

ABSTRACT

Indonesia has faced the tight competition recently. It makes many companies have to find other strategies to compete each others. One strategy known as merger and acquisition is popular strategy used by company to strengthening its position. Many reasons make this strategy become popular, one of them is synergy. By making merger and acquisition agreement, the companies hope that the value of their firm will increase. However, many researches done before showed that there are no consistent results especially for the acquirer.

This research also tries to find the effect of merger and acquisition announcement on the acquirer stock return. This study tests two hypotheses which are developed from the merger and acquisition theory and previous study at the similar field. The first hypothesis is the merger and acquisition increase the wealth of the stockholder and the second hypothesis is that the abnormal return of conglomerate merger is less than non-conglomerate merger. The sample of this study derives from the list of company that makes merger and acquisition during the period of 2000 to 2005 and it comes up with 37 sample companies. The analysis is based on 41 observation days, 30 days before the announcement and 10 days after. Based on these observation days, then the abnormal return for each observation days are computed using the market-adjusted model. Then the statistical hypothesis tests -one sample t test and t test comparing two means- are used to test the hypotheses.

The result for first hypothesis show that there are abnormal returns occurred on the observation date, which the positive abnormal return is occurred on 24 days (58%), 17 days before the announcement and six days after the announcement date and on the event date the abnormal return is positive. The previous examination also shows the same result. After the statistical test is done, from 24 days positive AAR only two days have positive and significant AAR. Next, for the second hypothesis, the t-value for this test (0.3343) lies on the do not reject region. It means that the statistical test fails to reject the H₀ and does not accept the H₂.

Finally, the conclusion for this research are this research indicate that the merger and acquisition announcement increase the wealth of the acquirer stockholders. The result of the second hypothesis testing indicates that the return for non-conglomerate merger is higher that conglomerate mergers. However, there are some limitations need to be improve for further research. The limitations are there is some unclear event date from the sample; the length of observation date and the last is about the sample size.

Keywords: merger and acquisition, synergy, abnormal return.