

SUMMARY

FASA ADITYA HANINDIPTO *The Respond of Indonesia Fiscal Incentive Announcement to Corporate Research & Development (R & D) Cost Supervised by ARIF IMAM SUROSO and TRIAS ANDATI.*

In order to become a developed country in 2045, Indonesia should not merely rely on natural resources and low cost labor. Therefore it is necessary to establish a sound Research & Development (R & D) so that it can grow an industry that has high value and is able to compete at the global level. Until 2020, the R&D in the Indonesian industry generally has not been well established. This can be seen from Indonesia's low R&D budget, which is ranked 96th in the world. In addition, based on the patent documents issued every year, Indonesia is ranked 71 worldwide.

In order to develop a sound R & D in Indonesia, the government has issued fiscal incentives as stipulated in Government Regulation (PP) Number 45 of 2019, on June 25, 2019, as stipulated in article 29 C paragraph 1. Investors in the capital market view that the budget size of R & Corporate companies are a reflection of the company's determination to continue to innovate in facing future competition. Investors also view that a large R & D budget for a corporation is a company's effort to generate profits, both short and long term. Therefore, with the provision of such fiscal incentives, there is a potential for information content that has an impact on industrial sectors affected by these regulations. These affected industrial sectors such as the Basic Industry & Chemical (IDK), Miscellaneous Industry (AIM), and Consumer Goods Industry (IBK) as shown by the data of industrial sectors with high R&D expenditures.

Based on the background stated above, this study aims to examine the response of the capital market in Indonesia to the announcement of fiscal incentives for corporations conducting Research & Development activities. Another objective is to evaluate the responses between sectors that carry out R&D activities on the capital market in Indonesia due to the announcement of fiscal incentives for corporations that carry out R&D activities. This research uses the purposive sampling technique by which the first criterion the sample selection is that the issuer does not take corporate action. The second criterion is that the issuer does not include dormant shares. The third criterion is data on R&D costs is published in the company's financial statements. After taking the sample, there are 13 emissions in the total samples that are members of the Various Manufacturing Industries and Consumer Goods Industry in the Indonesian stock market for the period of June - July 2019. This research uses the event study method to see market reactions, namely the estimation period (-50, - 11) and the observation period (-10,10). The main variables observed in this study were Cumulative Abnormal Return (CAR), Cumulative Abnormal Volume (CAV), and Cumulative Abnormal Frequency (CAF). To measure the significance between variables, this study used non-parametric statistical tests, namely the Wilcoxon Signed Rank Test and the Mann Whitney test with a confidence interval of 95%.

The results of this research show that the announcement of fiscal incentives for corporations that carry out R&D activities in Indonesia has a positive response from the capital market as seen from the CAR and CAF data before and after the event of providing fiscal incentives, while CAV data before and after the event of

providing fiscal incentives has a negative response by the market. capital in Indonesia. The research result for the second study shows different response of the shares of the Consumer Goods and Miscellaneous Manufacturing Industry between before and after the announcement of fiscal incentives for companies carrying out R&D activities in Indonesia. The response is to the CAR, CAV, and CAF variable data.

Keywords: Corporate R & D, Event Study, Fiscal Policy, Tax Deduction.



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