ABSTRACT

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**CORPORATE LIQUIDITY AFFECT M&A DECISIONS: EVIDENCE FROM INDONESIA**

( vi + 44 pages; 9 tables)

This research focuses on whether corporate liquidity in a company is affecting the probability of it being a *bidder,* especially when there is *tunneling* present. *Corporate liquidity* is represented by the *cash holding* or *excess cash* in a company. *Cash holding* is calculated using *the fixed effects model*. The probability of being *bidder* which is the M&A decision is determined by using a dummy variable using probit regression model. The sample used 240 listed company in Indonesia Stock Exchange (IDX) within the period of 11 years (2006 – 2016) with the total observations of 2640. The model used in this research is determined using the Hausman test, and chow test. The diagnostic test conducted in this research is heteroskedasticity, autocorrelation, and cross dependence, with heteroskedasticity for probit model using bootstrap.

The result obtained from this research shows that the probability of being a *bidder* would decrease with the level of excess cash held. *Tunneling* also does not add more effect in the probability of a company being a *bidder*. This differences might be due to the difference in accounting standards used.

Reference: 39
**Keywords:** ***cash holding, corporate liquidity, excess cash, tunneling***