STOCK MARKET REACTION
ON THE ISSUANCE OF LAW NO. 4 YEAR 2009 REGARDING
MINERAL AND COAL MINING
(A Study on Mining Companies Listed in Indonesia Stock Exchange)

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DECLARATION

I, Rizki Anwar, declare that:

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Surabaya, March 2016

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Eventually, I do hope this undergraduate thesis can contribute to the development of accounting and finance study and can also become a useful reference for other researchers who are interested to conduct similar research. As this research is way far from perfect, any constructive feedbacks will always be well-received.

Surabaya, March 30th 2016

Researcher
ABSTRACT

Law No. 4 Year 2009 regarding Mineral and Coal Mining strictly implies that every licensee of mining companies (Izin Usaha Pertambangan/IUP) and other special business licensees are obliged to establish smelter factories to manage and refine their mineral quality within 5 (five) years after the issuance of UU Minerba 2009 on January 12th, 2009. The purpose of this event study-based research is to find out whether or not Indonesian stock market reacted to the law issuance by employing variables of abnormal return and abnormal trading volume in both daily basis and aggregate/cumulative basis.

This research uses one sample t-test to discover the existence of significant Average Abnormal Return (AAR), Average Abnormal Trading Volume (AATV), Cumulative Average Abnormal Return (CAAR), and Cumulative Average Abnormal Volume (CAAV) surrounding the issuance of the law. The event windows of this research are 11 days that include 5 days before the law issuance until 5 days after the law issuance while 120 days before the event windows are used as estimation period. The sample of this research is mining companies listed in Indonesia Stock Exchange (IDX).

This research result suggests that there is stock market reaction on the issuance of Law No. 4 Year 2009 regarding Mineral and Coal Mining. It is shown by the existence of significant AAR, AATV, and CAAR around the law issuance. However, there is no significant CAAV around the event. It means that the law contains meaningful information for the investors and IDX can be classified as semi-strong efficient market because it reacts to the publicly available information.

Keywords: Stock Market Reaction, AAR, CAAR, AATV, CAAV, Law No. 4 Year 2009 regarding Mineral and Coal Mining.
LIST OF CONTENTS

COVER ........................................................................................................................................ i
LEGITIMATION FORM ........................................................................................................ ii
DECLARATION ..................................................................................................................... iii
ACKNOWLEDGMENT ........................................................................................................... iv
ABSTRACT ............................................................................................................................ vi
LIST OF CONTENTS .............................................................................................................. vii
LIST OF TABLES .................................................................................................................. x
LIST OF FIGURES ................................................................................................................. xi

CHAPTER 1: INTRODUCTION
1.1 Background .................................................................................................................. 1
1.2 Problem Formulation ................................................................................................. 7
1.3 Contribution ................................................................................................................ 8
   1.3 Theory ....................................................................................................................... 8
   1.4 Research Systemmatic ............................................................................................ 8

CHAPTER 2: THEORETICAL REVIEW
2.1 Theoretical Review ..................................................................................................... 10
   2.1.1 Efficient Market Hypothesis ................................................................................. 10
   2.1.2 Event Study .......................................................................................................... 13
   2.1.3 Average Abnormal Return ................................................................................ 17
   2.1.4 Cumulative Average Abnormal Return ............................................................ 21
2.1.5 Trading Volume ................................................................. 22

2.1.6 Stock Market Reaction on the Issuance of Law No. 4 Year 2009 Regarding Mineral and Coal Mining ......................... 23

2.2 Previous Researches ........................................................................................................ 26

2.3 Research Hypotheses ....................................................................................................... 29

  2.3.1 AAR Around the Law Issuance ............................................................................ 30

  2.3.2 AATV Around the Law Issuance ........................................................................ 31

  2.3.3 CAAR and CAAV Around the Law Issuance ................................................. 31

2.4 Analytical Model ............................................................................................................ 32

CHAPTER 3: RESEARCH METHODOLOGY

  3.1 Research Approach ...................................................................................................... 34

  3.2 Variable Identificantion ............................................................................................. 34

  3.3 Operational Definition ............................................................................................... 35

  3.4 Type and Source of Data ............................................................................................ 39

  3.5 Data Collection Method ............................................................................................. 40

  3.6 Data Analysis Technique ........................................................................................... 42

CHAPTER 4: RESULT AND DISCUSSION

  4.1 General Description of Research Subject and Object ............................................. 45

  4.2 Descriptive Statistics Analysis ................................................................................... 46

  4.3 Analytical Model and Hypothesis Test ...................................................................... 51

    4.3.1 Hypothesis Test .................................................................................................. 51

    4.3.1.1 Hypothesis 1 Test ....................................................................................... 51
4.3.1.2 Hypothesis 2 Test ............................................................... 53
4.3.1.3 Hypothesis 3 Test ............................................................... 55
4.3.1.4 Hypothesis 4 Test ............................................................... 58
4.4 Discussion ................................................................................. 60
  4.4.1 Abnormal Return Around the Law Issuance ......................... 60
  4.4.2 Abnormal Volume Around the Law Issuance ......................... 61
  4.4.3 In Relation to Efficient Market Hypothesis ........................... 62
4.5 Research Limitations ................................................................ 63

CHAPTER 5: CONCLUSION AND SUGGESTION
5.1 Conclusion ............................................................................... 65
5.2 Suggestion ............................................................................... 65

REFERENCES .................................................................................... 67
LIST OF TABLES

Table 4.1 List of Mining Companies for Analysis of Return ..................... 46
Table 4.2 List of Mining Companies for Analysis of Volume .................... 47
Table 4.3 Descriptive Statistics for AAR .............................................. 48
Table 4.4 Descriptive Statistics for AATV .............................................. 49
Table 4.5 Descriptive Statistics for CAAR .............................................. 50
Table 4.6 Descriptive Statistics for CAAV .............................................. 51
Table 4.7 One Sample T-Test for AAR ............................................... 52
Table 4.8 One Sample T-Test for AATV ............................................... 54
Table 4.9 One Sample T-Test for CAAR ............................................... 57
Table 4.10 One Sample T-Test for CAAV ............................................. 59
LIST OF FIGURES

Figure 2.1 Efficient Test from Information .................................................... 14
Figure 2.2 Efficient Test from Decision ......................................................... 15
Figure 2.3 Analytical Model ........................................................................... 33
Figure 4.1 AAR Around the Law Issuance ..................................................... 53
Figure 4.2 AATV Around the Law Issuance ................................................... 55
Figure 4.3 CAAR Around the Law Issuance ................................................... 58
Figure 4.4 CAAV Around the Law Issuance ................................................... 60