

**TEST THE REACTION OF THE BANK SYARIAH INDONESIA STOCK MARKET
(EVENTS PP MUHAMMADIYAH DECIDED TO WITHDRAW CUSTOMER FUNDS)**

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ABSTRACT

This study aims to test the efficiency of the Islamic capital market in Indonesia in responding to public information based on religious values, with a case study of the fund consolidation policy by the Muhammadiyah Central Leadership towards Bank Syariah Indonesia (BSI). Within the framework of the Efficient Market Hypothesis (EMH) and Signal Theory in the context of sharia, this event is seen as a negative institutional signal that has the potential to affect investor perceptions and BSI stock performance as the main barometer of the national Islamic capital market. The research method in this study uses the event study method with a difference test to see the significance of the difference between before and after, the data used are abnormal returns and trading return activity 10 days before and after. The results of this study indicate that there is no significant difference between abnormal returns before and after this indicates that the announcement of the Muhammadiyah PP memo does not affect stock returns because shareholders still believe in the credibility of BSI management by ignoring external influences, but in the trading volume Activity variable there is a significant influence of the volume of BSI stock trading between before and after the announcement this occurs there is a decrease in trading between before and after because shareholders still see the situation of BSI stock trading before deciding to buy or sell shares.

1 Introduction

The capital market plays a vital role in a country's economy, including Indonesia, as a bridge between parties with excess funds and those in need of funds. In the perspective of the Efficient Market Hypothesis (EMH) proposed by (Fama, 1970), the capital market is efficient if the prices of traded assets reflect all available information. EMH is categorized into three forms: weak form, semi-strong form, and strong form (Utami, 2018). In the weak form, stock prices reflect all historical information; in the semi-strong form, prices reflect all public information; and in the strong form, stock prices reflect all information, including private or internal information (Stefhani, 2018). Market efficiency is measured by how quickly new information is responded to by the market and reflected in asset prices (Yulianti & Jayanti, 2019).

In today's business operations, information is a key factor in decision-making. Decisions based on information enhance the precision of analysis and accuracy in decision-making processes. Well-informed decisions enable companies to allocate their resources optimally. Therefore, processing information and implementing decision-making processes are crucial for business actors, including those in the financial sector (Gang & Loang, 2024). In the financial sector, decision-making involves not only companies but also individuals in their investment activities. Investment decisions by individuals are influenced by historical data, such as previous stock price trends, and public information disclosed by companies. This information generates market responses to stocks, either positive or negative. Positive responses lead to stock price increases, while negative responses result in price declines. Hence, testing whether such information triggers market responses is essential (Chen et al., 2024).

The information obtained by investors is analyzed to evaluate the performance, risk, and expected returns of their investments (Carolyn, 2024). Investors aim to maximize the returns on their investments, requiring as much information as possible from both internal and external sources that could impact stock prices. This information may include company announcements (internal) or external events such as government regulations, organizational policies, or significant influences from other parties. This also applies to the banking sector, including Islamic banking in Indonesia.

Event study research has become a popular approach to analyze market reactions to various economic and financial events, especially in conventional markets. However, in the context of Islamic banking, there is a significant research gap. Most studies still focus on conventional banking and rarely explore market reactions to events that are typical of Islamic law, such as the announcement of a DSN-MUI fatwa, the launch of a product based on a certain contract, or collective *ijtihad* decisions from religious institutions (Alam et al., 2013). As a result, little is known about how information that is religious or based on Islamic values affects investor perceptions and stock prices in the Islamic market.

Islamic banking in Indonesia has experienced significant growth, particularly following the merger of BRI Syariah, BNI Syariah, and Mandiri Syariah into Bank Syariah Indonesia (BSI). This merger generated positive responses from the capital market, strengthened the company's valuation, and positioned Islamic banking strongly compared to conventional banking (Carolyn, 2024). However, this development also triggered a negative response from one of Indonesia's largest Islamic organizations, Muhammadiyah. This response was

formalized in Muhammadiyah's Memo Number 320/1.0/A/2024 on Fund Consolidation, issued on May 30, 2024. The memo urged all Muhammadiyah members to redirect their funds to banks that have partnered with Muhammadiyah Central Leadership (PP Muhammadiyah). The reasoning behind this policy is that BSI is perceived as a large bank prioritizing large-scale customers, while Muhammadiyah has a strong commitment to enhancing the economy of the community through support for micro, small, and medium enterprises (MSMEs), which is no longer seen as BSI's main focus.

Muhammadiyah's fund consolidation initiative represents a significant event with the potential to impact the financial structure of Bank Syariah Indonesia and elicit market reactions. Signal Theory explains that positive or negative information can influence investor perceptions and trigger trading activities in the capital market (Istifarida & Asakdiyah, 2020). The market's response to Muhammadiyah's fund consolidation policy can be measured through abnormal returns and trading volume activity. Abnormal return is the difference between the actual return and the expected return, reflecting the market's reaction to significant events (Syed & Bajwa, 2018). Previous research indicates that the Indonesian capital market is often not efficient in its weak form (Khajar, 2008), where stock price movements are still influenced by historical data and do not fully exhibit random patterns (Stefhani, 2018).

This study holds strong urgency because Muhammadiyah's fund consolidation initiative can serve as a parameter to measure the efficiency of the Islamic capital market in Indonesia. As the largest Islamic financial institution, Bank Syariah Indonesia (BSI) plays a crucial role in reflecting the Islamic capital market's response to significant public information. Using an event study approach, this research aims to analyze how the market responds to Muhammadiyah's fund consolidation policy through changes in abnormal returns and trading volume activity for BSI shares.

In terms of empirical gap, most event study research on Islamic banking still adopts methods and models from conventional markets, such as the use of market-adjusted return or mean-adjusted return models without adjusting to the specific characteristics of the Islamic market (Abdullah et al., 2007). For example, Islamic markets tend to avoid speculation and interest-based instruments, which should be reflected in return and volatility patterns. In addition, there are still few studies that directly compare market reactions between Islamic banks and conventional banks to the same event, even though differences in operational structure and customer base can cause differences in information sensitivity (Rizvi et al., 2015). This gap hinders a comprehensive understanding of Islamic market behavior.

Through this research, a deeper understanding is expected of how effectively the Islamic capital market in Indonesia responds to public information in a timely and accurate manner. Additionally, the research findings contribute to investors, academics, and policymakers in understanding the dynamics of Islamic capital market efficiency and the importance of transparency in supporting investment decision-making. If the results show a rapid market response, it would indicate that Indonesia's Islamic capital market is efficient in its semi-strong form. Conversely, a slow response would highlight challenges in achieving optimal market efficiency.

Furthermore, there is a striking theoretical gap. Event study research is generally based on assumptions from the efficient market hypothesis developed within the framework of

conventional finance (Fama, 1970). However, this assumption is not necessarily fully applicable in the sharia market which is influenced by Islamic values and ethics. Information that influences the market is not only limited to financial data, but also includes spiritual dimensions, religious fatwas, and perceptions of sharia compliance (Saiti et al., 2018). There are not many theories designed to explain market reactions to information based on Islamic values. Therefore, it is necessary to develop a theoretical framework that integrates sharia principles into financial theory, in order to understand the dynamics of the sharia market more accurately and contextually.

Thus, this study aims to test the efficiency of Indonesia's Islamic capital market in responding to Muhammadiyah's fund consolidation event. The research focuses on Bank Syariah Indonesia (BSI) shares as the primary barometer of the national Islamic capital market, using an event study approach to analyze abnormal returns and trading volume as indicators of the market's response to public information.

2 Literature Review

The Efficient Market Hypothesis (EMH) was first introduced by (Fama, 1970; Syed & Bajwa, 2018) and has become one of the core concepts in modern financial theory. EMH states that security prices in the capital market will reflect all available information, including historical, public, and private information, which is categorized into three forms of market efficiency: weak form, semi-strong form, and strong form ((Fama, 1970)). The literature on market efficiency is widely used to analyze how quickly new information is reflected in stock prices in the capital market.

Weak Form Efficient Market Hypothesis

The weak form of market efficiency states that stock prices already reflect all historical information, such as past stock prices and trading volumes. In this condition, investors cannot achieve abnormal profits solely by using technical analysis based on historical price movements because stock price changes follow a random walk. If the market is efficient in its weak form, there is no correlation between past and future stock prices ((Stefhani, 2018);(Khajar, 2008)). Related research has shown varying results.

Examined weak-form market efficiency on the Indonesia Stock Exchange (IDX) before and after the monetary crisis, using LQ-45 stocks as samples for the 1998–2006 period (Khajar, 2008). The results showed that most stocks followed a random pattern, supporting the weak-form efficient market hypothesis. Similar findings were reported by (M et al., 2024) in a systematic review of emerging markets, concluding that emerging markets, including Indonesia, generally only achieve weak-form efficiency. However, challenges such as limited transparency, insider trading practices, and uneven information distribution hinder further efficiency.

On the other hand, (Stefhani, 2018) found contrasting results in Indonesia's Islamic capital market. Using the Run Test on Jakarta Islamic Index (JII) stocks in 2018, the study showed that the price movements of Islamic stocks were not entirely random. This indicates that the Islamic capital market in Indonesia has not yet achieved weak-form efficiency. This condition may be attributed to factors such as limited liquidity, delays in information dissemination, and the dominance of investors relying more on technical analysis rather than fundamental analysis.

Semi-Strong Form Efficient Market Hypothesis

The semi-strong form of market efficiency assumes that stock prices fully reflect all publicly available information, including financial reports, corporate policies, merger announcements, and other external events. In this form, investors cannot achieve abnormal profits using public information because the market responds to information very quickly (Fama, 1970).

(Carolin, 2024) research provides an example of testing semi-strong market efficiency in the context of the Bank Syariah Indonesia (BSI) merger. The study measured abnormal returns and stock trading volumes during the BSI merger event, both before and after the announcement. The results showed that the merger event only influenced certain market activities, particularly trading volumes, while abnormal returns did not show significant differences. This indicates that the Islamic capital market is not yet fully efficient in its semi-strong form, as public information is not fully integrated into stock prices quickly.

Additionally, research by on the capital market's reaction to socio-political events in Indonesia, such as the enactment of the KPK (Corruption Eradication Commission) law, also revealed that the Indonesian capital market is not efficient in its semi-strong form. The study showed that not all public information caused significant changes in stock prices and trading volumes, indicating a delayed market response to information.

Strong Form Efficient Market Hypothesis

In the strong form of market efficiency, stock prices reflect all types of information, including private or internal information that has not yet been disclosed. Under these conditions, even insider trading cannot generate abnormal profits because all information is already integrated into stock prices. However, research on strong-form market efficiency is still rare in Indonesia. According to (Hafidz & Isbanah, 2020), achieving this condition is very challenging due to limited access to private information and the practice of information asymmetry between company management and investors.

Efficient Market Hypothesis and Sharia Banking

In the context of Islamic banking, market efficiency poses its own challenges, as the Islamic system emphasizes the principles of transparency, fairness, and avoidance of speculative practices. Significant events, such as Muhammadiyah's fund consolidation as stated in Memo Muhammadiyah No. 320/1.0/A/2024, serve as critical moments to test the efficiency of Indonesia's Islamic capital market. This event emerged in response to BSI's policy of focusing more on large-scale customers, while Muhammadiyah remains committed to supporting the community's economy and MSMEs. If the Islamic capital market is efficient, information related to this memo should be immediately reflected in the movement of BSI stock prices and trading volumes in the capital market.

Previous studies on mergers and policies of large organizations often show varied market responses. For instance, (M et al., 2024) stated that merger announcements do not always result in significant changes in stock prices due to limited information integration. Conversely, (Tabibian et al., 2021) found that stock splits and announcements of internal corporate policies could trigger positive responses, such as increased abnormal returns. In the context of Muhammadiyah's fund consolidation event, it is crucial to examine whether the market responds to this information quickly and accurately, reflecting the semi-strong form efficiency of the Islamic capital market.

Event study research has long been a primary method for evaluating market reactions to significant economic events, as pioneered by (Brown & Warner, 1985) and methodologically developed by (MacKinlay, 1997). In the context of Islamic banking, this approach has begun to be applied to examine investor responses to Islamic product announcements, sukuk issuances, or regulatory policies (Abdullah et al., 2007). Although it originates from conventional market efficiency theory, its application within the Islamic financial system opens new theoretical discussions, especially when linked to Sharia values such as justice, transparency, and the prohibition of usury (Hassan & Lewis, 2007). Several studies indicate that markets respond positively to Sharia initiatives, but in a more moderate and selective manner compared to conventional markets, suggesting differing patterns of expectation (Abduh & Azmi Omar, 2012).

Furthermore, this approach has attracted epistemological criticism, as the assumptions of investor rationality and information efficiency are considered less aligned with the socio-economic realities of Muslim communities in many developing countries (Khatkhatay & Nisar, 2007). For example, Sharia screening used to filter halal stocks may sometimes conflict with modern financial principles in terms of risk and liquidity measurement (Derigs & Marzban, 2008). Empirical research in GCC countries also shows that the cost-efficiency and profitability of Islamic banks do not always surpass those of conventional banks, raising questions about their institutional competitiveness (Srairi, 2010). In the context of global financial turmoil, studies such as (Rizvi et al., 2015) suggest that Islamic banks possess relatively stronger crisis resilience, although systemic linkages still exist. This reinforces the argument that event studies in the Sharia domain should not only focus on abnormal return effects but must also consider the ethical, social, and cultural contexts that shape market perceptions.

In contemporary Islamic finance, event study is relevant not only for evaluating the impact of economic policies or corporate actions but also for analyzing the effects of institutional religious events such as *ijma' ulama* or the issuance of collective fatwas by national Sharia institutions, such as the National Sharia Council – Indonesian Ulema Council (DSN-MUI). This phenomenon is crucial because DSN-MUI fatwas have normative and operational authority in shaping the architecture of Islamic banking products and activities in Indonesia. Empirical studies examining the impact of fatwa announcements on *murabahah*, *wakalah bil ujarah*, or *sukuk* on stock prices or the financial performance of Islamic banks show that the market responds positively when fatwas clarify legal structures and enhance Sharia legitimacy ((Abdullah et al., 2007); (Khatkhatay & Nisar, 2007)).

Theoretically, this positive response can be explained through the lens of institutional legitimacy and signaling theory, in which a fatwa functions as a signal of legal certainty and ethical value that strengthens Muslim investors' trust in the financial system. Within the event study framework, *ijma'* or collective fatwas can be treated as relevant events, especially when formally announced and directly impacting banking practices. However, criticism arises over whether the market is truly efficient in absorbing normative information, as not all investors understand or pay attention to the substantive content of fatwas. In some cases, fatwa announcements are perceived as symbolic with no immediate effect on market activity, especially if they are not followed by regulatory policies or the technical infrastructure of banking ((Derigs & Marzban, 2008)).

Criticism also emerges from the perspective of critical pedagogy and moral economics, questioning whether the role of *ijma' ulama* in Islamic banking practice is truly transformative or merely adapted to the logic of modern capitalism ((Rizvi et al., 2015)). This becomes significant considering that many fatwas are compromises with financial industry realities, such as permitting hybrid contracts or tolerating practices that resemble interest. Therefore, event study research on institutional religious events such as *ijma' ulama* must take into account the epistemological and ideological contexts of Islamic finance itself—not merely market performance.

3 Research Methods

This study employs a quantitative approach using the Event Study method to analyze market reactions to significant public information, specifically Muhammadiyah Memo Number 320/1.0/A/2024 on Fund Consolidation, issued on May 30, 2024. The event study is used to measure the impact of this event on the stock performance of Bank Syariah Indonesia (BSI), focusing on abnormal returns and trading volume activity (Husniyyah et al., 2023).

3.1. Research Period (Event Window)

This study uses a 21-trading-day observation period consisting of (Brown & Warner, 1985):

- a. 10 days before the event date (t-10 to t-1)
- b. The event day (t0)
- c. 10 days after the event date (t+1 to t+10)

This period was chosen to identify how the market reacted to the announcement and to determine whether there were significant differences in BSI's abnormal returns and trading volume activity before and after the memo's issuance.

3.2. Population and Sample

The population in this study includes all stocks listed on the Indonesia Stock Exchange (IDX), while the sample was selected using purposive sampling based on the following criteria:

- a. Bank Syariah Indonesia shares (stock code: BRIS), as the largest Islamic bank relevant to Muhammadiyah's fund consolidation event.
- b. The stock was actively traded during the observation period (t-10 to t+10).

3.3. Data Type and Sources

Secondary Data Daily closing prices of BSI stocks to calculate stock returns, Indeks Harga Sama Gabungan (IHSG) as the market proxy, Daily trading volume of BSI shares, and Data obtained from the official IDX website (www.idx.co.id) and related financial platforms.

3.4. Research Variable

3.4.1. Abnormal Return

The difference between the actual stock return and the expected return (predicted stock return based on the market model). The formula used is:

$$AR_{it} = R_{it} - E(R_{it})$$

where:

AR_{it} = Abnormal return of stock i on day t

R_{it} = actual return of stock i on day t

$E(R_{it})$ = Expected Return of stock i on day t , calculated using market model

3.4.2. Market Model:

$$E(R_{it}) = \alpha + \beta R_{mt}$$

R_{mt} = Market Return (IHSG) on day t

α (alpha) and β (beta) = Regression coefficients between historical stock returns and market returns.

3.5. Data Analysis Technique

This study uses SPSS software to process data through the following steps:

3.5.1. Calculating Daily Stock Returns

Daily stock returns are calculated using the formula:

$$R_{it} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}}$$

Where:

$R_{i,t}$ = Stock Return On day t

$P_{i,t}$ = Closing price of stock i on day t

$P_{i,t-1}$ = Closing price of stock i on the previous day.

3.5.2. Calculating Abnormal Return

Perform regression between stock returns and market returns to obtain α (alpha) dan β (beta) values using the Market Model. Calculate expected returns and abnormal returns using the equations above.

3.5.3. Calculating Trading Volume Activity

Trading Volume Activity calculated using the formula:

$$TVA = \frac{\sum \text{Shares of } i \text{ traded on day } t}{\sum \text{Share of } i \text{ outstanding on day } t}$$

3.5.4. Normality Test

Before conducting the difference test, the normality of the abnormal return and trading volume data is tested using the Shapiro-Wilk Test.

3.5.5. Difference Test

If the data are normally distributed, a Paired Sample T-Test is used to test significant differences between the 10 days before and after the event. If the data are not normally distributed, the Wilcoxon Signed Rank Test is used as a non-parametric alternative (Ameur et al., 2024). The tests are conducted for both abnormal returns and trading volume activity.

3.5.6. Result Interpretation

If there is a significant difference in abnormal returns or trading volume activity before and after Muhammadiyah's memo, this indicates a market reaction to the event. If there is no significant difference, it suggests that the market did not respond to the information efficiently or that the event did not have a meaningful impact.

- If the p-value < 0.05 , there is a significant difference between before and after the Muhammadiyah memo, indicating a market reaction to the event.
- If the p-value ≥ 0.05 , there is no significant difference, indicating that the market did not react to the information.

4 Results and Discussion

The results and discussion in this study consist of two parts: first, the results of statistical tests, including data tests and difference tests; second, a discussion that interprets the research findings in comparison with relevant theories and previous research results.

4.1. Result

This section presents the results of the statistical data analysis processed using SPSS software. The data in this study are panel data consisting of Abnormal Return and Trading Volume Activity 10 days before and after the Muhammadiyah Memo event. The statistical tests conducted include descriptive analysis, normality test, significance test, and difference test. The descriptive analysis provides a statistical overview of the independent and dependent variables, including information on minimum, maximum, and mean values as well as standard deviations.

Table 1 Descriptive Statistical Test Results

Variabel	Jumlah	Min	Max	Mean	Std Deviasi
ARSBLM	10	-.033579	.044551	-.00434570	.025030946
ARSSDH	10	-.040579	.069197	.01493453	.037837790
TVASBLM	10	.154335	.783884	.39757191	.206948650
TVASSDH	10	.063873	.337101	.21285983	.090825400

Source: SPSS version 26 output (processed data, 2024)

Abnormal return indicates the extent of excess return that should occur compared to the normal return. Before the Muhammadiyah memo event, the minimum value was -0.033579, the maximum value was 0.044551, and the average abnormal return was negative at -0.00434570 with a standard deviation of 0.025030946. After the Muhammadiyah memo event, the minimum value was -0.040579, the maximum value was 0.069197, and the average abnormal return turned positive at -0.01493453 with a standard deviation of 0.037837790.

Trading Volume Activity shows the extent of shares being traded. Before the Muhammadiyah memo event, the minimum value was 0.154335, the maximum value was 0.783884, and the average trading volume activity was positive at 0.39757191 with a standard deviation of 0.206948650. After the Muhammadiyah memo event, the minimum value was 0.063873, the maximum value was 0.337101, and the average trading volume activity was positive at -0.21285983 with a standard deviation of 0.090825400. The table below presents the results of the normality test for the data.

Table 2 Normality Data Test Result

	Kolmogorov-Smirnov ^a			Shapiro-Wilk			Result
	Statistic	Df	Sig.	Statistic	df	Sig.	
ARSBLM	.151	10	.200*	.915	10	.320	Normally Distributed
ARSSDH	.184	10	.200*	.937	10	.516	Normally Distributed
TVASBLM	.228	10	.151	.894	10	.189	Normally Distributed
TVASSDH	.213	10	.200*	.932	10	.465	Normally Distributed

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Source: SPSS version 26 output (processed data, 2024)

Based on the normality test results in Table 2, the data for all variables show a normal distribution. This is evident from the significance values (Sig.) in the Kolmogorov-

Smirnov and Shapiro-Wilk tests, all of which are greater than 0.05. For the Abnormal Return Before variable, the significance values are 0.200 for Kolmogorov-Smirnov and 0.320 for Shapiro-Wilk. The Abnormal Return After variable also shows similar results, with significance values of 0.200 for Kolmogorov-Smirnov and 0.516 for Shapiro-Wilk. Similarly, the Trading Volume Activity Before variable has a significance value of 0.151 for Kolmogorov-Smirnov and 0.189 for Shapiro-Wilk, while Trading Volume Activity After shows a significance value of 0.200 for Kolmogorov-Smirnov and 0.465 for Shapiro-Wilk.

According to the normality test criteria, data are considered to follow a normal distribution if the significance value is greater than 0.05. Therefore, it can be concluded that the data for all variables follow a normal distribution, thus meeting the assumption for parametric statistical analysis. With normally distributed data, hypothesis testing will proceed using parametric methods.

Based on the normality test, hypothesis testing for the variables abnormal return and trading volume activity uses the paired sample t-test. The results of the paired sample t-test in this study are presented in the following table.

Table 3 Result Paired Samples t-test

Difference test model	Variabel	T	Df	Sig. (2-tailed)
Pair 1	ARSBLM-ARSSDH	-1.526	9	0.164
Pair 2	TVASBLM-TVASSDH	-2.257	9	0.050

Source: SPSS version 26 output (processed data, 2024)

Based on the paired sample t-test results, an analysis was conducted on the differences between Abnormal Return Before (ARSBLM) and Abnormal Return After (ARSSDH), as well as Trading Volume Activity Before (TVASBLM) and Trading Volume Activity After (TVASSDH). For the ARSBLM-ARSSDH pair, the t-value is -1.526 with degrees of freedom (df) of 9 and a significance value (Sig. 2-tailed) of 0.164. Since the significance value is greater than 0.05, it can be concluded that there is no significant difference in abnormal returns before and after the event.

Meanwhile, for the TVASBLM-TVASSDH pair, the t-value is -2.257 with degrees of freedom (df) of 9 and a significance value (Sig. 2-tailed) of 0.050. This significance value is precisely at the 0.05 threshold, indicating a marginally significant difference in trading volume activity before and after the event. Thus, it can be concluded that there is no significant impact on abnormal returns before and after the event, but there is an indication of a significant change in trading volume activity before and after the event.

4.2. Discussion

This section discusses the results of the hypothesis testing conducted in the previous chapter. The analysis aims to interpret the findings related to the market reaction before and after the announcement of the PP Muhammadiyah memo concerning the consolidation of member funds. Specifically, the discussion focuses on evaluating whether there were significant changes in abnormal returns and trading volume activity as a response to the announcement. By analyzing these two indicators, we can gain insights into investor behavior and market efficiency in relation to the information disclosed.

The following subsections elaborate on the observed differences in abnormal return and trading volume activity:

4.2.1. Abnormal Return Before and After Announcement of PP Muhammadiyah Memo regarding Member Fund Consolidation

The research findings show no significant difference in the abnormal returns of Bank Syariah Indonesia (BSI) shares before and after Muhammadiyah's fund consolidation event, as indicated by the paired sample t-test significance value of 0.164 ($p > 0.05$). Statistically, this means that the event did not have a significant impact on the performance of BSI's stock returns during the observed period. These findings suggest that the market does not perceive Muhammadiyah's fund consolidation memo as information that directly affects the company's fundamentals or profitability. In the context of a capital market that has not achieved semi-strong efficiency, the market's response to public information often requires more time or may not impact stock prices at all ((Fama, 1970);(Stefhani, 2018)).

Theoretically, abnormal returns reflect the difference between the actual stock return and the expected return based on market models ((Khajar, 2008)). If the market is efficient in its semi-strong form, abnormal returns should show significant changes in response to important public information. However, in this study, the average abnormal return before the fund consolidation event was recorded at -0.0043, while it increased to 0.0149 after the event. Although the average abnormal return increased after the event, statistical tests indicated that this change was not significant. This could be due to several factors, including the market's perception that Muhammadiyah's fund consolidation memo does not have direct implications for BSI's business prospects.

Another factor influencing these results is the characteristic of the Islamic capital market, which tends to have lower liquidity compared to the conventional capital market ((Stefhani, 2018)). Low liquidity can limit the market's speed in responding to new information. Additionally, the dominance of institutional investors in the Islamic capital market, such as financial institutions and charitable organizations, may affect the market's response to public information. In this case, institutional investors might have anticipated that Muhammadiyah's memo was primarily aimed at internal organizational consolidation and did not directly impact BSI's financial performance. Similar findings were reported by (Hafidz & Isbanah, 2020), who noted that Indonesia's capital market often takes longer to respond to major events, particularly in the Islamic finance sector.

On the other hand, these results can also be associated with the level of investor confidence in Bank Syariah Indonesia as the largest Islamic banking entity in Indonesia. The merger of three major Islamic banks into a single entity, BSI, has created strong market confidence in the bank's ability to manage its business and maintain stability (Belhoula et al., 2024). Therefore, although the memo could potentially affect third-party funds (DPK), investors may not view it as a serious threat to the company's performance. (Carolin, 2024) study supports this view, showing that the announcement of BSI's merger had only a limited impact on abnormal returns, indicating strong market trust in the company's fundamentals.

In the context of a market dominated by institutional investors, the insignificance of abnormal returns could be due to higher market efficiency due to faster access to

information and algorithmic trading strategies that respond to events instantly ((Fama, 1970); (Larrain, 2006)). In contrast, in markets with more retail investors, the response to information tends to be slower and more emotional, but in this case it could be that the tested event is not enough to trigger an emotional reaction or a high risk perception from retail investors.

Additionally, the nature of the released information can influence how the market reacts (Brouty & Garcin, 2024). Muhammadiyah's memo, while symbolically important, may not be perceived by most investors as a significant event capable of directly affecting stock prices. According to Signal Theory, the impact of information on the market heavily depends on how it is perceived by investors ((Elad & Bongbee, 2017)). If the information is deemed to lack substantial strategic implications, the market response tends to be weak or even absent.

These results also reflect the level of efficiency in Indonesia's Islamic capital market, which, according to previous studies, has not yet achieved semi-strong efficiency ((Khajar, 2008); (Stefhani, 2018)). Under such conditions, the market has not fully integrated public information into stock prices quickly and accurately. Factors such as limited access to information, low financial literacy, and the persistence of insider trading practices in emerging markets are major barriers to achieving market efficiency. Thus, the absence of significant differences in abnormal returns before and after Muhammadiyah's fund consolidation event underscores the need for efforts to enhance transparency and literacy in Indonesia's Islamic capital market.

4.2.2. Trading Volume Activity Before and After Announcement of PP Muhammadiyah Memo regarding Member Fund Consolidation

Different for result abnormal returns, the study results indicate a marginally significant change in the trading volume activity (TVA) of BSI shares before and after Muhammadiyah's fund consolidation event, with a paired sample t-test significance value of 0.050 ($p = 0.05$). This finding suggests that Muhammadiyah's fund consolidation event influenced the trading activity of BSI shares, although its impact was not strong enough to alter abnormal returns. In the context of the capital market, changes in TVA reflect investor reactions to specific information, in this case, Muhammadiyah Memo No. 320/1.0/A/2024.

Statistically, the average TVA of BSI shares was recorded at 0.3976 before the event and decreased to 0.2129 after the event. This decline indicates reduced trading activity following Muhammadiyah's fund consolidation event, likely driven by investor concerns about the potential impact of the policy on BSI's third-party funds (DPK). The decline in TVA also reflects investor caution in dealing with uncertainty regarding the market's response to Muhammadiyah's fund consolidation policy.

The decrease in TVA after the event may also be associated with the characteristics of the Islamic capital market, which tends to be more stable compared to the conventional capital market. While this stability provides advantages in avoiding excessive volatility, it can also hinder rapid reactions to new information. In this case, investors may take longer to analyze the impact of Muhammadiyah's memo on BSI's business prospects. Yuliana et

al. (2024) note that Indonesia's Islamic capital market often responds slowly to public information, primarily due to limited transparency and low liquidity.

Another factor influencing the change in TVA is the market's perception of Muhammadiyah's memo as internal organizational information. Investors might view the memo as a strategic step by Muhammadiyah to allocate funds more effectively without directly affecting BSI's financial performance. This perception aligns with findings by (M et al., 2024), which suggest that internal policies of large organizations do not always result in significant changes in capital market activity, especially if the information is not perceived to have a direct impact on a company's fundamentals.

However, the presence of a marginally significant change in TVA also indicates that Muhammadiyah's memo remains a noteworthy event for the market. This supports the Signal Theory view that information, even if negative, can influence market activity by prompting investors to make buy or sell decisions (Elad & Bongbee, 2017). In this context, the decrease in TVA after the event reflects that some investors may have decided to hold off on trading activity until further clarity regarding the memo's impact is available (Yulandri et al., 2023).

In addition, changes in trading activity, such as volume and volatility, can provide insight into how the market reacts to an event microstructurally. These changes may reflect a redistribution of positions between institutional and retail investors. For example, institutional investors tend to systematically reposition their portfolios without drastically changing prices, while retail investors are more responsive to sentiment and the media, which can lead to spikes in trading volume without a significant impact on prices ((Barber & Odean, 2008)). Thus, the analysis of trading activity should be combined with investor profiles to explain why insignificant results emerge and how the market actually responds to the available information.

From a policy perspective, these results highlight the importance of transparency and effective communication in addressing major events such as Muhammadiyah's fund consolidation. As the largest Islamic banking entity in Indonesia, BSI needs to take proactive steps to respond to this policy, including providing public explanations of its strategies for maintaining stability and increasing support for MSMEs. These efforts are crucial for restoring investor confidence and ensuring stable trading activity.

Overall, the marginally significant change in TVA suggests that Indonesia's Islamic capital market is not yet fully efficient in responding to public information (Lobão, 2024). While the market reacted to Muhammadiyah's fund consolidation event, the response was limited to trading volumes and was not strong enough to affect stock prices. These findings underscore the need to improve the liquidity and literacy of Indonesia's Islamic capital market so that important information can be responded to more quickly and accurately. Furthermore, these results provide insights for investors and policymakers on the importance of considering the dynamics of the Islamic capital market when addressing significant events that can affect trading activity.

5 Conclusion

Based on the research findings, Muhammadiyah's fund consolidation event did not have a significant impact on the abnormal returns of Bank Syariah Indonesia (BSI) shares, with the average abnormal return changing from -0.0043 before the event to 0.0149 after

the event, but this change was not statistically significant. Conversely, there was a marginally significant change in trading volume activity (TVA), where the average TVA decreased from 0.3976 before the event to 0.2129 after the event. This indicates that investors responded to the memo by reducing trading activity, although this response was not strong enough to directly affect stock prices.

These results reflect that Indonesia's Islamic capital market has not yet achieved semi-strong form efficiency, as evidenced by the slow integration of public information into stock prices. This inefficiency may be attributed to low liquidity, limited information distribution, and the dominance of institutional investors. Additionally, the market's perception of Muhammadiyah's memo as an internal organizational policy without direct impact on BSI's fundamental performance contributed to the lack of significant market reaction.

To enhance understanding of market responses, it is recommended that future research extend the event window from 21 days to 30 days. This would allow for a more comprehensive analysis of market response patterns, including potential delayed responses. Research with a longer period can also reduce bias from short-term market fluctuations, making the results more representative. This step is crucial for gaining deeper insights into the dynamics of Indonesia's Islamic capital market and designing strategies to improve its efficiency.

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