

ABSTRACT

The COVID-19 pandemic, which began in early 2020, significantly impacted global economic stability, including Indonesia. The banking sector was notably affected due to the rising risk of bad debts. In response, the Financial Services Authority (OJK) implemented a credit restructuring policy that was extended several times. On June 24, 2024, the President of Indonesia announced the extension of this policy to mitigate the ongoing risk of non-performing loans (NPLs) affecting financial stability.

This study aims to analyze the market reaction to the announcement of the COVID-19 interest rate restructuring policy extension by examining the abnormal return (AR) and cumulative abnormal return (CAR) of banking sector stocks before and after the announcement. The research employs an event study approach to assess the differences in AR and CAR over the event window from H-10 to H+10 relative to the announcement date.

Using secondary data from the daily stock prices of 40 banking companies listed on the Indonesia Stock Exchange, expected returns were calculated using the market-adjusted model. Statistical analyses were performed using the Kolmogorov-Smirnov normality test, with hypothesis testing conducted using paired sample t-tests and Wilcoxon Signed-Rank tests where normality assumptions were not met. Descriptive statistics, AAR graphs, and hypothesis testing results were also presented.

The findings indicate significant differences in AR and CAR before and after the announcement. The average AR increased from -0.0007 to +0.0025, and CAR changed from -0.0132 to +0.0046, with t-test significance values of 0.021 for AR and 0.011 for CAR, both significant at the 95% confidence level. This suggests that the market responded positively to the policy extension announcement.

These findings support the semi-strong form of the Efficient Market Hypothesis, indicating that stock prices quickly reflect public information. The study provides insights for regulators and investors on the importance of policy announcements in making informed investment decisions.

Keywords: Banking sector, extension of covid-19 interest rate restructuring, abnormal return, cumulative abnormal return, event study.