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January Effect Phenomenon on Abnormal Return in Stock of SOE Bank Listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 Period

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A B S T R A C T

This study aims to determine whether there are abnormal returns of state-owned banks listed on the Indonesia Stock Exchange (IDX) and whether there are differences in abnormal returns between January and months other than Janary for the 2018-2020 period. The test results using SPSS.25 indicate that there is an abnormal return of BUMN bank shares on the Indonesia Stock Exchange. This study uses secondary data in the form of stock price data obtained through the IDX official website. The analytical method used in this research is the One Sample T-Test. The results of data analysis show that the January effect has a significant effect on abnormal returns on shares of state-owned banks listed on the IDX where the return variable value in January is sig. (2-tailed) is 0.011 (0.011 < 0.05) and the return variable other than January is sig. (2-tailed) of 0.279 (0.279 > 0.05). The results based on testing using the Paired-Samples T Test method showed a significant difference to the abnormal returns of state-owned banks in January with months other than January in a certain period.

1. Introduction

An efficient market is a market that is able to show the actual situation and can provide guarantees for the truth of the conditions stated by Suad in Halim (2021) . There are several conditions that must be met to achieve an eficient market, namely rational investors who maximize profits, information is available at no cost, the ifmation generated is *random* and investors move quickly on stock price information to make adjustments.

As Jones points out in Trisnadi (2016) *market anomalies* are methods and procedures that seem to cotrdict the idea of an efficient business sector. The anomaly is a deviation from the efficient market, one of the anomlies that occurs is the *January effect* where due to the influence of the calendar, stocks with small capitalization tend to rise in price.

January Phenomenon (*The January effect)* was first expressed by a banker named Sidney B. Wachtel (Kampman, 2012) who observed stocks in 1942. His observations show that small stocks always dominate large stocks where the positive performance occurred before mid-January. Upon further research, he found the pattern apparently began in 1925.

The results of the observations were repeated by Rozeff and Kinney (Emtrade, 2022) who analyzed data on the American stock market *(New York Stock Exchange)* and found a phenomenon in January that *returns* on stocks were five times greater, especially small-cap stocks, on average. an average of 3.48% during January compared to other months where the average stock *return* was only 0.42%.

Furthermore, existing theories assume how the *January effect* stock phenomenon can occur. The first assumption is that an investor tends to sell their low-capitalization stock holdings to avoid taxes at the end of the year and then buy it back at the beginning of the year, thus increasing the share price.

This phenomenon is also triggered when an investor gets a year-end bonus, they tend to use it to buy up some stocks, triggering an increase in stock prices in January. Another assumption is that investor managers

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buy stocks that perform well in order to revise their investment portfolio. This also resulted in an increase in stock prices in January.

January effect phenomenon was also carried out by other researchers who showed that holidays are a phnomenon that is often associated with anomalous stock movements, where the stock market is in a lively condition.During the Christmas and New Year holidays, stock prices and the stock price index rose significantly, giving rise to the term *January effect* (Kartikasari, 2017) .

Based on research Sukamulya in 2005 on the Indonesia Stock Exchange, proved that there was an *abnormal return* in January which was considered a deviation at the turn of the year, while the research of Wibowo & Wahyudi (2005) showed that there was no *January effect on the Indonesia Stock Exchange* . Research on the *January effect* phenomenon carried out by previous researchers has not been fully answered because the results obtained from these previous studies have not been satisfactory enough to answer the *January effect phenomenon* on the Indonesian stock market.

This research was conducted on state-owned banking sector stocks listed on the Indonesia Stock Exchange (IDX) to determine whether there is an effect of the *January effect* on the Indonesian capital market on *abnormal returns* on SOE stocks. In the period 1994-1997, the *January Effect* phenomenon and its influence on stock *returns* have been studied in Indonesia, and the results show that in 1997, precisely in January, the *January effect* However, the results of this study have not been able to state as a whole the *January effect phenomenon* affects the stock market in Indonesia.

The various effects of the *January effect* from the previous studies mentioned above have given rise to various results, so it is necessary to revisit a period that has never been studied before which was carried out on state-owned banking sector stocks listed on the Indonesia Stock Exchange (IDX) to find out how the *January efect phenomenon* on Indonesian capital market to *abnormal returns* on SOE shares. This research takes the title: The influence of the ***January Effect*** **phenomenon on** ***Abnormal Return*** **on shares of state-owned banks listed on the IDX (Indonesian Stock Exchange) for the 2018-2020 period.**

The formulation of the problem studied based on the background that has been previously stated is wheter there is an influence of the *January Effect* phenomenon on *abnormal* stock *returns* of the banking sector, epecialy SOEs listed on the IDX (Indonesian Stock Exchange) period 2018-2020.

Referring to the formulation of the problem above, this study aims to examine the effect of the *January Effect* on *abnormal* stock *returns* in the banking sector of BUMN listed on the IDX (Indonesian Stock Exchange).

2. Method

2.1 Types of Research

According to Sapar (2021) research method is a scientific method used to obtain data in achieving certain goals and uses. The approach in this study uses a quantitative approach. In this quantitative study, Statistical Product and Service Solutions or known as SPSS is the important software used by the author to process and analyze data. This SPSS helps the writer to process, analyze, and interpret the data. The object of research according to Sugitono (2010) is the nature of the object determined by the researcher to draw conclusions (Dr. Riinawati, 2020) . The study was conducted to examine the significant difference between abnormal returns that occur in returns in January and abnormal returns in returns other than January. This is to prove and to find out the existence of the January effect phenomenon on the shares of state-owned banks on the IDX.

2.2 Population and Sample

Sapar (2021) states that the population is a comprehensive collection of an object and is the concern of a researcher; while part of a population is called a sample. According to Hamdi & Bahrudiin (2012) , the population is an element/case, object or event where it relates to specific criteria and becomes a general target which is then determined to be studied and to draw conclusions. The population in this study are 3 (three) state-owned bank companies listed on the Indonesia Stock Exchange for the period 2018 – 2020 which can be seen in the following table:

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TABLE 1
LIST OF STATE-OWNED BANKS LISTED ON THE BEI

No	Company name	Company Code
1	PT Bank Rakyat Indonesia (Persero) Tbk	BBRI
2	PT Bank Negara Indonesia (Persero) Tbk	BBNI
3	PT Bank Mandiri (Persero) Tbk	BMRI

2.3 Data Types and Sources

Documentation method is a method used in data collection. according to Sandu, & M.uhammad Ali Sodik (2015) , written notes about various activities or events in the past are a technique of collecting documentation data.

This study uses data on stock prices of banking companies, especially SOEs listed on the IDX (Indonesian Stock Exchange). The data was taken by researchers from *finance.yahoo.com. Finance.yahoo.com* is the IDX's official website , www.idx.co.id. Monthly stock *return* data during the observation period, from January 2018 to December 2020, is the data used in this study.

2.4 Data analysis method

Normality test of data with Shapiro-Wilk . test Significance Test *Abnormal return One-sample t-test was* used if the data were normally distributed; *One sample Wilcoxon signed rank test* was used if the data were not normally distributed. Difference Test *Abnormal returnPired sample t-test was* used if the data before and after the event were both normally distributed;*Paired samples Wilcoxon signed ranked test* was used if one of the data was not normally distributed.

3. Result and Discussion

3.1 Result

a. Data Analysis Results

The results of the variable description analysis in this table present the minimum value, maximum value, median, average and standard deviation of *abnormal returns* other than January and January in 2018 to 2020 for the issuers studied:

TABLE 2
DESCRIPTIVE VARIABLE

Year	Abnormal returns	Minimum	Maximum	mean	Std. Deviation
January 2018-December 2020	January	-0.047864	0.561540	0.246138	0.223713
	Apart from Janury	-0.007498	0.019313	0.003195	0.008257

In January, based on table 2, it is known that for the period 2018 to 2020, the minimum value is -0.047864 and the maximum value which shows the highest value is 0.561540, while for months other than January 2018 to 2020, the minimum value is, which indicates the lowest value is -0.007498 and the maximum value which indicates the highest value is 0.019313 .

The month of January based on the table above shows the average *abnormal return* of 0.246138 while the month other than January has an *abnormal return* average of 0.003195 . *The standard deviation* in January is 0.223713 and *the Standard deviation* in other than January amounted to 0.008257 .

b. Normality test

This study uses the Saphiro-Wilk test method to test for normality. It is said to be normally distributed if the data shows a significance value of 0.05 or > 0.05 and vice versa is said to be not normally distributed if the value is less than 0.05 . The results of the normality test can be seen in the following table:

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TABLE 3
NORMALITY TEST

	Kolmogorov Smirnov [a]			Shapiro Wilk		
	Statistics	df	Sig.	Statistics	df	Sig.
January	0.168	9	.200 *	0.937	9	0.546
Apart from January	0.178	9	.200 *	0.945	9	0.638

The results of the normality test of the data above show that the data is normally distributed, where the significance value is > 0.05 , namely in January of 0.546 ; and months other than January of 0.638, or in other words, there is no significant *abnormal return* in January for the 2018-2020 period.

c. Hypothesis testing

The test was carried out with the help of the SPSS computerized program using *One Sample T-Test* to test the hypothesis of this study.

TABLE 4
TEST RESULTS ONE SAMPLE T-TEST

hba	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
January	3.301	8	0.011	0.246138153	0.07417689	0.41809941
Apart from January	1.161	8	0.279	0.003194957	-0.00315204	0.00954195

The test results above show the value of Sig .(2-tailed) <0.05, which is *abnormal return* shows the value of sig. (2-tailed) is 0.011 (0.011 < 0.05), meaning that there is a significant *abnormal return* in January; while for months other than January only show the value of sig. (2-tailed) of 0.279 (0.279> 0.05), which indicates that there is no *abnormal return* .

d. Different Test

TABLE 5
DIFFERENT TEST RESULTS

		Paired Differences					t	df	Sig. (2-tailed)
		mean	Std. Deviaion	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	January - Other than January	0.242943196	0.223617366	0.074539122	0.071055672	0.414830720	3.259	8	0.012

The test results above use the *Paired-Samples T Test* based on these data that the observation period in January and other than January can be concluded that the average *return* is abnormal (*abnormal return)* before and after the *January effect* in the period February 2018 to January 2020, which is 0.242943196 with a *standard deviation* of 0.223617366, t of 3.259 , with a significance (2-tailed) showing 0.012 where 0.012 <0.05 , then found a significant difference in stock *abnormal returns* in January with months other than January.

3.2 Discussion

January effect phenomenon affects the abnormal returns of state-owned banks on the IDX for the period 2018-2020. Anomaly phenomenon occurs cyclically in the capital market. The January effect is known as one of the anomalies in the capital market. Cycles occur where stock prices are in certain months and fall in certain months (Ellen May, Capital Market Practitioner, 2013) . Although not always certain this will continue to repeat itself over the years.

The tendency of investors and fund managers to sell shares to secure funds and to reduce the tax burden at the end of the year causes an anomaly in the capital market, this is known as the January effect where stock prices tend to rise in the first two weeks of January.

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There are several studies that support the occurrence of abnormal returns , such as the Amex, Nasdaq and NYSE securities markets, which found a pattern of abnormal stock returns in January which showed a significant value (Chou et al., 2011) . Another study on the Nairobi Stock Exchange also found the January effect by Peter Ndii Wachira (2012) .

Other studies prove that the January effect occurs due to differences in returns in that year. Tomy Rendra in 2004 divided his research into 3 (three) groups and the first group, namely the group in the period between 1998-1999, proved the January effect . Another study by Aria and Siti Rahmi (2012), in the Indonesian banking sector for the period 2005-2010 showed that in general the phenomenon of the January effect occurred. The results of the descriptive analysis showed that abnormal returns were very high in January, with the Paired-sample T test of the significance of abnormal return occurs in January and different from months other than January (Fitriyani & Sari, 2013) .

There are several factors that cause differences in abnormal stock returns in January, namely: reducing taxes (tax-loss selling), realizing capital gains and window dressing.

Before the end of the year to reduce tax (tax-loss selling), investors sell shares/securities that suffer losses and at the beginning of the year will buy back the securities, the act of buying in early January which previously sold at the end of December of the previous year which caused a decline in prices in the previous year. end of the year and increase at the beginning of the year.

The next factor is realizing capital gains , where investors buy shares at a low price in January and sell at a high price at the end of the year.

The window dressing factor is also a factor causing the January effect . To show that the performance of financial statements or stock portfolios at the end of the year will look good, investors sell stocks that have bad capitalization at the end of the year and buy stocks with good capitalization at the beginning of the year. Window dressing has almost the same purpose as tax-loss selling,

4. Conclusion

Based on the test results, the phenomenon of January effect affect the abnormal return of shares on the IDX (Indonesian Stock Exchange). The highest abnormal return on average overall occurred in January and shows abnormal low returns in months other than January. Paired test results - Samples T test showed that there was a significantly abnormal difference stock returns in January with months other than January in the period studied.

There are many variables in the capital market that can be used to conduct research. In this study, the variables used by the author are return , expected return , and abnormal returns . The writer hopes that further research can use or consider other variablesto determine the effect of the January effect on the abnormal returns that occur in the capital market. This study only uses state-owned bank companies listed on the IDX during the period 2018 to 2020 as the research population and is considered to be very limited. Future research is expected to use the type of company and extended observation period so that it can provide a greater contribution.

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