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Impact of The Announcement of Unusual Market Activity in Indonesia Stock Exchange

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ABSTRACT

The purpose of this study is to empirically prove the information content of unusual market activity announcements by hiding how the capital market thinks before and after an announcement to the market whether the objectives of the Indonesian Stock Exchange have been achieved. This research is an event study with an observation period of 5 days. This study used a purposive sampling technique in taking samples using the one sample T-test as a method of data analysis. This study covers 2021 with 228 announcements of Unusual Market Activity, observations on the Indonesian Stock Exchange (IDX). Based on the results of the analysis, the change in abnormal returns that occurs indicates that the market has responded to this announcement mechanism. Investors responded quickly to the announcement of Unusual Market Activity. This can be seen from the decrease in abnormal returns after the announcement, which previously experienced an increase as a result of unusual price movements. The aim of the Indonesian Stock Exchange to restore new efficiency with this Unusual Market Activity announcement mechanism has been achieved. This study is the first to exclusively select a post-covid-19 year, 2021, and use the event study method. New insights into this are providing useful information for investors, academics, policy makers and other stakeholders

INTRODUCTION

Investing in the capital market is an alternative for people who want to invest their excess funds which can simultaneously drive the economy in a country (Sari & Gayatri, 2021). In fact, the capital market has become the financial choice of the modern business world. In fact, the modern economy does not exist without a well-organized capital market (Ashraf, 2020). For public companies selling shares to investors is a way of obtaining capital from outside the company to carry out business activities (Br Sitepu et al., 2020).

One of the goals of investors investing is to get a return. Without a level of profit enjoyed from an investment, of course investors will not invest, so all investments have the main goal of getting a return (Br Sitepu et al., 2020). With the increasing returns received by shareholders, it will be a special attraction to continue to invest their shares in the company. This will encourage an increase in stock

prices which will ultimately increase the stock returns that will be received by investors (Rahmadhani, 2019).

KSEI Main Director Uriep Budhi Prasetyo said, the growth in the number of stock investors is one sign of the achievement of the Indonesian capital market. The number of local investors which continues to increase significantly, especially during the COVID-19 pandemic, is a sign that the Indonesian people are increasingly aware of the importance of investing and are making the capital market an alternative way of investing. Seeing its development, since 2021 the number of stock investors has increased by 15.96% from 3.451.513 at the end of 2021 to 4.437.649 in 2022 (KSEI, 2022).

However, various conditions can affect investment decisions, one of which is Covid-19 which has a major impact on health, politics, and the world economy including Indonesia (Liu et al., 2021). The ongoing epidemic of the coronavirus, labeled COVID-19, broke out in Wuhan, China in early December 2019. On March 11, 2020, the World Health Organization (WHO) declared the coronavirus a pandemic, which has become one of the deadliest infectious diseases in history. humans (WHO, 2020). In response to this health crisis, the emerging coronavirus literature confirms that the behavior of stock market investors is characterized by unprecedented volatility during the COVID-19 crisis, namely high price volatility where prices can experience sharp increases or decreases, this phenomenon is known as the "bubble theory" (Febrioni, 2018).

Of course, almost all parties do not want this to happen because once a crisis often erupts suddenly, recovery from a crisis often takes a long time (Firdaus, 2020). Therefore the IDX (Indonesian Stock Exchange) issued Unusual Market Activity (UMA) regulations relating to preventing the emergence of irrational prices on the stock market, where in this study the authors only focused on UMA regulations. According to the Indonesia Stock Exchange, UMA is trading activity and/or unreasonable movement of securities prices within a certain period of time at the Exchange which in the opinion of the Exchange has the potential to disrupt the implementation of orderly, fair and efficient securities trading.

In recent years, UMA announcements have increased significantly, especially in 2021. There were 228 announcements during 2021 which was the highest number of UMA announcements, when compared to the IHSG chart it looks stable compared to 2020 which had decreased due to Covid-19. An increase in UMA announcements can bode well for the Indonesian capital market because it shows an increase in capital market trading (Anas & Nugroho, 2017). This is also a sign that the economic situation in Indonesia is getting better from year to year (Ben-Ahmed et.al., 2022). Therefore, it is important to have policies that allow for maintaining market efficiency and UMA announcements are one of the regulatory tools for maintain an efficient market.

The UMA announcement does not necessarily indicate a violation in the capital market (Mas & Yasa, 2020). Generally, stocks that enter UMA are stocks that have experienced a sharp increase or decrease in a certain period of time. According to the regulations of the Indonesian Stock Exchange, the current policy regarding the increase and decrease in shares is carried out in accordance with the applicable Decree of the Board of Directors Number Kep-00061/BEI/07-2021. If the share price ranges from IDR 50 – IDR 200, then the limit is 35% increase and 7% decrease in price within a day. If the share price ranges from IDR 200 – IDR 5.000, then the limit is 25% increase and 7% decrease in price within a day. If the stock price starts from IDR 5.000, then the limit is 20% increase and 7% decrease in price within a day.

Shares that are included in the UMA list will make the company issue a statement or confirmation because the IDX also asks the company for confirmation regarding the entry of their shares in the UMA. After issuing the confirmation, you can see further how the company works. If the company is open and provides clarity on what is happening, in the future it is very likely that the shares will be removed from the UMA list. It's different if the company doesn't provide any information and shuts down, it should be considered to continue investing in the company because it doesn't rule out the possibility that shares that enter UMA will then be suspended in the near future, especially if the movements are considered unusual.

However, it should be noted that not always companies that are declared UMA will definitely be suspended. It is possible that UMA's status is no longer attached to the company, if during subsequent stock trading the share price moves normally again (Siong-yain, 2021). In line with the objective of the UMA announcement, one of which is to provide comprehensive information and restore an orderly, fair and efficient market order. The creation of an orderly, reasonable and efficient market order cannot occur if market players do not react to this announcement (Rachman, 2018).

The response or reaction of market participants can be measured using the abnormal return component which represents the information content and the occurrence of market reactions. Abnormal return is the excess of the actual return over the normal return. Normal return is the return expected by

investors (Artama & Wirakusuma, 2018). So, abnormal return is the difference between the actual return and the expected return. Besides being able to indicate the information content of abnormal returns related to published information, it can also be a component of measuring the efficiency of a semi-strong market form. This efficiency measurement is carried out by looking at how quickly the market absorbs abnormal returns that occur to create a new equilibrium point (Dai & Zhu, 2021).

Previous research related to UMA announcements showed different results, such as research by Anas and Nugroho (2017) in their research on the impact of UMA announcements on the capital market, which concluded that UMA succeeded in achieving its goals and maintaining abnormal returns in increasing conditions with a significant impact around the announcement. Meanwhile, in declining conditions, UMA cannot be said to have succeeded in influencing abnormal returns directly, in contrast to Kurniawan (2017) research showing that there was a significant market reaction that was proxied by abnormal returns and trading volume activity around the UMA announcement date. The results of the different test also show that there is a difference in the average abnormal return and trading volume before and after the announcement of Unusual Market Activity (UMA). Research that has a similar theme is Geng and Lu (2017) which states that there is no change because the price spike invites new irrational investors so it does not cause price changes. Then research by Yain & Liew, (2019) overall findings show that the UMA public query system can be an effective market intervention mechanism in increasing information certainty and efficiency.

UMA announcements have an important role in maintaining order, fair and efficient trade through early warning mechanisms, but also because research on UMA announcements has not been carried out much since UMA was implemented in Indonesia, especially after Covid-19. So this research uses data for 2021 with the aim of being able to provide up-to-date information regarding market reactions with the presence of UMA because in 2021 there will be the highest UMA announcement as long as there is UMA and in the same year the IHSG is on a fairly stable chart. Then, practically this research will provide useful information for policy makers, encourage investors to make UMA announcements one of the basic considerations in making decisions.

METHODS

The population for testing the hypothesis of this research is all the Unusual Market Activity of company shares on the Indonesia Stock Exchange which are included in the classification that have gone public consistently from 2008 to 2022 totaling 1,390 companies. The sampling technique used was purposive sampling. The criteria used for determining the sample are shares traded during the 2021 research period, namely:
1. Companies that are actively listed and included in the UMA list on the Indonesia Stock Exchange (IDX) during the 2021 period.
2. Complete data regarding stock prices during the study period of Unusual Market Activity announcements.

There were 228 shares announced in the Unusual Market Activity category throughout 2021, all shares according to the specified criteria.

Variable Operational Definitions
In this study the operational definition of the variable in question is as follows:

Unusual Market Activity
Unusual Market Activity seen from market reactions is measured by abnormal returns using the event study method, the time span is 2 days before the announcement, 1 day when unusual market activity is announced, and 2 days after the announcement, counting from the stock exchange's active working period. The observation time span was determined for 5 days to avoid other events that could affect the events being studied.

Abnormal Returns
Returns can be in the form of realized returns that have occurred or expected returns that have not occurred but are expected to occur in the future. In this study the abnormal return equation according to (Jogiyanto, 2017: 667) is as follows:

$$AR(R_{i,t}) = R_{i,t} - E(R_{i,t})$$

Information:

$AR(R_{i,t})$ = Abnormal return of stock i on day t

$R_{i,t}$　　= Actual return of stock i on day t

$E(R_{i,t})$ = Expected return of stock i on day t

Realized return can be obtained from the difference between the current stock price and the previous stock price. The share price used is the daily closing price, which is 2 days before, 1 day at the announcement and 2 days after the UMA announcement date. Realized return is formulated by the equation:

$$R_{i,t} = \frac{P_{i,t-} P_{i,t-1}}{P_{i,t-1}}$$

Information:

Ri,t = Return now

Pi,t = Current share price

Pi,t-1 = Last period stock price

Calculation of the expected return in this study was carried out by estimating the expected return using the Mean-adjusted Model. This mean-adjusted model assumes that the expected return has a constant value equal to the average of the previous realized returns over the estimation period, as follows:

$$E[R_{i,t}] = \frac{\sum_{j=t1}^{t2} R_{i,j}}{T}$$

Information:

E[Ri,t] = expected return of the I-th security in the t-event period,

Rij = realized return of the I-th securities in the j-th estimation period

T = the length of the estimation period, namely from t1 to t2

Data analysis technique

The data analysis technique used in this study is a descriptive statistical analysis method used to describe the data that has been collected. Descriptive statistics provide an overview of the variables used in this study, announcements of unusual market activity which can be seen from market reactions and then measured using abnormal returns. Before testing the hypothesis, the normality of the data is tested first. The data studied must be known whether normally distributed or not, so that it can be used to determine the test equipment used in hypothesis testing. Apart from the above research is supported by the Central Limit Theorem (CLT) which is one of the most important theorems in statistics and probability. In other words, it does not require a lot of information about the actual distribution of variables, a lot of information about the actual distribution of variables, provided that there are enough samples and the numbers can be distributed normally (Morissan, 2016). Tests carried out for the hypothesis in this study used the One Sample T-Test (Ghozali, I, 2018). This test was conducted to see if there was an average abnormal return reaction around the UMA announcement date.

RESULTS AND DISCUSSION

Because this research only looks at reactions indicated by abnormal returns, it does not separate positive abnormal returns or negative abnormal returns so that the data can be converted into absolute values or absolute values, namely the value of a real number without a plus (+) or minus sign. (-) as follows (Jogiyanto, 2017):

Relative Return = Total Return + 1

Table 1. Abnormal Return Descriptive Statistics

Periode	N	Min	Maks	Rata-Rata	Deviasi Standar
-2	228	0.7505	1.3507	1.0797	0.1079
-1	228	0.8135	1.3498	1.1410	0.1133
0	228	0.7960	1.3587	1.1621	0.1098
1	228	0.8082	1.3451	1.0177	0.1273
2	228	0.7251	1.3398	0.9974	0.0900

Table 1 explains that there are 228 observed data (N) for all observed variables, Abnormal Return (AR) for the period before the UMA announcement date, namely H-2, produces an average value of 1.0797, an increase in the average abnormal return on H-1 to 1.1410. Again, there was an increase in the average AR value at the time of the UMA announcement of 1.1621. This was because the UMA announcement was published after the trade ended, so the reaction occurred in the next trade after the UMA announcement date, in line with research conducted by Berkman and Truong (2009). titled Event Day 0? After-Hours Earnings suggests that if the time of the announcement is not available, the abnormal return, volume and volatility in reaction to the announcement is measured through a window period covering the first trading day after the announcement to ensure that market response is related to the announcement after hours.

In contrast to the average abnormal return after the announcement of UMA H + 1 decreased to 1.0177 and H + 2 decreased again to 0.9974. Based on the existing figures, it can be seen that before the event date there was an unusual market reaction marked by an abnormal return so that the Indonesia Stock Exchange issued a UMA announcement, after the announcement of the Unusual Market Activity (UMA) there was a decrease in the average abnormal return, compared to the period before publication of Unusual Market Activity (UMA) announcements.

Table 2. Test Results One Sample T-test

Periode	t-Hitung	Signifikansi	Ket
-2	9,067	0,000	Signifikan
-1	15,537	0,000	Signifikan
0	18,899	0,000	Signifikan
1	1,709	0,089	Not significant
2	-0,407	0,684	Not significant

In table 2 it is shown that there was a reaction to the abnormal return at 3 days around the UMA announcement. The 3 days are divided into 2 days in the period before the announcement, namely H-2, H-1 and one day at the time of the UMA announcement. Based on these results, H_1 can be accepted that there was an unusual market reaction in the period before the announcement of the Unusual Market Activity by the Indonesia Stock Exchange while on H+1 and H+2 after the announcement of the UMA it was shown in the table that the Asymptotic Significance > 0.05, which means no unusual reactions. Then H_2 can be accepted that there is no unusual market reaction after the announcement of Unusual Market Activity by the Indonesian Stock Exchange.

Discussion of Research Results

In testing the hypothesis it was found that there was a reaction to the abnormal return at 3 days around the UMA announcement. The number of 3 days is divided into 2 days in the period before the announcement, namely H-2, H-1 and H = 0. The results of the hypothesis testing that has been carried out are able to answer the phenomenon that there is a market reaction that is proxied using abnormal returns before the announcement of unusual market activity. this is what underlies the UMA announcement issued by the Indonesia Stock Exchange because it is feared that this action could disrupt the regular, fair and efficient running of the capital market.

Unusual market activity announcements decreased from 1.11 to 1.00 after H+1 and H+2 of the UMA announcement. The fast market reaction in responding to UMA announcements indicates that the capital market in Indonesia is an efficient capital market, and the results are also able to support the Signaling theory put forward by Jogiyanto (2017) which states that information published as an

announcement will provide a signal for investors in making decisions. Investation decision. This means that the information contained in the UMA announcement has important meaning for investors. This also shows that the market makes information about unusual market activity (UMA) announcements as a reference in making investment decisions. announcement of UMA by the Indonesia Stock Exchange.

CONCLUSION

Based on the results of data analysis and discussion that has been carried out to answer the research problem formulation, it can be concluded that there was an unusual market reaction which was indicated by the presence of abnormal returns in the period before the announcement, namely H-1 and H-2. It can also be concluded that there is also a change in the average abnormal return that occurs in the period before and after the announcement of the Unusual Market Activity, that is, there is no unusual market reaction which is marked by a decrease in the average abnormal return when the UMA announcement is accepted by the market, or in other words the announcement UMA managed to negate the reaction that had occurred before.

Changes in abnormal returns that occur indicate that the UMA announcement mechanism is being responded to by the market. Investors responded quickly to UMA announcements issued by the IDX. This can be seen from the decrease in abnormal returns after the announcement, which previously experienced an increase as a result of unusual price movements. IDX's aim to restore new efficiency with this UMA announcement mechanism has been achieved. Therefore, in order to carry out the function of trading supervision, it is hoped that the Indonesia Stock Exchange will continue to use regulations related to the issuance of UMA announcements so that securities trading can be carried out in an orderly, fair and efficient manner. So investors need to pay attention to company shares that have been included in the UMA list and investors need to be aware that trading activities in the capital market have been carried out based on published information. This is intended so that the capital market community, such as investors, brokers and securities analysts, is more able and quick to adjust or anticipate this information in transactions on the capital market, so that investors are able to take advantage of this moment to gain an advantage in making investment decisions.

Some limitations in this study, namely UMA announcements are not classified based on an increase or decrease in stock prices. It is suggested for further research that will take the same theme. Unusual Market Activity announcements can be further classified into UMA announcements caused by a decrease in stock prices and an increase in stock prices if you wish to got the special characteristics of each type of UMA. Future research can use other statistical tools such as Eviews to show the same or different results when using different statistical tools. And this research only focuses on whether the objectives of the IDX regarding UMA regulations have been achieved, so that further research is suggested to be able to add observations not only to UMA regulations but to observe suspended stocks.

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