

**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

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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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TABLE OF CONTENT

STATEMENT BY THE AUTHOR.....	2
ABSTRACT.....	3
DEDICATION.....	6
ACKNOWLEDGEMENT.....	7
TABLE OF CONTENT.....	8
LIST OF FIGURES.....	11
LIST OF TABLES.....	13
CHAPTER 1 – INTRODUCTION.....	16
1.1. Background.....	16
1.2. Research Problem.....	17
1.3. Research Questions.....	18
1.4. Research Objectives.....	19
1.5. Scope and Limitation.....	19
1.6. Significance of Study.....	20
1.7. Research Structure.....	20
CHAPTER 2 - LITERATURE REVIEW.....	22
2.1. Framework of Thinking.....	22
2.2. The Behavior of Mergers and Acquisitions.....	24
2.2.1. Types of Mergers and Acquisitions.....	24
2.2.2. Synergy behind Mergers and Acquisitions.....	25
2.3. Principle of Abnormal Returns.....	26
2.4. Previous Study.....	28
2.5. Study Differences.....	30
2.6. Hypothesis.....	33
CHAPTER 3 – RESEARCH METHODOLOGY.....	35
3.1. Type of Study.....	35
3.1.1. Event Time.....	35

3.1.2. Event Window	36
3.2. Unit Analysis	37
3.3. Population and Sampling Method	37
3.3.1. Population Target	38
3.3.2. Sampling Method	38
3.3.3. Sampling Size	39
3.4. Type of Data Collection Method	41
3.5. Data Analysis Technique	42
3.5.1. Descriptive Statistic	42
3.5.2. Study Models	42
3.5.3. Hypothesis Testing	44
CHAPTER 4 – RESULTS AND DISCUSSION	45
4.1. Descriptive Statistical Analysis	45
4.1.1. Acquiring Firms	45
4.1.2. Target Firms	46
4.2. The Abnormal Return before and after M&A Consummation	47
4.2.1. Acquiring Firms	47
4.2.2. Target Firms	53
4.2.3. Comparison of Two models	59
4.2.4. Abnormal Return between Acquiring and Target Firms	65
4.2.5. Hypothesis Testing	72
4.3. The Abnormal Return for M&A of More than 50%	76
4.3.1. Comparison of Two Models	76
4.3.2. Abnormal Return between Acquiring and Target Firms	80
4.3.3. Summary	84
4.4. The Abnormal Return for M&A of Less than 50%	85
4.4.1. Comparison of Two Models	85
4.4.2. Abnormal Return between Acquiring and Target Firms	89
4.4.3. Summary	93
CHAPTER 5 – CONCLUSIONS AND RECOMMENDATIONS	95
5.1. Conclusions	95
5.2. Recommendations	96

GLOSSARY99
REFERENCES100
APPENDICES102

