

**THE IMPACT OF INDUSTRY CONCENTRATION ON THE STOCK RETURN
OF CONSTRUCTION FIRMS IN INDONESIA**

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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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Over the last few years there has been an emphasis on wanting to improve Indonesia's infrastructure, which then lead to the speculation of effects towards the stock return of the oligopolistic construction industry in Indonesia. This research aims to investigate the relationship of the industry concentration of listed construction firms in Indonesia with its stock returns. The researcher uses two groups of control variables: firm-specific and macroeconomic control variables. As the data is a balanced panel data, the researcher runs several tests to determine the model which best matches the panel data. The results showed that the most fitting model to be used in analyzing the data was Ordinary Least Squares.

After controlling the firm-specific variables, the industry concentration is shown to have a significant negative relationship with stock returns. Furthermore, after controlling both firm-specific and macroeconomic variables, the relationship between industry concentration and stock returns remains negatively significant at significance level of 10%. A negative relationship indicates that the more concentrated the industry, the lower the stock returns offered by the firms. While the significant relationship signifies that the industry concentration can explain the stock returns of firms within the industry. It is recommended that firms take note of the market share, macroeconomic factors and concentration before making any strategic decision.

Keywords: industry concentration, stock returns, construction industry.



DEDICATION

This thesis is dedicated to my parents, family, advisor, lecturers and friends.



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