ABSTRACT

This study aims to analyze the effect of divestiture and spin off on firm performance in Indonesia Stock Exchange. Corporate performance is measured by using financial ratios: NPM (net profit margin), ROA (return on assets), DER (debt to equity ratio), CR (current ratio) and EPS (earnings per share). Definition of divestiture is disposition or sale of an asset by a company. A company will often divest an asset which is not performing well, which is not vital to the company's core business, or which is worth more to a potential buyer. While spin off is the creation of a separate company from part of an existing firm.

Documentary data is used in this study. While this study population are included a company listed on the IDX, which had conducted divestiture and spin off, and announced its activity in the period 2007-2012. The sampling method used in this study was purposive sampling, in which there are eighteen companies included in the criteria for this study. Paired samples t test are used to answer hypothesis 1 to 5 (the calculation of financial ratios).

The results of the Paired sample t test showed that the simultaneous testing of all financial ratios for (H-1) with (H+1) after the divestiure and spin off showed no significant difference for the financial ratios (NPM, ROA, CR, DER and EPS).

Keywords: Divestiture and Spin off, Financial Performance, Paired Sample T Test.