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Analysis of abnormal returns and trading volume activity before and after the announcement of the implementation of new normal

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ABSTRACT
The announcement of the New Normal implementation on June 1, 2020 is anticipated to serve as a pivotal moment poised to revitalize the previously sluggish Indonesian Capital Market during the COVID-19 Pandemic. The purpose of this study was to see whether there were differences in abnormal returns and trading volume activity between before and after the announcement of the implementation of the New Normal in Indonesia. This type of research is comparative quantitative research with an event study approach in hotel, restaurant and tourism companies. The population in this research is all company shares listed on the Indonesian capital market until 2020, totaling 711 company shares. The sample selection used purposive sampling, resulting in a research sample of 37 company shares. The observation period was carried out for 15 days, namely 7 days before, 7 days after, and 1 day of the New Normal event in Indonesia. The analysis technique uses Descriptive Statistics Test, Normality Test and Hypothesis Test. The results of the study show that there is no significant difference in abnormal returns and trading volume activity between before and after the announcement of the implementation of the New Normal in Indonesia. This proves that there is still information asymmetry between market participants regarding the announcement of the implementation of the New Normal in Indonesia which causes the market not to react to this event.

Keywords: new normal, abnormal return, trading volume activity

1. Introduction

The role of capital markets in a country is very important. The increasing importance of the role of the capital market in a country's economy results in the market becoming more sensitive to the factors that influence it. The Covid-19 pandemic is an event that can change the direction of capital market conditions.

At first the capital market in Indonesia did not really react to the emergence of the Covid-19 virus. However, with the increasing number of infections in the community, the capital market has reacted negatively or experienced a decline. The decline in share prices occurred in almost all listed issuers in all sectors.

New Normal is the hope for a turning point for the capital market in Indonesia. The New Normal policy was officially implemented by the government on June 1, 2020 [1]. However, because 01 June 2020 is a stock exchange holiday, the observation date is set on 02 June 2020. A positive response to the implementation of the New Normal in Indonesia was shown by the capital market. Since New Normal, capital market conditions have continued to improve, seen from the strengthening of the Jakarta Composite Index (IHSG). It was recorded that from 2 to 5 June 2020 there was an increase of 1.98% for 5 consecutive days [2].

Good capital market is an efficient capital market. An efficient capital market will provide comfort in making investments because share prices will be very reasonable. When the market is inefficient then the capital market is not a good place to invest. The efficiency of the capital market in Indonesia needs to be studied more deeply to determine whether the market

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is efficient or not. The New Normal event is very suitable as a basis for measuring market efficiency.

Abnormal return can be used as a benchmark for the response of the capital market. Positive abnormal returns occur when the actual return is higher than the expected return [3]. Vice versa, negative abnormal returns occur when the expected return is greater than the actual return. An efficient market is when there are no abnormal returns. The return obtained will be the same as the expected return [4]. Efficiency theory explains that in an efficient market there stock prices reflect all existing information, including internal information[5].

Capital market reactions to events can also be measured through trading volume activity [6]. Positive information will increase the number of purchases and sales of shares. Trading volume activity will follow changes in abnormal returns. When abnormal returns are positive, investors will be more interested and will increase trading volume[7]. The date of measurement of abnormal return and trading volume activity is calculated for 15 days when the market is open starting from May 18 2020 to June 11 2020. In terms of trading volume activity, there are still different research results.

The selection of hotel, restaurant and tourism companies as research objects was based on the impact of policies to deal with the Covid-19 Pandemic. Mitigation policies such as PSBB cause a decline in tourism which of course affects the performance of industrial companies. shares in the hotel, restaurant and tourism sectors are suitable as a basis for measuring capital market efficiency in Indonesia because this sector has been most significantly impacted by the Covid-19 pandemic. Previously, with the pandemic, shares in the tourism sector were not at all in demand because business operations in this sector were closed, indicating a sluggishness in shares on the stock exchange. With the New Normal, the hotel, restaurant and tourism sectors should experience a positive impact in accordance with the positive nature of New Normal events. By looking at the movement of abnormal returns and trading volume activity of shares, this sector is very suitable for measuring the efficiency of the capital market in Indonesia.

2. Method

Research design

This research is comparative quantitative research. This research starts from February 2023 to August 2023 on the Indonesian Stock Exchange via the website www.idx.co.id. The observation period was carried out for 15 days, namely 7 days before, 7 days after, and 1 day of the New Normal events in Indonesia, where the research was carried out on the Indonesia Stock Exchange (IDX). The date of measurement of abnormal return and trading volume activity is calculated for 15 days when the market is open starting from May 18 2020 to June 11 2020.

Data collection instruments

The data collection method in this study uses the documentation method, namely by viewing and recording data released by each sample company sourced from the official website of the Indonesia Stock Exchange and the data is based on a predetermined event window.

Participants/sample

The population in this study are companies registered on the IDX during the 2020 period. During 2020 there were 711 listed companies according to data on the IDX website by selecting a research sample using a purposive sampling technique with the following calculations.

Table 1. Research Sample Calculation

No	Descriptions	Amount
1	Companies listed on the capital market until 2020	711
2	Companies not registered with hotel, restaurant andtourism companies	(671)
3	Companies not listed in the event window	(2)
4	Companies that are less active during the event window	(1)
	Number of Research Samples	37

Source: Processed secondary data, year 2023

Based on Table 1, Sample of 37 issuer shares was obtained. During the research period and event window, there is one issuer's shares that are not active in stock trading

Data analysis

In this research, three types of data analysis were used, including Descriptive Statistical Analysis, classical assumption tests only carried out on the Normality Test, Paired Sample T-Test, and Wilcoxon Signed Rank Test Results.

3. Results and Discussion

Descriptive Statistics Test

Referring to the data Table 2, it can be seen from the average abnormal return that there was an increase from before to after the announcement of the implementation of the New Normal, from -0.0009024 to -0.0006151. This shows that there is an increase in the actual return compared to the expected return. This increase occurred because the market responded positively through an increase in abnormal returns following the implementation of the New Normal in Indonesia. On average, the average trading volume activity has decreased from before to after the New Normal, from 0.0352105 to 0.0232254. This shows that there was a decrease in share trading activity on the IDX for shares of hotel, restaurant and tourism issuers. This decline occurred because investors were still hesitant to reinvest in hotel, restaurant and tourism companies amidst the pandemic and preferred shares of companies operating in the health sector.

Table 2. Descriptive Statistical Test

	N	Minimum	Maximum	Mean	Std. Deviation
AAR Before	37	-0,01260	0,01369	-0,0009024	0,00349955
AAR After	37	-0,01311	0,00685	-0,0006151	0,00315737
ATVA Before	37	0,00000	0,83557	0,0352105	0,14183606
ATVA After	37	0,00000	0,35856	0,0232254	0,07426116
Valid N *(listwise)*	37				

Source: Processed secondary data, year 2023

Normality test

Table 3 shows that the normality test of AAR before and AAR after is normally distributed with a significance value above 0.05. AAR before New Normal produces a significance value of 0.114 and AAR after New Normal shows a significance value of 0.079. Normality testing of ATVA before and ATVA after showed that the data was not normally distributed. ATVA before and after New Normal produces the same significance value, namely 0.000. Referring to the test results, it is determined that hypothesis testing for abnormal returns will use the parametric paired samples t-test and for trading volume activity the non-parametric Wilcoxon Signed Rank Test will be used.

Table 3. Normality Test Results

			AAR Before	AAR After	ATVA Before	ATVA After
N			37	37	37	37
Monte Carlo Sig. (2-tailed)	Sig.		0,114^{d}	0,079^{d}	0,000^{d}	0,000^{d}
	99% Confidence Interval	Lower Bound	0,105	0,072	0,000	0,000
		Upper Bound	0,122	0,086	0,000	0,000

Source: Processed secondary data, year 2023

Hypothesis testing

1) Paired Samples T-Test

Based on the test results in Table 4 it shows the sig. (2-tailed) of 0.686 (0.686 > 0.05). These results explain that there is no significant difference in abnormal returns before and after the announcement of the implementation of the New Normal. Therefore, the results of the study concluded rejecting H1.

Tabel 4. Paired Samples T-Test Result

		df	Sig. (2-tailed)
Pair 1	AAR After – AAR Before	36	0,686

Source: Processed secondary data, year 2023

2) Wilcoxon Signed Rank Test

Based on the test results in Table 5, the Asymp results show. Sig. (2-tailed) of 0.481 (0.481 > 0.05). These results explain that there is no significant difference in trading volume activity before and after the announcement of the implementation of the New Normal. Therefore, the results of the study concluded rejecting H2.

Table 5. Wilcoxon Signed Rank Test Results

	ATVA After – ATVA Before
Z	-.705[b]
Asymp. Sig. (2-tailed)	0,481

Source: Processed secondary data, year 2023

Discussion

Differences in Abnormal Returns Before and After the Announcement of the Implementation of the New Normal

Hypothesis testing of abnormal returns before and after the announcement of the implementation of New Normal in hotel, restaurant and tourism companies was carried out using the Paired Samples T-Test. Table 4 shows the results of sig. (2-tailed) of 0.686 (0.686 > 0.05) which means there is no significant difference between abnormal returns before and after the announcement of the implementation of New Normal in Indonesia. These results explain that the capital market did not show a significant reaction to the implementation of the New Normal in Indonesia. This insignificant market reaction was due to differences in information views (information asymmetry) regarding the implementation of the New Normal in Indonesia among investors. Information asymmetry occurs because of the lack of uniformity in access to information between market players. Some investors have good access to information so they have sufficient information regarding the announcement of the implementation of the New Normal. On the other hand, some investors do not have access to information, so they do not have enough information. Due to gaps in information, the interpretation abilities among investors vary. Information about the implementation of the New Normal obtained by market players is interpreted differently by each investor. Some interpret it as good news or vice versa as bad news. This interpretation causes market players' decisions to also differ.

Another event, namely PSBB Phase I which was implemented by the government on April 10 2020, is still having an impact on investors' decision making to invest in the hotel, restaurant and tourism sub-sectors. Investors are still hesitant to invest, seeing the previous impact of PSBB Phase I on the sluggish capital market. Information regarding the Phase II PSBB policy which was implemented on September 7 2020 increased investors' doubts about reinvesting. Investors are afraid that the impact of improved market conditions during the New Normal will be destroyed again when PSSB Phase II is implemented by the government.

The results of this hypothesis testing are in line with signaling theory. Based on signaling theory, an event contains a signal or information for investors in making investment decisions. The announcement of the implementation of the New Normal which could change the condition of the company did not receive a reaction from investors in the form of an increase in abnormal returns. However, the test results show that investors received a signal that the implementation of the New Normal did not contain meaningful information. For investors, the announcement of the implementation of the New Normal will not significantly affect the condition of the capital market in Indonesia, especially in the market for hotel, restaurant and tourism issuers. This investor reaction is supported by the total AAR value which has changed but is not significant. Before the New Normal, the total AAR value was -0.03337, then rose to -0.02279. The increase was not significant, only amounting to 0.01058, apart from that the total abnormal return that appeared was still a negative abnormal return.

This research is in line with and supports the results of a study entitled Analysis of Abnormal Return and Trading volume activity Difference Before and After the Announcement of New Normal Implementation by President Joko Widodo: Study on LQ 45 in the Indonesia Stock Exchange[8] . The research results obtained were that there was no change in abnormal returns before and after the announcement of the implementation of New Normal in Indonesia. However, this research is not in line with the research entitled New Normal Covid-19: Capital Market Reaction. The test results prove that there is a significant difference in abnormal returns. However, the trading volume activity variable does not have a significant difference [9].

Differences in trading volume activity before and after the Announcement of the Implementation of the New Normal

Testing the hypothesis on trading volume activity before and after the announcement of the implementation of the New Normal in hotel, restaurant and tourism companies was carried out through the Wilcoxon Signed Rank Test. Table 5 shows the sig results. (2-tailed) of 0.481 (0.481 > 0.05) which means that there is no significant difference between trading volume activity before and after the announcement of the implementation of the New Normal in Indonesia. These results explain that the capital market did not show a significant reaction to the implementation of the New Normal in Indonesia.

This insignificant market reaction was due to differences in views regarding information about the implementation of New Normal in Indonesia among investors so that not all investors took the same action. If all investors have the same view, the ATVA value should experience a significant difference. The results of this test support the test on the abnormal return variable. Trading volume activity will be in line with the increase or decrease in stock prices or abnormal returns. In accordance with the test results, trading volume activity which does not experience differences is in line with abnormal returns which experience the same conditions.

The market did not act also because most investors chose not to invest in hotel, restaurant and tourism companies. Investors are still wary of investing in hotel, restaurant and tourism companies because tourism conditions are yet to show signs of improving. Investors still choose to invest in other industries which show stable conditions during the Covid-19 pandemic. Moreover, considering the condition of the Indonesian economy which is still in decline.

The wait and see attitude of investors adds to the factor of the market not acting. Investors are still waiting and watching the conditions of the capital market after the announcement of the implementation of the New Normal. Investors will assess whether their interpretation is the same as other investors by looking at changes in market conditions. However, because the investors were waiting for each other, the market conditions did not differ because investors were both hesitant to invest in hotel, restaurant and tourism companies. This resulted in the volume of investment there is no significant difference.

This investor attitude can also occur because investors have received information about other events that will occur. Investors have received issues related to Phase II of the PSBB

which is a policy of limiting community activities again, of course this will cast doubt on investors' decision making. This causes investors to wait and see other events or events that will affect the capital market at a time close to the implementation of the New Normal.
Efficiency theory explains that events will influence share prices which will later have an impact on decision making in selling or buying shares. The implementation of the New Normal has been able to form a new market equilibrium price, but has not been able to influence investment decisions. It can be said that the results of this test contradict market efficiency theory because the New Normal announcement event was only able to form a new equilibrium share price, not by influencing investors' investment decision making. This can be seen from the decrease in total trading volume activity before and after the announcement of the implementation of the New Normal.

This research is in line with research entitled Analysis of the New Normal Event Study on Share Prices on the Indonesian Stock Exchange in the Manufacturing company sub-sector[10]. The research results obtained were that there was no significant difference in trading volume activity in the period before and after the announcement of the implementation of the New Normal in the Manufacturing Sector. However, this is contrary to the results of research entitled Indonesian Capital Market Reactions Before and After the Announcement of the Implementation of the New Normal (Event study on State-Owned Companies Listed on the Indonesian Stock Exchange) [11]. The results of the study show that there are significant differences in trading volume activity before and after the announcement of the implementation of the New Normal.

4. Conclusion

Based on the results of research testing, it can be concluded, first there is no significant difference in abnormal returns between before and after the announcement of the implementation of New Normal in Indonesia. The results of this hypothesis testing are in line with signaling theory. Based on signaling theory, an event contains a signal or information for investors in making investment decisions. Investors received a signal that the implementation of the New Normal did not contain meaningful information. For investors, the announcement of the implementation of the New Normal will not significantly affect the condition of the capital market in Indonesia, especially in the market for hotel, restaurant and tourism issuers. Practically, these results can be used as a consideration for investors not to invest in the capital market which is still inefficient. Second, there is no significant difference in trading volume activity between before and after the announcement of the implementation of New Normal in Indonesia. It can be said that the results of this test contradict market efficiency theory because the New Normal announcement event was only able to form a new equilibrium share price, not by influencing investors' investment decision making. Trading volume activity is still influenced by investors' attitudes in making investment decisions. In practice, investors must collect a lot of data before deciding to invest in the capital market, such as looking at the attitudes of other investors, upcoming events, and so on.

The limitation of this research is that it only uses an event window of 15 days, namely t-7, t-0, and t+7, this research only examines hotel, restaurant and tourism companies with a total sample of 37 samples and this research only uses abnormal variables return and trading volume activity as well as testing only at the event of the announcement of the implementation of the New Normal.

Future research endeavors are encouraged to expand their scope by considering additional variables beyond abnormal returns and trading volume activity. Additionally, these studies should aim to examine events across a broader spectrum of company industries, moving beyond the focus on hotel, restaurant, and tourism companies.

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