

# Trading Activity Against Political Event (Event Study of the So-Called 212 Peaceful Demonstration)

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**Abstract - This study aimed to explain the reaction of the capital market against event (Event study) 212 demonstrations peaceful protest events against the share price of PT Nippon Indosari Corpindo Tbk in December 2016. It also aimed to analyze the level of Indonesian capital market. PT Nippon Indosari Corpindo Tbk. As one of the companies directly affected the event as the location of the research. The data used the daily closing stock price data, daily stock trading volume, and the number of outstanding shares obtained from the Indonesia Stock Exchange. By using a t-test analysis, the results of tests made clear that there was no significant difference in trading volume activity before and after their peaceful protest demonstration event 212. These were because the Indonesian people already familiar with the demonstrations that occurred in the country, so those market participants were calmer in dealing with the situation. The reaction of investors to the event in the Indonesian capital market was quite low indicates the level of efficiency of the Indonesian capital market was still weak.**

**Keywords: Abnormal Return, Trading Volume Stocks, EventStudy, Peace Action Event 212.**

## I. INTRODUCTION

Political events often lead to fluctuations in stock prices and trading volumes in the stock market. By looking at the stability of the political and security conditions of a country and the dynamic development of the economy, investors will be interested in investing, including buying shares resulting in rising stock prices. Conversely, if the security situation and political and economic instability, investors will sell shares caused the stock price to decline. The capital market obtains much information, such as information about the environmental conditions of micro and macro. There is the most fundamental requirement for investors to make decisions.

Events and information are affecting levels of capital market sensitivity to stock price and trading volume of shares that will have an impact on stock returns. The capital market efficiency can divide into three kinds, namely a stable form, semi-strong form and weak form [1]. The results of research on Indonesia capital market efficiency is still diverse. Khajar [2] showed the Indonesia Stock Exchange has been efficient in the weak form both in crisis and post-crisis period. Ady & Mulyaningtyas [3] showed that the level of Indonesia capital market efficiency was proficient in an ineffective way. Investors made the difficulty to get an abnormal return based on information from historical data. However, In general, based on a review of behavioral finance, the

efficient market hypothesis can not be proven optimal because the biased behavior of investors caused investors to act irrationally, thereby being overwhelmed by biased actions, both cognitively and psychologically [4].

On the other hand, to reduce bias behavior and increase calm in stock transactions, it was important to instill strong ethical values, thereby increasing the success of investing [5]. In markets with high levels of efficiency, the share price directly reflects information. Investors will make the possibility to receive an abnormal return. Event study analyzes abnormal returns of securities that may occur around the announcement of an event [6]. Also, the parameter movement in trading activity in the stock in the capital market even as reactions to information

Research on the capital market reactions to events caused by non-economic factors that occurred in Indonesia is exciting to do. Investors can purchase and sell stocks based on rumors and growing non-economic factors [7]. As was the case at the end of 2016 ago, Indonesia had experienced a political event with their peaceful protest demonstration of 212 that occurred in Jakarta on December 2, 2016. This event involves PT Nippon Indosari Corpindo Tbk, which is one of the Foreign Investment Company (PMA) engaged in the consumer goods industry sectors that are listed in the Indonesia Stock Exchange with an IPO on June 28, 2010. The Company received negative issues from society.

It stems from the slide of bread "Sari Roti" in the 212 peaceful actions. Some photos circulating on social media showed itinerant cart baker (hawker tricycle) reads "FREE TO Mujahid" is intended for the participants of the demo. PT Nippon Indosari Corpindo Tbk as the owner of the trademark. Sari Roti respond to the fray by clarifying to emphasize that they were not involved in the political action. Clarifications delivered the company in a release posted on the website its official [www.sariroti.com](http://www.sariroti.com), Tuesday (06/12/2016). Sari Roti had become a trending topic on Twitter sequence one time [8]. [detikFinance](https://twitter.com/detikFinance)/accessed 17 March 2017).

Study of correcting the market to an event is called an event study. Event study can also be used to test how fast the information responded by the investors and effect to a stock price. If in it there is critical information content

according to investors, investors will react positively or negatively according to the perception of investors about the content of the information. Various events, such as political events, economic, and so may have an impact on the capital market. [9]; [10]; [11]; [12]; [13]; [14] showed that the impact of political events on the capital markets by looking at their abnormal return obtained by investors during the period of the political activity. However, the results of the research [15], [16] showed no significant Abnormal Return on political events observed period. The results of different tests, this raises the interest to see and find the reaction and the information content of the political activity. Tests conducted information content to see the response to an event occurring. This study tried to photograph the peaceful protest 212 political developments in the company of PT Nippon Indosari Corpindo Tbk.

Based on the description of the above background, the objective of this study was to find out whether there were differences between the Trading Volume Activity (TVA) before and after the Peaceful Demonstration 212 events.

## II. LITERATURE REVIEW

### 2.1. Stocks

The Stock is a sign of ownership or possession of any person or entity in a corporation or limited liability company (Suhartono & Qudsi, 2009: 40). Each investor who invests in the stock, they must diligently monitor recent developments condition of issuers and observe the movement of shares as a whole. By holding the stock, investors expect to get a return. The factors that affect stock price fluctuations may come from internal and external factors. Internal factors include (Alwi, 2008: 87): a) Announcement of marketing, production, sales such as advertising, details of the contract, price changes, etc., b) Announcement of funding, such as announcements relating to equity and debt, c) Announcements of investment, as did the expansion of the factory, research development and closure of other businesses and so forth. Regarding the relationship between the dividend by the stock price, [19]; [20], found that the amount of the dividend does not affect the spread stock price, however [21] found that the average value of the stock price before the ex-dividend date and the average value of the stock price after the ex-dividend date was statistically significantly different. It indicates that there were a significant stock price movements during the two periods as a result of these observations dividend distribution announcement. However, the magnitude of the stock price changes was not statistically different from the value of the dividend per share to be distributed.

The external factors include a) the announcement of the government such as changes in interest rates on savings, time deposits, foreign exchange rates, inflation, etc. b) Announcement of the securities industry, as reported annual meetings, insider trading, stock trading volume, restrictions/delay trading. c) the domestic political turmoil and fluctuations in the exchange rate was also a significant factor in the movement of stock prices on the stock exchange of a country, d) Various issues both at home and abroad, and so forth. Research Jannah [22] indicate that the interest rate did not have a significant impact on investment

decisions., [10], [11], [12] shows that the effect of political events on the capital markets by looking at their abnormal return obtained by investors during the period of the political game. However, the results of the study [15], [16] showed no significant Abnormal Return on political events observed period.

### 2.2. Trading Volume Activity (TVA)

Trading Volume Activity (TVA) is a measure of whether the announcement issued by the company relating to the increase in the volume of trading activity of the company concerned at the time of the report. TVA is measured with a formulation as follows:

$$TVA_{it} = \frac{\sum \text{stock } i \text{ traded period } t}{\sum \text{stock } i \text{ outstanding period } t}$$

### 2.3. Capital Markets

Capital markets according to Law No. 8 In 1995 is the activity concerned with the public offering and trading of securities, public companies related to the issuance of securities, as well as institutions and professions related to securities. The efficiency of the capital market is one indicator to determine the quality of the capital market. The higher the degree of energy, the quality of the capital market will be better. Efficient capital markets are capital markets that the prices of securities reflect the relevant information. The efficiency of the capital market to consist of three forms: [1]:

- a. Weak structures, Efficient in weak forms states that stock prices reflect all available historical information.
- b. Semi-strong form, in the way of the semi-strong market stating that prices reflect not only historical information but also all of the report published.
- c. Strong form, an efficient capital market in the stable form stating that all relevant information (historical, available reflected in stock prices.

The buffet in [23] states that the price movements in the stock market are a psychological movement of investors. The evolution of stock prices are rising (bullish) indicates investor expectations are optimistic about prospects, and movement of stocks declining (bearish) indicates market pessimism. [24] showed that psychological factors determine the success of investing in capital markets and proper emotional management will make investors more rational, minimizing fear and greed, so that reduces the biased behavior of psychological and cognitive in investing.

### 2.3. Event Study

According to Peterson (1989), an event study is an observation of the movement of stock prices in the capital market to find out the abnormal returns by investors resulting from a particular event. In testing the efficiency of capital markets, event study used to determine whether abnormal returns that occur after the event previously estimated and used to measure how much influence the events of the activity in the capital market. Besides, studies using event study can also be used to test the information content of a game or announcement.

## 2.4. Hypothesis

The Hypothesis of this research was There was a difference Trading Volume Activity (TVA) before and after the Peace Demonstrations 212 events dated December 2, 2016.

### III. METHOD

This study using the event study method with a case study of one company, PT Nippon Indosari Corpindo Tbk. Event study in this study aims to determine the investors' reaction to an event, the Peace Demonstrations 212 event dated December 2, 2016. The phenomenon was appointed to look at the effect of a game on the price of shares PT Nippon Indosari Corpindo Tbk in the Indonesian Stock Exchange by observing trading volume activity.

The observation period was 42 days of exchange which was into two periods, namely the estimation period and the period of occurrence. The estimation period for 21 days, from T-31 to T-11. The period of existence for 21 days period, which consists of 10 days before the event (pre-event), one day at the time of the incident (event date), ten days after the game (post-event).

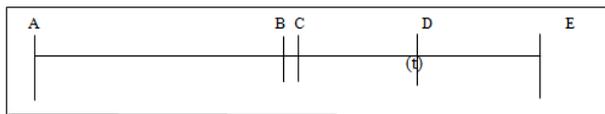


Figure 1. Research Estimation Period

Where:

- A. initial estimation period (t-31) dated 20 Oktober 2016
- B. the end of the estimation period (t-11) dated 17 November 2016
- C. start of the event period (t-10) dated 18 November 2016
- D. the event period (t) dated December 2, 2016
- E. the end of the event period (t + 10) dated 19 Desember 2016

Trading Volume Activity (TVA), by looking at the data of outstanding shares in the capital market during the study period that was period events during the 20 days, which consists of 10 days before the game (pre-event) and ten days after the fact (post-event).

The Hypothesis this research was "There were differences in Trading Volume Activity (TVA) before and after the Peace Demonstrations 212 events dated December 2, 2016". The steps of measures as follows:

1. Calculating the volume of stock trading activity  $i$  in period  $t$ , as follows:

$$TVA_{it} = \frac{\sum \text{stock } i \text{ traded period } t}{\sum \text{stock } i \text{ outstanding period } t}$$

2. Test difference in average trading volume activity sampled stock during the ten days before and ten days after the event by using *Paired Sample T-test* when the normal

distribution of data and test *Wilcoxon Signed Rank* if the not customarily distributed of data.

## IV. RESULTS AND DISCUSSION

Testing was done to determine whether there were differences in Trading Volume Activity (TVA) received by investors before and after the events. The study period started from before the event period T-10 (18 November 2016) to T-1 (December 1st, 2016) and after the event period T + 1 (December 5th, 2016) to T + 10 (December 19, 2016). Here were the results of testing hypothesis 1:

### 4.1. Descriptive Statistics

Table 1. Descriptive Statistics of Hypothesis

	N	Minimum	Maximum	Mean	Std. Deviation
TVA before event	10	.0000007	.0011637	.000493890	.0003149460
TVA after event	10	.0000001	.0009926	.000193610	.0003202816
Valid N (listwise)	10				

Source: Data processed

Table 1 showed the value of stock trading volume minimum, maximum, average (*mean*) and standard deviation in the ten days before the event and ten days after the game. Within ten days after the fact of the minimum value of trading volume amounted to 0.0000007, 0.0011637 its maximum value and the average (*mean*) of 0.000493890 with a standard deviation of 0.0003149460. While ten days after the event of a minimum amount of 0.0000001, 0.0009926 maximum value and the average (*mean*) of 0.000193610 with a standard deviation of 0.0003202816.

### 4.2. Normality Test

Before determining the analytical tools used, the first test data normality. Assuming seen from the indication of regularity where the data were normally distributed then utilize the *Paired Sample T-Test*, otherwise if the data were not normally distributed then used the *Wilcoxon Signed Rank* non-parametric test. If the probability  $> 0.05$  the data was expressed in a normal distribution, whereas if the possibility of  $< 0.05$  the data stated were not normally distributed. The result of normality test Data as follows:

Table 2. Normality Test of Hypothesis

Variable	Kolmogorov-Smirnov			Description
	Statistic	df	Sig.	
TVA before event	.185	10	.200	Normal
TVA after event	.325	10	.004	Abnormal

Source: Data processed

Table 2 illustrates the results of trading volume activity (TVA) data normality test. The result was indicating that the data was not reasonable because of the level of significance  $< 0.05$ . Thus the different test was used for hypothesis was the *Wilcoxon signed rank* test.

### 4.3 Wilcoxon Signed Rank Test

**Table 3. Wilcoxon Signed Rank Test of Hypothesis**

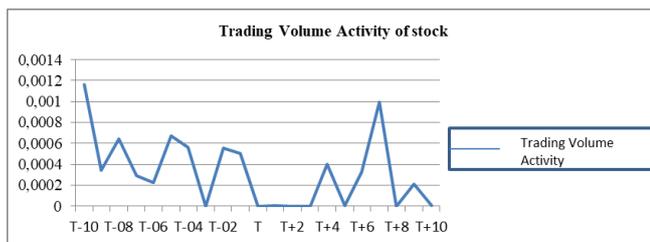
Test Statistics	
TVA after period – TVA before period	
Z	-1,886 <sup>b</sup>
Asymp. Sig. (2-tailed)	,059

Source: data processed

- a. Wilcoxon Signed Ranks Test
- b. Based on positive ranks.

Testing using the Wilcoxon Signed Rank test for normally distributed data. By using a significance level of 0.05, if sig.  $\geq$  0.05, the hypothesis was rejected, it means there was no difference between TVA before and after events. Conversely, if the value of sig.  $<$  0.05 then the hypothesis is accepted, which means that there was a difference TVA before and after events.

According to the table above, shows sig.  $>$  A was  $0.059 > 0.05$ . There were currently no significant differences between trade volumes before and after protest demonstration event 212. Here was a graph illustrating the volume of stock trading before and after the occurrence of 212 events a peaceful protest



Source: Data processed

**Figure 2. Trading Volume Activity Before and After the Event**

Figure 2. showed the movement of the TVA for ten days before, and ten after the event has increased and decreased. Activity volume of stock trading was used to see whether individual investors assess informative report or not and use it in buying or selling stocks that will benefit above normal (*abnormal returns*). Within ten days before the event (T-1 to T-10), the movement of TVA less stable, thus suspected that the issue of peaceful protest that will take place on December 2, 2016, in part contains information for investors who invest their shares in the Sari Roti company, so that the number of shares traded increased. Moreover, the other side most investors consider the absence of useful information so that stock trading volume has decreased.

In the period from T-1 to T-3 TVA movement has increased, while at T + 1 to T + 3 showed no progression of stock trading volume activity in the market. It indicates that the adverse reaction from investors due to their involvement in a peaceful demonstration Sari Roti 212 continues with the action #boikotsariroti bustling social media. Investors consider it as *bad news* that investors sell shares due to fears of uncertainties in the capital markets.

The absence of reaction in the equity markets significantly after the incident showed that investors in Indonesia were still not anticipated quickly the information it receives in the capital market, so there was no significant difference in the period before the event and after the fact.

The results of the research hypothesis which states that the insignificantly difference between the volume of stock trading before and after the event, according to the results of research conducted by Yudhanagara, (2010), Fiton, (2015) dan Pratama et al., (2015), [27], [28], [13], and [29]. However, this result was not consistent with studies conducted by [30] which showed that statistically there was a significant difference between the average TVA before and after the event. [14] had found that there were substantial differences between the average trading volume activity in the period at the time of after the game, but not significant in the period before-at the time event and before-after the event.

Market participants can use the trading volume in the stock market as an essential indicator. For this research was PT Nippon Indosari Corpindo Tbk's investors, Trading volume data will be used to provide a general overview of the market conditions and will help to predict the trend of future prices. Rising trading volume indicates an increase in trading activity undertaken by the investors in the capital market. The more information that is available and the sooner the information provided would facilitate investors in evaluating the portfolio of shares held. Because the data will create supply and demand by investors that led to the stock trading transactions. Changes in stock prices either increase or decrease will usually be correlated with the increase or decrease in the volume of trade. The decline in the amount of a particular pattern followed by a very high sales volume generally will mean that the market (stock) will experience *Bearish* (price declines).

## V. CONCLUSION

Based on the discussion in the previous chapter, the study aimed to analyze the abnormal return and Trading volume activity (TVA) with their event peaceful protest demonstration of 212 that occurred on December 2, 2016, resulted that there was no significant difference between TVA before and after events. Investors have not anticipated rapid market information so that the capital market did not react, it was no significant difference in TVA before and after the events Protest Demonstration 212. The reaction of investors to the game in the Indonesian capital market was quite low indicates the level of efficiency of the Indonesian capital market was still weak, especially for PT Nippon Indosari Corpindo Tbk's investor.

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