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Market Reactions to Merger and Acquisition Announcements: Evidence from IDX80 and Non-IDX80 Firms in Indonesia

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ABSTRACT: This study investigates the market reaction to merger and acquisition (M&A) announcements by comparing abnormal returns and stock trading volume activity of acquirer companies listed and not listed in the IDX80 stocks index from 2018 to 2024. Using an event study methodology, the research applies the Kolmogorov-Smirnov test for normality and paired samples t-tests to analyze stock price reactions before and after the announcements. The findings reveal that M&A announcements do not significantly affect abnormal returns for both IDX80 and non-IDX80 companies, indicating that investors tend to respond conservatively unless supported by clear strategic synergies. However, trading volume activity significantly increased for IDX80 companies' post-announcement, reflecting heightened investor attention, while non-IDX80 companies showed no statistically significant change. These findings suggest that investor responses in Indonesia's capital market remain cautious, particularly for firms with low liquidity and visibility. The study contributes to the literature on the efficient-market hypothesis (EMH) and signaling theory in emerging markets and recommends that investors should not rely solely on signals from corporate actions but also consider comprehensive fundamental analysis when making investment decisions. Future research is encouraged to explore additional factors such as acquisition type, industry classification, and company fundamentals to gain deeper insights into market behavior.

KEYWORDS: Merger and Acquisition; Signaling Theory; Efficient-Market Hypothesis; Event Study; Abnormal Returns; Trading Volume Activity; IDX80

I. INTRODUCTION

In an increasingly dynamic and competitive business landscape, companies continuously seek to strengthen their market positions through various strategies such as market expansion, operational efficiency, portfolio diversification, and competition reduction (Hanson et al., 2016). To achieve these objectives more rapidly, firms often opt for mergers and acquisitions (M&A) rather than organic growth, especially when aiming to enter new markets, reduce competition, or acquire valuable resources and capabilities (García-Nieto et al., 2024; Pandey & Kumari, 2020; Wang et al., 2023).

M&A activities offer not only opportunities for growth but also serve as a strategy for firms facing financial difficulties to survive in volatile environments (Zhang, 2022). Companies with high-value assets but financial instability may attract acquisitions from financially stronger firms, thereby avoiding bankruptcy (Bruyland et al., 2019). Moreover, unforeseen external challenges, such as regulatory changes, global crises, and pandemics can intensify M&A trends. During the COVID-19 pandemic, for instance, businesses in Indonesia sought efficiency and consolidation strategies, resulting in a significant increase in M&A transactions (Sasmiharti & Karyati E., 2024).

The Indonesian Business Competition Supervisory Commission (Komisi Pengawas Persaingan Usaha or KPPU) recorded a notable surge in merger and acquisition notifications during the pandemic years. As shown in Table 1, M&A notifications peaked at 323 in 2022, with a total of 1,212 reported from 2018 to 2024.

Table 1. M&A Notifications in Indonesia (2018–2024)

Year	Number of Merger and Acquisition Notifications	Year-over-Year Change (%)
2018	74	-

Year	Number of Merger and Acquisition Notifications	Year-over-Year Change (%)
2019	120	+62,16%
2020	195	+62,50%
2021	233	+19,49%
2022	323	+38,63%
2023	112	-65,33%
2024	155	+38,39%
Total	**1.212 Notifications**	

Source: Komisi Pengawas Persaingan Usaha (KPPU), 2018–2024

According to KPPU, the increase in M&A activity during the COVID-19 pandemic was largely driven by financially struggling small businesses that chose to sell to larger, more stable firms. Notably, these transactions were dominated by publicly listed acquiring companies targeting non-listed firms, a pattern consistent with trends in emerging markets (Dong & Bárcena-Ruiz, 2021).

Many Indonesian acquiring firms have been observed to conduct multiple M&A deals within a year, often motivated by backdoor listing, a process where private subsidiaries are listed through acquisition without a formal IPO (Rahmah et al., 2023). M&A motivations generally fall into two categories: economic, which aims to enhance firm value and shareholder wealth, and non-economic, driven by managerial ambitions or subjective objectives (Moin, 2010; P. Rani et al., 2020).

These motivations affect investor perceptions and influence market reactions. From the perspective of signaling theory (Spence, 1973), M&A announcements convey critical information that may be perceived positively, such as signaling expansion and synergy or negatively, such as signaling distress. Studies show that well-communicated M&A activities can generate abnormal returns and shifts in trading volume activity, serving as evidence of investor reactions (Avelino, 2022; Kellner, 2024; Mellynia et al., 2023; Muradoglu et al., 2024; Renneboog & Vansteenkiste, 2019).

Stock indices like IDX80 provide a useful benchmark for measuring market reaction. This index includes 80 stocks with high liquidity, strong fundamentals, and large market capitalization, representing about 80–90% of the Indonesian stock market activity (Dewi et al., 2023; Tandelilin, 2021). Given the inconsistencies in previous research on M&A market reactions, this study seeks to empirically test the effect of M&A announcements on abnormal returns and trading volume activity, comparing acquiring firms based on IDX80 membership versus non-IDX80 classification. Figure 1 shows the proposed research model in this study.

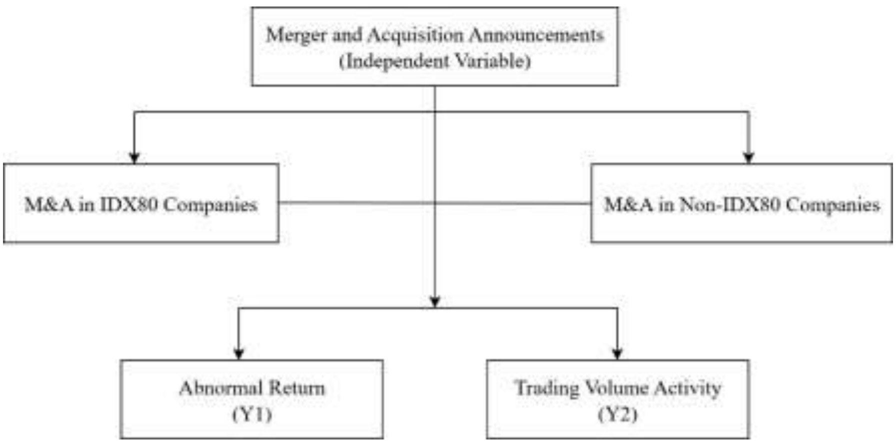

Figure 1. Research Model

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

A. Signalling Theory

Signalling theory (Spence, 1973) explains how one party (usually company insiders) conveys relevant information to reduce information asymmetry with external stakeholders. In financial markets, corporate decisions, such as mergers or acquisitions can act as signals to investors about a firm's future prospects (Husnan, 2009; Ross, 1977). Positive signals, like strategic acquisitions, are often followed by positive abnormal returns, while negative signals lead to adverse market reactions (Tandelilin, 2021). According to Connelly et al. (2011), signalling involves three components: the signaler (e.g., managers), the signal (e.g., corporate action), and the receiver (e.g., investors). Acquisitions, as corporate actions, are seen by investors as informative signals that influence stock prices and trading volume activity (Sutrisno, 2009). Brigham & Houston (2011) add that when managers provide clear, credible signals, it can reduce uncertainty and increase firm value, whereas vague or incomplete signals may generate negative market reactions.

B. Efficient Market Hypothesis

Efficient Market Hypothesis (EMH) posits that stock prices in the capital market fully and quickly reflect all available information (Ang & Mauck, 2011). This concept emphasizes that investors base their decisions on available information, meaning that market prices incorporate historical data, announced but unrealized events, as well as expectations of future information. According to (Jogiyanto, 2022), market efficiency is not only determined by information availability but also by the sophistication of investors in analyzing and responding to that information.

Fama (1970), categorized market efficiency into three forms based on the type of information: (1) weak form (based on historical information), (2) semi-strong form (based on publicly available information), and (3) strong form (based on all information, including private or insider information). Private information, often held by company insiders, can generate abnormal returns before it becomes public. Once disclosed, the market responds and adjusts the stock price to reflect the new information.

C. Mergers and Acquisitions

Mergers and Acquisitions (M&A) are strategic actions where companies consolidate operations to achieve business goals (Shaik Masood & Jithendra, 2025). According to IFRS No. 3:2008, a business combination is a transaction in which an acquiring entity gains control over one or more businesses, including mergers and acquisitions (International Accounting Standards Board, 2008). A merger unites two companies into a single legal entity, while an acquisition involves one firm gaining control over another, which may remain legally intact (Moin, 2010; Tarigan et al., 2016). In Indonesia, mergers are governed by Government Regulation No. 27 of 1998, which stipulates that one or more companies may dissolve and transfer their rights and obligations to the surviving entity. In contrast, acquisitions are defined in Government Regulation No. 57 of 2010 as a legal act where a business acquires shares resulting in control over another entity. Additionally, PSAK No. 22 (*Pernyataan Standar Akuntansi Keuangan* or *Statement of Financial Accounting Standards*) defines acquisitions as transactions where one company gains control over another, including the ability to direct financial and operational policies, aligning with international standards.

Moin (2010), classifies acquisitions into two types:

1) Share acquisition, where the acquirer purchases ownership in the target company.
2) Asset acquisition, where the acquirer purchases specific assets, possibly excluding liabilities.

Motivations behind M&A include synergy, rapid growth, diversification, market dominance, and technology acquisition (Gaughan, 2010; Weston & Copeland, 1992). According to Berkovitch & Narayanan (1993), M&A motives fall into synergy, agency, or hubris categories, each with different implications for shareholder value. Understanding these motives is essential, as they influence investor perception and the ultimate success of M&A deals.

D. Event Study

An event study is a methodological approach used to assess the impact of a specific event on firm value (MacKinlay, 1997). It examines how the market reacts to events announced publicly, focusing on price changes around the event date (Jogiyanto, 2022). In financial research, event studies are widely applied to detect abnormal returns, deviations from expected stock returns that occur due to market reactions to the event.

According to Lukman et al. (2022), an event is considered informative if it triggers a market response at the time of its announcement, typically reflected through changes in stock prices and the emergence of abnormal returns. In this context, mergers and acquisitions (M&A) announcements are analyzed to determine whether they contain value-relevant information, and to test the semi-strong form of market efficiency, which posits that stock prices fully reflect all publicly available information.

E. Abnormal Returns

Abnormal returns refer to the excess of actual return over the expected (normal) return, which investors anticipate based on available information (Jogiyanto, 2022). It is commonly used to assess the market's reaction to new information or corporate announcements. When a particular event, such as a merger or acquisition contains informational value, the market responds by generating an abnormal return.

Zacharias (2020) emphasized that announcements with informational content tend to result in abnormal returns, reflecting investor reaction. To estimate expected returns, Brown & Warner (1985) proposed three models: the market model, the mean-adjusted return model, and the market-adjusted return model. These methods help isolate the abnormal portion of return attributable to specific events and are widely used in event study methodology.

F. Trading Volume Activity

Trading Volume Activity (TVA) refers to the ratio of the number of shares traded during a specific period to the total number of outstanding shares (Husnan, 2009). It is a key indicator used to assess market reactions to events or information related to a specific stock. TVA helps capture how capital markets respond to new information through changes in trading volume (Lukman et al., 2022).

Stock splits, for instance, may lead to lower stock prices, which in turn can stimulate trading volume activity and attract more investors. According to Ang & Mauck (2011), fluctuations in trading volume activity reflect the dynamics of supply and demand and serve as a proxy for investor behavior. A rise in TVA typically indicates increased investor interest, which can influence stock price movements. As Lukman et al. (2022)note, higher trading volume activity often corresponds to greater stock demand, potentially driving prices upward.

G. IDX80 Stock Index

Stock indices reflect the price movements of selected groups of shares and serve as indicators of market performance. According to Tandelilin (2021), stock indices function as benchmarks for investors and fund managers, foundations for index-based mutual funds or ETFs, and indicators of macro-level market sentiment. The IDX80 stock index, introduced by the Indonesia Stock Exchange (IDX) on August 24, 2018, tracks the performance of 80 stocks with high liquidity, large market capitalization, and strong financial fundamentals. As a non-sectoral index, it covers a broad range of industries, providing a representative view of the Indonesian stock market. Constituents are reviewed biannually (January and July), based on criteria such as trading frequency and value, market capitalization, regulatory compliance, and corporate governance.

Due to their visibility and strong fundamentals, IDX80-listed companies are often closely monitored by analysts and media. Consequently, their stock prices tend to react more swiftly and accurately to corporate disclosures, including mergers and acquisitions (M&A). M&A activities are strategic corporate decisions that can significantly influence investor perception and firm valuation. According to the Efficient Market Hypothesis (Fama, 1970), markets quickly absorb public information, and such announcements should be reflected in stock price movements. M&A announcements are therefore expected to affect both abnormal returns and trading volume activity (TVA).

Empirical studies support this notion. M&A announcements involving IDX80 companies are generally interpreted as positive signals of potential expansion or efficiency gains (Kellner, 2024; Rohra & Anita, 2023). Research by (Kellner (2024), Krishnan & Yakimenko (2022), Blagoeva et al. (2020), and Jain et al. (2023), report significant positive abnormal returns around M&A announcements. Therefore, this study proposes the following hypothesis:

H1. There is a significant difference in abnormal returns before and after M&A announcements for acquiring firms listed in the IDX80 stock index.

TVA serves as another key indicator of market response to corporate actions. M&A announcements often trigger increased investor attention and trading volume activity (Huynh et al., 2021). Studies such as those by Agustin et al. (2022), Handayani & Murni (2019), Cai & Shefrin (2021), and Krisna & Wirawati (2025) show that firms listed in IDX80 tend to exhibit notable increases in trading volume activity following M&A announcements. Given these findings, this study proposes the following hypothesis:

H2. There is a significant difference in trading volume activity before and after M&A announcements for acquiring firms listed in the IDX80 stock index.

H. Non-IDX80 Stock Index

Firms not listed in the IDX80 stock index generally have lower liquidity and limited market visibility. Nevertheless, announcements of mergers and acquisitions (M&A) from such companies may still convey significant information to the market. According to Elangovan et al. (2022), the Efficient Market Hypothesis posits that financial markets incorporate all publicly available information into stock prices, making it difficult for investors to consistently achieve abnormal returns. In this context, M&A announcements may serve as new information that reshapes investor expectations, thereby triggering price adjustments and generating abnormal returns. Pandey & Kumari (2020), examined M&A activity in the banking sector across India and the United States and found that such announcements consistently influenced stock price movements, resulting in observable abnormal returns around announcement dates, albeit with varying market responses across regions. Similarly, Krisna & Wirawati (2025) emphasized that M&A events in lower-liquidity firms can still affect stock prices, creating opportunities for abnormal returns due to new information being priced in. Given this evidence, this study proposes the following hypothesis:

H3. There is a significant difference in abnormal returns before and after M&A announcements for acquiring firms not listed in the IDX80 stock index.

Trading volume activity is another important indicator of market response to corporate disclosures. According to Jogiyanto (2022), trading volume activity reflects investor behavior in response to changes in expectations about firm prospects. In less-liquid firms, such as those outside IDX80, market participants may react more strongly to M&A announcements due to the relative surprise effect and limited prior visibility of these companies. Signaling theory (Spence, 1973) suggests that corporate actions like M&A serve as signals of managerial confidence in firm value. For companies outside the IDX80, these signals may carry more weight, leading to heightened speculative activity and increased trading volume activity. Studies by Agustin et al. (2022) and Krisna & Wirawati (2025) support this assertion, showing that firms with lower market visibility often experience significant changes in trading volume activity following M&A announcements. Tandelilin (2021) further explains that increases in trading volume activity represent investor response to perceived information relevance and market uncertainty. In light of these findings, this study proposes the following hypothesis:

H4. There is a significant difference in trading volume activity before and after M&A announcements for acquiring firms not listed in the IDX80 stock index.

III. METHOD

This study adopts a quantitative associative approach to examine the effect of merger and acquisition (M&A) announcements on two market reaction indicators: abnormal returns and trading volume activity. The population consists of all companies in Indonesia that undertook M&A corporate actions between 2018 and 2024, with a total of 1,212 notifications recorded on the official website of the Indonesian Business Competition Supervisory Commission (KPPU). From this population, a sample of 74 acquiring firms listed on the Indonesia Stock Exchange (IDX) was selected using purposive sampling, based on criteria such as data completeness and the absence of other corporate actions during the event window.

The event study method is employed using an 11-day observation period (t–5 to t+5) around the M&A announcement date (t=0). Abnormal returns are calculated using the Market Adjusted Model, while trading volume activity (TVA) is measured by comparing the number of shares traded to the number of shares outstanding. The study applies paired sample t-tests to assess the statistical significance of differences in abnormal returns and TVA before and after the announcements. Data normality is evaluated using the Kolmogorov-Smirnov test, and if the assumption is not met, the Wilcoxon Signed-Rank Test is used as an alternative. All statistical analyses are conducted using SPSS version 26.

IV. RESULT AND DISCUSSION

A. Sample Selection Summary

This study analyzed Indonesian companies that announced mergers and acquisitions (M&A) between 2018 and 2024, using purposive sampling to select the sample. From an initial population of 1,212 M&A notifications recorded by the Indonesian Business Competition Supervisory Commission (KPPU), the selection process involved two screening stages:

1) Exclusion of non-listed firms, leaving 88 acquiring firms listed on IDX.
2) Removal of firms conducting other corporate actions, resulting in 74 firms.

Table 2 presents the sample distribution. These 74 companies were then categorized into IDX80 members (38 observations) and non-IDX80 firms (36 observations) for further analysis of market reaction.

Table 2. Selection Results of Acquiring Company Samples (2018–2024)

No	Criteria	Total
1	Total number of merger and acquisition notifications registered in Indonesia during 2018–2024	1.212
2	Selection Criteria 1: Acquiring companies not listed on the Indonesia Stock Exchange during 2018–2024	(1.124)
3	Passed Selection Criteria 1: Acquiring companies listed on the Indonesia Stock Exchange during 2018–2024	88
4	Selection Criteria 2: Acquiring companies that conduct other corporate actions during the observation period	(14)
5	Passed Selection Criteria 2: Acquiring companies that did not conduct other corporate actions during the observation period	74

No	Criteria	Total
	Total sample companies used to measure market reaction based on stock index	**74**

Source: Processed Data, 2025

B. Research Data Description

Descriptive statistical analysis was conducted to provide an overview of the characteristics of the research variables before conducting inferential hypothesis testing. This analysis captures key trends such as central tendency (mean), range (minimum and maximum), and data dispersion (standard deviation), offering insights into market behavior around merger and acquisition (M&A) announcements. Table 3 below illustrates descriptive statistics for abnormal returns and stock trading volume activity of acquiring firms, both IDX80-listed and non-IDX80, before and after the M&A announcement period.

Table 3. Descriptive Statistics Results

Acquiring Firm	Variable	M&A Period	N	Min	Max	Mean	Std. Dev.
IDX80	Abnormal Return	Before	38	-0.10	0.22	0.012	0.067
		After	38	-0.11	0.26	0.002	0.073
	Trading Volume Activity	Before	38	0.06	1.07	0.278	0.196
		After	38	0.07	1.57	0.313	0.261
Non-IDX80	Abnormal Return	Before	36	-0.11	0.38	0.026	0.098
		After	36	-0.12	0.15	0.003	0.054
	Trading Volume Activity	Before	36	0.00	1.68	0.133	0.377
		After	36	0.00	2.85	0.223	0.633

Source: Processed Data, 2025

Prior to the announcements, IDX80 firms showed a mean abnormal return of 0.012 with a standard deviation of 0.067, indicating relatively modest returns with moderate fluctuations. Following the announcement, the mean abnormal returns dropped to 0.002, with a slightly higher standard deviation of 0.073, suggesting increased volatility despite a decline in average returns. This implies the market did not strongly interpret the M&A as a positive signal for these firms. For non-IDX80 firms, the pre-announcement abnormal returns were higher at 0.026, accompanied by a larger standard deviation of 0.098, indicating greater volatility. However, post-announcement, the mean dropped significantly to 0.003, and the standard deviation declined to 0.054, suggesting stabilization of returns at a lower level.

In terms of trading volume activity, IDX80 firms experienced an increase from a pre-announcement average of 0.278 to 0.313 after the announcement. The standard deviation also rose from 0.196 to 0.261, indicating heightened investor activity. Non-IDX80 firms recorded a sharper increase in trading volume activity from 0.133 to 0.223, with a notable jump in standard deviation from 0.377 to 0.633, pointing to both increased market attention and higher volatility, possibly due to speculative behavior. Overall, while abnormal returns tended to decline after M&A announcements, trading volume activity increased in both IDX80 and non-IDX80 firms. This suggests that M&A events stimulate investor interest and trading volume activity, although not always accompanied by significant positive returns. The heightened standard deviation, especially in non-IDX80 trading volume activity, underscores greater market uncertainty and speculative response.

C. Normality Test

A normality test was conducted to evaluate whether the dataset conformed to the assumptions necessary for parametric statistical analysis, particularly the paired samples t-test. The Kolmogorov-Smirnov method was applied at a 5% significance level ($\alpha = 0.05$), with the decision rule being: if Sig. > 0.05, the data are considered normally distributed. According to Ghozali (2021), normally distributed data are symmetrically distributed around the mean, allowing for valid and unbiased statistical inference. As shown in Table 4, all variables, abnormal returns and trading volume activity, both before and after M&A announcements for IDX80 and non-IDX80 firms showed significance values greater than 0.05. This confirms that the data set meets the normality assumption. Consistent with Gujarati (2002), this suggests that the data exhibit reasonable variation without extreme skewness, thereby supporting the appropriateness of using parametric methods such as the paired samples t-test in further hypothesis testing.

Table 4. Normality Test Results

Test of Normality Kolmogorov-Smirnov				
Acquiring Firm	**Variable**	**M&A Period**	**Sig.**	**Result**
IDX80	Abnormal Return	Before	0.095	Normal
		After	0.098	Normal
	Trading Volume Activity	Before	0.082	Normal
		After	0.200	Normal
Non-IDX80	Abnormal Return	Before	0.073	Normal
		After	0.090	Normal
	Trading Volume Activity	Before	0.101	Normal
		After	0.128	Normal

Source: Processed Data, 2025

D. Paired Samples t-Test Results

The Paired Samples t-Test was employed to examine whether significant differences existed between the pre- and post-announcement conditions of abnormal returns and trading volume activity for acquiring firms involved in M&A activities. This statistical method is suitable for dependent samples where measurements are taken from the same subjects at two different times (Ghozali, 2021). It assumes data normality, which had been confirmed in the previous section. The test serves to evaluate whether the M&A announcement induced a measurable market reaction in terms of return performance and trading volume activity, consistent with standard procedures in event study methodology (Jogiyanto, 2022). Table 5 summarizes the test results across IDX80 and non-IDX80 firms.

Table 5 Paired Samples t-Test Results

Paired Samples t-Test					
Acquiring Firm	**Variable**	**M&A Period**	**Mean**	**Sig. *(2-tailed)***	**Status**
IDX80	Abnormal Return	Before	0.012	0.480	H1 Rejected
		After	0.002		
	Trading Volume Activity	Before	0.278	0.046	H2 Accepted
		After	0.313		
Non-IDX80	Abnormal Return	Before	0.026	0.155	H3 Rejected
		After	0.003		
	Trading Volume Activity	Before	0.133	0.268	H4 Rejected
		After	0.223		

Source: Processed Data, 2025

The test found no significant change in abnormal returns before and after merger and acquisition announcements for both IDX80 (Sig. = 0.480) and non-IDX80 (Sig. = 0.155) firms, suggesting that the market did not perceive these events as strong valuation signals. However, for IDX80 companies, the volume of stock trading significantly increased post-announcement (Sig. = 0.046), indicating heightened investor interest despite the stable returns. In contrast, for non-IDX80 companies, no significant differences were observed in either abnormal returns or trading volume activity, implying weaker market sensitivity or potentially limited information dissemination in these stocks.

E. Research Findings

1) The Effect of Merger and Acquisition Announcements on Abnormal Returns in IDX80-Listed Companies

The results reveal no significant difference in abnormal returns before and after merger and acquisition (M&A) announcements among IDX80-listed companies. Although the mean abnormal returns decreased from 0.012 to 0.002, the statistical test yielded a non-significant p-value of 0.480. Thus, Hypothesis 1 is rejected, indicating that investors did not perceive the M&A announcements as impactful or surprising enough to affect stock prices.

This outcome aligns with the Efficient Market Hypothesis and signaling theory, suggesting that the information may have been anticipated or deemed unconvincing. Factors such as the maturity of IDX80 firms, lack of innovation in the M&A strategy, or cautious investor behavior likely contributed. Investor behavior in this context tends to be conservative; rather than reacting immediately to announcements, investors prefer to wait for evidence of post-merger and acquisition performance. They are unlikely to respond positively unless the announcement is accompanied by additional information that clarifies the expected impact of the M&A on the firm's future business prospects.

Supporting studies (Puspita & Yunita, 2022; Sofian & Utami, 2023) report similar findings in Indonesia, while differences with studies in developed markets (e.g., Kellner, 2024) highlight contrasting investor behavior and market efficiency levels. Overall, the Indonesian market, particularly for blue-chip IDX80 firms, appears rational and conservative in responding to corporate actions like M&As.

2) The Effect of Merger and Acquisition Announcements on Trading Volume Activity in IDX80-Listed Companies

The study finds a significant increase in stock trading volume activity following merger and acquisition (M&A) announcements by companies listed in the IDX80 stock index. The mean trading volume activity rose from 0.278 to 0.313, with a p-value of 0.046, indicating that Hypothesis 2 is accepted. This suggests that investors responded actively to the announcements, increasing market liquidity even though no significant abnormal returns were observed.

This finding supports the Efficient Market Hypothesis and Signaling Theory, indicating that M&A announcements are perceived as strategic signals. The increased trading volume activity reflects investor attention and engagement with such corporate actions, especially in large-cap, highly liquid IDX80 firms. The result aligns with previous studies (e.g. Handayani & Murni, 2019; Huynh et al., 2021; Kellner, 2024) showing heightened market activity in response to M&A news, particularly among fundamentally strong companies.

3) The Effect of Merger and Acquisition Announcements on Abnormal Returns of Companies Not Listed in the IDX80 Stock Index

The third hypothesis test revealed no significant difference in abnormal returns before and after merger and acquisition (M&A) announcements for companies not listed on the IDX80 stock index. Although the average abnormal returns declined from 0.026 to 0.003, the significance level (0.155) exceeded the 0.05 threshold, leading to the rejection of Hypothesis 3 (H3). This indicates that the market did not react strongly to M&A announcements by non-IDX80 firms.

Several factors may explain this outcome. Firms with lower liquidity and smaller market capitalization typically face lower investor confidence, making their M&A actions less persuasive as positive signals. Investors may question the strategic impact or expected synergy from such deals. These results align with previous studies (e.g. Agustin, 2022; Alexandrou et al., 2014), which found that M&A announcements from smaller firms do not significantly affect abnormal return due to cautious investor sentiment and perceived uncertainty. In summary, the Indonesian market tends to respond selectively to merger and acquisition news, with non-IDX80 firms receiving limited investor attention or trust, resulting in no notable abnormal return changes.

4) The Effect of Merger and Acquisition Announcements on Trading Volume Activity of Companies Not Listed in the IDX80 Stock Index

The study examined the impact of merger and acquisition (M&A) announcements on stock trading volume activity for companies not listed in the IDX80 stock index. Although these announcements are theoretically expected to signal positive strategic intentions and trigger increased investor activity, especially for lower-profile firms, the results revealed otherwise.

While the average trading volume activity for non-IDX80 companies increased from 0.133 to 0.223 post-announcement, the statistical test produced a significant value of 0.268 (> 0.05), indicating that the change was not statistically significant. This means Hypothesis 4 was rejected. This finding suggests that although there was a descriptive increase in trading volume activity, the change was not statistically significant. This can be explained by the view of N. Rani et al. (2015), who noted that companies with small market capitalizations or limited public exposure often face challenges in attracting investor attention. The market did not respond strongly in trading volume activity, likely due to the lower visibility, higher perceived risk, and weaker investor confidence in smaller-cap firms. These results reinforce the idea that in Indonesia's capital market, investors tend to be cautious and selective favoring established IDX80 firms over non-constituents even when corporate actions are announced.

V. CONCLUSION

This study reveals that merger and acquisition (M&A) announcements in Indonesia do not significantly impact abnormal returns for both IDX80 and non-IDX80 companies, suggesting that investors in the Indonesian capital market tend to behave rationally and conservatively. While investors in IDX80 firms show increased trading volume activity following M&A announcements, reflected in a statistically significant rise in trading volume activity, the same does not apply to non-IDX80 firms. For these smaller or less-liquid companies, M&A announcements fail to generate significant changes in either abnormal returns or trading volume activity, indicating limited investor response to such corporate actions without clear evidence of strategic or financial impact.

These findings imply that Indonesia's capital market is still semi-efficient, where information is not always absorbed uniformly by all market segments. From a theoretical standpoint, this study contributes to the understanding of how signaling and efficient market theories operate in emerging markets. Practically, companies should deliver more strategic and transparent M&A disclosures to generate stronger investor confidence. Investors are advised to evaluate corporate actions alongside fundamental analysis. Future research may explore broader factors, such as acquisition type, industry classification or financial condition and combine quantitative with qualitative methods to deepen the understanding of market reactions to corporate actions.

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