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THE MARKET REACTION IN THE MANUFACTURING SECTOR SHARE TO THE EVENT OF THE APPROVAL OF THE JOB CREATION LAW IN 2020

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ABSTRACT

This study aims to determine the Market Reaction to Manufacturing Sector Stocks on the Ratification of the Job Creation Law 2020. The population consisted of all manufacturing companies listed on the Indonesia Stock Exchange for the period 2020, and using purposive sampling selected 110 sample companies. The event study analysis technique was used in this study with an observation period of 21 trading days (10 days before and 10 days after) and a difference test was carried out before and after the event. The results of statistical tests on abnormal returns show that there is no significant difference in the average abnormal return before and after the event. This indicates that there is no market reaction and the efficiency of the capital market is in a semi-strong form. The results of statistical tests on trading volume activity show that there is a significant difference in average trading volume activity before and after the event. There is a market reaction based on the trading volume of the stock. The enactment of the Job Creation Law has an impact on the investment climate. This study implies that investors are expected to pay close attention to the conditions of capital market efficiency, price fluctuations and trading volume to be more careful in making investment decisions, especially in buying and selling shares.

Keyword: **Abnormal return, trading volume activity, event study, Job Creation Law**

ABSTRAK

Penelitian ini bertujuan mengetahui Reaksi Pasar Pada Saham Sektor Manufaktur Atas Peristiwa Pengesahan Undang-Undang Cipta Kerja Tahun 2020. Populasi penelitian terdiri seluruh perusahaan manufaktur yang terdaftar pada Bursa Efek Indonesia periode 2020. Sampel diperoleh menggunakan *purposive sampling* dan terpilih 110 perusahaan sebagai sampel. Penelitian ini menggunakan teknik analisis *event study* dengan periode pengamatan selama 21 hari perdagangan (10 hari sebelum dan 10 hari sesudahnya) dan dilakukan uji perbedaan sebelum dan sesudah event. Hasil uji statistik terhadap abnormal return menunjukkan bahwa tidak terdapat perbedaan rata-rata abnormal return yang signifikan sebelum dan sesudah peristiwa. Ini menandakan tidak ada reaksi pasar dan efisiensi pasar modal bentuk setengah kuat. Hasil uji statistik terhadap *trading volume activity* menunjukkan terdapat perbedaan rata-rata trading volume activity yang signifikan sebelum dan sesudah peristiwa. Terdapat reaksi pasar berdasarkan volume perdagangan saham. Pengesahan Undang-Undang Cipta Kerja berdampak pada iklim investasi. Penelitian ini mengimplikasikan bahwa investor diharapkan mencermati kondisi efisiensi pasar modal, fluktuasi harga dan volume perdagangan agar lebih berhati-hati dalam mengambil keputusan investasi khususnya dalam aksi jual maupun beli saham.

Kata kunci: ***Abnormal return*, aktivitas volume perdagangan, *event study*, UU Cipta Kerja**

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Introduction

Signal theory is closely related to information from an event. Signals that arise as a result of the issuance of an announcement are very important for investors, because investors need complete, accurate, precise, and timely information as a basis for analysis in decision making (Febriyanti, 2020). According to Basdas and Oran (2014) in Goker (2020) event study is the right way to examine the impact of

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economic, political, or social events on security prices with different performance measures. According to Tandelilin (2010) in Rahmawati et al. (2020) event study was conducted to see the effect of information arising from an announcement on stock prices. If an event contains information, the market is expected to react when the information has been received by the market.

The Job Creation Law was announced on October 5, 2020. The Job Creation Law is expected to stimulate re-industrialization in Indonesia and increase the contribution of manufacturing to the national gross domestic product (GDP) and is a manifestation of the government's effort to create a conducive business climate (Nurcaya, 2020). The content of the job creation law also strongly encourages investors to invest in the manufacturing sector. The principle of signal theory adopted in this study is the information on the announcement of the Job Creation Law which becomes a signal for market participants. With the information captured by investors, the information gap/information asymmetry can be reduced so that investment decisions are correct and the expected return is obtained.

Observations regarding the announcement date of the Job Creation Law on 3 stocks representing 3 manufacturing sector (idx.co.id and finance.yahoo.com), reviewed by the stock price 3 days before the Job Creation Law was ratified by the issuer of Gudang Garam Tbk (GGRM) from the consumer goods industry, Charoen Pokphand Indonesia Tbk (CPIN) from the basic and chemical industry sector, and Sri Rejeki Isman Tbk (SRIL) from the various industry sectors had an unstable trend, but 3 days after the Job Creation Law was ratified, the three issuers had an increasing stock price trend which indicated that the ratification of the Job Creation Law on October 5, 2020 was good news for investors.

In terms of stock trading volume per day, issuers GGRM and CPIN codes have an unstable trend both 3 days before and after the event occurred. Issuers with the SRIL code have a good trend with an increase in trading volume which always increases from 3 days before to 3 days after the event occurs. Research conducted by Hidayat (2018) did not find differences in abnormal returns obtained by investors before and after the 212 Peace Action Movement and King Salman's Visit events. Samosir and Prabowo's research (2019) with the Election event and Suryani and Rasmini (2019) found that there were no differences in abnormal returns and trading volume activity before and after the 2018 regional elections. In research, Ariyanto (2016) found that there was a positive abnormal return around the event date and the intensity of trade experienced a significant increase after Quantitative Easing by the United States Central Bank. Wahyuni and Sukmaningrum's research (2018) found significant differences in abnormal returns and trading volume activity before and after the announcement of PBI Number 18/16/PBI/2016 concerning Loan to Value (LTV) KPR.

Different research results were also found in the study of Manik et al. (2017) who did not find differences in abnormal returns in the periods before, during, and before the event but found differences in the average trading volume activity in the periods before and after the announcement of the Right Issue. This finding is supported by research by Pratiwi and Wirakusuma (2018) which did not find significant differences in abnormal returns before and after the event, but found differences in the average trading volume activity before and after the announcement

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of an increase in the benchmark interest rate by the Fed in the US. Saputra et al. (2021) also did not find differences in average abnormal returns but found differences in trading volume activity before and after during the Covid-19 in Indonesia. While research by Susanti et al. (2021) found a difference in the average abnormal return but not significant and there was an average trading volume activity before and after the Covid-19 Announcement in Indonesia (Event Study on IDXHIDIV20 Index).

The reason for the ratification of the Job Creation Law was chosen as the object of research because the Job Creation Law is a law that is included in the omnibus law or a law that regulates many things into one regulation under one legal umbrella and is the first time it has been implemented in Indonesia. However, in the course of the ratification of the Job Creation Law, there was a debate both among the public, especially workers and the political elite, causing uncertainty whether the Job Creation Law would make it easier for businesses to run in Indonesia. This has an impact on the accuracy of the information that will be received by investors for the basis of decision making so that it affects the capital market in Indonesia. The selection of the ratification of the Job Creation Law was also based on the fact that there was no research that tested the reaction of the capital market, especially the stock of the manufacturing sector, on the information contained in the incident, so that it is a novelty in this study.

This research is expected theoretically to add insight additional literature in the field of the Indonesian capital market which discusses regarding the reaction of the capital market from the information regarding the ratification of the Job Creation Law 2020. This research is also expected to be a related reference the use of event study analysis methods. In practice, it’s expected to provide insight and information to market participants so that when a political event occurs, market participants can analyze the existing information accurately as a basis investment decision making. Price changes are considered as signals and can be seen reflects the company's performance from market activity, more than it is associated with accounting profit.

Literature Review

Signalling Theory

Signaling theory was first put forward by Spence (1973) which explains that the sending party (the owner of the information) gives a signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor). Signaling theory explains management's perception of the company's future growth. This information is considered an important signal for investors and business people in making investment decisions.

Information that is shared as an announcement will provide a signal for investors in making decisions (Febriyanti, 2020). Signals that arise due to the issuance of an announcement are very important for investors, because investors need complete, accurate, appropriate, and timely information as a basis for analysis in decision making (Febriyanti, 2020). The principle of the related signal theory adopted in this research is the existence of information that becomes a signal for market participants. With the information captured by investors, the information gap/information asymmetry can be reduced.

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Influence on the capital market that occurs as a result of an event or condition basically contains information. The existing information content is then used by investors as a basis for making decisions when investing, so that investors will find out as much complete and accurate information as possible (Suganda, 2018). Existing information can be positive (good news) or negative (bad news), a positive reaction will occur if market participants perceive information as good news, and vice versa, if market participants perceive the information as bad news, there will be a negative reaction (Putra et al., 2020).

To test the presence or absence of information from an event that is captured by investors, an event study is necessary. If an event contains information, the market is expected to react when the information has been received by the market. Changes in stock prices reflect market reactions that can be empirically measured abnormally return as a parameter (Suganda, 2018).

Principles of related signaling theory in this study, there is information that signals investors in the capital market. With the information captured by investors, the asymmetry information can be reduced. Information shared as an announcement will provide a signal for investors in making decisions. One of the political events that occurred in Indonesia that was related to the economy, especially in the industrial sector and allegedly contained information that caused the capital market to react, was the ratification of The Job Creation Law (UU Ciptaker) which occurred on October 5, 2020. To find out the market reaction to information that is widely disseminated to market players, it is necessary to conduct an event study with abnormal returns and TVA as an indicator of assessment.

Efficient Market Hypothesis

Hartono (2018) explains that Fama (1970) categorizes three main types of forms of market efficiency, namely:

1. Weak form market efficiency. The market is said to be efficient when the prices of securities fully reflect past information.
2. Semi-strong form market efficiency. The market is said to be semi-strong efficient when the prices of securities fully reflect all published information, including information contained in the financial statements of the issuer company.
3. Strong form market efficiency. The market is said to be strong form efficient when the security prices fully reflect all available information, including private information.

The semi-strong form of market efficiency test was chosen as the test to be carried out in this research. The test is viewed from the published information (informationally efficient market) and is carried out using event study analysis, namely by looking at the difference in abnormal returns before and after the event occurs. In addition to using abnormal returns as a variable, the author also adds a variable to measure the difference in trading volume which is a variation in seeing the market reaction to the occurrence of an event. If the results of the study show a rapid market reaction in absorbing information and towards a new equilibrium price, it can be said that the Indonesian capital market is efficient in a semi-strong form because investors cannot use published information to reap profits in a long time.

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Abnormal Return (AR)

Abnormal return (abnormal return) is a calculation of the difference between realized returns and expected returns (Saputra et al., 2021). The formula for calculating abnormal returns is as follows (Hartono, 2018):

$$\mathbf{AR_{i,t}} = \boldsymbol{R_{i,t}} - \boldsymbol{E}(\boldsymbol{R_{i,t}})$$

Description:

$AR_{i,t}$: abnormal return of security i in event period t.

$R_{i,t}$: realized return for security i in the t-event period.

$E\ (R_{i,t})$: the expected return of security i in the t-event period

Trading Volume Activity (TVA)

TVA shows a comparison of the number of shares of a company traded on a certain day with the number of shares of a company outstanding in a certain time (Madani et. al, 2020). Here's the formula:

$$\boldsymbol{TVA_{i,t}} = \frac{\sum \textbf{\textit{shares i traded at time t}}}{\sum \textbf{\textit{shares i outstanding at time t}}}$$

Description:

$TVA_{i,t}$: *trading volume activity* shares i at time t

Research Method

Research design

This research includes comparative research, namely research that compares the state of one or more variables in two or more different samples, or at two different times (Sugiyono, 2015). Comparison is applied to see the difference between abnormal returns and trading volume activity before and after the ratification of The Job Creation Law (UU Ciptaker) which occurred on October 5, 2020 occurs or not.

Types of Data and Data Sources

Quantitative data, namely data in the form of numbers is the type of data used in this study. The source of the data taken is secondary data, namely data collected from other trusted parties. The data analyzed in the form of stock price data and trading volume of manufacturing companies' stocks.

Data Collection Method

The documentation method was chosen as the data collection method. The documentation method is a historical or past data collection method. Secondary data taken in the form of historical data on stock prices and trading volume of manufacturing companies from the Indonesia Stock Exchange and Yahoo Finance websites.

Conceptual and Operational Definitions of Variables

1. Trading volume activity (TVA)
   The comparison of the number of shares of a company traded with the number of shares of a company outstanding within a certain time is the definition of TVA (Madani et al., 2020). The formula for calculating TVA is as follows:

$$\boldsymbol{TVA_{i,t}} = \frac{\sum \textbf{\textit{shares i traded at time t}}}{\sum \textbf{\textit{shares i outstanding at time t}}}$$

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2. Abnormal return
   In the event study, the indicators set to test the information content and to test the efficiency of the semi-strong market are abnormal returns. Abnormal return itself is the difference in realized returns to the expected return (Hartono, 2018). Formula to calculate normal returns as follows:

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

   The model used to calculate the expected return is the market-adjusted model. The best predictor in estimating the return of a security in this model is the market index return at that time. In using this model, an estimation period is not required.

   The return index used in this study is the JCI. The following is the formula for using the market-adjusted model in calculating the expected return:

$$E[R_{i,t}] = R_{M,t}$$

   Description:
   $E[R_{i,t}]$: the expected return of the i-th security in the t-event period.
   $R_{M,t}$: JCI return in the t-event period.

Data analysis technique

Descriptive Statistics

Descriptive statistics are statistics used to analyze data by explaining the data that has been collected as it is without intending to make conclusions that apply to the public or generalizations (Sugiyono, 2015). The calculation of the mode, median, mean, calculation of the spread of data through the calculation of the mean and standard deviation is a measure in descriptive statistics.

Event Study

The analysis is carried out in processing and discussing the data obtained using event study analysis techniques. The steps in conducting event study analysis techniques are as follows (Elton et al., 2014):

1. Determine a sample of companies that have events to be studied.
2. Set the exact day or date and specify as day 0.
3. Determine the research period/window.
4. Look at the return of each company in period units (days, weeks, or months).
5. Calculating abnormal returns from returns that have been obtained.
6. Calculating the average abnormal return and TVA (Trading Volume Activity). For the entire sample is in period units (days).

The window period in this study is 21 days consisting of 10 trading days before the event, namely from September 21, 2020 (t-10) to October 2, 2020 (t-1), the day of the event (t0), and 10 trading days after the event. i.e. from October 06, 2020 (t+1) to October 19, 2020 (t+10).

Normality Test

The normality test was applied to test the variables or data used in the study had a normal or abnormal distribution. The data which is normally distributed has a normal/directed pattern distribution and is a requirement to perform a parametric-test and when our data is declared not normally distributed, then we cannot do the parametric-test.

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In this study, the type of normality test selected was the one sample Kolmogorov-Smirnov test. The sample is normally distributed if the significance value is more than the confidence level determined in this study, namely 95% or alpha (α) 5%. On the other hand, the sample is not normally distributed if the significance value is less than alpha (α) 5%.

Testing the efficiency of the semi-strong form of the capital market is carried out by observing the market reaction to the ratification of the work creation act. This is done by observing the normality of abnormal returns and activity. trading volume. Prolonged abnormal returns show that the capital market is not yet efficient in a semi-strong form.

Result and Discussion

Descriptive statistics

The market reaction observation window period is ten days before and after the ratification of the Job creation Law 2020. With the focus on observing abnormal returns, some information related to abnormal returns can be known (AR) per day. A negative AR value indicates that the actual return is more than lower than the expected return, otherwise if the AR value is positive indicates that the expected return is greater than the actual return, see the table 1 average abnormal return.

Table 1. Descriptive Statistics of Average Abnormal Return

t	*Minimum*	*Maximum*	*Mean*
t-10	-0.056975	0.049807	-0.003208
t-9	-0.056945	0.197579	0.001387
t-8	-0.065695	0.063100	-0.007383
t-7	-0.053675	0.069836	0.000041
t-6	**-0.090721**	0.227651	0.002770
t-5	-0.059230	0.139514	0.009692
t-4	-0.064173	0.105595	-0.002576
t-3	-0.067450	0.207917	0.006288
t-2	-0.087212	**0.312788**	-0.000927
t-1	-0.074609	0.154792	0.002521
t0	-0.075130	0.267307	0.001462
t+1	-0.076579	0.256210	0.002171
t+2	-0.071021	**0.337007**	0.005301
t+3	-0.076116	0.053193	-0.011705
t+4	-0.072326	0.059618	-0.002555
t+5	-0.075219	0.105404	-0.004304
t+6	**-0.077518**	0.108321	-0.011053
t+7	-0.076857	0.142204	-0.005312
t+8	-0.054786	0.234760	0.006989
t+9	-0.069104	0.303911	0.001964
t+10	-0.072983	0.066938	-0.003981

Source: Processed secondary data, 2021

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From table 1, it can be seen that the highest AR in the 10 days before the ratification of the Job creation Law 2020 occurred at t-2 and the lowest AR occurred at t-6. The lowest abnormal return occurs 6 days before ratification (long before the event date) indicates realized return is almost the same as expected return. Investors have not yet considered the important signal of an upcoming event. The highest abnormal return occurred 2 days before the ratification (closer to the event date) indicates the uncertainty and rumors going on in the market. Rising risk is reflected in the high expected return as well.

After ratification, the highest average AR at 10 days after the ratification of the Job creation Law 2020 occurred at t+2 and the lowest average AR occurred at t+6. The highest abnormal return occurred on the 2nd day of ratification (near after the event date) indicating that the market reaction is still continuing to the event that occurred and realized return is very different from the expected return. But in its development abnormal return decreased. The lowest abnormal return occurred on the 6th day of ratification (long after the event date) indicating realized return is almost the same as expected return. Investors no longer consider important signals of events that have occurred, so stock prices and are relatively stable and abnormal return is low.

Some information related to trading volume activity (TVA) per day, namely the TVA value indicates the liquidity of a stock. The company's stock with a higher TVA value indicates that the stock is more liquid. From table 2, it can also be seen that the highest average TVA occurred 10 days before the event occurred at t-1 and the lowest average occurred at t-9. The highest average TVA occurred 10 days after the event occurred at t+9 and the lowest average occurred at t+6. Table 2 is a descriptive statistical table of trading volume activity.

Table 2. Descriptive Statistics of Trading Volume Activity

t	Minimum	Maximum	Mean
t-10	0.000000	0.038301	0.001184
t-9	0.000000	0.022727	**0.000986**
t-8	0.000000	0.054399	0.001517
t-7	0.000000	0.019002	0.001133
t-6	0.000000	0.020017	0.001617
t-5	0.000000	0.062658	0.001929
t-4	0.000000	0.036657	0.001276
t-3	0.000000	0.015859	0.001147
t-2	0.000000	0.073285	0.003196
t-1	0.000000	**0.261647**	0.004524
t0	0.000000	0.144218	0.002901
t+1	0.000000	0.150522	0.003348
t+2	0.000000	0.098800	0.003489
t+3	0.000000	0.026104	0.001795
t+4	0.000000	0.101168	0.003214
t+5	0.000000	0.088717	0.002971
t+6	0.000000	0.022927	**0.001476**
t+7	0.000000	0.025686	0.002024
t+8	0.000000	0.024781	0.001872
t+9	0.000000	**0.089102**	0.003675
t+10	0.000000	0.058296	0.002745

Source: Processed secondary data, 2021

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Normality Test

The following are the results of normality tests related to abnormal returns and trading volume activity, see table 3.

Table 3. Normality Test Results of AAR and ATVA

Description	Sig	Conclusion
AAR Before	0.200	Normal distribution
AAR After	0.200	Normal distribution
ATVA Before	0.024	Not normally distributed
ATVA After	0.200	Normal distribution

Source: Processed secondary data, 2021

Average Abnormal Return (AAR) before and after the ratification of the Job creation Law 2020 are normal distribution. Normal distributed data indicates an even distribution, the curve will peak in the middle and slope on both sides with equal values. The benefits of data that are normally distributed are: can increase the objectivity of the assessment; can avoid the occurrence of bias or judgment that leans on one category only. Since both data are normally distributed, the test to be performed then using Paired sample t test.

Average Total Value Activities ATVA have different result. Data before the ratification of the Job Creation Law are not normally distributed, but after the ratification of the Job creation Ac are have normal distribution. Because one of the data is not normally distributed, the test that will be used is the Wilcoxon signed rank test, see table 4.

Table 4. AR Normality Test Results per Day

t	Day	Sig	Conclution
t-10	21/09/20	0.000022	Abnormal
t-9	22/09/20	0.000003	Abnormal
t-8	23/09/20	0.057974	Normal
t-7	24/09/20	0.000171	Abnormal
t-6	25/09/20	0.000000	Abnormal
t-5	28/09/20	0.000430	Abnormal
t-4	29/09/20	0.003931	Abnormal
t-3	30/09/20	0.000000	Abnormal
t-2	1/10/20	0.000000	Abnormal
t-1	2/10/20	0.000000	Abnormal
t0	5/10/20	0.000000	Abnormal
t+1	6/10/20	0.000000	Abnormal
t+2	7/10/20	0.000000	Abnormal
t+3	8/10/20	0.000000	Abnormal
t+4	9/10/20	0.000003	Abnormal
t+5	12/10/20	0.000000	Abnormal
t+6	13/10/20	0.000001	Abnormal
t+7	14/10/20	0.000002	Abnormal
t+8	15/10/20	0.000000	Abnormal
t+9	16/10/20	0.000000	Abnormal
t+10	19/10/20	0.000001	Abnormal

Source: Processed data, 2021

Table 4 shows that the t_{-8} data is normally distributed, other than daysthe data is not normally distributed. Normality test against abnormal return per day is carried out for the terms of the significance test abnormal returns per day. If the distribution is normal, the significance test uses the one sample t test. If not normally distributed using the one sample Wilcoxon signed rank test.

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AAR and ATVA Difference Test

The level of significance determined in the test is 0.05 or 5%. The following test results are generated, see table 5.

Table 5. AAR. Difference Test Results

	AAR_before - AAR_after
Mean	0.003
Std. Deviation	0.010
T	0.989
Sig. (Two-Sided p	0.348

Source: Processed data, 2021

Table 5 is the result of Paired sample t test against average abnormal return (AAR) to test the difference abnormal return before and after the ratification of the Job Creation Law in 2020. The result shows that the significance value is 0.348. Because 0.348 > 0.05; it can be concluded that there is no difference abnormal return before and after the ratification of the Job Creation Law in 2020.

Table 6. Results of ATVA Different Tests

	ATVA_ before - ATVA_ after
Z	-1.988
Asymp. Sig. (2-tailed)	0.047

Source: Processed data, 2021

Table 6 is the result of the Wilcoxon signed rank test against the average trading volume activity (ATVA) to test the difference in trading volume activity (TVA) before and after the ratification of the Job Creation Law in 2020. The result shows that the significance value is 0.047. Because 0.047 < 0.05, it can be concluded that there is a difference in trading volume activity (TVA) before and after the ratification of the Job Creation Law in 2020.

To find out the significance of AR per day, one sample t-test if the data is normally distributed, if not then use One sample Wilcoxon signed rank test. The test is carried out to find out if there are whether or not AR is significant when viewed based on daily data and market reaction speed. Based on table 4, the data are normally distributed only exists on t_{-8}. Therefore, the One sample t test is only carried out on the data t_{-8}, in addition to using the One sample Wilcoxon signed rank test. Results testing is in the table 7.

The test results showed that the significance of AR alternated from day to day. Significant AR occurred on D-6, d-5 and d-2 before the day of the event. Around the day of the event, AR was shown to be insignificant (t_{-1} to t_{+2}; t_{+4} and t_{+9}). On t_{+3} and t_{+5} to t_{+8} significant AR but getting away from the ratification of The Job Creation Law 2020 event.

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Table 7. AR Significance Test Results per Day

t	Day	Sig.	Conclution
t-10	21/09/20	0.630	There is no significant AR
t-9	22/09/20	0.693	There is no significant AR
t-8	23/09/20	0.002*	There is significant AR
t-7	24/09/20	0.708	There is no significant AR
t-6	25/09/20	0.003*	There is significant AR
t-5	28/09/20	0.002*	There is significant AR
t-4	29/09/20	0.534	There is no significant AR
t-3	30/09/20	0.160	There is no significant AR
t-2	1/10/20	0.004*	There is significant AR
t-1	2/10/20	0.831	There is no significant AR
t0	**5/10/20**	**0.295**	**There is no significant AR**
t+1	6/10/20	0.275	There is no significant AR
t+2	7/10/20	0.985	There is no significant AR
t+3	8/10/20	0.000*	There is significant AR
t+4	9/10/20	0.402	There is no significant AR
t+5	12/10/20	0.020*	There is significant AR
t+6	13/10/20	0.000*	There is significant AR
t+7	14/10/20	0.001*	There is significant AR
t+8	15/10/20	0.001*	There is significant AR
t+9	16/10/20	0.942	There is no significant AR
t+10	19/10/20	0.035*	There is significant AR

Source: Processed data, 2021

Discussion

Market Reaction

A significance value greater than alpha indicates that "there is no difference in abnormal returns before and after the ratification of the 2020 Job Creation Law". A positive t value indicates that the AAR 10 days before the ratification of the Job creation Law 2020 is greater than the AAR 10 days after the event. Both of these results indicate that the AR that is accepted by the market is decreasing. Statistical results show that the ratification of the Job Creation Law 2020 contains information. The content of this information is negative, marked by a negative market reaction with a decrease in AAR 10 days before the event and 10 days after the event, which means that the ratification of the Job creation Law 2020 is considered bad news. The market reaction that occurred to the ratification of the Job creation Law in 2020 was not significant, as indicated by there was no difference in AAR before and after the ratification of the Job Creation Law 2020 in a sample of companies in the manufacturing sector.

The results of the AR significance test per day in table 8 also show that there is no significant AR per day for 10 days and at t-1, t0, t+1, and t+2 respectively, there is no significant abnormal return which indicates fair market price. From table 7 it can also be seen that the market is efficient in the semi-strong form because although there is a significant abnormal return on certain days, the abnormal return does not last for a long time. The empirical results explain that the information on the ratification of the Job creation Law 2020 which has been circulating for a long time is a signal for investors that investors can anticipate properly, causing price changes in the market to quickly and accurately adjust related to these events.

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Jones (1998) explains that if the information provided is free and investors are able to obtain it simultaneously, then investors respond quickly and accurately to the new information, the market can be said to be efficient. The theory is in accordance with the circumstances at the time of the incident, namely information related to the ratification of the Job creation Law 2020 can be easily accessed by investors and the results of AR statistics per day which show 10 days of AR are not significant. According to the efficient market hypothesis described by Fama (1970) the market can be categorized as efficient in the semi-strong form because it can absorb historical information and the latest information quickly so that investors cannot reap profits in the long term.

Beaver (1986) states that the capital market is called efficient if and only if the price of securities is as if everyone is observing a signal from an information. In an efficient capital market, it will be very difficult for investors to get abnormal returns (Wahyuni and Sukmaningrum, 2018). Because the market is efficient because information is widely distributed to all investors and the price of having the information is not expensive and investors react quickly so that a new equilibrium price is formed (Hartono, 2018). The results of daily AR statistics which show that investors do not receive AR continuously and for a long time, support the theory of semi-strong form of capital market efficiency.

Research Madani et al. (2020) found that there were significant differences in abnormal returns for growing companies before and after the event. In Wahyuni and Sukmaningrum's research (2018) it was found that there were significant differences in average abnormal returns before and after the event. Differences in abnormal returns were also found in Ariyanto's research (2016) in this study found significant differences in positive abnormal returns around the date of the event. Research findings state that there is no difference between before and after the ratification of the job creation law. This is contrary result from previous studies. Riel condition show that job creation law has indeed been the subject of discussion and debate in the community for several years, especially regarding politics and employment. This is not new information for investors and is not directly related to investors' activities in the capital market. Judging from the presence of inconsistent abnormalities during the window period, this indicates that the ratification of the Job Creation Law 2020 not considered an important signal for investors. The announcement was not reacted by the market.

The reaction of investors who are proxied by the significant abnormal return that occurs far from the ratification day can occur because of the rumors that develop and the uncertainty that occurs. However, the insignificant abnormal return around the ratification of the job creation law, indicates that it is not considered an important signal and does not react to the announcement of the ratification of the job creation law. This finding can be an indication and support for the efficient capital market theory of the semi-strong form of Fama, it can absorb historical information and the latest information quickly so that investors cannot reap profits in the long term. Jones (1998) explains that if the information provided is free and investors are able to obtain it simultaneously, then investors respond quickly and accurately to the new information, the market can be said to be efficient. Related with theory of Jones, job

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creation law has indeed been the subject of discussion and debate in the community for several years, especially regarding employment, so it is not as new information and all investor have understood this event. Investor have anticipated to the ratification of Job creation law. Significant AR again a few days after the announcement of the ratification of the job creation law may occur due to rumors or other events. In an efficient capital market, it will be very difficult for investors to get abnormal returns (Beaver, 1986). This research finding prove that there are no abnormal return on several days around the day of ratification.

The research findings support the research of Manik (2017) who did not find differences in abnormal returns in the period before, during, and after the event. This finding is supported by the research of Pratiwi and Wirakusuma (2018) which did not find significant differences in abnormal returns before and after the events. Saputra (2021) also found no difference in average abnormal return. Base on Abnormal return analysis, the results of this study prove that events that affect one sector in a country, especially Indonesia, such as the political, health, tourism/sports sectors do not necessarily affect the capital market. The ratification of the Job Creation Law 2020 in fact did not cause a reaction in the Indonesian capital market, especially in the manufacturing sector. The easy and free dissemination of information as well as the fast and precise response of investors have made the stock price in the market fair so that the market can be categorized as efficient (support Fama, Beaver and Jones theries).

***Trading Volume Activity* (TVA)**

A significance value that is smaller than alpha indicates that "There is a difference in trading volume activity (TVA) before and after the ratification of the 2020 Job Creation Law". A negative value on Z indicates that the ATVA 10 days before the ratification of the Job Creation Law 2020 is smaller than the ATVA 10 days after the ratification of the Job Creation Law 2020 and after the ratification of the Job Creation Law in 2020 for manufacturing sector companies and the market reaction based on stock liquidity was positive because there was an increase in the sale and purchase of shares marked by an increase in the value of ATVA from before to after the ratification of the Job Creation Law in 2020.

Theoritically, Trading Volume Activity (TVA) is an indicator that can be used to see the reaction of the capital market to information circulating in the capital market by using stock trading volume activity as a parameter. Trading Volume Activity (TVA) is often used as a tool to measure stock liquidity. If the volume of shares traded is greater than the volume of shares issued, the more liquid the shares are so that trading volume activity increases. Base on the change in trading volume activity, the research findings support the theories that the market reacts to the event.

Main focus of theory signaling is communicating the actions taken by the internal company that cannot be observed directly by parties outside the company. The information can be useful for outsiders especially investors when they are able to capture and interpret the signal as a positive signal or a signal negative (Brigham, 2016). To test the presence or absence of information from an event that is captured

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by investors, an event study is necessary. If an event contains information, the market is expected to react when the information has been received by the market. Changes in stock prices reflect market reactions that can be empirically measured abnormally return as a parameter (Suganda, 2018).

Referring to the increase in ATVA starting at t-2 to t-1 which previously tended to be stable then at the time of the event there was a decrease in ATVA and then fluctuated. An increase in TVA indicates that the stock price is at a reasonable price and also indicates that market conditions will improve. The increased buying and selling of shares can also be interpreted that investor react and want to get abnormal returns because one of the motivations for short-term investment is to get capital gains.

The research findings support to the study of Manik (2017), Pratiwi and Wirakusuma (2018), Saputra (2021), and Susanti (2021 that found differences in the average trading volume activity in the periods before and before the event. Tests of market reactions based on differences in trading volume activity prove that there is a market reaction to the ratification of the Job Creation Law in 2020. The market reaction that occurred was significant because there was a difference in TVA before and after the ratification of the Job creation law 2020 on sector companies manufacturing. Market reaction based on stock liquidity is positive due to an increase in the sale and purchase of shares marked by an increase in the value of ATVA from before to after the ratification of the Job Creation Law 2020.

Conclusion

Based on the research results that have been described, there are several conclusions as follows:

1. There was no difference in abnormal returns before and after the ratification of the 2020 Job Creation Law. This indicates that the 2020 Job Creation Law has been anticipated by investors because of the ratification of the Job Creation Law.
2. There were differences in trading volume activity before and after the ratification of the 2020 Job Creation Law. Base on trading volume activity, it proves that there is a market reaction to the ratification of the Job Creation Law in 2020.
3. The capital market can be categorized as a semi-strong efficient capital market because there is no difference in abnormal returns before and after the ratification of the Job Creation Law.

Limitation

Many events occur together or stand-alone and from minute to minute on capital markets as well as political, economic and other events. These events will be considered as positive or negative information and signals for investors. It is therefore difficult to limit the observation and analysis of one stand-alone event. This becomes an obstacle in concluding research findings.

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Suggestion

1. This research is expected to increase knowledge and as an additional literature on event study that discusses regarding the reaction of the capital market from information related to the ratification of the Job creation law 2020. Further event study research is expected to be able to examine other events that greatly impact investment decisions and there is a significant market reaction.
2. When a political event occurs, market participants can analyze the existing information accurately as a basis making investment decisions and not rushing in make a buy or sell action

Implication

This research is expected to be an addition to the literature on the Indonesian capital market which discusses the reaction of the capital market to the relevant information of the ratification of the Job Creation Law in 2020. This research is also expected to be a reference regarding the use of event study analysis methods. The results of this study are expected to be able to add insight and information to market participants so that when a political event occurs, market participants can analyze the existing information accurately as a basis for making investment decisions and not rush into buying or selling.

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