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## Investor's Sentiment Against the Legislation of the Law on Relocating the State Capital (study on a state-owned construction company)

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### ABSTRACT

This study aims to examine the effect of the announcement of the relocation of the new capital on government-owned construction companies. The first hypothesis is that there is a significant abnormal return on the day around the enactment of the law the relocation of the new capital by the DPR (People's Representative Council) and the second hypothesis is that there are differences in abnormal returns before and after the DPR passed the law on moving the country's capital. This study uses an event study research method, with the determination of  $t = 0$  days in which the law on the relocation of the State Capital was passed, namely on January 18, 2022. Using secondary data obtained from yahoo finance. The state-owned construction company was chosen as the research sample because it is suspected to be directly related to the event being studied. The results of the study revealed that there was a positive reaction to the sample of companies in this study after the ratification of the law on moving the state capital, but no significant AAR value was found on the day around the ratification of the law on moving the state capital. Meanwhile, there was a significant difference in abnormal returns before and after the ratification of the law on moving the country's capital by the DPR as a reflection that the market had adequately responded to the event.

### INTRODUCTION

The relocation of the national capital is a sensitive issue. Because it intersects with all aspects, be it economic, political, socio-cultural and other aspects. On January 18, 2022, the DPR (People's Representative Council) has approved the government's proposal on moving the State Capital in a law called IKN (Ibukota Negara Nusantara). The relocation of the capital city is certainly closely related to development, because many government agencies will also be brought to the new

state capital. This is of course a breath of fresh air for several construction companies, especially construction companies owned by state-owned enterprises such as ADHI, WIKA, WSKT, and PTPP. From the background of the events above, this study will examine the impact of the announcement of the ratification of the transfer of the State Capital by the DPR on government-owned construction companies.

Information from an event or condition that is created is significant if it is able to change or become a consideration for market participants, Sjahrir (2005). Investors can obtain information from the company's internal and external conditions. In an efficient capital market, the market will react quickly to all relevant information. This is indicated by changes in stock prices that exceed normal conditions, causing abnormal returns Zaqi (2006)

Information content testing is done to see an announcement. If the announcement contains information, it is expected that the market will react when the announcement is received by the market. The market reaction is indicated by a change in price. This reaction can be measured by using returns as the value of price changes or by using abnormal returns. If abnormal returns are used, it can be said that an announcement that contains information will provide abnormal returns to the market. Conversely, those that do not contain information will not provide abnormal returns to the market. Jogyanto, (2010)

Previous research conducted by Angelovska (2011), Furio, Pardo (2012), Imelda et al (2015), Chauhan, Kaushik (2017), Supramono, et al (2017), Osuala (2018), Evelyn, Basana (2018) and Zaiane (2018) states that political news has no significant effect on the stock market,

Meanwhile, Gul (2013), Chandra (2015), Jia shen, Evelita Celis (2015), Khan, Rehman, & Hussain (2016), Ahmad et al (2017), Chaturika, edirisinghe (2017), Handoko, supramono (2017) , (Irshad, 2017) and Bouoiyour (2017), state that political news has a significant effect on stocks

## **METHOD**

This study uses an event study (event study). Event studies are used to read investor reactions to various events that occur (mckinlay 1997). If the event contains information, it is indicated by a change in the security in question. Investor sentiment can be measured by using return or abnormal return as the value of price changes. Secondary data obtained from [www.idx.co.id](http://www.idx.co.id), [finance.yahoo.com](http://finance.yahoo.com). The sample in this study used a state-owned company engaged in the construction sector listed on the BEI. This study focuses on the holding company of state-owned construction companies, so that the subsidiaries are not used as research samples even though they are included in state-owned construction companies listed on the stock exchange.

Test the normality of the data using the Shapiro Wilk test. Shapiro Wilk was chosen because in this study using a small sample, namely four BUMN companies engaged in the construction sector. To test the first hypothesis, using the abnormal return significance test One sample t-test if the data distribution is normal and the One sample Wilcoxon signed ranked test for the data distribution is not normal. To

test the second hypothesis using different tests of abnormal returns before and after. The paired sample t-test was used if the data before and after the event were normally distributed, while the paired sample wilcoxon signed ranked test was used if one of the data was not normally distributed.

The analytical steps taken to test the hypothesis are as follows:

1. Calculating stock returns ( $R_{it}$ ) on stocks that are members of the transportation industry for 67 days, where 60 days is the estimation period and 7 days is the event period. To calculate stock returns, use the formula

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

2. Calculating the market return ( $R_m$ ) of IHSG for 67 days, where 60 days is the estimation period and 7 days is the event period. To calculate the market return, use the formula

$$R_{mt} = \frac{\text{Indeks IHSG}_t - \text{Indeks IHSG}_{t-1}}{\text{Indeks IHSG}_{t-1}}$$

3. Finding (alpha) and (beta) of each stock using the market model by regressing individual daily stock returns with daily market returns

$$R_{it} = \alpha_i + \beta_i R_{mt} + e_i$$

4. Calculating expected return, Expected return is calculated by formula:

$$E(R_{it}) = \alpha_i + \beta_i E(R_{mt})$$

5. The normality test of the data used the Kolmogorov-Smirnov test. To test the first hypothesis, the One sample t-test was used to measure the significance of abnormal returns, if the data were normally distributed. If the data is not normally distributed, then the One sample Wilcoxon signed ranked test is used.
6. To test the second hypothesis using different tests of abnormal returns before and after. The paired sample t-test was used if the data before and after the event were normally distributed, while the paired sample wilcoxon signed ranked test was used if one of the data was not normally distributed.

## RESULT

The results of processing AAR data from four state-owned construction companies during the event window on the day of the DPR's ratification of the IKN law on January 18, 2022 and 3 days before and after it obtained the following values:

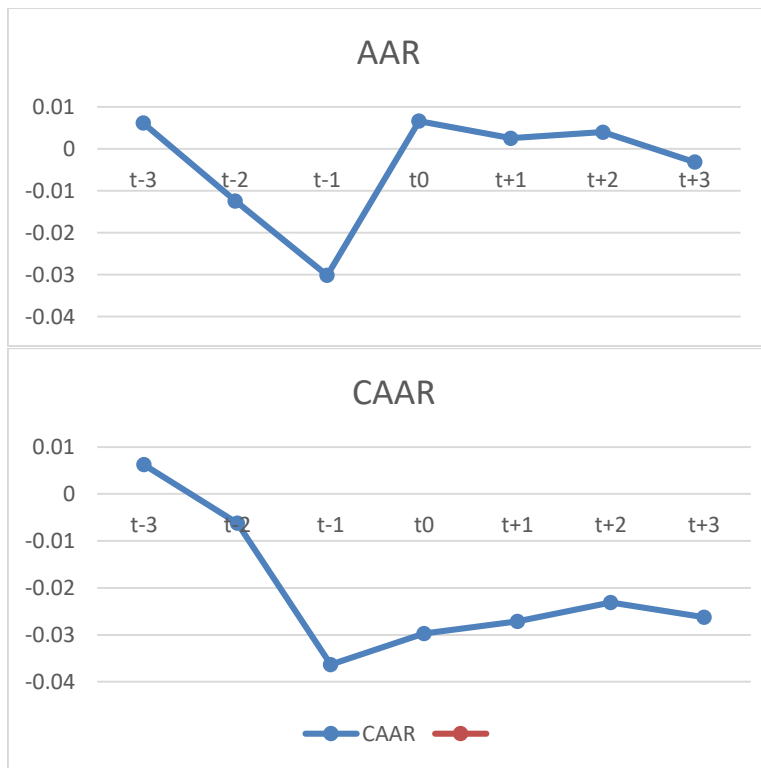
Hypothesis result Table 1

Date	Date	AAR	CAAR	sig	conclusion
13 Jan 2022	t-3	0,0062	0,0062	0,646	AAR Not Sig

14 Jan 2022	t-2	-0,0124	-0,0062	0,144	AAR Not Sig
17 Jan 2022	t-1	-0,0301	-0,0363	0,144	AAR Not Sig
18 Jan 2022	t0	0,0066	-0,0297	0,350	AAR Not Sig
19 Jan 2022	t+1	0,0025	-0,2716	0,686	AAR Not Sig
20 Jan 2022	t+2	0,0040	-0,0231	0,615	AAR Not Sig
21 Jan 2022	t+3	-0,0031	-0,0262	0,884	AAR Not Sig

Hypothesis result Table 2

Stock code	AAR Before	AAR After	sig	conclusion
ADHI	-0,01767	-0,00295	0,023	Significant different before and after
WIKA	-0,01346	-0,00931		
PTPP	-0,01669	0,00038		
WSKT	-0,00062	0,01650		



## DISCUSSION

In testing the first hypothesis, the data for t-2 and t-1 data distribution is not normal so that the test is carried out by using the Wilcoxon signed rank test. Meanwhile, the data of t-3, t0, t+1, t+2, t+3 are normally distributed so that the test is carried out using one sample t-test. Even though when viewed from the AAR graph,

the data shows that from t-3 to t-1 there has been a decrease and when t0 or the day the ratification of the State Capital Law by the DPR shows a fairly high increase, statistically no significant value is found. then the first hypothesis is rejected. This illustrates that the market is not very responsive to the ratification of the law by the DPR. These results are in line with those delivered by Angelovska (2011), Furio, Pardo (2012), Imelda et al (2015), Chauhan, Kaushik (2017), Supramono, et al (2017), Osuala (2018), Evelyn, Basana (2018) and Zaiane (2018) that an event may not have a significant effect on stock price movements

In testing the second hypothesis, all data are normally distributed, so the test is carried out using one sample t-test. After statistical testing, a significance value of 0.023 was found, meaning that there was a significant difference in abnormal returns before and after the ratification of the IKN law by the DPR. These results are in line with previous research conducted by Gul (2013), Chandra (2015), Jia shen, Evelita Celis (2015), Khan, Rehman, & Hussain (2016), Ahmad et al (2017), Chathurika, edirisinghe (2017), Handoko, Supramono (2017), (Irshad, 2017) and Bouoiyour (2017) which state that political news has a significant effect on stocks.

## CONCLUSION

This study attempts to analyze investor sentiment towards the ratification of the State Capital Law by the DPR on January 18, 2022, the results show that there is a positive average abnormal return movement on the day of the event against construction stocks belonging to BUMN, but statistically there is no average abnormal return found. significant. Meanwhile, if classified before and after the event using statistical calculations, a significant difference was found before and after the ratification of the State Capital Law by the DPR. From these results, it is known that the market responded positively to state-owned construction companies after the ratification of the IKN law. The response can be seen from the difference in abnormal returns before and after the event which is significantly positive. However, on the observation of the day around the event, no significant abnormal returns were found.

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