# THE EFFECT OF MERGERS AND ACQUISITIONS ON ABNORMAL RETURN: CASE STUDY OF 46 LISTED COMPANIES IN INDONESIA STOCK EXCHANGE (IDX) FROM 2010-2016

By

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# STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

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# ABSTRACT

**THE EFFECT OF MERGERS AND ACQUISITIONS ON ABNORMAL RETURN: CASE STUDY OF 46 LISTED COMPANIES IN INDONESIA STOCK EXCHANGE (IDX) FROM 2010-2016**

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This research aims to analyze whether there is a significant difference of abnormal returns due to the occurrence of mergers and acquisitions activity in which affect the wealth value of the shareholders and to determine the return of the shareholders after mergers and acquisition proportion is announced. In order to calculate the abnormal returns, this research uses two different approach; market model and market adjusted model. The population of this study is companies that had gone through mergers and acquisitions activity from 2010-2016. There are 35 acquiring firms and 11 target firms listed in Indonesia Stock Exchange (IDX) chosen as sample of this research. Stock prices history and market index were obtained from IDX database. The methods of analysis are using event study methodology and Paired Sample T-test using SPSS software. Event study methodology is used to determine the abnormal return using market model and market adjusted model over period 10 days before and 10 days after consummation of mergers and acquisitions. The result of this study shows that significant abnormal returns before and after mergers and acquisitions activity is not exist (accept H0). Furthermore, when proportion (mergers and acquisitions of more than 50% and less than 50% of target interests) is used to analyze the return for shareholders, the results show that mergers and acquisitions of more than 50% target interests generate positive return for shareholders of acquiring and target firms (reject $H_0$). In mergers and acquisitions of less than 50% only accrue positive return for shareholders of acquiring firms (reject $H_0$) while shareholders of target firms suffer negative return (accept $H_0$).

*Keywords: Mergers and Acquisitions, Event Study, Paired Sample T-Test, Abnormal Returns, Market Model, Market Adjusted Model.*

# DEDICATION

Dedicated to my friends. Our *goal* is a little ways down the road. "*Once more unto the breach, dear friends.*"

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