The Effect Of The Stock Market Reaction To The Events Of The Covid 19 Pandemic In The Pharmaceutical Sector In The Indonesia Stock Exchange

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ABSTRACT

The Indonesian capital market is an important component that can affect the country's economic progress. During the Covid-19 period, there was rapid growth in the pharmaceutical company's capital market. This study aims to analyze the effect of stock prices and stock sales volume on the Covid 19 pandemic in the pharmaceutical sector on the Indonesia Stock Exchange. This research is an event study, a research conducted based on the impact of the announcement of securities price information. This study shows that there is no difference in abnormal returns before and after the announcement of the covid-19 pandemic.

Keywords: Capital Market, Stock Price, Stock Trading Volume, Covid 19 Pandemic

1. Introduction

The Indonesian capital market is an important component that can affect the progress of the country. The capital market is an important component in activities related to public captives and securities trading in the form of debt recognition, securities, bond shares, and so on. In the process of transactions in the capital market, there is a need for linkages and assistance from other parties, namely the Indonesia Stock Exchange (IDX). So, in this case, during the transaction process in the capital market, the IDX becomes an intermediary that connects investors with issuers.

The Indonesian Stock Exchange (IDX) is a form of forum used to provide infrastructure that aims to support the implementation of orderly, fair, and efficient securities trading as well as facilitate interested parties to gain access based on their interests. The IDX is also a forum for obtaining information related to matters that affect publicly traded companies such as company stock prices, events that occur, as well as financial reports on companies and others. This information can be accessed freely on the IDX and used by parties who need information related to publicly traded companies.

However, since the Covid-19 virus, the government consisting of the central and regional governments has worked together to reduce the level of transmission of the Covid-19 virus. One of the rules or policies applied at that time was the existence of social distancing, where at the time of the policy access to community mobilization was tightened and reduced. The COVID-19

pandemic has not only had an impact on the country of Indonesia, but also has had an impact on 215 other countries. According to data from the Task Force for the Acceleration of Covid-19 Response as of August 21, 2020, positive cases of COVID-19 in the world reached 17,660,523, with a total death toll of 680,894. Positive cases of COVID-19 in Indonesia reached 149,408 people, with a total recovery of 102,991 people, and a total of 6,500 deaths.

Due to the COVID-19 pandemic, which has a major impact, especially on the economy, the central government and regional governments jointly issue policies aimed at reducing the number of Covid-19 transmissions. The main policy issued by the government is to implement Large-Scale Social Restrictions (PSBB), this effort aims to reduce the number of people's mobility. So that with the implementation of this policy, interaction between communities will decrease and it will prevent the transmission of the Covid-19 virus. Furthermore, the government also gave an appeal to always comply with health protocols, including washing hands regularly with soap and wearing masks.

In line with the increasing number of transmission of Covid-19, the pharmacy began to create a Covid-19 vaccine which aims to reduce the chance of a person being exposed to the Covid-19 virus. The emergence of vaccines issued by pharmaceutical companies has an effect on stock prices on the IDX. Where during the Covid-19 period there was a capital market development in pharmaceutical companies which had rapid growth from time to time as evidenced by the increasing number and high volume of shares. The existence of the COVID-19 pandemic event contains information that causes a reaction in the stock market, where there are changes in the price and volume of stock trading. The faster the stock price changes from a condition, it reflects the level of market efficiency,

Based on this description, it can be seen that there has been economic turmoil, especially in the price and volume of the stock market in Indonesia since the Covid-19 outbreak. So based on the description above, the researcher is interested in conducting this study which aims to analyze the impact of the COVID-19 pandemic on market reactions in the pharmaceutical sector on the Indonesia Stock Exchange.

2. Literature Review

2.1 Financial management

Endriani (2016) states that finance is an activity related to money. Mulyanti (2017) states that the meaning of finance is a person's form of business in providing money and trying to earn and earn income. So that finance can be interpreted as a person's income or income and is related to money. So that family financial management can be referred to as a form of financial planning and governance carried out within the scope of the family so that it can be used effectively and efficiently in order to become a prosperous family. Family financial management is used to manage income or income earned in the family to meet the needs of family life. In fulfilling family needs, it can be divided into forms of primary, secondary and complementary needs. In addition, the use of family finances can be divided into routine and non-routine expenses.

2.2 Capital market

The capital market isan important component in activities related to public captives and securities trading in the form of debt acknowledgment, securities, bond shares, and so on. In the process of

transaction activities in the capital market, it involves supporting instruments, namely the Indonesia Stock Exchange, which is the liaison between investors and issuers. The Indonesia Stock Exchange (IDX) is a forum that provides infrastructure to support the implementation of orderly, fair, and efficient securities trading and is easily accessible to all stakeholders.

The capital market has a strategic role in national development, namely as a source of financing for the business world and a forum for public investment. The capital market has two functions in improving the development of the country's economy, namely economic and financial functions. The economic function of the capital market is as a forum to bring together two parties, namely the investor as the party who has the funds, and the issuer, the party that needs funds. The capital market has a financial function, namely providing the possibility for investors to earn returns through investments made based on the size of the investor in investing and the characteristics of the investment chosen by the investor (Ananto, 2014).

3. Research Methodology

3.1 Conceptual framework

The conceptual framework in a study is generally used to make it easier to explain the core and concepts of research. The conceptual framework is also used to analyze the variables used in the research.
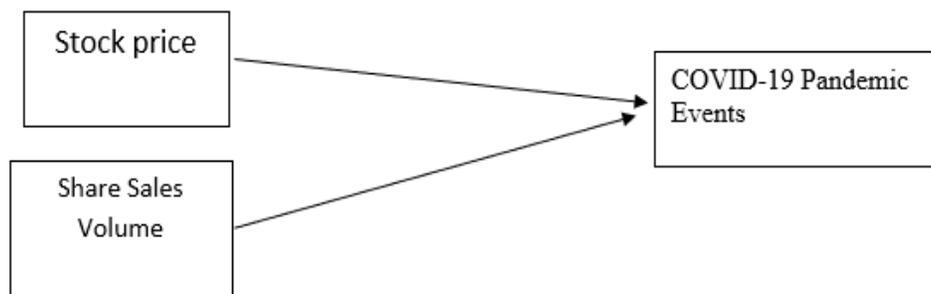
Based on the literature review and the conceptual framework used in this study, the research hypotheses can be drawn in the form of:
H1: it is suspected that there is no difference in the average abnormal return of pharmaceutical companies on the Indonesia Stock Exchange after the announcement of the Covid-19 case.
H2: it is suspected that there is no difference in the average abnormal trading volume activity in pharmaceutical sector companies on the Indonesia Stock Exchange after the announcement of the Covid-19 case.

This research is included in the event study research, namely research conducted based on the impact of the announcement of securities price information. Event study research is carried out by testing market reactions related to certain events or events. This research analysis uses descriptive analysis of research data obtained from the Indonesia Stock Exchange website which is accessed through the website www.idx.co.id and www.finance.yahoo.com.
In this study using 6 pharmaceutical companies listed on the Indonesia Stock Exchange, the use of these companies is to be able to describe real conditions in the field related to post-covid-19 conditions. Testing at that time becomes one of the benchmarks in testing abnormal returns.

The data collection method carried out in this study used the documentation method, literature studies derived from literature with similar themes and also financial journals, as well as news on the internet that discussed the impact of the COVID-19 pandemic on the corporate sector. The source of data in the test is done by downloading data in the form of stock prices, stock volumes and the number of shares in the pharmaceutical sector.

3.2 Variable Operational Definition

The operational definition of variables is one aspect of the research that serves as an explanation for each description of the variables used in the study. The following operational definitions used in this study are:

3.2.1 Stock price

Is the price set in a company for other parties who want to have share ownership rights. The value of stock prices always changes every time. The value of the stock price is influenced by the demand and supply that occurs between the seller and the buyer of the stock.

3.2.2   Stock Trading Volume

Represents the total value of the transaction and is a form of sale of shares by investors in currency units.

3.3 Data analysis technique

The data analysis technique is the method used by the author in compiling research so that research results can be obtained based on the formulation of the problem and research objectives which can then be obtained outlines and conclusions from the research. This study uses descriptive statistical analysis techniques, to see the effect of the COVID-19 pandemic on the pharmaceutical sector stocks listed on the IDX.

Table 1. Abnormal Return Test Results

Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
AR Sebelum	6	-,11	,228	-,0232	,021555628
AR Sesudah	6	,33	,288	-,0012	,019775660

Source: Secondary Data, processed

Table 2 T-Test Results (Partial)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.009	.026		.362	.720
	X1	.358	.555	.121	.646	.523

a. Dependent Variable: Y1

Source: Secondary Data, processed

4. Results

Based on the results of descriptive statistical testing, table 1 shows that the calculation of abnormal returns before and after the national announcement shows that the average abnormal return value before the covid-19 pandemic is -0.0252. The abnormal return value decreased when the covid-19 pandemic was announced, which was -0.0012. So it can be said that at the time of the announcement of the first case on March 2, 2020, there was a negative market reaction.

The average abnormal return of stocks during the period before and after the event is always negative. Negative abnormal return indicates that the actual return is smaller than the expected return. While the positive abnormal return indicates that the actual return is greater than the expected or predicted return. So that the stock market in Indonesia is not so enthusiastic about the announcement of the first case of Covid-19 by the president on March 2, 2020.

In table 1.2, tests are carried out on stock prices and stock trading volumes through the calculation of Abnormal Returns before and after the covid-19 pandemic. The test results show that the abnormal return has a significant value of 0.646 greater than the significance level of 5% or 0.05 (0.646>0.05). These results have a tendency that at the time of the announcement of the COVID-19 pandemic by the Indonesian government, there was no difference in abnormal returns before and after the announcement of the COVID-19 pandemic on March 2, 2020 in the pharmaceutical sector.

5. Conclusion

Based on this description, it can be concluded in the form of a national announcement showing that the average abnormal return value before the covid-19 pandemic was -0.0252. The abnormal return value decreased when the covid-19 pandemic was announced, which was -0.0012. Negative abnormal return indicates that the actual return is smaller than the expected return. So that the stock market in Indonesia is not so enthusiastic about the announcement of the first case of Covid-19 by the president on March 2, 2020.

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