

An Examination of Stock Market Reaction to Divestiture

Announcement in Indonesia

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Abstract: The purpose of this study is to explain whether there is a market reaction to the announcement of the divestiture and to determine whether the content of the announcement, especially divestment transaction characteristics affects cumulative abnormal return (CAR). Based on the research using one sample t-test shows that there is a market reaction at t-2. Then proceed with the analysis of one sample t test to test CAR parent company since t-2. Results show thatCARt-2t1, CAR-2t2 and CAR2t3 are significant. The three interval CARs are used as the dependent variables in the regression test. While the independent variables consist of relative size, transaction value, focus motive and diversification. F statistics of multiple linier regression shows that three models are not significant. It means that the announcement of sell offs is important but the content of this announcement included the divestment transaction characteristics are not considered for decision-making.

Key words: divestiture; sell offs; abnormal return; transaction value; focus motive; market reaction

JEL codes: G14, G17, G34

1. Introduction

Divestiture is the sale of part of the company to another party (Gaughan, 2007, p. 401). Businesses that focus after divesting will have a positive impact on stock prices so that the divestiture is used frequently as strategy to increase shareholder wealth (Coakley et al., 2005; Pebrikasari, 2005; Bhana, 2006; Lou, 2007). While, common form of divestiture that regularly be used is sell offs (Lui, 2008).

Since 2008, the divestment activity in the form of sell-offs more often be done by companies in Indonesia rather than spin offs. This kind of transaction has increased significantly at 2012 became 17 transactions. And finally, in 2014 were 18 transactions although in 2013 decreased as 9 transactions. It caused the global economic crisis in 2009 that declining economic growth and global trade volume. Many large industries threatened bankruptcy or financial distress (Utamaningsih, 2013). So sell off becomes one alternative strategy for obtaining an injection of funds.

The fact, not all sell off transactions generating efficiency. This is contrary with the main purpose of sell-offs, increase profits as the efficiency of the company. It can be proved by the evidence of return on assets (ROA) of holding company in 2012-2014 that decreased continuously while the number of sell-offs transaction fairly

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increased. So the announcement of sell offs still need to be assessed in order to investors can make decisions as a response to sell offs announcement.

Based on research by Datta et al. (2003) showed that there is positive abnormal return as market reaction of sell offs announcement. The same thing also expressed by Koh et al. (2004), Coakley et al. (2005), Gross and Lindstadt (2005), Pebrikasari (2005), Bhana (2006), Bennett (2007), Lou (2007), Lui (2008), Indudewi (2010), Borisova et al. (2011), Swardt (2012), Nguyen (2013), and Tatsuo and Schaede (2013). On the other hand, event study conducted by Mathur et al. (2006), Francoeur and Niyubahwe (2009), Indudewi (2010) and Rouran et al. (2014) concluded that the sell-offs gives negative abnormal return. While the research conducted Nippani et al. (2003), Mathur et al. (2006) as well as the Sun and Hesse (2009) concluded that there is no abnormal return on the announcement of the sell-offs.

Abnormal return is caused by several factors. Cooney et al. (2004), Koh et al. (2004), Coakley et al. (2005), Pebrikasari (2005), Bhana (2006), Mathur et al. (2006), Francoeur and Niyubahwe (2009), Brauer and Schwimmer (2010), Borisova et al. (2011), Nguyen (2013), Tatsuo and Schaede (2013), Jenner et al. (2014) and Rouran et al. (2014) deepen their analysis using regression methods to factors contained in information that may affect the abnormal return on the announcement of the sell-offs. These factors are included relative size, transaction value, focus motive and diversification.

The main purposes of this study are to determine and analyze whether there is market reaction to the announcement of the divestiture and whether the content of the announcement in the form of divestment transaction characteristics affecting the formation of cumulative abnormal return (CAR).

2. Literature Review

2.1 Market Reaction to Sell Off Announcement

Divestiture is a strategic step by separating the subsidiary company, division, and segment or product line from parent company (Nippani et al., 2003). Divestment is the right choice for companies experiencing slow growth or even negative (Brigham & Houston, 2006, p. 510). Gaughan (2007, p. 408) divides divestment transaction method into two categories namely voluntary divestiture and involuntary divestiture. In this case, forcible divestment in Indonesia used by company because of legislation or government regulation. And the voluntary divestment was carried out on the willingness of the company (without force). In general, the voluntary divestment is more habitually performed than involuntary divestment.

Bhana (2006), Gaughan (2007, p. 408) and Rouran (2014) categorize voluntary divestment as spin-off and sell offs. Spin-off occurs when a company distributes whole common shares held in a subsidiary. In other words, the spin-off allows the divested company may issue its shares.

Sell offs can be defined as the sale of some assets of the company to another company. Company buyers do not buy all the assets of a company selling but only a portion of the assets of the seller or a small portion division or business unit (Bhana, 2006). Sell off is a reduction by selling a subsidiary, division or other combinations of fixed assets through direct transfer of ownership from one business entity to another entity and in exchange it is usually done with a cash payment (Francoeur & Niyubahwe, 2009).

Brauer and Schwimmer (2010) stated that there are several hypotheses which replied that the sell offs announcement provide a positive impact for the shareholders, among others Focus Business (Refocusing), Pure Play Hypothesis, Financing Hypothesis. Announcement of the sell-offs is basically information that cause market react so that the relevant company's share price moves in accordance with the information content. Based on the results of several studies, the sell offs announcement receive positive sentiment of market participants because companies that do sell-offs consider trying to improve its operational efficiency. So the company's shareholders will obtain abnormal return. But this information is not always regarded as a positive signal for market participants because sell-offs often identified with the poor performance of management companies.

Datta et al. (2003) shows positive abnormal return on the sell-off transaction. The same term also expressed by Koh et al. (2004), Coakley et al. (2005), Gross and Lindstadt (2005), Pebrikasari (2005), Bhana (2006), Bennett (2007), Lou (2007), Lui (2008), Indudewi (2010), Borisova et al. (2011), Swardt (2012), Nguyen (2013), and Tatsuo and Schaede (2013). But Mathur et al. (2006), Francoeur and Niyubahwe (2009), Indudewi (2010) and Rouran et al. (2014) conclude that the sell-off gives a negative abnormal return. While Nippani et al. (2003), Mathur et al. (2006) and Sun and Hesse (2009) conclude that there is no abnormal return on the sell-off announcement. So the hypothesis in this research can be formulated as follows:

 H_1 : Capital market reacts to the sell offs announcement that can be defined from abnormal return so the announcement is important for shareholders.

2.2 Correlation of Transaction Characteristic and CAR

Capital market reaction causes some investors effort abnormal return. It means that the announcement in market has important information for considering decision-making. Information content theory stated that market only reacts to important information, both in good news or bad news. So investor might not just react to announcement, but they should emphasize the content of announcement. They are transaction characteristics such as relative size, transaction value, focus motive and diversification.

Relative size indicates how big a part of the parent company will be sold to third parties. Divestment of subsidiaries which is so big causes loss of control of the parent company (Francoeur & Niyubahwe, 2009). Large size of divestment will make market reacts negatively. That is because the market considers that the company will lose its strength with the sale of assets (Jenner et al., 2014). But Koh et al. (2004) and Nguyen (2013) declare that the large size of divestment will give greater abnormal return. It can be explained that small divestment has no impact on the profit of shareholders so they expect divestment in larger size to obtain greater profits. While Cooney et al. (2004), Bhana (2006), Mathur et al. (2006), Francoeur and Niyubahwe (2009) conclude that the relative size does not affect the cumulative abnormal return.

Transaction value shows how much the value of an agreement between the seller and the buyer. Mulherin and Boone (2000) in Francoeur and Niyubahwe (2009) argue that so far, the motive to improve efficiency of holding company is to increase the value of the transaction on sell offs. The larger transaction value indicates that the divesting firms will loss of control over the assets sold so the market will catch this term as a negative sentiment (Pebrikasari, 2005). However Borisova et al. (2011) in fact concludes that the greater value of transaction will have an increasingly greater impact on the abnormal return obtained by shareholders divesting firm. While Rouran et al. (2014) argues that the value of the transaction does not affect the abnormal return.

Cooney et al. (2004), Bhana (2006), Mathur et al. (2006), Francoeur and Niyubahwe (2009), Brauer and Schwimmer (2010), Tatsuo and Schaede (2013) and Rouran et al. (2014) defines a focus motive in sell offs as the action back to the core business by divesting non-strategic businesses or assets that mature, reinforce operational since the beginning occupied, concentrating on products that have a competitive advantage, occupying the position of market leader, dispose of non-business core and actions that lead to maintaining the assets on its core business and sell different assets.

Jenner et al. (2014) proves that the divestiture of non-core business units will benefit the parent company through the reduction of harmful burden on diversification (Berger & Ofek, 1995; Dittmar & Shivdasani, 2003), increasing the efficiency of investments (Rajan et al., 2000; Kaiser & Stouraitis, 2001b; Dittmar & Shivdasani, 2003), strengthening the operational performance (John & Ofek, 1995) and hinder business takeovers (Comment and Jarrel, 1995). This is supported by Cooney et al. (2004), Bhana (2006), Mathur et al. (2006), Francoeur and Niyubahwe (2009). But Tatsuo and Schaede (2013) and Rouran et al. (2014) conclude that the focus motive has absolutely no effect on the cumulative abnormal return.

Diversification is the level of development of the company through that can be defined as a number of business segment belonged to parent company. Harto (2005) explains that the debate on the diversification strategy and its impact to the company value has been longstanding. This is because many parties assess the positive benefits of diversification. This is the so-called internal market mechanisms (internal capital market). In addition, more efficient allocation of resources can be created by decreasing transaction costs (Weston, 1970). Another perceived benefit is reduction in taxes due to the mechanism of internal transactions (Berger & Ofek, 1995).

Diversification can also have negative impacts. Stultz (1990) argued that the company diversified investment would put more on the line of business with low investment opportunities. While Jensen (1986) argued that the company managers who have huge free cash flow tends to take on investment that decreases the value and the project has negative net present value when allocating on their business segments. Based on this, the research on the sell offs announcement declares that the shareholders of the parent company will obtain abnormal return on the announcement of reduction in the level of diversification. In other words, the level of diversification will be positive effect on abnormal return. This is supported by the results of research and Schaede Tatsuo (2013).

So the hypothesis in this research can be formulated as follows:

H2: The sell offs transaction characteristics, such as relative size, transaction value, focus motive and diversification, can influence shareholders profit by cumulative abnormal return (CAR).

3. Research Methodology

Populations of this research are the sell offs announcements that occurred in 2008-2014 conducted by listed company in Indonesia Stock Exchange (IDX). There are 70 announcements made by 47 companies during the research period. While the samples are 33 announcement of the sell offs as the samples.

Data sourced from: (1) sell offs information in formal writing published during 2008-2014 by IDX (Indonesian Stock Exchange) and some national sites/web that has page or portal business or economics; (2) the last annual financial statements prior to the implementation of the divesting firm that published on the www.idx.co.id and official web of divesting firm; (3) number of outstanding shares of each company obtained from ICMD (Indonesian Capital Market Directory) or summary of the stock in www.idx.co.id; (4) divesting firm's stock price and JCI (Jakarta Composite Index) at 2008-2014 obtained from www.idx.co.id.

Analysis is performed in two steps. The first is event study to determine whether there is market reaction to the announcement of the sell offs. The second is a regression to determine the influence of what factors caused the market reaction. The main variables used in the event study is abnormal return.

According to Hartono (2005, pp. 42-43), abnormal return or excess return is the excess of actual return to normal return. Abnormal return can be positive or negative. Abnormal Return formulated as follows (Samsul,

2006, p. 274):

$$ARit = (Rit - E(Rit))$$
(1)

Abnormal return shows that the market reacted to the announcement. If there is action, analysis can be continued with testing the gain of abnormal return obtained by investors at certain intervals (CAR) that can be formulated as follows:

$$CARi = \sum_{t=1}^{t} ARit$$
(2)

Testing CAR also uses the one-sample t test. So the number of day interval to be tested depends on the results of market reaction. While the test value used is 0. Testing CAR done because not all days of the event windows generate significant abnormal returns both positive and negative. Significant intervals will be used as the dependent variable in the regression test.

Here is a description of the steps according to event study analysis techniques Tandelilin (2007, pp. 127-128):

• Determining the date of announcement or event as the effective date. Date of announcement is determined by date of disclosure formally by the company through the Stock Exchange, symbolized with t = 0 (Nippani et al., 2003; Cooney, 2004; Pebrikasari, 2005).

• Determining the period of observation (event period). The period of observation is determined for 11 days, which are 5 days before the announcement, one day when the date of the announcement and 5 days after the announcement. Five days before and after announcement are chosen to avoid confounding effects (Nippani et al., 2003; Pebrikasari, 2005; Brauer & Schwimmer, 2010; Nguyen, 2013).

• Calculating return of each sample every day during the observation period. Return can be formulated as follows:

$$\operatorname{Ri} = \frac{(Pt - Pt - 1)}{Pt - 1} \tag{3}$$

Pt is closing stock price at day t and Pt-1 is closing stock price at previous day

• Calculating expected return. The model estimates used in the calculation of expected return is market-adjusted model. While the market index that is used to describe changes in overall stock prices are JCI (Brown & Warner, 1985 in Hartono, 2005, pp. 43-49). It can be calculated as follows :

$$E(Rit) = (JCI_t - JCI_{t-1})/JCI_{t-1}$$
(4)

• Calculating AAR (average abnormal return) samples every day for testing hypothesis of market reaction. Testing hypothesis of market reaction is conducted by examining AAR using one-sample t test.

• Calculating CAR and CAAR (cumulative average abnormal return). CAAR is used to infer the presence or absence of acquisition of CAR on the announcement of the sell offs.

Regression equations used in this study can be formulated as follows:

Y1 = a + b1x1 + b2X2 + b3X3 + b4X4 + e

Description: Y is dependent variable (CAR); a is constant value when all independents variables are 0; b1 is coefficient variable of relative size and X1 is relative size (ln of divested aset divided by market capitalization at t-6; b2 is coefficient variable of transaction value and X2 is transaction value (ln of transaction value of divestment activity); b3 is coefficient variable of focus motive and X3 is focus motive (use dummy variable with 1 is focus motive and 0 is others); b4 is coefficient variable of diversification and X4 diversification (total subsidiaries with the ownership of parent company more than 50% of equity); e is error.

4. Result and Discussion

4.1 Result of Event Study

Here are the results of different test one-sample t test for 33 announcements:

		The Result of One Sample 1-Test of A	AK	
Period	AARt	T-Test	Sig.	
t-5	-0.0045	-1.173	0.250	
t-4	0.0104	1.276	0.211	
t-3	-0.0037	-0.766	0.450	
t-2	0.0105	2.171	0.037**	
t-1	-0.0036	-0.764	0.450	
tO	0.0101	1.193	0.242	
t+1	0.0094	1.443	0.159	
t+2	0.0006	0.125	0.901	
t+3	-0.0030	-0.521	0.606	
t+4	-0.0020	-0.405	0.688	
t+5	-0.0005	-0.101	0.920	

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Note: **Significant of 5%.

Source: Output SPSS, 2015.

According to Table 1, it can be seen that the market reaction appears on the 11 trading days during the event windows but not all are significant. Significant abnormal returns occur only in t-2. This can be seen from the significant value of 0.031 which is under 0.05. So H_1 is received with the conclusion that there are abnormal returns in the period since the average abnormal return earned on t-2 is not equal to 0. The market responded positively to the announcement of the sell offs and take it as good news. This is evidenced by the positive value at t-Test. The other day showed no significant results. This proves that statistically, the AAR obtained equal to 0 although the descriptive statistical analysis indicates otherwise.

However this cannot prove that during the 11 days, investors gain abnormal return. Because the total actual profit earned by investors are cumulative abnormal return value since the market reacts. So to determine when investors should hold the shares in order to obtain maximum returns abnormal, testing CAR is necessary. The result can be seen in Table 2 below:

Table 2 Results of One Sample 1-Test of CAR						
	CAAR	T-Test	Sig. (2-tailed)			
CARt_2t_1	0.0069	1.567	0.127			
CARt_2t0	0.0170	1.573	0.126			
CARt_2t1	0.0263	1.969	0.058*			
CARt_2t2	0.0270	1.785	0.084*			
CARt_2t3	0.0239	1.770	0.086*			
CARt_2t4	0.0219	1.415	0.167			
CARt_2t5	0.0214	1.420	0.165			

Table 2 Results of One Sample T-Test of CAR

Note:* Significant 10%.

Source: Output SPSS, 2015.

According to the Table 2 can be seen that there is 7 day interval used in the observation that provides CAR

with a value more than 0. Seventh-day observation intervals produce positive CAR. It shows that the announcement of the sell offs can increase shareholder wealth. But not all CAR intervals show significant results. It means that there are only certain intervals of the day can actually increase the profits of shareholders.

There are three interval CARs generate more than 0, they are CARt-2 to t+1, CARt-2 to t+2 and CAR t-2 to t+3. It shows that the t-2 to a maximum of t+3 investors will obtain a positive CAR. But they did not obtain the CAR when they hold the shares up more than t+3. This is because in t+4 and t+5, abnormal returns continue to decline, thereby reducing the acquisition of CAR. Presents of CAR during event windows can be seen in Figure 1.





Figure 1 presents the CAR acquisition during the event windows. Based on the graph it can be seen that the optimal CAR on t-2 to t+2. While CAR obtained at t-3 began to decline. Thus, investors would be better to hold the shares ranging from t-2 to a maximum of t+3 to obtain the most optimal CAR. CAR on the third interval (CARt-2 to t+1, t-2 to t+2, t-2 to t+3) is used as the dependent variable for the next step.

4.2 Result of Regression Analysis

Testing hypotheses about the influence of independent variables on the dependent variable is jointly carried out by applying the F test jointly conducted to determine whether or not all the independent variables affect the dependent variables simultaneously. If the F test revealed significant, the analysis can be continued with the partial test. However, if the value of the F test is not significant, it is stated that the model is not feasible because all independent variables simultaneously turns not affect the dependent variable.

Table 3The Results of F-Test								
Model		Sum of Squares	df	Mean Square	F	Sig.		
	Regression	0.023	4	0.006	0.977	0.436		
1 (CARt-2t1)	Residual	0.166	28	0.006				
	Total	0.189	32					
	Regression	0.018	4	0.004	0.554	0.698		
2 (CARt-2t2)	Residual	0.223	28	0.008				
	Total	0.241	32					
	Regression	0.021	4	0.005	0.866	0.496		
3 (CARt-2t3)	Residual	0.171	28	0.006				
	Total	0.193	32					

Source: Output SPSS, 2015.

According to Table3 can be seen that the significant values of the three models are more than the value of alpha (0.05). So H0 is accepted with the conclusion that relative size, transaction value, focus motive and diversification as together do not affect the value of CARt-2t1, CARt-2t2 and CARt-2t3, thus not required partial test.

4.3 Discussion the Existence of Market Reaction

Abnormal return around the announcement proves that sell off has important information that is responded by capital market. Sell off announcements are conducted through the disclosure of information (press release) officially in IDX is the credible announcement (trustworthy by market participants) so that no particular party who can manipulate information. Credible information content drives the market to react.

This corresponds to the theoretical content of the information argued that any events that can drive stock price means that the events has been responded by market. If events or announcements that occur carries information, means that the information is important and valuable. The market is expected to react during the announcement is published (Hartono, 2005, p. 62).

Based on the results if the data of abnormal return in the previous section shows that there are abnormal returns during the event in all the windows, either an abnormal return is positive or negative. Descriptive statistical analysis also shows that there are considerable differences between the actual return with the expected return, then carries out abnormal return, especially in t-4, t-2, t0 and t+1. Figure 2 explains the movement of abnormal returns during the windows period:



Figure 2 Movement of Abnormal Return during Event Windows
Source: Data, processed

Based on the Figure 2 it can be seen that the movement of abnormal return is very volatile, especially prior to the date of the announcement. Although all days during the event windows have abnormal return, but when the inferential statistical test to decide whether there is any abnormal return on each day during the event windows, the results show that the abnormal return only occurs in t-2. It means that the average abnormal return during the event windows (in addition to t-2) is 0 or close to 0. In other words, statistically the market does not react other unless in t-2.

Based on the results of one-samples T test on t-2 can be seen that the T value is positive. This indicates that the market considers the information contained in the announcement of the sell offs is good information (good news). So investors choose to buy shares. This result supports the research of Datta et al. (2003), Koh et al. (2004),

Coakley et al. (2005), Gross and Lindstadt (2005), Pebrikasari (2005), Bhana (2006), Bennett (2007), Lou (2007), Lui (2008), Indudewi (2010), Borisova et al. (2011), Swardt (2012), Nguyen (2013), and Tatsuo and Schaede (2013).

Abnormal return on t-2 indicates that the market has reacted earlier 2 days prior to the disclosure of information. This indicates the leakage of information that should not yet publicly know. This is caused by asymmetric information between managers who are well informed with investors outside the company are uninformed (poorly informed) about the condition or prospects of the company. This also indicates the existence of insider trading in the company because they generally have better information and faster relating to the condition or prospects of the company compared to outside investors (Arifin, 2007, p. 11).

Results of one-sample t test also showed that there was no significant acquisition of abnormal return in addition to t-2. Even after the sell offs were announced, there is no average abnormal return significant. In other words, the AAR has equal value with 0. This supports research on efficient market hypothesis which stated that the Indonesian capital market is semi strong (Gumanti &Utami, 2002; Susanto, 2004; Manulang, 2004 in Hartono, 2005, pp. 87-90; Mar'ati, 2012; Prayitno, 2013; Yuwono, 2013).

The AAR on day t-2 is not able to prove that the overall shareholder wealth reflected only on that day. Significant results in t-2 once again show that the investors earned more than 0. But not all investors are getting abnormal return. On the other hand, the fluctuating movement of abnormal return makes the acquisition of abnormal return should be added together to determine the true benefit of investors.

The results shows that there are three significant CAR value, the CAR on t-2 to t+1, t-2 to t+2 and t-2 to t+3. The third value is significant at the alpha level of 10%. It can be concluded that investors obtain optimal CAR on the third day interval. The acquisition of CAR for t-2 to t+2 (0.0270) is greater than the acquisition of CAR for t-2 to t+1 (0.0263) and CAR for t-2 to t+3 (0.0239).

The acquisition of CAAR starting from t-1 to t + 2, however market reaction occurs only in t-2, so in that day investors start to gain abnormal return. Although abnormal return earned decreases but the decreasing is still contributing to the increasing CAAR. It can still be tolerated. Thus the investor will obtain maximum CAAR during t-2 to t+3.

4.4 Discussion of the Impact of Transaction Characteristics to Car

Based on the F-test results is known that the four independent variables do not affect the formation of CARt-2t1, CARt-2t2 and CARt-2t3. Because as together the four variables do not influence CAR, then a partial test for each independent variable on the dependent variable are not necessary.

The inability of all the estimators in estimating the dependent variable in three models due to the random movement of stock prices (Bhana, 2006). Research conducted by Kendall in 1953 stated that the pattern of stock prices is not predictable (unpredictable) for moving randomly (random walk). Stock prices move randomly because it depends on new information that will be received, but the information is not known when it will be accepted (unpredictable). The nature of information in the form of bad news (bad news) or good news (good news) is also unknown (Samson, 2006, p. 270).

If the information is already known, it will be referred to as the information now and soon will affect the current stock price. However, none of the parties can be constantly guessed right on the next day the stock price due to new information for the following day could not be known at this day. Estimated share prices tomorrow can be done today is based on today's information but does not guarantee the truth (Samson, 2006, p. 270).

Announcement of sell offs that appeared to get a reaction only on t-2 shows that before (t-5 to t-3) market do

not receive any information about sell offs. When the samples are analyzed one by one, it can be seen that it is in t-2 there is important events related to the announcement, of the signing of the sell-off agreement. The company prior to contract with the buyer to ensure that the selloff has reached an agreement and immediately implemented but these events are not publish immediately.

The market should respond to the announcement when the public expose. But the market is already responding in t-2 when the company is still in the stage of signing the agreement. This reinforces the notion that there is indication of insider trading in which only certain people are aware of the event. So sell offs that have not been announced officially been first leaked to the market in t-2 and triggers the movement of the stock price.

Consequently, any investor can not estimate the movement of stock prices in the days that followed with any estimator, so that no one investor can calculate and derive long-term benefits. Although they earn cumulative abnormal return on t-2 to t+3, they cannot determine what they should consider to determine the movement. So CAR obtained purely from the random movement of stock prices.

Shareholders will achieve a positive impact on sell offs based in some empirical hypotheses. The first hypothesis is refocusing. Capital market receives a divestiture as a positive signal for refocusing expected to reduce agency problems (such as conflicts between agent and principal, increasing the agency cost and so on) and the ineffectiveness of operations (Schipper & Smith, 1983, Hite et al., 1987, Afshar et al., 1992; John & Ofek, 1995 in Brauer & Schwimmer, 2010). Thus, regardless of whether the transaction characteristics sell offs is good news or bad news, investors will continue to respond positively because of the action of sell offs will affect the long-term.

The second hypothesis is pure playhypothesis. Pure play hypothesis emphasizes the company will have a better performance if it goes directly to just one sector / industry. Pure play hypothesis argues that the value of the divestment is made through the separation of the different assets of the parent company's assets so that the assets or businesses into an independent business. Market assesses that this is a good move for the company (Schipper & Smith, 1986; Vijh, 1999; Krishnaswami & Subramaniam, 1999 in Brauer & Schwimmer, 2010). This hypothesis also stressed that the long-term impact for investors more mainstream than short-term profits over the announcement of the sell offs.

The third hypothesis is the hypothesis financing. This hypothesis argues that the parent company's profit through divestment separated for financing investment projects (Schipper & Smith, 1983 in Brauer & Schwimmer, 2010). Although the sell offs transaction would eliminate corporate control over a subsidiary, the company will continue to acquire cash flow for business expansion using cash flow results of sell offs to finance investment projects. So that the characteristics of sell offs related information is not taken into account by investors.

Based on empirical hypothesis mentioned, it can be concluded that the characteristics of the divestiture transaction is not considered by investors as it will only provide short-term benefits. Independent variables cannot estimate the three dependent variables although the model uses three dependent variables (CARt-2t1, CARt-2t2 and CARt-2t3). Investors have been smart enough in responding to information. They are not based on short-term gains but have considered the implications of the content of this announcement for a long period in which the long-term implications it is the growth of the company due to business expansion. As proposed by Pham (2012) and Tatsuo and Schaede (2013) that the ROA and sales growth rate for companies selling experience growth after sell offs of up to 2 years after the sell offs. It means that the variable transaction characteristics do not directly affect the CAR gained on the announcement of the sell offs despite these variables also potentially affect CAR directly.

5. Conclusion

It can be concluded that there is market reaction to the announcement of the sell offs in t-2, which shows the leakage of information prior to the announcement published. However, there is no reaction unless at t-2 because the share price had already been moved so that information is reflected on the day.

There is no effect of relative size, the transaction value, focus motive and diversification to CARt-2t1, CARt-2t2 and CARt-2t3. This is caused by a random movement of stock prices which so none of investors who are able to predict the stock price and gain a profit in the long term. These factors led to sell offs transaction characteristics are not able to explain the dependent variable. In addition the results of this study indicate that although sell offs announcement is significant; investors do not consider the content of announcement (regardless of the transaction characteristics) essentially for decision-making.

In addition, if the investor already knows about leakage of sell offs information, it is better for investors to hold their stocks from t-2 to a maximum of t+3 in order to obtain the maximum CAR. Companies are more careful of insider trading that can manipulate signal and market reaction. Minimizing insider trading can also reduce the costs incurred due to asymmetric information. Future studies may consider the variables to estimate the profit growth of the company over the announcement of the divestiture.

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