

## ANALYSIS OF CAPITAL MARKET REACTION TO THE ANNOUNCEMENT OF THE MINISTER OF FINANCE REGULATION (PMK) NUMBER 20/PMK.010/2021 AND NUMBER 77/PMK.010/2021

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**ABSTRACT:** The Indonesian government issued a fiscal policy through the minister of finance (PMK) regarding the Luxury Sales Tax (PPnBM) incentives for motorized vehicles at stimulating the Indonesian economy through the consumption of the upper-middle class as a result of Covid-19. This research is an empirical study that uses case studies to analyze the market reaction to the Regulation of the Minister of Finance (PMK) Number 20/PMK/0.10/2021 and PMK Number 77/PMK/0.10/2021. This study uses a non-probability sampling technique with a saturated sample type. The test shows signs of abnormal returns with a one-sample t-test on 12 samples of companies in the automotive and component sectors listed on the Indonesia Stock Exchange. The results show that the announcements of PMK Number 20/PMK/0.10/2021 and PMK Number 77/PMK/0.

**Keywords:** Market Reaction, Abnormal Return, Government Policy, Efficiently Market, Signaling Theory

### I. INTRODUCTION

The Indonesian capital market plays an important role in the economy of a country. The market is a container for a number of long-term financial instruments that can be traded in the form of debt or equity, whether issued by the government, public authorities, or privately-owned companies (Husnan, 2005: 03). The capital market is a place for parties who have capital (investors) and will invest it expecting an optimal rate of return. In an effort to obtain optimal returns, various relevant information is needed that can affect the issuer (securities).

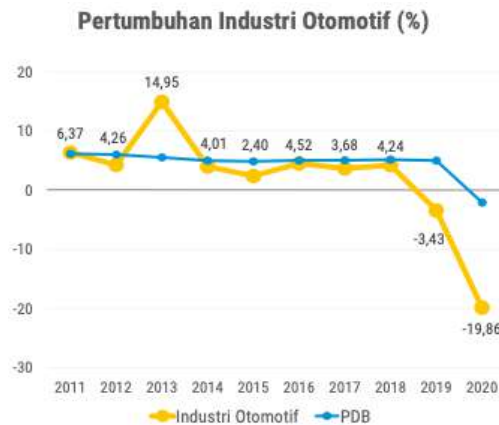
Information that can influence investor decisions is in the form of past information, opinionated information, and current information (Tandelilin, 2017: 224). Events that contain information so that they are able to influence price formation towards a new equilibrium price are reflected in an efficient capital market (Hartono, 2017: 605). The concept of an efficient capital market is emphasized on the information aspect, meaning that an efficient market shows the prices of all securities traded reflecting all the information available in the market.

Based on the efficient market theory, it can be seen that the information content will affect the market reaction. Market efficiency is supported by signaling theory. According to Husnan (2009) signal theory considers a policy taken by a company, government or investor to be considered as information that provides a signal. The intended signal is in the form of information that investors can obtain regarding events during the announcement. At the time of the announcement, market participants are then able to interpret and analyze the information as good news (good news) or good news (bad news).

Information needed by investors in order to gain profits can be in the form of microeconomic and macroeconomic information. Microeconomic information is related to the company's internal and macroeconomic information is outside the entity that can affect the company's performance (Maharani, 2021). Microeconomic research conducted by Fadlilah & Fianto (2020) regarding stock split, Susanto (2020) regarding the rights issue and the announcement of earnings shows that there is a market reaction. Further macroeconomic research by Yasa & Sari (2020) regarding the reaction of wall street (economic foreign event) and Rahyuda (2016) Regarding the policy of changing fuel prices, it shows that there is a market reaction. Based on

previous research, it can be seen that one of the informants that can cause market reactions is information in the form of government policies.

Information that is currently still being discussed is the announcement of the stimulus policy for the Sales Tax on Luxury Goods (PPnBM) for 100% Government-Breaked Motor Vehicles (DTP) as regulated in PMK 20/0.10/2021 and PMK 77/0.10/2021. This stimulus was carried out as an effort by the government to recover and accelerate the pace of the economy through the contracted automotive sector due to the COVID-19 pandemic that hit Indonesia.



Source: Ministry of Industry 2021 Report

**Figure 1. Automotive Industry Growth**

The automotive industry is one of the sectors affected by COVID-19 which experienced the deepest contraction in 2020 reaching 19.89% (YoY). The demand for the domestic automotive industry has also decreased in line with the weakening of people's purchasing power. Based on data from the Association of Automotive Industries, there was a decline throughout 2020 in wholesales sales (factory to dealers) by 48.32% (yoy) and retail sales (dealers to consumers) by 44.51% (yoy). This is the cause of the government taking a firm stance in maintaining the automotive sector through a tax discount policy in the hope of increasing local purchases of motorized vehicles in Indonesia.

Minister of Finance Regulation (PMK) number 20/PMK/0.10/2021 was promulgated on February 26, 2021, payable for the March 2021 tax period until the May 2021 tax period. This regulation provides positive results for the growth of the automotive industry accompanied by an increase in car sales in Indonesia. Retail sales increased 39.44% in March 2021 and experienced a sharp increase to reach 69.47% in April 2021 compared to the same period in 2020 (yoy). This increase in industry prompted the Ministry of Finance to approve the Ministry of Industry's proposal to extend the tax discount until the tax period is due until August 2021. The extension is regulated in Minister of Finance Regulation (PMK) No. 77/PMK/0.10/2021 promulgated on 30 June 2021.

The government's 100% borne tax stimulus policy has an impact on stock trading in the automotive industry and its supporting sectors. Based on data from the Indonesia Stock Exchange (IDX) The first session of stock trading showed that several automotive stocks rose, including spare parts companies, PT Selamat Sempurna Tbk (SMSM) an increase of 1.63 percent, PT Astra International (ASII) an increase of 1.41% and Astra Otoparts Tbk (AUTO) an increase of 3%.

Based on the above events, it can be stated that the announcement of PMK No. 20/PMK.010/21 and No. 77/PMK.010/21 causes stock prices to move. This policy event from a theoretical point of view is indeed correlated with the development of the stock market, but in order to obtain quantitative evidence on this matter, it still requires a lot of research. This is because the policy variable is a variable that cannot be measured directly, so it is necessary to pay attention to the dimensions of the variable. Therefore, in this study, we want to know quantitatively whether the Indonesian capital market reacts to this announcement.

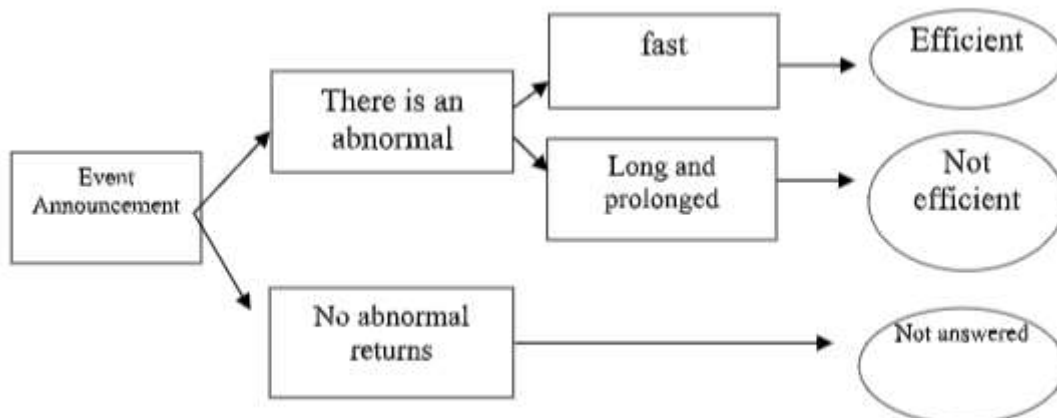
Testing the information content of an announcement uses event study testing to see market reactions (Hartono, 2017). The event study is a solution to the classification of market efficiency from market efficiency in the semi-strong form by Fama (1991). The event explains the public's response to a phenomenon of information publication in the form of an announcement and can also be used to test the efficiency of the semi-strong form of the market. The market is said to be efficient, if investors react quickly to absorb information so as to form a new equilibrium price. Meanwhile, the market is said to be inefficient, if investors absorb information slowly so that the price of a security is unable to represent all of the available information

(Hartono, 2017: 605). Sujana (2017) states that, Efficient markets react quickly, i.e. only at the time of announcement. This reaction can be measured using abnormal returns.

*Abnormal returns* is the excess of an actual return arising from the normal return. The normal return is the investor's expected return (Hartono, 2017:667). A positive abnormal return value variance means that the actual return exceeds the return expected by investors, whereas a negative abnormal return variance means that the actual return is less than the return expected by investors. This study examines the existence of abnormal returns in the announcement of PMK No. 20/PMK.010/21 and No. 77/PMK.010/21.

Several similar studies regarding the study of events on government policies in testing market reactions were carried out by Wibowo(2017)on economic policy I Jokowi-JK, Dewi et al(2017)on economic policy X regarding the negative list of investments, Munajat&Nurfitriana(2021)to the tax amnesty policy and Nanda(2017)the tax amnesty policy during the third period showed that there was a significant abnormal return that caused a market reaction. In contrast to the research conducted by Wibowo &Darmanto(2017)about market reaction to the implementation of tax amnesty, Pratama(2018)on before and after the economic package policy XVI, Sanjiwani& Jati(2017)on the tax amnesty policy at the time of announcement and period I and Handayani et al(2020)the POJK stimulus showed that the abnormal return was not significant, so there was no market response to the policy.

Based on the inconsistency of the results of previous studies, further research is needed to find empirical evidence on the events of announcements of economic policies issued by the government in different economic conditions from the economic conditions in previous studies. This study examines the market reaction to the announcement of PMK No. 20/PMK.010/21 and No. 77/PMK.010/21. The framework in this research are:



**Figure 2. Conceptual Framework**

The conceptual framework uses an event study model by testing abnormal returns in the event period to see the information content of a published announcement. The content of information that is able to cause the market to react is reflected in the concept of efficient market theory. The capital market is said to be efficient if the market reacts quickly and precisely to a new break-even price that fully interprets the existing information.(Hartono, 2017: 609). The sooner an information that has just been reported can be seen in the stock price, the more efficient the public's perception of the capital market will be. Generally, when there is information, market participants will interpret it first as good news or bad news.

According to Brigham and Houston (2018), signal theory considers a policy or decision made by a company, government or investor as information that gives a signal to the market about future prospects.If the reaction from the market gives a positive sign, this can be an opportunity for investors to carry out investments which is reflected in positive abnormal returns around events(Tandelilin, 2017: 246). Abnormal return is an instrument used to measure the positive or negative difference between the expected level of profit and the actual level of profit.

The announcement of the tax discount stimulus as regulated in PMK Number 20/PMK.0.10/2021 and PMK Number 77/PMK.0.10/2021 is one form of policy that can trigger market reactions. Information content in the form of announcements can provide a signal to market participants to obtain returns through abnormal stock returns that occur. So that the research hypothesis can be formulated:

**H1a: Announcement**PMK No. 20/PMK.010/21create significant abnormal returns in the event period

**H1b:PMK**AnnouncementNo. 77/PMK.010/21create significant abnormal returns in the event period.

**II. RESEARCH METHODS**

This research is a type of research with a quantitative approach in examining the reaction of the Indonesian capital market to announcements PMK No. 20/PMK.010/21 and PMK No. 77/PMK.010/21. The object of this research is the market reaction which is tested through daily abnormal returns in the event period. Companies that are included in the scope of this research are all automotive sub-sectors and their components which are listed on the Indonesia Stock Exchange (IDX) until the second quarter of 2021 and can be accessed through the website. www.idx.co.id.

This study examines two periods of announcement events. The first test was carried out on the announcement PMK No. 20/PMK.010/21 and the second test was carried out on the announcement PMK Number 77/PMK.010/21. The observation period for each announcement uses an event window of 7, including three days before, the day of the announcement, and 3 days after the announcement. The research method uses non-probability sampling with a saturated sample technique that uses the entire population. The data used are secondary data in the form of historical information for all sample companies and the Composite Stock Price Index (IHSG).

Proof of abnormal return is not done for each security but is done in aggregate by testing the average abnormal return (AAR) in the event period. The steps for calculating abnormal returns are as follows (Tandelilin, 2017: 577-579):

(a) *Actual Return*

*Actual returns* is the realized return that occurs at time t which is the difference between the current and previous prices. Can be formulated as follows:

$$R_{it} = \frac{P_t - P_{t-1}}{P_{t-1}} \dots\dots\dots(1)$$

Where :

R<sub>it</sub> : actual return stock on day t

P<sub>it</sub> : stock price on day t

P<sub>it-1</sub> : stock price on day t – 1

(b) *Expected Return*

This study uses a market adjusted model so that to estimate the expected return, the current market index return is used which is considered the best estimator in estimating security earnings. It can be formulated as follows:

$$E[R_{it}] = R_{mt} \dots\dots\dots(2)$$

Furthermore,

$$R_{m,t} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}} \dots\dots\dots(2)$$

Where :

E[R<sub>it</sub>] : return expectations on day t

R<sub>mt</sub> : return market on day t

JCI, t : Composite Stock Price Index on day t

JCI,t-1 : Composite Stock Price Index on day t-1

(c) *Abnormal Return*

*Abnormal returns* can be calculated using the following formulation:

$$AR_{it} = R_{it} - R_{mt} \dots\dots\dots(3)$$

Where :

Sickle : abnormal return of security i on day t

R<sub>it</sub> : actual return on day t

R<sub>mt</sub> : market return on day t

(d) *Average Abnormal Return*

*Average abnormal return* calculated in the aggregate which is the average abnormal return on day t during the observation period. Can be formulated as follows:

$$ARR = \sqrt{\frac{\sum_{i=1}^k (AR_{i,t})}{k}} \dots\dots\dots(4)$$

Where :

AAR, it : average abnormal return securityi on day t

Sickle : abnormal returns securityi on day t

k : the number of securities affected by the announcement

### Research Data Analysis

The analysis technique used in testing the hypothesis in this study uses t-test. This test tool statistically tests whether the abnormal returns around the announcement of the PMK No. 20/PMK.010/21 and No. 77/PMK.010/21 significantly different from zero or not.

H0a : AR = 0 means the market does not react to the announcement PMK No. 20/PMK.010/21

H1a : AR ≠ 0 means the market reacts to the announcement PMK No. 20/PMK.010/21

H0b : AR = 0 means the market does not react to the announcement PMK No. 77/PMK.010/21

H1b : AR ≠ 0 means the market reacts to the announcement PMK No. 77/PMK.010/21

With the following decision making criteria:

1. If the probability value is Sig.(2-tailed) > or t count > t table or t-count < -t table then there is no significant abnormal return (H1 is rejected, H0 is accepted).
2. If the probability value is Sig .(2-tailed) < or -t tablet count < t table then there is a significant abnormal return (H0 is rejected, H1 is accepted).

### III. RESULTS AND DISCUSSION

The automotive sub-sector companies and their components listed on the Indonesia Stock Exchange in 2021 have 12 companies as samples in this study. The results of descriptive data analysis related to the variables in the study provide an overview of the data for the minimum value, maximum value, average value and standard deviation of the average abnormal return in the announcement period. PMK No. 20/PMK.010/21 and announcement PMK No. 77/PMK.010/21.

**Table 1 Descriptive Statistics of Announcements PMK Number 20/PMK.010/21**

	N	Minimum	Company	Maximum	company	mean
t-3	12	-0.0632	Garuda Metalindo Tbk	0.2472	Goodyear Indonesia Tbk	0.0130
t-2	12	-0.0558	Multistrada Arah Sarana Tbk	0.2492	Goodyear Indonesia Tbk	0.0284
t-1	12	-0.0332	Garuda Metalindo Tbk	0.2415	Goodyear Indonesia Tbk	0.0237
0	12	-0.0341	Garuda Metalindo Tbk	0.1216	Goodyear Indonesia Tbk	0.0091
t+1	12	-0.0478	Prima Alloy Steel Universal Tbk	0.0470	Multistrada Arah Sarana Tbk	-0.0060
t+2	12	-0.0254	Indomobil Sukses International Tbk	0.0501	Prima Alloy Steel Universal Tbk	0.0005
t+3	12	-0.0716	Goodyear Indonesia Tbk	0.1687	Garuda Metalindo Tbk	0.0059

Source: processed data, 2022

Based on Table 1, descriptive statistics of the minimum and maximum abnormal returns of 12 companies are described. As well as the average value of abnormal returns in the period of the announcement event PMK Number 20/PMK.010/21 The minimum abnormal return value of -0.0716 was obtained by Goodyear Indonesia Tbk at t+3 and the maximum abnormal return value of 0.2492 was obtained by Goodyear Indonesia Tbk at t-2. Meanwhile, the highest abnormal return average value occurs at t-2, which is 0.0284 and the lowest value at -0.0060 occurs at t+1.

**Table 2 Descriptive Statistics of AnnouncementsPMK Number 77/PMK.010/21**

	N	Minimum	Company	Maximum	company	mean
t-3	12	-0.0205	Gajah Tunggal Tbk	0.0441	Prima Alloy Steel Universal Tbk	0.0088
t-2	12	-0.0529	Indo KordsaTbk	0.0306	IndospringTbk	-0.0131
t-1	12	-0.0621	Garuda MetalindoTbk	0.1174	IndomobilSuksesInternasionalTbk	-0.0005
0	12	-0.0528	Prima Alloy Steel Universal	0.0745	Goodyear IndospringTbk	-0.0017
t+1	12	-0.0623	Prima Alloy Steel Multi Prima Sejahtera Tbk	0.2465	Multistrada Arah Sarana Tbk	0.0128
t+2	12	-0.0520	Indomobil Goodyear Indonesia Tbk	0.2409	Multistrada Arah Sarana Tbk	0.0256
t+3	12	-0.0657	Multi Prima SejahteraTbk	0.0545	Goodyear Indonesia Tbk	0.0007

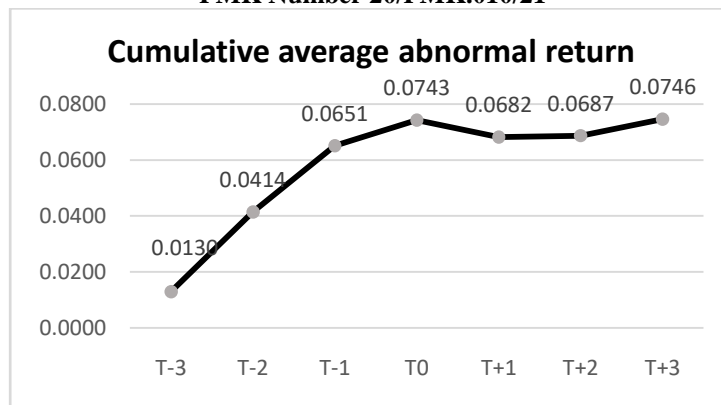
Source: processed data, 2022

Based on Table 2, descriptive statistics of the minimum and maximum abnormal returns of 12 companies are described. As well as the average value of abnormal returns in the period of the announcement eventPMK Number 77/PMK.010/21. The minimum abnormal return value is -0.0657obtained byMulti Prima SejahteraTbk at t+3 and the maximum abnormal return value is 0.2465 byMultistrada Arah Sarana Tbk at t+1. Meanwhile, the highest abnormal return average value occurs at t+2 of 0.0256 and the lowest value of -0.0131 occurs at t-2.

**Cumulative Average Abnormal Return**

This study uses supporting analysis by calculating the cumulative average abnormal return in looking at the development and trend of abnormal return values that occur during the announcement event periodPMK No. 20/PMK.010/21 andannouncementPMK No. 77/PMK.010/21.

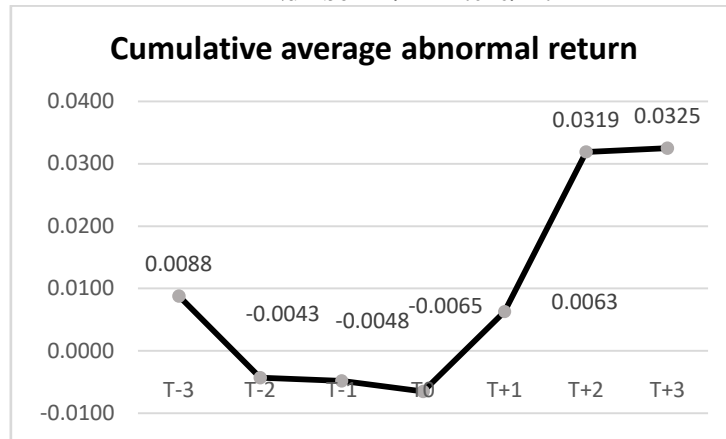
**Figure 2 Cumulative average abnormal PMK Number 20/PMK.010/21**



Source: processed data, 2022

Based on Figure 2 shows the development of the cumulative average abnormal return value in the period of observation. The increasing movement of the graph shows the positive average abnormal return value continuously before the announcement. The existence of a positive abnormal return before the announcement indicates that investors are aware of the rumors regarding the announcement of the PMK Number 20/PMK.010/21.

Figure 3 Cumulative average abnormal return  
PMK Number 77/PMK.010/21.



Source: processed data, 2022

Based on the figure, it shows the development of the cumulative average abnormal return value during the observation period. It can be seen that on day H the abnormal return value is negative, but t+1 shows a positive value. The existence of a positive value after the announcement can be indicated that investors are careful with information so that they will use the momentum to obtain a return that exceeds the previous one. In addition, a positive value can also be indicated that after the announcement the market conditions will be more stable as a result investors are comfortable investing than before the announcement, investors are filled with anxiety which tends to have a negative value.

Table 3 Significance Test of Average Abnormal Return Announcement of PMK Number  
20/PMK.010/2021

t-day	Average abnormal return	Sig (2-tailed)	T-count	Significance
-3	0.0130	0.572	0.5832	Ts
-2	0.0284	0.221	1.2965	Ts
-1	0.0237	0.274	1.1521	Ts
0	0.0091	0.472	0.7461	Ts
1	-0.0060	0.407	-0.8601	Ts
2	0.0005	0.928	0.0945	Ts
3	0.0059	0.728	0.3570	Ts

Source: data processed, 2021

Testing the significance of abnormal returns as a result of the announcement of PMK No. 20/PMK.010/21 which was announced on February 26, 2021, as shown in table 3 shows the average abnormal return around the incident, statistically none of them show sig.(2-tailed) > (5% or 0.05) or t-count > 2.201 or t-count < -2.201, so that hypothesis testing 1a (H1a) in this study was rejected, meaning that there was no significant abnormal return around events in the automotive sub-sector and its components.

The announcement of PMK No. 20/PMK.010/21 does not contain strong information that could cause a market reaction. Signaling theory explains that announcements in this case PMK Number 20/PMK.010/21 are able to provide a signal in the form of good news to investors, if the announcement contains important information it will be reflected in a significant positive abnormal return. However, the results of the study show that the average abnormal return is negative only at t+1, which means that there is a positive abnormal return around events but is unable to influence investors' perceptions of investing.

The insignificant result is because the information on the announcement of the tax discount stimulus is a policy that has been planned by the government so that it becomes public information that has been known by rumors before this policy is officially announced. Investors use policy rumors to analyze in advance and anticipate the possibilities that can occur, so investors do not use this information to get abnormal returns.

**Table 4 Significance Test of Average Abnormal Return Announcement of PMK Number 77/PMK.010/2021**

t-day	Average abnormal return	Sig (2-tailed)	T-count	Significance
-3	0.0088	0.164	1.4898	Ts
-2	-0.0131	0.146	-1.5646	Ts
-1	-0.0005	0.971	-0.0374	Ts
0	-0.0017	0.861	-0.1790	Ts
1	0.0128	0.576	0.5761	Ts
2	0.0256	0.268	1.1665	Ts
3	0.0007	0.950	0.0639	Ts

Source: data processed, 2021

Testing the significance of abnormal returns as a result of the announcement of PMK No. 77/PMK.010/21 which was announced on June 30, 2021, as shown in table 4 shows the average abnormal return value around the incident from a statistical aspect, none of which shows sig.(2-tailed) > (5% or 0.05) or t-count > 2.201 or t-count < -2.201, so that hypothesis testing 1b (H1b) in this study was rejected, meaning that there was no significant abnormal return around events in the automotive sub-sector and its components. The announcement of PMK Number 77/PMK.010/21 resulted in the average positive abnormal return the majority occurring after the policy was announced,

The insignificant result was caused by investors tending to wait and see and assume that the announcement of PMK 77/PMK.010/21 which is an extension of the luxury goods sales tax stimulus in the form of motor vehicles borne by the government 100% will support the recovery and development of the Indonesian economy, which has been contracted due to COVID-19 through the automotive industry. This is reflected in the positive but insignificant abnormal return value, which means that investors do not react using the momentum of the announcement of PMK 77/PMK.010/21 to obtain abnormal returns.

Discussion of the market reaction to the Announcement of the Minister of Finance (PMK) No. 20/PMK.010/21 and No.77/PMK.010/21 gave the same result. In addition to the reasons described above, there are several other causes that are thought to support the market not responding to the announcement information, namely:

1. Conservative society

The COVID-19 pandemic that has hit Indonesia has changed lives in all areas of life, including the economy. One of the changes in the economy can be seen from the decline in the Composite Stock Price Index (JCI) in the Indonesian Capital Market (Shiyammurti et al., 2020). This has an impact on the pattern of financial behavior shown by a person. Research conducted by Saraswati (2020) stated that shareholders who belong to the category of risk averter investors (afraid to take risks) will sell their shares because during the COVID-19 pandemic, stock prices generally decreased.

The existence of a policy of limiting activities to reduce the spread of the virus also has a major impact on the socio-economic conditions of the community, including employment and declining income. (Ngadi et al., 2020) The uncertainty of the situation caused by the pandemic has also changed consumptive behavior which makes people have to make efficiency, reduce consumption levels and divert funds for more urgent benefits. (Helman, 2021).

2. The automotive subsector and its components are considered underdeveloped

Community activities cannot be separated from the use of two-wheeled or four-wheeled motorized vehicles before the COVID-19 pandemic entered Indonesia. The increasing number of confirmed cases in Indonesia has made the government take firm steps to implement PPKM (Enforcement of Community Restrictions), which means that community activities are carried out from home (work from home). The absence of activities outside the home causes the use of motorized vehicles as a means of traveling to decrease, resulting in a decline in the automotive industry. This causes the automotive industry which is not a basic need or is a tertiary need to become less and less attractive to the public.

The community is more dominant in fulfilling basic needs and paying attention to their health, thus causing several sectors to actually benefit from this condition. Research by Plant (2020) stated that the sectors that were of interest during the pandemic were the consumer goods sector, the telecommunications sector and the pharmaceutical sector. The consumer goods sector is a consumer goods industrial sector whose consumption is still ongoing because it is related to basic needs. The telecommunications sector is a sector engaged in information and communication technology services. A pandemic situation that causes all work



and study activities to be carried out from home, so that the telecommunications sector is in demand because it is a sector to stay connected and last but not least The pharmaceutical sector is the health sector, which can no longer be separated from current conditions. This sector is in demand because of drug sales and demand for medical check-ups, rapid and swab tests.

### 3. Other forms of investment.

Investment in digital assets without physical form (crypto) in Indonesia has increased compared to investors in the capital market. Based on news from Tokocrypto (2021) Indonesia, data as of July 2021, the number of crypto asset investors in Indonesia has reached 7.5 million investors. Meanwhile, according to data from the Indonesian Central Securities Depository (KSEI) at the end of October 2021, the total single investor identification (SID) of the capital market was 6.76 million SID. The number of crypto asset investors is greater than the number of investors in the Indonesian capital market. Crypto asset investments are in demand because they provide higher returns compared to returns on several capital market indices in Indonesia. So that investors who want to get higher capital gains and have funds, will prefer to invest in digital currency compared to sectors in the Indonesian capital market. (Setiawan, 2020).

The results showed that there was no significant abnormal return around the event. It can be concluded that the announcement of the Minister of Finance Regulation (PMK) No. 20/PMK.010/21 and No. 77/PMK.010/21 indicated that it did not contain sufficient information to influence investors in making investment decisions, so the market as a whole did not use the momentum of the announcement to obtain abnormal returns between 3 days before and 3 days after the PMK announcement was published.

The results of the study do not support the theory of market efficiency, because the published information is not able to make the market react. The theory of market efficiency is measured by paying attention to how the available information is reflected in the price of securities. The results showed that the announcement of PMK Number 20/PMK.010/21 and Number 77/PMK.010/21 was in a semi-strong form, thus creating abnormal returns with positive or negative values. This is because the information is not fully contained in the share price on the announcement date of PMK No. 20/PMK.010/21 and No. 77/PMK.010/210, so the market is still unsure about the motives of the policies implemented by the company.

The research findings are also not in line with signaling theory which states that information will provide a signal in the form of good news seen from positive abnormal returns. The results showed a positive abnormal return around the announcement of PMK No. 20/PMK.010/21 and No. 77/PMK.010/21 but not significant, which means that the signal given to investors has not been able to change investors' investment decisions in automotive and component sub-sector companies.

The results of the study provide practical implications for investors where not all information in the capital market includes valuable information that can cause market reactions, so investors must sort and analyze relevant information to be considered in making investment decisions. Investors must also understand how an announcement in this case government policy can affect the capital market. Some government policies require time to be understood by market participants in order to gain profits and minimize the possible risks that may occur.

## IV. CONCLUSION

Based on the description that has been described, it can be concluded that:

- a. The results of testing hypothesis 1a found that the information on the announcement of the PMK Number 20/PMK.010/21 did not give a strong signal so that it did not cause a market reaction.
- b. The results of testing hypothesis 1b found that the information on the announcement of the PMK Number 77/PMK.010/21 did not give a strong signal so that it did not cause a market reaction.

*Abnormal returns* which is not significant around the announcement event shows that there is no market reaction to the announcement of PMK No. 20/PMK.010/21 and PMK No. 77/PMK.010/21. None of the investors who get abnormal returns shows that the capital market is in an efficient state in a semi-strong form. The market reaction did not occur because the announcement was public information that had circulated before the policy was officially announced and investors were still unsure of the motives of the policy.

## V. SUGGESTION

Further research is recommended to conduct research with a longer observation period to pay attention to the longer mobility of abnormal returns, in order to be able to give better results in seeing the market response. Besides that, it is also expected to use other variables such as trading volume activity and use other models in estimating the expected return value in order to obtain research findings from a number of points of view. Further research can also continue this research, to test the announcement of PPnBM for Motorized Vehicles DTP 100% which has been extended again by the government.

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