



Development of the Indonesian Capital Market After the Covid-19 Pandemic

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Abstract

The capital market is the means by which companies and other institutions (such as the state) are funded, as well as through investment activities. The impact of the COVID-19 pandemic on the capital market was marked by the fall of the JCI. The JCI for the January-June 2020 period was at -5% when compared to the previous year in the same period which was at its lowest level. In 2020-2022, the JCI is at the level of 5,979.07, 6,581.48, 7,182.96. The JCI for the January – June 2021 period grew by 10% when compared to the previous year in the same period. This study uses secondary data obtained from the publication of the Financial Services Authority (OJK). The data used consists of the JCI, market capitalization, transaction volume, trading value, total securities ownership, and investor growth from January 2019 - June 2022. This research is classified as a descriptive research type with a qualitative approach.

Keywords: JCI, Investment, Capital Market

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INTRODUCTION

The capital market has a very important and strategic role for the country's economy. The Indonesia Stock Exchange (IDX, 2019) defines the capital market as a market for various long-term financial instruments that can be traded in the form of debt (bonds), equity (shares), mutual funds, derivative instruments and other instruments. The capital market is the means by which companies and other institutions (such as the state) are funded, as well as through investment activities. Thus, the capital market facilitates various facilities and infrastructure for trading and other related activities (BEI, 2019)

Since the President officially announced the first positive case of Covid-19 in Indonesia, delivered on March 2 2020, IDX stock trading had a severe impact. The Indonesia Stock Exchange (IDX) is also one of the capital markets in Indonesia that has been affected by the COVID-19 pandemic. The impact of the COVID-19 pandemic on the capital market was marked by the fall of the JCI. The JCI for the January-June 2020 period was at -5% when compared to the previous year in the same period which was at its lowest level. In 2020-2022, the JCI is at the level of 5,979.07, 6,581.48, 7,182.96. The JCI for the January – June 2021 period grew by 10% when compared to the previous year in the same period. In 2022 it will also experience growth of 9% compared to the previous year in the same period, this rate is the highest (table 1.).



Table 1. Comparison of JCI Growth January-June period in 2019-2022

(January – June)	IHSG	Growth (+ / -)
2019	6,299,54	0
2020	5,979.07	-5%
2021	6,581.48	10%
2022	7,182.96	9%

Source: Financial services Authority (OJK)

Another criterion that tells the decline in the capital market is characterized by a decrease in market capitalization. In 2019, the market capitalization is Rp. 7,265.02 trillion but in 2020 it will decrease to 6,968.94 trillion. The increase occurred again in 2021 to IDR 8,252.41 trillion in the same period. If you observe further, the market capitalization from January - June 2021 has increased by 18% compared to the same period last year. In 2022 it will also experience a decrease of 14% compared to the previous year in the same period (table 2.).

Table 2. Comparison of Market Capitalization Growth January-June period in 2019-2022

(January – June)	Market Capitalization (Rp. Trillion)	Growth (+ / -)
2019	7,265.02	0
2020	6,968.94	-4%
2021	8,252.41	18%
2022	9,403.18	14%

Source: Financial services Authority (OJK)

METHODS

This study uses secondary data obtained from the publication of the Financial Services Authority (OJK). The data used consists of JCI, market capitalization, transaction volume, trading value, total securities ownership, and investor growth from January 2019 - June 2022. According to Sekaran and Bougie (2017), secondary data is data needed in research in the business sector . . This research belongs to the type of descriptive research with a qualitative approach. Descriptive research is used to collect data that describes an event or situation (Sekaran & Bougie, 2017). The data analysis in this study is descriptive statistics that compares the monthly performance of the Indonesian capital market between 2019 before the COVID-19 pandemic and 2020 during the COVID-19 pandemic. According to Sugiyono (2019), descriptive statistics are statistics used to analyze data without making conclusions

RESULTS & DISCUSSION

Research result

According to the official website of the Indonesia Stock Exchange (IDX), the Capital Market is a market for various long-term financial instruments that can be traded, both debt securities (bonds), equities (stocks), mutual funds, derivative instruments and other instruments. Law No. 8 of 1995 concerning the Capital Market defines the capital market as "activities concerned with Public Offerings and Securities trading, Public Companies related to the Securities they issue, as

well as institutions and professions related to Securities" (Fadly, 2021). Financial instruments traded on the capital market are long-term instruments (more than one year) such as stocks, bonds, guarantees, rights, investment funds and various derivative instruments such as options, futures and others. Financial instruments (products) traded on the Indonesian capital market consist of stocks, bonds, mutual funds, Exchange Traded Funds (ETFs) and derivatives. 2020 has been a tough year for most people. The World Health Organization (WHO) officially declared the coronavirus disease 19 (Covid-19) outbreak a pandemic on March 9, 2020.

According to the Big Indonesian Language Dictionary (KBBI), a pandemic is an epidemic that has spread everywhere or a wide geographical area. WHO itself defines a pandemic as a situation in which the entire world population is likely to be exposed to this infection and some of them may become ill. The Covid-19 outbreak that has hit the world has forced several countries to take steps to prevent or deal with this outbreak, such as closing access to public roads or public facilities, restrictions on large businesses and bans on traveling outside the region, and Indonesia is no exception. WHO encourages people to practice physical distancing, namely to maintain physical distance, to avoid further spread of Covid-19. Therefore, many industries have gone online to continue working according to the applicable protocols. This has had a major impact on the economic status of society in general, in various ways ranging from wage cuts to termination of employment (PHK). This situation forces them to seek new livelihoods to survive (Fadly, 2021).

Since the outbreak of the corona virus outbreak in Indonesia in early March 2020, the pandemic has devastated all sectors, including the Indonesian capital market which fell to its lowest level of 3,937.63 on March 24 2020. The initial impact of the pandemic outbreak caused stock prices to fall, especially for stocks cyclical shares or issuers that are vulnerable to cyclical fluctuations and are closely related to the economy (Kompas, 2020). In fact, the capital market plays an important role as an accelerator of national economic growth in the form of government taxes on stock trading and liquidity support for companies through the issuance of capital market instruments.

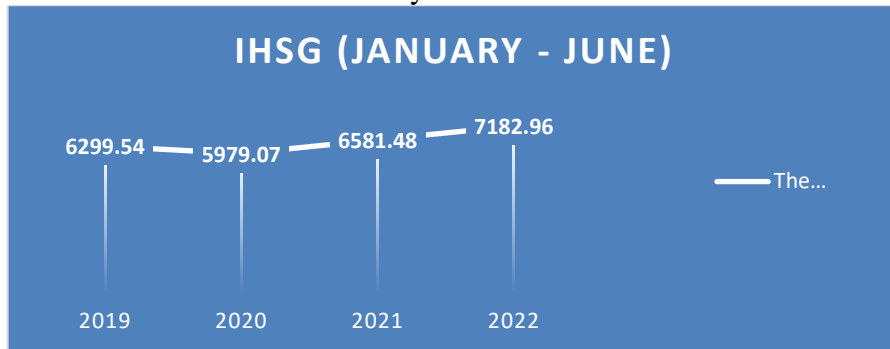
Over time, the capital market does not only act as an investment vehicle for investors, but can also become a source of livelihood, especially equity instruments. The stock market itself promises sizable profits compared to other instruments, up to hundreds of percent in a few months. Fundamentalists and technicians, stock investors all flocked to try to make profits their own way. However, after the massive correction to the Jakarta Composite Index (IHSG) in early 2020 until it reached its peak on March 20 2020, these investors, especially new investors, really realized that stock trading is not always about profits.

DISCUSSION

The Indonesian capital market began to recover during 2021 and continues to grow. This trend was seen at the end of 2021 which was limited by the optimistic performance of the Jakarta Composite Index (IHSG) which touched the level of 6,581.5 or an increase of 10.1% per year, after falling during the 2020 pandemic. The total market value of the shares reached IDR 8,255. 62 trillion by

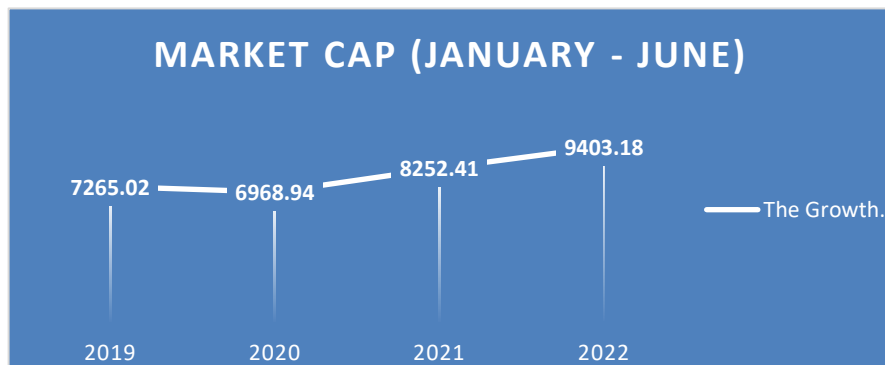
the end of 2021, or 18.4% per year (CNBC Indonesia, 2022). Until the end of 2021, stock trading continued its positive trend as reflected in the JCI which continued to grow steadily and tended to increase compared to the third quarter. The stock market capitalization as of 29 December 2021 was IDR 8,275 trillion, up 18.72% year-to-date.

Figure 1. JCI growth chart
Period January – June 2019– 2022



Source: processed by researchers 2022

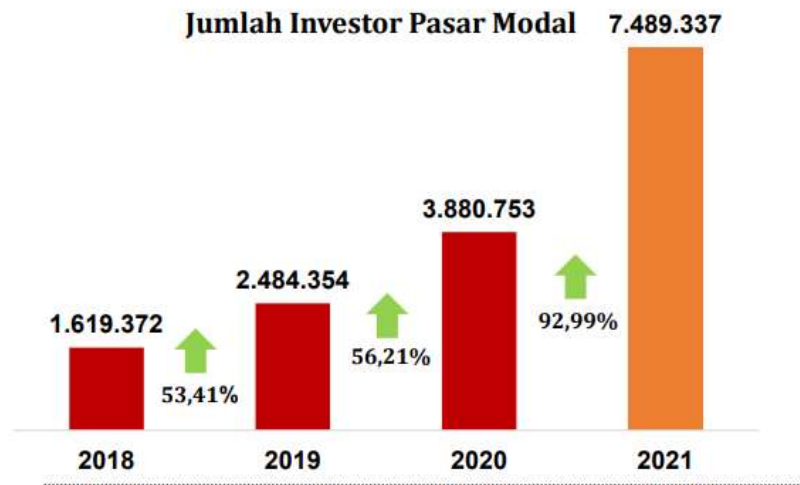
Figure 2. Graph of Market Capitalization Growth
Period January – June 2019 –2022



Source: processed by researchers 2022

From the supply side, OJK noted that the number of new issuers and public offering activities also increased compared to the end of 2020. From the demand side, OJK also recorded a significant increase in the number of capital market investors in 2021.

Figure 3. Comparison of the Number of Capital Market Investors Year 2018 -2021



Source: (KSEI, 2021)

Public statistical data released by the Indonesian Central Securities Depository (KSEI) in January 2021 shows a significant increase in the number of capital market investors. Data for late 2018 and late 2019 show the number of investors has increased from 1,619,372 to 2,484,354. The increase of 53.41% was still below the levels seen at the end of 2019 and 2020. Until the end of 2020, the number of investors reached 3,880,753 even though the pandemic was still continuing. This shows that the capital market business is the people's choice rather than the real business that has been affected by the PSBB (Large-Scale Social Restrictions) during this pandemic.

Figure 4. Comparison of the Number of Capital Market Investors Year 2019 -2022



Source: (KSEI, 2021)

Since the beginning of 2022, the number of investors in the capital market has increased. Be it the stock market, mutual funds, C-Best or government securities (SBN). Based on data published by the Indonesian Central Securities

Depository (KSEI), the number of capital market investors increased by 5% at the end of December 2021 from 7.45 million to 7.86 million at the end of January 2022. The number of capital market investors continued to increase in line with the incessant education and ease of access supported by technological developments. According to KSEI, the growth in the number of investors is dominated by domestic investors under the age of 30 who account for around 59.98 percent of all investors.

This positive development increased the number of issuers to 752 companies. Inarno Djajadi as Main Director of the IDX estimates that the number of companies listed on the stock market will continue to grow, because there are still many companies that are conducting initial public offerings (IPOs). Compared to stock markets in other ASEAN countries, Indonesia continues to be the stock market with the most lists in ASEAN and has continued to grow positively over the last five years. In addition, in terms of the increase in the number of issuers, Indonesia also experienced the largest increase, almost 40 percent compared to other ASEAN exchanges (Republika.co

CONCLUSIONS AND IMPLICATIONS

Based on the results of the research and discussion above, it can be concluded that the development of the capital market after the pandemic continued to grow positively and even increased the number of issuers to 752 companies from the previous year. Based on data published by the Indonesian Central Securities Depository (KSEI), the number of capital market investors increased by 5% at the end of December 2021 from 7.45 million to 7.86 million at the end of January 2022. The number of capital market investors continued to increase in line with the incessant education and ease of access supported by technological developments.

Implications

Based on this research, implications can be put forward, namely that it can be seen that investment in the capital market is a way to improve good economic quality, because even with a pandemic outbreak, capital market growth has remained stable. It is good for potential investors to know before investing their funds in the capital market.

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