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DOES TAX AMNESTY INCREASE BANK'S RETURN?

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ABSTRACT: *Indonesian government held a tax amnesty policy to increase state revenue and attract taxpayer's funds overseas (repatriation). Perception banks are appointed by the goverment to accommodate and manage the repatriation funds. Incoming funds can be considered as capital by the bank, which can increase its return and risk in stock market. The govenrment claimed that repatriation funds had increased share's return of Indonesian stock market. One of the methods measure the rate of perception banks's return and risk on the event above is the Three Fama-French Factor Model. This study aims to analyze the occurrence of changes in return (abnormal return) on the events around the tax amnesty. In addition, this study also analyzed the effect of bank-size and book-to-market equity of banks in abnormal return. The samples of this research are 10 banks with the highest market capitalization designated as perception bank. The observation period starts from the endorsement of the tax amnesty until period 1 of tax amnesty ended. This study was using panel data regression with pooled least square model. The result was found, abnormal return of the perception banks' stock has occurs in event 1 testing. But event 1 happened pccurs simultaneosly with profit taking action before Eid day, indicates that event 1 doesn't cause abnormal return. Other event testing never happen in abnormal return. It means, Indonesian tax amnesty hadn't increase the perception banks return. Banks-size and book-to-market equity of banks affect the abnormal return that occurs. Both factors become a consideration to the investors before making an investment.*

KEYWORDS: Tax Amnesty, Bank's Return

INTRODUCTION

Indonesian government's income target from the tax sector has decreased in the last 5 years. Modernization and penalties has made, but couldn't raise the tax income. This happened because of tax avoidence, tax evation, administration complexity and the high tax fraud, just as said by Bintoro (2008). The government took tax amnesty as a step to overcome those factors. The sort-term goals are to raise APBN's income and to take taxpayer funds that invested outside the country (repratiation). The long-term goals are to stabilize macro economy, infrastructure development and to raise the discipline of the taxpayers in the future.

The government aims to get Rp. 165 trillion and declaration target from inside of the country is Rp. 4.000 trillion, meanwhile the declaration target from outside of the country is Rp. 1000 trillion. Repatriation funds that come will be received by perception banks that have been chosen by the government. Perception Bank is a public bank that selected by the Minister of Finance to receive country's funds based on finance minister regulation No. 600/KMK.03/2016. This regulation contain the selection of 52 public banks (local and foreign) and 25 Regional Development Banks (BPD) to act as perception bank. Perception bank in tax amnesty served as gateway for the ransom funds and repatriation by the taxpayers to any investment portofolios in at least 3 years

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In the closing of the first stage of the tax amnesty, the repatriation funds received by the perception banks are Rp. 115 trillion. Those repatriation funds are considered as Third Party Funds by the perception banks. The raised of Third Party Funds and financial activites intrepreted as signal that banks have lucrative information in the stock market. This will affect the increase of those banks' stock price. Ang (1997) said that companies with good performances would have higher stock price and cause a positive excess return (abnormal return) which received by the investors. Positive impacts had been occured to some of the perception banks that have done listing before the tax amnesty announced. Perception banks movement can be seen below:

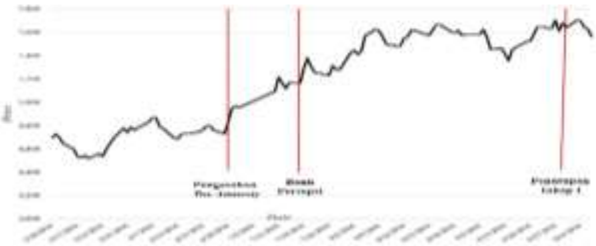

Fig. 1: Perception bank value's movement

Figure 1 shows that the perception banks's stock price increased after announce of tax amnesty. It mean capital market participants see tax amnesty as an information that can affects the reaction of capital market after the regulation announced or called as event study. Sarvanan(2012) explained that event study shows fact from the announcement, giving ratio in the market and reflection of its impact to the stock price (abnormal return), after the announcement. Jogiyanto (2013) said that *Abnormal return (*AR) is actual return minus expected return. This calculation usually executed with capital asset pricing model (CAPM) method, which focused to the beta factor. Fama *et.al.* had develop CAPM model by including firms size and book-to-market ratio beside beta factor. Their research called *three factor asset pricing model*. This research used three factors from Fama & French

The purpose of this research is to empirically analyze impact repratiation funds receive to the perception banks. These are the research's question:

1. Is the perception bank's stock having an abnormal return after the announcement of tax amnesty regulation legalized until the first stage of the tax amnesty closed?
2. Are firm size and book to market ratio significantly affect the happening of abnormal return to the perception banks?

This research expected to be considered by the investors before they invest to a perception bank's stock after the tax amnesty regulated. For perception banks and government, this research can be used to take further policy after the tax amnesty regulated.

LITERATURE

Goverment made tax amnesty policy to provide tax payers opportunity to pay their tax debts without sanction. They must pay ransom as compensation. Tax amensty's function is to increasi state revenue and the number of tax payers compliance.

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There are so many research about tax amnesty with different results, causes and impacts. Borgne *et.al.* (2005) finds that states with high debts levels are more likely to initiate tax amnesty to adding state revenue, althought some of obedient taxpayers would consider it as injustice. Luitel research (2005) shows that these additional tax amnesties generate less short-run revenue than predecessors and tend to magnify revenue losses associated with disincentives for long-run tax compliance. Lopez *et.al.* (2003) have a same result with older research. They finds that the amnesty had no effect on tax collection in either the short or the long term. By contrast, it finds evidence of the permanent positive impact caused by the legislative and administrative measures linked to the IRPF reform process begun in 1988.

There are many factors to cause tax amnesty failed, like hope and anticipation of taxpayers against tax amnesty. Ralph-C *et.al* (2014) indicate that amnesties are self-ful lling in the sense that initial compliance even get worse if taxpayers believe that amnesties are coming along soon. This reduces initial tax revenues, and in turn reinforces the government's desire to enact future amnesties. Mehmet (2015) reinforcing that theory with his research, that find negative things are happen between obeined and avoidance taxpayers. Some of taxpayers expect that amnesty will taken by goverment and delay payments untill amnesty happen.

Indonesia has been implementating tax amnesty three times by three different goverments. In 1964 conducted by Soekarno's goverment, 1984 by Soeharto's goverment and in 2008 conducted by Susilo Bambang Yudhoyono;s goverment (sunset policy). Goverment had received Rp. 7,46 trillion when sunset policy were applied. Joko Widodo's goverment implementating this policy again in 2016. After policy announcement, director of transaction monitoring and compliace of BEI said that BEI stock performance had increased significantly after tax amnesty announvcement. IHSG had increased for about 16.67% from 4.593 points to 5.366 point after market closing on Sept, 6, 2016. Foreign funds coming to stock market make IHSG strenght. It mean capital market participants resume tax amnesty is an information that influence stock market reaction after announcement or called event study.

The event study methodology is first introduced by Fama, Fisher, Jensen and Roll (FFJR) in 1969, as measurement of stocks' value safety performance in facing an information. A lot of research have been conducted to see the impact of the event study to stock's value and company's return. Shahid's (2014) research showed that size had a significant positive connection to the stock value. Meanwhile, the other variables didn't have it. Binder (1989) researched the function of event study methodology, and the result is this method can be used to detect market model as measurement of the referance rate of return. Jogiyanto (2003) said that the test of information contents is to see the reaction from an announcement. The market's reaction showed by the price change of related security that measured using *return* as value of the price change (*abnormal return).*

Abnormal Return have been researched many times but the results are vary. These research is done by Dasetal (2014) who said that quarter announcement didn't cause abnormal return to Sensex stock. This research strenghted by Da Silva *et al* (2016), who said that devident announcement to 255 companies in Mexico didn't affect abnormal return of stock value in regression way. Different result stated by Maholtra (2013) who said that different market condition and the type of industry significantly affect the abnormal return. Research conducted by Leung *et al.* (2005) about stock split in Hongkong capital market, showed that there are significant differences to the abnormal return around the announcement. According to Salinger (1992), in a study event, the sum of abnormal return are used to count the estimation of

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cumulative abnormal returns. If the profit is higher than the expected, it can be said that the abnormal return's value is positive. However, negative abnormal return means that stock's return is lower than market's return. This also means that the stock price is already too high which shows that the efficiency of stock market in half charged condition still can't fulfill it, according to Husnan (1998)

Banz (1981) found that there is company's size difference factor that affect the return. The companies with lower capitalization is tend to have higher return compared to companies that have big capitalization. Rosenberg *et al* (1985) research state that beside the size, there is another factor. It's called *ratio book to market.* Fama *et.al.*(1992) develop that research and conclude that aside of beta factor, there is another factor which are *size* and *ratio book to market.* His research known as the 3 factor models. The research is continued by them in 2000, by doing a test to the United Stated Stock Portofolios for 816 months in 1927 to 1997. The result is, that beta, firm size and book to market ratio have significant connection to the stock return.

Hamid *et.al* (2012) research was testing the Fama-French model validity to twenty banks in Pakistan which are listed in Karachi Stock Exchange (KSE). The research conducted from January 2006 to December 2010. The result was can be said that size and book to market value can explain the return's variation from almost of the formed portofolios. This research is strengthened by Ceylan (2015), who said that market factor, size, and book to market are still significantly explain the connection between the abnormal return from foreign investors with Istanbul's stock portofolios return variation. Long before that research, Charitou *et. al* (2007) had done a test to Japan's stock market in 1992 to 2001. This research showed that market beta, company's size and book to market ratio have significant connection with the stock return.

Fama-French measure a company based on its market value which is calculated from stock price multiplied by number of shared stocks (outstanding shares). Then, the result is classified into two groups which are *small* and *big.* The size of the company simbolized as SMB. SMB calculates the additional refund historically, which are received by the investors that invest to the small-size firms. This *firm size* have a deep connection with the company's earning. S*mall-size firms* tend to surpass company's growth in the *big* clasification. This happened because *small firms* produce smaller earning, so that even small improvement to the earning can improve its development. From the side of risk, *small-size firms* have higher risk than the *big-size firms,* so that it's compensated with the higher *return.*

To historically measure additional return that received by the investors in investment to the book to market company, HML (High Minus Low) is used. *Ratio book to market* is gained by comparing the book value of the stock company with the stock value (BE/ME). The results are classified into three categories, which are *low*, *medium* and *high*. Eraslan (2013) research said that portofolios that formed from companies with low ratio book to market (BE/ME) have better performance compared to the companies with higher BE/ME. This caused by the lower BE/ME ratio shows that market price value is higher than book price (overvalued). In the other hand, high B/M ratio shows book value is higher than market value (undervalued). Companies that in *high* cathegory have higher risk but the earnings produced is higher compared to another cathegories. This is causing higher return level compared to another cathegories.

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METHODOLOGY

The government has selected 77 banks as the perception banks and only 24 of them have done the listing. This research took 10 perception banks that have done the listing with these criteria: one of the ten banks that have biggest *market capitalization*, not having another event except the tax amnesty and have positive book to market ratio. The name of the banks and their issuer symbol can be seen below:

Table 1 : List of sample banks in this research.

No.	Bank's Name	Code
1.	PT. Bank Central Asia, Tbk	BBCA
2.	PT Bank Negara Indonesia, Tbk	BBNI
3.	PT Bank Rakyat Indonesia, Tbk	BBRI
4.	PT. Bank Tabungan Negara, Tbk	BBTN
5.	PT Bank Danamon Indonesia, Tbk	BDMN
6.	PT. Bank Mandiri, Tbk	BMRI
7.	PT. Bank Cimb Niaga, Tbk	BNGA
8.	PT. Bank Maybank Indonesia, Tbk	BNII
9.	PT. Bank Mega, Tbk	MEGA
10.	PT. Bank OCBC NISP, Tbk	NISP

This research used *abnormal return* (AR) as *independent variabel* (Y). Meanwhile, the *dependent variabel* (X) used are *return market premium*, SM, HML and *dummy*. *Combined stock price return index* (JKSE.JK) used as *return market*. As for the *risk free rate* used is daily *return* of Bank Indonesia Cerificate (SBI). Data processing techniques include:

Actual return calculation to each perception bank issuer is symbolized with (R_i) and *return market* is symbolized with (R_m) and then those variables are executed in these formula :

$$R_i = \frac{P_t - P_{(t-1)}}{P_{(t-1)}} \quad (1)$$

$$R_m = \frac{I_t - I_{(t-1)}}{I_{(t-1)}} \quad (2)$$

SMB is small-sized firms portofolios return's average minus big-sized firms portofolios return's average based on market capitalization value in the occuring event. Issuers with the capitalization above the average will be classified as *big* and the opposite is classified as *small*. The formula used is :

$$SMB = \frac{(SH+SM+SL)-(BH+BM+BL)}{3} \quad (3)$$

HML is high stock portofolios return average minus low stock portofolios return average based on ratio BE/ME. The formula used is:

$$HML = \frac{(SH+BH)-(SL+BL)}{2} \quad (4)$$

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Events in this research considered as *dummy*. *Dummy's* value will become 1 if the research's data periode are placed in/between the day of announcement to five days after. In the other hand, *dummy's* value will become 0 if research's data periode aren't placed in/between the announcement day to five days after. *Event* is classified in three, as can be seen below:

Table 2 : Observed events

Event	Tanggal	Keterangan
1	28 Juni 2016	Tax amnesty policy endorsment
2	18 Juli 2016	Perception banks selected by goverment
3	30 Sept.2016	*1st* period of *tax amnesty* ended

Equation model of three Fama-French factors are used as follows:

$$R_i - R_f = \propto + \beta_1(R_m - R_f) + \gamma_1(SMB) + \gamma_2(HML) + \gamma_3 Dummy \qquad (5)$$

Where $R_i - R_f$ is abnormal return of any assets, $\propto$ is coefficient regression, β is coefficient of risk which is explain the influence of risk to return, $(R_m - R_f)$ is market risk premium, γ_1 is coefficient of SMB which is explain the influence of firms size to return, SMB is expected return of small size minus return of big size, γ_2 is coefficient of HML which is explain the influence of book to market equty ratio to return, and HML is expected return of high BE/ME ratio minus return of low BE/ME ratio.

FINDINGS

Descriptive analysis from market closing price data, each of issuers and *risk free rate* can be seen in Table 3:

Table 3 : Descriptive Statistics

Deskriptive	*Ri*	*(Ri-Rf)*	*Rm*	*(Rm-Rf)*	*SMB*	*HML*
Mean	0.0017	0.0015	0.0012	0.0010	0.0013	0.0016
Std Dev	0.0273	0.0274	0.0083	0.0083	0.0148	0.0239
Range	0.3667	0.3667	0.0440	0.0440	0.0803	0.1391
Minimum	-0.1111	-0.1113	-0.0169	-0.0171	-0.0365	-0.0622
Maximum	0.2556	0.2554	0.0272	0.0270	0.0438	0.0769

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Correlations between the independent variables can be seen in Table 4.

Table 4 : Correlations between the variables

	MP	SMB	HML	DUMMY
MP	1			
SMB	0.17047	1		
HML	-0.09654	0.57918	1	
DUMMIES	0.06286	0.06088	0.02841	1

Table 4 shows weak correlation between the independent variables so that inflicting no multicolinearity

Data panel regression used to see independent variables impact to the dependent variables. Table 5 conclude the estimation result:

Table 5 : Data panel's regression result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MP	0.216957	0.040253	5.389792	0.0000
SMB	1.080941	0.044216	24.44657	0.0000
HML	-0.210417	0.026358	-7.983117	0.0000
DUMMY	-0.000377	0.000903	-0.417361	0.6765
C	0.000278	0.000352	0.789764	0.4298

R^2 and F-test value from this research can be seen in Table 6:

Table 6 : R-squared and F-Test Value

R-squared	0.604563	Mean dependent var	0.101589
Adjusted R-sqrd	0.603020	S.D. dependent var	1.575215
S.E. of regression	0.990276	Sum squared resid	1005.162
F-statistic	391.7669	Durbin-Watson stat	2.001502
Prob(F-statistic)	0.000000		

From table 5 we can count the regression equation:

$(R_i\text{-}R_f)$ = 0.00028+0.21696MP + 1.0809SMB – 0.21042HML - 0.00037Dummy

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DISCUSSION

Intercept point (C) in table 5 can be seen as 0.00028 with probability above the 5% significancy level. That means C not significantly explain the *abnormal return* in this research. Fama(1992) and Eraslan (2013) said that three factors Fama-French model is true if *intercept* value is zero and not significant to the dependent variables. Taking past researches as the reference, this research's result is right and valid to explain three factors Fama-French model.

In this research, MP had influence significantly to abnormal return happen. It means means in the very sensitive banking stocks, tax amnesty event will improve risk premium to the abnormal return. Perception Banks that received additional funds from the repatriation will improve their activities. This improvement will raise the risk that is compensated to the bank by giving the return over the normal it should be (*abnormal return).* This information will affect the decision of market players before the invest. Market players will process those informations and then analyze its relevancy to the market activity which affect the happening of *abnormal return.* In this research, *coefficient* MP showed positive result as 0.216987. The small □'s value is affected by the failed government repatriation to reach its target in executing tax amnesty event until the end of the first stage. Eraslan (2013) said that beta's value that almost reach 1 shows that risk of MP (beta) couldn't explain the caused of abnormal return after risk of firms size and risk of book-to-market ratio have increased.

SMB affected *abnormal return* in the *tax amnesty* event or accepting H_0.2 (rejecting H_a.2). This indicated repatriation funds that enter small banks are used by the investors as the basic of investment decision. The market assumes that repatriation funds would raise the capital of the *small-size banks* that have limited capital. The raise used for growth made an opportunity of earning improvement in the next period. These actions raise the investors' interest, however these actions also raise the risks. The raise of the risks compared with *big-size firms,* can be compensated with the higher *abnormal return*.

Market players assume that bank with small capital will do more profit. In the *big-size banks,* repatriation funds improvement weren't significant to raise its market's capitalization. Market capitalization's improvement indicates stock value improvement, because as far as the research's process the outstanding shares in each issuers weren't improve. The improvement of stock value will affect the process of *abnormal return.*

Table 5 indicates that in *tax amnesty* event , HML variable had significant effect to the *abnormal return.* Hypothesis that formed is accepting H_0.3 (rejecting H_a.3). Market players made BE/ME ratio as an investment consideration. The received repatriation funds are expected to improve the performances and profit, especially at the bank with *high book-to-market ratio*. Those expectations affect the stock value improvement in the bank with *high* category, so that triggered the *abnormal return.* However, it can only be applied to short-term investment. The result of missed repatriation funds receive is the market players doubting the long-term profit improvement can be occured. This can be seen from *coefficient* HML value is negative; -0.21042. It means that market players gave higher mark to the *low* categorized banks, because it produces higher and more stable profit for the long term.

Dummy showed *sig-T* value above the significant stage 0.05. It means that *dummy* didn't affect significantly. Hypothesis formed is rejecting H_0.1 (accepting H_a.1). Stock value improvement and return on this research incapable to affect *abnormal return* to be occured. Negative value on $\gamma_3$means that investment decision from the investors didn't affected by the *tax amnesty* event. This is occured because repatriation funds didn't fulfill its target until the end of the first

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stage of the event. Investor *expected return* improvement didn't followed by the stock *return* improvement of perception banks, so it became *negative abnormal return.*

R-squared value in Table 6 is 0.604563, which means independent variable in the model, such as *return market premium* (MP), *firms size* (SMB), *book-to-market ratio* (HML) and *dummy* can explain dependent variable which is *abnormal return* in the perception banks' stocks as 60.45%. While the rest 39.55% explained by the other variables outside this research. Dapat disimpulkan bahwa It can be concluded that models have been fulfill the requirement; *goodness of fit.* Other variables outside this research that can explain the *abnormal return* are the performance ratio of it bank's issuer.

Meanwhile, prob F-Statistic value which stated in table 6 is 0.0000. This value is below the signification stage of 5%. So, can be said that the variables can explain the dependent variables, and it also means that models have fulfilled the requirement; *goodness of fit.*

CONCLUSION

The purpose of this study is to see whether the government's tax amnesty can cause abnormal return for the repatriation fund holding bank. The Fama-French three-factor model is used to see if the abnormal returns will affect the risks that small companies or large corporations must bear. From 10 samples of banks with the largest market capitalization, it can be concluded that tax amnesty has no significant effect on the occurrence of post-announcement abnormal return. The reason is not reaching the target of government repatriation. Until the end of the first phase of funds, only 13.7% of the target, which is Rp. 137 trillion of the government's target of Rp. 1000 trillion. Increase of expected return by investors aren't accompanied by increase of perception banks stock return, so abnormal return become negative.

Goverment policy will effective by sosialization before and during the policy applied. The small acceptance of repatriation is the impact of the lack of government socialization on the community especially to the entrepreneurs before the tax amnesty policy is implemented. The issues that goverment will oversee the property reported or moved, making the public and taxpayers worry to follow this program. Goverment tried to explain that the issues is false by policy socialization post-announcement endorsment. Jokowi as president have follow to socialize this policy to public. But, there are too close distance between legalization and enactment of the Law makes socialization happen after the policy takes place. Moreover, socialization began dimish after 1st period of tax amnesty ended. Its impact that repatriation funds hasn't reach the expected target.

Capital market participants had chosen small size banks stocks like NISP and MEGA to invested their money, eventhought its give more risks. They expect that incoming repatriation funds will increase growth and earning of small size banks compared big size banks. The impact of repatriation funds will see in middle term period, if banks are able the funds to improve perfomance.

Indonesian stock market is semi-strong market, the investor's ability to cultive and process the information isn't same. Information about tax amnesty only influence in the short term period and couldn't causes abnormal return in along term period. Low book-to market ratio banks like BBCA and BBRI still chosen by investor to invested their money, cause its give better return. The price of stocks have higher market price than book price.

This reaserch have done in constricted period cause only research the influence of policy untill 1st period ended. Further research can be done by taking longer period i.e. untill the entire of

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stage tax amnesty is completed. The expected of further research will able to describe the amount of repatriation funds untill tax amnesty completed and the impact to perception banks return more significant. In addition, the impact of tax amnety against other sector and overall of market stock need to be done. The addition of perfomance ratio variabels i.e. NIM, ROA, ROE, CAR or NPL will give better result to explain abnormal return causes.

MANAGERIAL IMPLICATION

Tax amnesty was regulated by the government to raise country's budget revenues and to take the taxpayer's funds which is invested outside the country (repatriation), so that the government's ability in spending can be increased. Meanwhile, the increase of tax funds receiving in long term is expected can be used for infrastructure development and increase country's macro economy stability. The government also expect that the amnesty can increase the discplinary of tax payment in the future.

As the selected institution to accomodate the ransom fund and repatriation, perception bank must deposite the ransom directly to tax directorate. Perception bank is allowed to receive and accomodate the repatriation fund to their financial instrument minimal in three years. It is considered a third party fund (DPK) by the bank, which can be used to improve performance. For the market, this event is regarded as a positive signal, let alone banking stocks are very sensitive to issues such as government policies, natural events or changes in company conditions. The impact of that is showed by the significant increase or decrease, in some of the day in this research, especially in *event* 1. In this research, after the tax amnesty regulated (event 1) price increase is occured and triggered the increase of return. This increase triggered the excess of return received by the investors (abnormal return). But in event 1, there is another event that can't be underestimated, that was Eid Mubarak 1437H. This caused the speculation that abnormal return is happened more because of profit taking before the Eid, compared with the impact of tax amnesty announcement.

Selection of Bank perception by the government (event 2) didn't cause the abnormal return to the bank after the selected bank announced. The reason is that the market doubts that banks will receive repatriation funds as targeted by the government. This proved by the report which is state that received repatriation fund is only Rp. 137 trillion until the end of tax amnesty stage 1, meanwhile the target is Rp. 1000 trillion. This unexpected event caused the insignificant increase on stock price until the closing of tax amnesty (event 3), so that abnormal return happened. This showed regulation ineffeciency to the gathering of repatriation fund.

The effectiveness of government regulation is affected by socialization that done before and in the process of regulation. People must be massively educated about the ransom tax payment, moving funds, the purpose and report of tax amnesty, before its announcement. The emergence of the issue that the government will oversee reported or displaced property, causing the public and taxpayers to worry about joining this program. The government tried to dismiss the issue by disseminating this policy after the endorsement, even President Jokowi also socialize it. However, the distance that too close between the endorsement and enactment of the Law made socialization carried out after the policy progresses, became less effective. Moreover, after the closing of tax amnesty stage 1, the socialization started to slacken. The impact is that incoming repatriation funds have not reached the expected target.

The worried people because of the oversee is proven with the regulation of Country Regulation number 1 in 2017 about the access of financial information for taxing purpose by the government at 8 May 2017. This country regulation state that Taxing directorate is allowed to

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ask informations from financial services institution about balance and transaction by the clients with Rp. 1 million minimal balance (Article 4). Financial services institutions that do not provide accurate information will be subject to penalty sanctions and fines (Article 7). Determination of this country regulation made the transfer of deposits abroad become more observed and the government can still impose a tax on these funds. But the target of this country regulation also include taxpayers who have followed and reported data on the tax amnesty program. This made taxpayers feel disappointed because the government seems to not believe the reports that have been made.

Tax amnesty events didn't result the abnormal returns in the stock market in the short term, but banks can utilize repatriation funds to improve their performance. Reception of repatriated funds in small-size banks will significantly increase capital, which can be processed into the financial instruments it owns. Increased capital and financial activities will increase the earnings earned. Increasing earnings on small-size banks, although small, will provide higher growth than big-size banks. This, in the medium and long term will affect the price and return of the bank's shares. On big-size banks that have an average of equity in large amounts, the addition of non-significant repatriation funds will have little effect on capital increase. Increased earnings earned are more influenced by the banking activities of the bank itself, not due to the entry of repatriation funds.

Market players choose small-size stock banks like PT. Bank OCBC NISP, Tbk (NISP) and PT. Bank Mega, Tbk (MEGA), although it provides higher risk. They expect repatriation funds that gathered would give higher growth and earning to those banks compared to big-size banks. However, the Indonesian stock market is a semi-strong stock market, so the ability of investors to process information aren't the same. Tax amnesty related information only has an effect on the short term and is not capable to trigger an abnormal return in other research events. Bank stocks with low book-to-market ratio, such as PT. Bank Central Asia, Tbk (BBCA) and PT. Bank Rakyat Indonesia, TBK (BBRI), is still reinforced by investors. These stocks provide a better return because they have a higher market price than their book price.

Further Research

This research was conducted with a limited period due to only examine the impact of the policy until tax amnesty stage 1. Further research can be done by taking longer period until the entire tax amnesty phase is completed. The hopes are this research will be able to describe the amount of repatriation funds until the implementation of the third stage of the tax amnesty expires and its impact on the perception bank's stocks, with more significant. In addition, the impact of tax amnesty on other sectors and the stock market as a whole also needs to be done as further research. The addition of performance ratio variables such as NIM, ROA, ROE, CAR or NPL will provide better results in explaining the occurrence of abnormal return.

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List of Symbols (Optional)

English Symbols

HML	High minus low
I_t	Indeks pada hari (t)
$I_{(t-1)}$	Indeks pada hari (t-1)
MP	*Return Market Premium*
P_t	Closing price pada hari (t)
$P_{(t-1)}$	Closing price pada hari (t-1)
R_i	Return saham i (harian)
R_f	Suku bunga harian Bank Indonesia
R_i-R_f	Abnormal return
SMB	Small minus big
SH	Smal high
SL	Small low
BH	Big high
BM	Big medium
BL	Big low

Greek Symbols

□□	Intercept
□□	Slope/risk coefficient
□	Error/Galat
γ_1	Koefisien regresi SMB
γ_2	Koefisien regresi HML
γ_3	Koefisien regresi dummy

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