
The Impact of Implementing Asymmetric Auto Reject on Liquidity and Stock Trading Volume

(Case Study on LQ45 Stock in Indonesia Stock Exchange)

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Abstract

The existence of the Covid-19 pandemic has greatly affected the condition of the public in investing, especially investing in stocks. The Indonesia Stock Exchange as a stakeholder makes several regulations so that the public continues to have a high interest in investing in stocks one of which is the application of an asymmetric auto reject policy. This study was conducted with the aim to explaining whether there is an effect before and after the implementation of the asymmetric auto reject policy on liquidity and stock trading volume. This study uses the paired sample test method to see whether there are differences before and after the implementation of the asymmetric auto reject policy. The result of this study indicate that the significance value (2-tailed) of the paired sample test table is <0.05 which indicates a significant difference between the initial and final variables. This shows that there is a significance influence on liquidity and stock trading volume in LQ45 stocks.

Keywords: Stocks, Asymmetric Auto Reject, Liquidity, Trading Volume

1. Introduction

In 2020 the world is faced the a new highly contagious virus called Covid-19. This virus was first discovered in the Province Wuhan, China in December 2019 and has spread throughout the world. The rapid spread of this virus has prompted the World Health Organization (WHO) to establish status so that all countries carry out strict health protocols to suppress the spread of the Covid-19 virus. This strict health protocol requires people to keep their distances and reduce social activities which results in a decline in economic levels throughout the world.

The decline in the level of the economy has an impact on investment activities carried out by the public, especially investment in shares. As research conducted by (Yuannisa, 2022) said that the covid pandemic had an impact on stock prices which resulted in the Jakarta Composite Index

experiencing a deep drop in price. (Tiwi and Rahayu, 2021) found that there was a difference in the stock prices of the consumer goods industry after a positive covid case was announced and (Annisa et al, 2022) found that the announcement of the first covid 19 case in Indonesia had an effect on stock returns in the property and real estate sector. Meanwhile (Harianja et al, 2022) found that the results of the study showed that there was no significant difference in price at pharmaceutical companies, but there was a significant difference in transaction volume, namely a decrease in transaction volume.

Seeing that the pandemic has had an impact not only on stock prices but also has had an impact on the volume of stock transactions, therefore Indonesia Stock Exchange as a stakeholder implement an asymmetric auto reject policy based on the Decree of the Directors of Indonesia Stock Exchange (IDX) (Kep-00025/BEI/03-2020). The implementation of this policy is expected to increase stock liquidity and the number of stock transactions so that investors are interested in returning to invest in the stock market (Saputra & Kawisana, 2021).

Stock is one of the investment instruments that are of interest to the public. Investors can receive dividends form the company and can receive capital gain if investors sell their shares at a higher price than the purchase price. According to (Hermuningsih, 2012:78) stock is one of the securities traded in the capital market which is ownership. (Fahmi, 2012:81) argues that stocks are one of the capital market instruments that are most in demand by investors, because it can provide an attractive return. Shares are paper that clearly states the nominal values, company names and is followed by the rights and obligations that have been explained to each holder (Saputra et al., 2021). Attractive stocks are stocks that have a good level of liquidity. Stocks that have good liquidity are stocks that have a high number of transactions and can be bought and sold quickly. According to (Horne, 2005) liquidity is the ability to realize value in the form of money as the most current asset. (Ross et al, 2007:24) states that liquidity is a company’s ability to convert assets into cash or the ability to obtain cash quickly. (Conroy et al, 1990) suggest that there are several parameters used to measure liquidity, namely: a.) stock trading volume, b.) spread rate, c.) information flow, d.) number of shareholders, e.) numbers of share outstanding, f.) transcation costs, g.) stock price, h.) stock price volume.

Indonesia Stock Exchange (IDX) applies several trading mechanism in conducting shares transaction on the stock exchange. The trading system used for stock trading in Indonesia is the Jakarta Automated Trading System (JATS) which has a function to automate securities trading in real time based on time priority and price priority. In addition, IDX can apply several policies to regulate the trading mechanism, one of which is the asymmetric auto reject policy. Asymmetric auto reject is a trading system rejection limit where the limit for the maximum share increase and the limit for the maximum decrease in shares are not the same.

Table 1. Asymmetris Auto Reject Policy

Stock Price	Rp 50 – Rp 200	ARA >35%	ARB <Rp 50 / <7%
	>Rp 200 – Rp 5000	ARA >25%	ARB <7%
	>Rp 5000	ARA >20%	ARB <7%
Volume limit per order	>50.000 lot or 5% of the number of listed securities		

Source: www.idx.co.id

Several previous studies revealed that several trading mechanisms can change the liquidity and trading volume of shares on the IDX. (Annisa and Nurdin, 2020) shows that there is a difference in the average bid ask spread, depth and trading volume between before and after the change in stock price fractions. (Hadid and Azhari, 2015) found that changes in price fractions have a significant effect on the relative spread. (Pratiwi et al, 2019) also revealed that stock liquidity increases after changes in tick size. In addition (Endri, 2016) revealed that the implementation of the new tick size policy did not result in an increase in stock liquidity. Looking at several previous studies which had mixed results related to the relationship of trading mechanism to liquidity and stock trading volume, this study aims to see whether there are differences in liquidity and stock trading volume between before and after the implementation of the asymmetric auto reject policy carried out by Indonesia Stock Exchange.

2. Method

This is a quantitative research. Quantitative research is a type of research that produces discoveries that can be achieved using statistical procedures or other methods of quantification (Sujarweni, 2015:2). The analysis technique used in this study is the differential test. Different tests are used to evaluate certain treatments in the same sample at two different observation periods (Pramana, 2012).

Data analysis that will be used in this study uses a time event study analysis technique to see if there is a difference in liquidity between before and after the implementation of the asymmetric auto reject regulation. The regulation came into effect on March 9th, 2020 and the data will be compared 5 days before and after the regulation book effect. This study uses the Paired Sample t-test analysis method and the analysis will be carried out using the SPSS software program.

The population in this study were stocks included in the LQ 45 list of shares with a total of 45 shares. The sampling technique in this study used saturated sampling techniques. Saturated sampling is a sampling technique when all members of the population are sampled (Sugiyono, 2017:85).

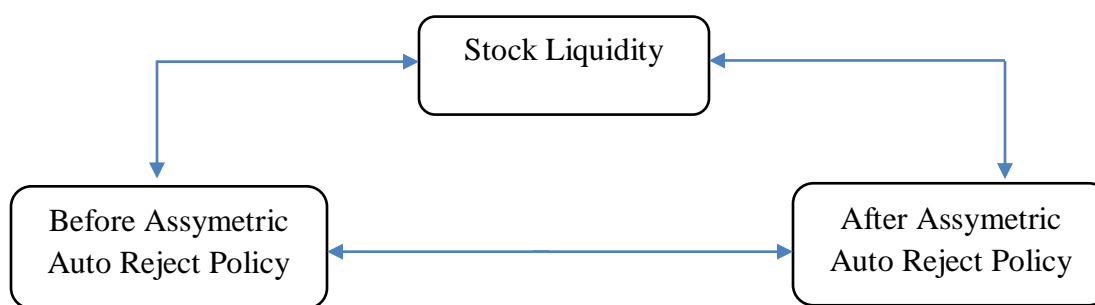


Figure 1. Conceptual Framework

3. Results

The analysis in this study uses a paired sample correlation table and a paired sample test table to see if there is a difference in the sample between before and after the asymmetric auto reject policy is enforced by the IDX.

Table 2. Paired Samples Correlations

Paired Samples Correlations		N	Correlation	Sig.
Pair 1	Vol1 & Vol2	225	.495	.000
Pair 2	Ask1 & Ask2	225	.720	.000
Pair 3	Bid1 & Bid2	225	.796	.000
Pair 4	Spread1 & Spread2	225	.251	.000

Source: Computed data, 2022

The paired samples correlations table shows the correlation value which shows the relationship between the two variables in the paired samples. This is obtained from the bivariate Pearson correlation coefficient (with a two-tailed significance test) for each pair of variables included.

Table 3. Paired Samples Test

Paired Samples Test

		Paired Differences			95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	Vol1 - Vol2	-.0006019	.0018869	.0001258	-.0008498	.0003540	-4.785	224	.000
Pair 2	Ask1 - Ask2	-.0171460	.1181738	.0078783	-.0326709	.0016210	-2.176	224	.031
Pair 3	Bid1 - Bid2	.0483728	.3140136	.0209342	.0071195	.0896260	2.311	224	.022
Pair 4	Spread1 - Spread2	-.0971827	.4246121	.0283075	-.1529658	.0413997	-3.433	224	.001

Source: Computed Data, 2022

4. Discussion

The result of this study indicate that the implementation of an asymmetric auto reject policy by IDX has a significant effect on ask depth, bid depth, bid ask spread and trading volume. This can be an input for stock investor and stock broker to be able to take advantage of this research in order to seek maximum profit in investing in stock market. In addition, this research is expected to be useful for the IDX as a regulator and as a representative of the government to evaluate asymmetric auto reject policies and to make other useful policies for investors in the future.

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