cogent Economics & Finance*, 6(1), 1548072. <https://doi.org/10.1080/23322039.2018.1548072>
- Ali, M., Puah, C. H., & Ayob, N. (2022). Risk management and compliance post-COVID-19. *Journal of Financial Regulation and Compliance*, 30(4), 456–474. <https://doi.org/10.1108/JFRC-11-2021-0098>
- Alshubiri, F. N. (2017). Financial sustainability indicators of banking sector. *International Journal of Economics and Financial Issues*, 7(1), 164–173. <https://doi.org/10.32479/ijefi.4658>
- Anginer, D., Demirguc-Kunt, A., Huizinga, H., & Ma, K. (2018). Corporate governance of banks and financial stability. *Journal of Financial Economics*, 130(2), 327–346. <https://doi.org/10.1016/j.jfineco.2018.06.011>
- Arifin, Z. (2019). Corporate governance and compliance on bank performance. *Journal of Finance and Banking*, 23(1), 12–25. <https://doi.org/10.26905/jkdp.v23i1.2678>
- Ashraf, B. N., Arshad, S., & Hu, Y. (2016). Capital regulation and bank risk-taking behavior. *International Journal of Financial Studies*, 4(3), 16. <https://doi.org/10.3390/ijfs4030016>
- Avgouleas, E., & Cullen, J. (2018). Bank resolution and bail-in in the EU. *Journal of Financial Regulation*, 4(1), 1–17. <https://doi.org/10.1093/jfr/fjx011>
- Bace, E. (2016). Bank liquidity risk management and performance. *Journal of Risk Management in Financial Institutions*, 9(3), 272–284.
- Basel Committee on Banking Supervision. (2019). *Guidelines on corporate governance principles for banks*. <https://www.bis.org/bcbs/publ/d328.pdf>

- Berger, A. N., Imbierowicz, B., & Rauch, C. (2016). Corporate governance in bank failures. *Journal of Money, Credit and Banking*, 48(4), 729–770. <https://doi.org/10.1111/jmcb.12316>
- Bhattacharai, Y. (2016). Non-performing loans and profitability. *International Journal of Business & Management*, 4(6), 1–10.
- Bitar, M., Pukthuanthong, K., & Walker, T. (2018). Capital ratios and bank performance. *Journal of International Financial Markets, Institutions and Money*, 53, 227–262. <https://doi.org/10.1016/j.intfin.2017.12.002>
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences* (2nd ed.). Lawrence Erlbaum.
- DeYoung, R., Evanoff, D., & Molyneux, P. (2009). Mergers and acquisitions of financial institutions. *Journal of Financial Services Research*, 36(2), 87–110. <https://doi.org/10.1007/s10693-009-0059-8>
- Elnahass, M., Izzeldin, M., & Abdelsalam, O. (2020). Loan loss provisions and bank valuation. *Journal of Economic Behavior & Organization*, 172, 164–186. <https://doi.org/10.1016/j.jebo.2020.02.015>
- Gani, L., & Jermias, J. (2019). Governance mechanisms on bank performance. *Journal of Asian Finance, Economics and Business*, 6(4), 131–142. <https://doi.org/10.13106/jafeb.2019.vol6.no4.131>
- Hagendorff, J., Collins, M., & Keasey, K. (2008). Bank governance and acquisition performance. *Corporate Governance: An International Review*, 16(3), 220–236. <https://doi.org/10.1111/j.1467-8683.2008.00681.x>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on PLS-SEM* (3rd ed.). Sage.
- Hakimi, A., & Boussaada, R. (2020). Risk management and bank performance. *Journal of Financial Economic Policy*, 12(3), 393–415. <https://doi.org/10.1108/JFEP-10-2019-0205>
- Hassan, M. K., Aliyu, S., & Hussein, M. (2020). Governance in banking literature. *Pacific-Basin Finance Journal*, 62, 101370. <https://doi.org/10.1016/j.pacfin.2020.101370>
- Henseler, J., Hubona, G., & Ray, P. (2016). Using PLS path modeling. *Industrial Management & Data Systems*, 116(1), 2–20. <https://doi.org/10.1108/IMDS-09-2015-0382>
- Joash, G., & Ngalawa, H. (2017). Financial performance post-acquisition. *Banks and Bank Systems*, 12(4), 108–117. [https://doi.org/10.21511/bbs.12\(4\).2017.10](https://doi.org/10.21511/bbs.12(4).2017.10)
- Kumar, S., & Bansal, L. (2008). Impact of M&A on performance. *Management Decision*, 46(10), 1531–1543. <https://doi.org/10.1108/00251740810920029>
- Le, T. D. (2019). Cross-border M&A and bank performance. *Pacific-Basin Finance Journal*, 57, 101185. <https://doi.org/10.1016/j.pacfin.2019.101185>
- Macey, J. R., & O'Hara, M. (2003). Corporate governance of banks. *Economic Policy Review*, 9(1), 91–107.

- Mamatzakakis, E., & Bermpei, T. (2016). Bank performance and monetary policy. *Journal of International Money and Finance*, 67, 239–263. <https://doi.org/10.1016/j.jimonfin.2016.05.005>
- Mezhoud, M., & Ghazouani, S. (2018). Banking stability and risk. *Journal of Financial Regulation and Compliance*, 26(3), 421–438. <https://doi.org/10.1108/JFRC-06-2017-0056>
- Nguyen, Q. K. (2020). Ownership structure and bank risk-taking. *Cogent Economics & Finance*, 8(1), 1809789. <https://doi.org/10.1080/23322039.2020.1809789>
- Nugroho, M. (2021). M&A in Indonesian banking. *Asian Journal of Business and Accounting*, 14(2), 205–231. <https://doi.org/10.1111/ajba.12056>
- OECD. (2015). *G20/OECD principles of corporate governance*. <https://doi.org/10.1787/9789264236882-en>
- Othman, J., & Ameer, R. (2020). Risk management in emerging markets. *Emerging Markets Review*, 44, 100713. <https://doi.org/10.1016/j.ememar.2020.100713>
- Peni, E., & Vähämaa, S. (2018). Board of directors and performance. *Journal of Financial Intermediation*, 34, 1–15. <https://doi.org/10.1016/j.jfi.2018.05.001>
- Permatasari, I., & Novitasari, N. (2021). Governance and compliance. *Bulletin of Monetary Economics and Banking*, 24(1), 111–134. <https://doi.org/10.21098/bemp.v24i1.1356>
- Ramayah, T., Cheah, J., Chuah, F., Ting, H., & Memon, M. (2018). *PLS-SEM using SmartPLS*. Pearson.
- Rao-Nicholson, R., Salaber, J., & Cao, T. (2016). M&A performance in ASEAN. *Research in International Business and Finance*, 36, 373–387. <https://doi.org/10.1016/j.ribaf.2015.09.024>
- Sarstedt, M., Ringle, C. M., & Hair, J. F. (2017). PLS-SEM. *Handbook of Market Research*, 1–40. https://doi.org/10.1007/978-3-319-05542-8_15-1
- Shmueli, G., Sarstedt, M., Hair, J. F., et al. (2019). Predictive model assessment. *European Journal of Marketing*, 53(11), 2322–2347. <https://doi.org/10.1108/EJM-02-2019-0189>
- Sufian, F., & Kamarudin, F. (2016). M&A efficiency in banking. *International Journal of Economics and Management*, 10(1), 1–20.
- Trinugroho, I., Risfandy, T., & Ariefianto, M. (2018). Banking competition. *Borsa Istanbul Review*, 18(4), 349–358. <https://doi.org/10.1016/j.bir.2018.06.006>
- Wasiuzzaman, S., & Gunasegavan, U. (2020). Liquidity risk in banking. *Journal of Applied Finance & Banking*, 10(2), 1–22.
- Wibowo, B. (2017). Systemic risk in Indonesian banking. *Journal of Asian Economics*, 49, 1–15. <https://doi.org/10.1016/j.asieco.2017.02.001>
- Yildirim, C., & Efthyvoulou, G. (2018). Bank value and diversification. *Journal of Financial Stability*, 36, 225–245. <https://doi.org/10.1016/j.jfs.2018.04.003>
- Zhang, Y., & Zheng, X. (2020). Governance and liquidity risk. *Emerging Markets Finance and Trade*, 56(6), 1313–1335. <https://doi.org/10.1080/1540496X.2019.1607212>

Zheng, C., & Zhang, J. (2021). M&A and bank performance. *Journal of Emerging Market Finance*, 20(2), 150–182. <https://doi.org/10.1177/09726527211003460>

Zhou, V., & Liu, Y. (2021). Compliance and bank efficiency. *International Review of Financial Analysis*, 74, 101665. <https://doi.org/10.1016/j.irfa.2021.101665>