



ABSTRACT

The Impact of Stock Buyback Announcement on Issuers Stock Return in Indonesia Stock Exchange (IDX) during 2005-2009 Period

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One method used by publicly listed companies to distribute cash to its stockholders is through buyback policy in an open market. Buyback or stock repurchase is a purchase of outstanding stock, intended for the following purposes: (1) maintain the stock price at the normal rate; (2) signaling the future prospect of the company and the management believe that the firm's stock price is undervalued; (3) to boost earning per share (EPS).

The purpose of this empirical research is to observe the impact of buyback plan announcement in Indonesian Stock Exchange (IDX) to the behavior of stock return over the period of 2005-2009. A hypothetical test is performed using event study and t-test involving 35 announcements by companies listed in IDX as a net sample which is then divided into company group (state-owned enterprise/SoE and non state-owned enterprise/Non SoE) and by regulation referred group (XI.B.2 and XI.B.3). The result of the tests showed that: (1) there are no evidence of positive and significant AR (abnormal return) and CAAR (cumulative average abnormal return) over the entire samples during days around the announcement; (2) Subsequent test over the 4 sample groups above similarly did not indicate any evidence of positive and significant AR and CAAR, except in 3 days around the SoE announcement and in 9 days around the buyback announcement by the group referred by XI.B.2 regulation; (3) For two sample testing performed, this research found significant AR difference between periods prior and following buyback announcement by SoE. Furthermore, this research found also evidence of significant CAAR difference between periods prior and following buyback announcement by the entire sample and announcement by SoE.

Keywords: *buyback, repurchase, abnormal return, bursa efek indonesia, event study, t-test*

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