Analysis of the Effect of Islamic Holidays on Stock Returns in the Indonesian Capital Market

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Abstract

This study aims to examine the effect of Islamic religious holidays on stock returns in the Indonesian Capital Market. Islamic holidays in Indonesia consist of Eid al-Fitr, Eid al-Adha, Isra Miraj, Maulid Nabi Muhammad SAW and the Hijri New Year. The study used a different test, with a non-parametric Wilcoxon signed rank test because the data were not normally distributed. The research data uses the Composite Stock Price Index (CSPI) for the period 2006 to 2021. The test results show that Islamic religious holidays in Indonesia have no effect on the capital market. For further research, it is recommended to also examine the impact on trading volume and stock prices, to test whether Islamic religious holidays really have no effect on the Indonesian Capital Market.

Keywords: Analysis, Effect, Holidays Islam, Stock Return, Indonesian Capital Market

INTRODUCTION

In behavioral finance theory, there are several conditions that cause market inefficient. The inefficiency of the market is at least due to several factors, First, the imperfect market structure, that no market can truly be said to be perfect in reality. Second, there is considerable strength from deviations in investor behavior that comes from habits, emotions and moods that trigger their attitude (sentiment) in trading. Third, the reference to capital market theory used by investors in carrying out investment strategies is not appropriate, causing errors or irregularities in capital market assessments (Reilly, 2006).

Investors' habits, emotions and moods can be influenced by several factors, including: weather conditions, daily conditions such as Monday may be different from Friday, the beginning of the year is different from the end of the year, then factors such as certain events such as the results of sports matches, presidential elections. , then the events of religious holidays. During the celebration of religious holidays, investors tend to be calm and even happy in celebrating, this condition affects the attitude or sentiment of investors in making investment decisions. The behavior of investors when making financial decisions is not only influenced by considerations of economic rationality and objective data, but is also influenced by irrational actions such as emotions, certain psychological habits, and the mood of investors themselves (Rystrom and Benson, 1989).

Islam is the religion that is mostly embraced by the Indonesian people, more than 88% of the adherents of Islam in Indonesia. In the Indonesian holiday calendar, there are five Muslim holidays that are held massively, each of which is Eid al-Fitr, Eid al-Adha, Maulid Prophet Muhammad SAW, Isra Miraj and the Hijri New Year. On these holidays, Indonesian Muslims rejoice in holding their celebrations. On these holidays, the Indonesia Stock Exchange is closed, no transactions are carried out.

Research on the effect of the calendar, including the effect of religious holidays, has been widely carried out throughout the world, including in Indonesia. This study aims to re-examine the effects of Islamic religious holidays on the Indonesia Stock Exchange in the period 2006 to 2021 using the Composite Stock Price Index (CSPI) data as a source of research.

Financial behavior is a new study in the science of financial management. Its existence is still a hot topic of debate and debate among financial experts. Behavioral finance is the antithesis of traditional finance which states that markets are efficient. The efficient market hypothesis is one of the main theories in the field of finance and is always discussed by academics in economics and finance. Efficient market theory is an important milestone in the development of financial theory and calls it one of the basic building blocks of finance (Smith, 1990).

The concept of an efficient market means that the current stock price reflects all available information. This means that information is good from past, present information and is supplemented by information from the company itself (Fama, 1970). The efficient market hypothesis has at least three basic assumptions (Shleifer, 2000), First that investors are assumed to act rationally so that they will value stocks rationally. Second, some investors may act irrationally but their behavior in trading transactions is random so that the effects will cancel each other out and do not affect prices. Then the three rational investors will reduce the influence of irrational investor behavior on prices in the market

In contrast to the efficient market concept proposed by traditional financial experts, financial behavior states that the market is in fact inefficient, because investors' considerations are not only based on mathematical calculations and rational thought alone, but are also influenced by irrational factors originating from attitudes, emotions, moods and behavior. other habits. This condition is called a market anomaly, that there is a market anomaly.

Levy (1996), classifies market anomalies into four anomalous conditions based on the characteristics of the event, namely firm anomaly, seasonal anomaly, event anomaly, and accounting anomaly.

Calendar anomaly is one form of anomaly of market deviation events, the influence of holidays, trading days and certain events. The mood, emotions or feelings of investors in the days before or after holidays, both national holidays and religious holidays, may vary in conditions which can also affect the behavior of investors in trading stocks. the effect before the holiday is very strong compared to the previous days (Marretta and Worthington, 2009)

Research conducted by Chong et al. (2005) regarding the effect of pre-holiday on capital market anomalies in America, England, and Hong Kong in the period 1991-2003 found a decrease in return before the holidays in the three countries' capital markets, and in America it had a significant value.

Abbes and Zouch (2015) in their research on investor sentiment and its effect on stock returns during the Hajj/Eid al-Adha pilgrimage on the Saudi Arabian stock exchange, with a research period from 2007 to 2013 with 86 stocks listed on the Saudi Stock Exchange, the results show that there are differences in returns. that investors get before the Hajj and after the Hajj

Then the research conducted by Cowdhury and Mostari (2015) regarding the effect of the Eid al-Adha holiday on the Bangladesh Stock Exchange during the period 2005 to 2013 found that there was an effect of the Eid al-Adha holiday on the Dhaka stock exchange.

Research conducted by McGowan and Jacob (2010) regarding the effect of the Eid al-Fitr holiday on stock returns on the Malaysian stock exchange in the period 2000 to 2003, found the fact that there was no effect of Eid al-Fitr holiday on the Malaysian stock exchange.

Furthermore, research conducted by Harit Satt (2016) regarding the impact of the Eid al-Fitr, Eid al-Adha and Maulid Nabi holidays on stock prices on the stock exchanges of Morocco, UAE, Saudi Arabia, Qatar, Kuwait, Lebanon, Algeria and Bahrain.

METHODS
This research uses event study research method. Event Study is a research methodology that uses financial market data to measure the impact of a specific event on firm value, usually reflected in stock prices and transaction volume (MacKinlay, 1997).
The research method carried out is adjusted to the distribution of the data. If the data is normally distributed, then the parametric test is used, namely the Paired Sample T-test. However, if the data is not normally distributed, then use a nonparametric test, namely the Wilcoxon Signed Rank Test. Both are two-average difference tests that are used to determine whether there is a difference in the average of two paired samples. Then the test tool in this study using Spss 26 software by testing the average stock return five days before and after Islamic holidays. The data in this study uses the Composite Stock Price Index (IHSG) in the period 2006 to 2021

Even Period

T-5 (Before holiday)   T 0 (Holiday)   T+5 (After Holiday)

The hypothesis in this study is to test:

H1: it is suspected that there is an influence of the Eid al-Fitr holiday on stock returns
H2: it is suspected that there is an effect of the Eid al-Adha holiday on stock returns
H3: it is suspected that there is an effect of the Isra Miraj holiday on stock returns
H4: it is suspected that there is an effect of the birthday of the Prophet Muhammad SAW on stock returns
H5: it is suspected that there is an effect of the Hijri New Year holiday on stock returns

Decision making basis:

If the probability of the result (sig value) > 0.05 or – t table < t count < t table, then there is no difference between before and after holidays.
If the result probability (sig value) < 0.05 or t count < - t table or t count > t table, there is a difference between before and after holidays.

The testing stage in this study was first conducted a correlation test, the correlation test was intended to find out whether there was a relationship between the data before and after the Chinese New Year. Then the normality test was conducted to determine whether the research data were normally distributed or not. After knowing the results of the normality test, then a hypothesis test is carried out. If the data is normally distributed then a parametric test is used, namely the Paired Sample T-test, while if the data is not normally distributed, it uses a non-parametric test with the Wilcoxon Signed Rank Test.

RESULTS AND DISCUSSION

Correlation Test

Eid Al Fitr	Stock Return Before	Pearson Correlation	1	.106
		Sig. (2-tailed)		.349
		N	80	80
	Stock Return After	Pearson Correlation	.106	1
		Sig. (2-tailed)	.349	
		N	80	80
Eid Al Adha	Stock Return Before	Pearson Correlation	1	-.189
		Sig. (2-tailed)		.083
		N	85	85
	Stock Return After	Pearson Correlation	-.189	1
		Sig. (2-tailed)	.083	
		N	85	85
Isra Miraj	Stock Return Before	Pearson Correlation	1	-.194
		Sig. (2-tailed)		.084
		N	80	80
	Stock Return After	Pearson Correlation	-.194	1
		Sig. (2-tailed)	.084	
		N	80	80

Maulid Nabi Muhammad	Stock Return Before	Pearson Correlation	1	-.208
		Sig. (2-tailed)		.056
		N	85	85
	Stock Return After	Pearson Correlation	-.208	1
		Sig. (2-tailed)	.056	
		N	85	85
Hijr New Year	Stock Return Before	Pearson Correlation	1	-.105
		Sig. (2-tailed)		.337
		N	85	85
	Stock Return After	Pearson Correlation	-.105	1
		Sig. (2-tailed)	.337	
		N	85	85

Hypothesis
1. H0: There is no significant correlation between stock returns before and after Islamic religious holidays
2. H1: There is a significant correlation between stock returns before and after Islamic religious holidays
The basis for decision making if the probability (sig value) > 0.05 then H0 is not rejected, if the probability (sig value) < 0.05 then H0 is rejected.
Correlation Analysis Results:
In the table above, the significant value of the average stock return is > 0.05 → it means that H0 is not rejected, this shows that there is no real positive correlation between stock returns before and after religious holidays.

Normality test

			Before	After
	N		85	85
Eid Al Adha	Normal Parameters[a,b]	Mean	-0.1286%	0.2558%
		Std. Deviation	1.16348%	1.52144%
	Most Extreme Differences	Absolute	0.114	0.131
		Positive	0.054	0.131
		Negative	-0.114	-0.108
	Test Statistic		0.114	0.131
	Asymp. Sig. (2-tailed)		.008[c]	.001[c]
Eid Al Fitr	N		80	80
	Normal Parameters[a,b]	Mean	0.2086%	-0.1229%
		Std. Deviation	1.26836%	2.19624%
	Most Extreme Differences	Absolute	0.128	0.177
		Positive	0.128	0.138
		Negative	-0.103	-0.177
	Test Statistic		0.128	0.177
	Asymp. Sig. (2-tailed)		.002[c]	.000[c]
Isra Miraj	N		80	80
	Normal	Mean	-0.1411%	-0.0236%

Parameters a,b	Std.	1.52816%	2.16163%
Most Extreme Differences	Absolute	0.136	0.180
	Positive	0.106	0.180
	Negative	-0.136	-0.142
Test Statistic		0.136	0.180
Asymp. Sig. (2-tailed)		.001c	.000c
Maulid Nabi Muhammad N		85	85
Normal Parameters a,b	Mean	0.0792%	0.2544%
	Std. Deviation	1.11235%	0.92182%
Most Extreme Differences	Absolute	0.135	0.077
	Positive	0.088	0.077
	Negative	-0.135	-0.046
Test Statistic		0.135	0.077
Asymp. Sig. (2-tailed)		.001c	.200c,d
Hijr New Year N		85	85
Normal Parameters a,b	Mean	0.1272%	0.0088%
	Std. Deviation	1.15143%	1.30647%
Most Extreme Differences	Absolute	0.100	0.099
	Positive	0.071	0.088
	Negative	-0.100	-0.099
Test Statistic		0.100	0.099
Asymp. Sig. (2-tailed)		.036c	.038c

Testing hypothesis:
1. H0 : Stock price data is normally distributed
2. H1 : Stock price data is not normally distributed

Decision making basis:
1. If the probability (significance value) > 0.05 then H0 is not rejected
2. If the probability (significance value) < 0.05 then H0 is rejected.

The results of the analysis of the normality test obtained facts, in general the data five days before and after religious holidays are not normally distributed or the average significance value is below <0.05, which means H0 is rejected and H1 is accepted, namely, return data before and after Islamic religious holidays are not normally distributed. .

Non Parametric Test

Based on the normality test, the results of the data were not normally distributed. In the difference test, if the data are not normally distributed, then to test the research hypothesis, a non-parametric test is used using the Wilcoxon Signed Rank Test test model.

Holiday		Stock Return After - Stock Return Before
Eid Al Adha	Z	-1.251b
	Asymp. Sig. (2-tailed)	.211

Eid Al Fitr	Z	-.643[c]
	Asymp. Sig. (2-tailed)	.520
Isra Miraj	Z	-.489[c]
	Asymp. Sig. (2-tailed)	.625
Maulid Nabi Muhammad	Z	-.291[b]
	Asymp. Sig. (2-tailed)	.771
Hijr New Year	Z	-.857[c]
	Asymp. Sig. (2-tailed)	.392

Hypothesis

H0 : The average stock return five days before and five days after the Islamic religious holiday, is not statistically significant.

H1 : The average stock return five days before and five days after the Islamic religious holiday, is statistically significantly different.

Decision Making Basis

1. If the probability (sig value) > 0.05 or t table < t count < t table then H0 is not rejected

2. If the probability (sig value) < 0.05 or t table < t count < t table then H0 is rejected

CONCLUSION

Based on a non-parametric test using the Wilcoxon Signed Rank Test, the results obtained a significance value for the average stock return > 0.05 which means that H0 is not rejected, namely the average stock return five days before and five days after Islamic religious holidays (Eid al-Fitr, Eid al-Adha). , Isra Miraj, Maulid Nabi and Hijri New Year, did not differ statistically significantly.

The conclusion of this study is that the year of Islamic religious holidays does not have an impact on the Indonesian capital market and its effect on stock returns. The results of this study are different from the results of research conducted by Sasikirono and Meidiaswati (2017) regarding the effect of religious holidays on the Indonesia Stock Exchange which states that there is an effect of religious holidays on stock abnormal returns, with different effects (Christmas, Easter and Eid al-Adha have positive effects, while Eid al-Fitr has a negative effect) in the period 2005 to 2015. Then the research conducted by Pujiadi and Indriani regarding the effect of Islamic religious holidays on the Indonesia Stock Exchange in the period 2012 to 2016, obtained different results, where Maulid Nabi and Eid al-Fitr have different results. significant effect on stock abnormal returns, while Eid al-Adha, Isra Miraj and Hijri New Year have no effect.

The dominance of religious adherents in a country does not guarantee to have an influence on the capital market, this can be seen from the results of this study which found the fact that Islamic holidays have no effect on the Indonesian capital market. Need another test how it affects the trading volume and stock prices.

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