THE EFFECT OF NEWS ANNOUNCEMENTS ON THE VOLATILITY OF SHARE PRICES OF PT. BANK SYARIAH INDONESIA TBK

Muhammad Fajar Alamsyah Razak*, Wenny Nadya Asri, Fitria Intani, Sofia, Sri Wahyuni Jumadi, Abdul Hamid Habbe, Mediaty

Accounting Departement, Faculty of Economic, University Hasanuddin, Indonesia

Abstract

This study analyzes the effect of news announcement on stock price volatility of PT Bank Syariah Indonesia Tbk (BSI). Using a quantitative approach, historical data of BSI stock prices and relevant news announcements were collected for the study period. Through regression analysis, this study found a significant influence between news announcements and BSI stock price volatility. News announcements containing important information about a company's performance or management changes can lead to significant stock price fluctuations. These results provide insights for investors and market participants in managing risks and making appropriate investment decisions. The practical implication is the importance of paying attention to recent news announcements for risk management. Further studies could involve other factors that affect BSI's share price volatility and look at the long-term impact of news announcements on overall company performance.

Keywords: *News Announcement, Stock Price Volatility, PT Bank Syariah Indonesia Tbk.*

1. INTRODUCTION

Stocks are a popular investment product and attract many people to invest. This is because stocks are believed to provide an attractive rate of *return in the* form of dividends, which is a division of company profits, and *capital gains*, which is the difference between the purchase price and the selling price of shares. Another thing that makes stocks popular is that stocks are believed to helpcompanies to get additional capital to develop their performance. However, with its popularity, stocks are also considered to have a *high* risk so that it is known by the term "high risk high return". This is because stock prices can change every day. Stock prices continue to rise and fall due to fluctuations in supply and demand, the more people who want to buy shares, the market price will rise. If more people want to sell the stock, the price will go down. The relationship between supply and demand is very sensitive to current news. The phenomenon of fluctuating stock prices requires an investor to know the factors that affect its changes.

*Coressponding author. *Email address:* muhfajar10kdi@gmail.com

Published by AFEBI Economic and Finance Review

The rise and fall of stock prices in a certain period is called stock volatility. volatility in financial markets reflects the level of risk faced by investors on the uncertainty of investment returns. If the volatility of stock prices is high, the uncertainty of the return that will be received will also be higher. High volatility is usually favored by short-term traders who expect large *capital gains* returns. Conversely, low volatility is usually favored by long-term traders who want to stabilize the return value (Larasati et al., 2021). Each investor certainly pays attention to various factors in making decisions to

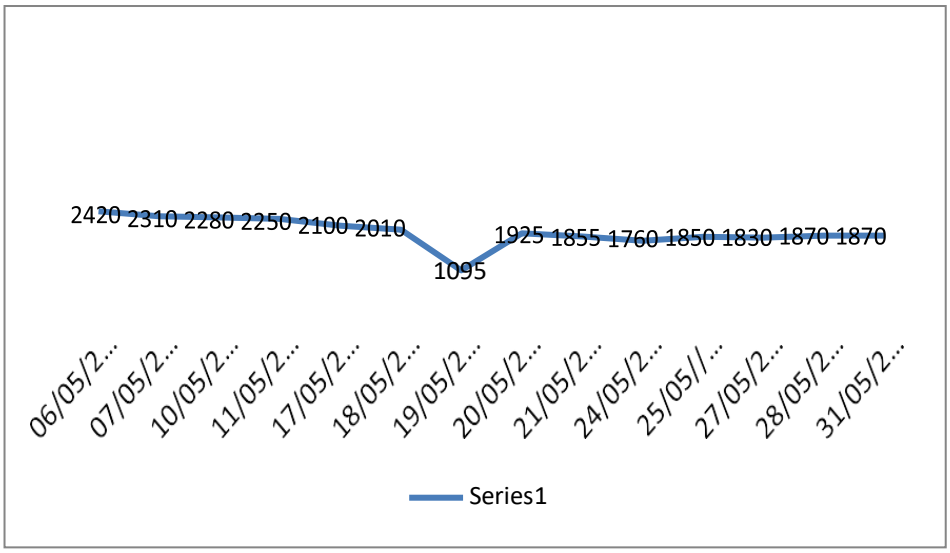
Corresponding Author. Email Addres : muhfajar10kdi@gmail.com

invest in stocks so that it can be seen that investors have different responses to the signals given by the market.

In determining investment in stocks, one of the factors that investors pay attention to is news related to the company (Verina, 2021). Verina (2021) conducted a study to determine the impact of news related to the LQ 45 stock price index. Verina found that the LQ45 Stock Price Index index responded in the same direction as the news about the company that was published, namely a positive response for positive news and a negative response for negative news. Based on this research, news about companies is divided into two categories, namely positive news and negative news. Juditha (in Verina, 2021) explains that positive news is news that contains statements, sentences, words, and or attributive terms, especially those that contain support, praise, and or positive assessments. Negative news is news that contains statements, sentences, words and or attributive terms, especially criticism, condemnation, insinuation, and or negative judgment.

Recently, a company that is often heard is news about Bank Syariah Indonesia (BSI). Bank Syariah Indonesia (BSI) is a bank resulting from a merger between PT Bank BRI Syariah Tbk, PT Bank Syariah Mandiri and PT Bank BNI syariah. The Financial Services Authority (OJK) officially issued a permit for the merger of the three Islamic banks on January 27, 2021 through letter Number SR-3 / PB.1 / 2021. From its establishment until now, of course, there has been a lot of news published about PT Bank Syariah Indonesia Tbk. There are many positive and negative news about PT Bank Syariah Indonesia in 2021, where on May 6, 2021 it was reported that Bank BSI's net profit grew 12.85 percent in quarter l-2021. However, on May 10, 2021 itwas reported that BSI was trying to overcome the problem of problematic ATM machines that had become a public complaint. The emergence of these two news stories was accompanied by a fluctuating share price chart of PT Bank Syariah Indonesia.

Published by AFEBI Economic and Finance Review



Source: finance.yahoo.com

Chart 1.1 Share price of PT Bank Syariah Indonesia Tbk
On May 6, 2021-May 31, 2021

Based on the graph above, it can be seen that the emergence of news about a company can affect the level of stock prices. Fluctuating stock price levels also have an impact on stock volatility. The graph does not adequately describe how stock volatility is influenced by the news that arises. So it is necessary to conduct further research to find out the effect of news that arises and the changing stock price on stock volatility. This study focuses on how the effect of news announcements on stock volatility of PT Bank Syariah Indonesia Tbk.

2. LITERATURE STUDY

2.1. Efficient Market Hypothesis Theory

In an efficient market, security prices will be quickly evaluated in the presence of important information relating to the security. Whereas in less efficient markets, there is a lag in the price adjustment process due to new information. The efficient market hypothesis predicts the market response to information from an announcement or publication of certain events. The information content can be good news or bad news. Based on the efficient market hypothesis, the market will respond positively to any good news. The positive response is in the form of a positive market price or abnormal return. As for any bad news, the market will respond negatively. The negative response is in the form of a negative market price or abnormal return (Tandelilin, 565: 2010).

2.2. Signaling Theory

Brigham and Houston (2013) in Hamidah et al (2018) suggest that signaling theory is an action chosen by management in a company to share information for investors regarding how management assesses company opportunities. Signaling theory reveals that managers convey information in order to reduce misinformation.

Relevant, accurate and complete information is needed by business people in

Published by AFEBI Economic and Finance Review

the capital market as an analytical tool for making investment decisions. According to Jogiyanto (2018) in Myranda Shavira et al (2021) information published as an announcement will provide a signal for investors in making investment decisions. If the announcement contains positive value, it is expected that the market will react when the announcement is received by the market. When the information is announced, the recipients of the information will analyze whether the information will be a good signal (good news) or a bad signal (bad news). Information or signals about the ups and downs of cash dividends distributed is one of the most important information because this information contains signals regarding the prospects for future profits so as to reduceinvestor risk in investing and low stock price volatility.

2.3. Agency Theory

According to Jensen and Meckling (1976) in Hamidah et al (2018), an agency relationship is a contract in which one or more people (principals) order other people (agents) to perform a service on behalf of the principal and authorize agents to make the best decisions for the principal. The relationship between the two is usually difficult to say good, because both parties have their own interests and their interests always conflict between the two parties.

According to Rahardjo in Sunarko (2016) in Hamidah et al (2018) opposition and mutual attraction in terms of their respective interests can lead to problems known as asymmetric information. Asymmetric information is a condition where one party of several parties has more information than the other party. Information asymmetry usually occurs between two extreme conditions, the first is when there is a small-scale difference in information, then the difference will not affect management performance. Second, if there is a very significant difference, thenthe difference will greatly affect management performance and the company's stock price. Managers in managing the company are certainly required to be able to meet the expectations of shareholders. Shareholders certainly expect the value of the share price to continue to increase, so managers are required to manage the company well so that the company's share price does notdecrease.

2.4. Stock Price Volatility

Stock price volatility is an activity where stock prices experience movements up or down in stock prices and can measure the risk of a stock. If volatility is low, then the money market situation is in a stable state, meaning that sellers and buyers do not dominate trading in the stock market and low volatility is also generally favored by long-term investors with the value of future investment returns. Meanwhile, high volatility is generally favored by short-term investors because they like the benefits of the difference in buying and selling prices of these shares (Josua Sirait et al 2021). Stock price volatility shows the form of changes in stock prices that determine the desired form of return from stocks. In determining the time to invest, investors are very concerned about the form of stock behavior in the capital market.

According to Naimatul Fauziah (2013) in Rahmayani, Riyadi, and Ginanjar (2020)The movement of high and low stock price volatility can be influenced by various factors, both micro and macro factors. Micro factors that affect stock price volatility and directly affect the company are price changes, management changes, availability of raw materials, labor productivity and other factors that affect the company. While macro factors that affect the economy as a whole areinflation, national productivity levels, politics and high interest rates.

Published by AFEBI Economic and Finance Review

According to Schwert and Smith in Patricia et al (2020), there are five types of volatility inthe capital market, namely as follows:

a) Future Volatility is something that investors want to know. If it can describe future price volatility then it is good volatility.
b) Historical Volatility is modeling where by studying the past, investors can predict the future. This means that by creating a price shape based on past data, investors can predict volatility in the future. This form of modeling can use time intervals that are daily, weekly, monthly or even annual.
c) Forecast Volatility is trying to predict future volatility.
d) Implied Volatility is the volatility that must be included in order to generate a theoretical value similar to the stock market price.
e) Seasonal Volatility is seasonal volatility.

2.5. Company News Announcement

Company News Announcement is a statement containing information about events or events thatoccur or will occur about the company to be known by the public, especially shareholder investors. Company news announcements are made with the aim of announcing importantinformation that must be known by the public.

The positive and negative impacts of company news announcements on stock prices are as follows:

a. The Impact of Positive News on Stock Prices

According to Tandelilin (2010) in Yessy Fabio Varina (2021) published information can be good news or bad news. The efficient market hypothesis predicts that the market will respond positively to good news. The market response is reflected in positive abnormal returns or an increase in stock prices for any good news.

b. The Impact of Negative News on Stock Prices

According to Tandelilin (2010) in Yessy Fabio Varina (2021), apart from good or positive news, there is also bad or negative news. The efficient market hypothesis predicts that the market will respond negatively to bad news. The market response is reflected in negative abnormal returns or a decrease in stock prices for any bad news.

One of the company news announcements is a rights issue announcement. The right issue announcement is one of the corporate action information published by the issuing company. Through the right issue announcement, the company can find out whether or not there is a reaction from the market. When the right issue announcement is deemed to contain important information, there will be a stock return which is one form of the market reacting to theannouncement. The greater the value of stock returns, the better the company's performance and the higher public trust in the company.

The announcement of a rights issue will cause a market reaction if there is information content in it that can be considered by investors in investing. The stock market reaction represents investor confidence about the value of the company Thus, the market capitalization of securities will increase in a smaller percentage than the percentage of shares outstanding. A rights issue will result in an increase in the number of shares outstanding, which in turn will temporarily lower the share price. If existing shareholders do not exercise their right to buy new shares, they will experience a decrease in the percentage of share ownership, known as dilution.

2.6. Previous Research

Melia Wida Rahmayani, Wulan Riyadi and Yogi Ginanjar's research (2020) shows that the method used in the study is a survey method and is designed as

Published by AFEBI Economic and Finance Review

descriptive verification research with a quantitative approach. The results of hypothesis testing show that stock trading volumehas a positive and significant effect on stock price volatility, leverage has no effect and is significant to stock price volatility. Simultaneously, stock trading volume and leverage have a significant effect on stock price volatility.

Research by Myranda Shavira Larasati, Tri Astuti and Sri Ambarwati (2021) shows that this research was conducted using multiple linear regression analysis. Based on the t test results, dividend policy and leverage have no effect on stock price volatility, company size has a positive effect, and earning volatility has a negative effect on stock price volatility. From the results of the F test, simultaneously dividend policy, leverage, company size, and earning volatility affect stock price volatility. The coefficient of determination test results show that the dividend policy, leverage, company size, and earning volatility variables have an effect of 39.69% and the rest is influenced by other variables outside this research model.

Research Rosyida, Firmansyah, and Wicaksono (2020) shows that data analysis is analyzed using multiple regression analysis with Eviews 10 software. The results concluded that leverage has a positive effect on stock price volatility, company size has a negative effect on stock price volatility, and asset growth has no effect on stock price volatility. The results of this study can be used as management evaluation material in increasing stock prices, so that this condition can attract investor interest in investing in the company.

Research Selpiana and Badjra (2018) shows that the analysis technique used is multiple linear regression analysis. Based on the results of the analysis, it was found that dividend policy, exchange rates, leverage, and firm size simultaneously have a significant effect on stock price volatility. Partially, dividend policy has a significant positive effect on stock price volatility, exchange rates have a significant positive effect on stock price volatility, leverage has an insignificant positive effect on stock price volatility, firm size has a significant negative effect on stock price volatility.

Based on several literature studies above, the authors are interested in examining stock price volatility after company news announcements because there is still a lack of literature that explains this.

2.7. Research Hypothesis

According to Tandelilin (2010), published information can be good news or bad news. The efficient market hypothesis predicts that the market will respond positively to good news. The market response is reflected in positive abnormal returns or an increase in stock prices for any good news. In addition to good or positive news, there is also bad or negative news. The efficient market hypothesis predicts that the market will respond negatively to bad news. The market response is reflected in a negative abnormal return or a decrease in stock price for any bad news (Tandelilin, 565: 2010). The emergence of news related to the company can of course affect the stock price which in turn also affects the volatility of the stock price.

Based on the description above which refers to previous research, the following is theframework of thought used in this study:

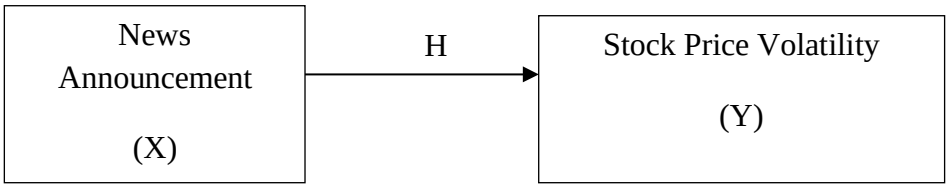


Figure 2.1. Framework of Thought

H_a: Company-related news announcements have a positive and significant effect on stock price volatility?

3. RESEARCH METHODOLOGY

3.1. Research Approach

This research uses a descriptive quantitative research method with an Analysis of Secondary Data (ADS) approach. ADS is a method by utilizing secondary data as the main data source. According to Sarmanu (2017: 2), quantitative research is research that refers to existing theories so that it does not change. Quantitative research uses numeric data as a tool to analyze information. Theory in quantitative research is used as a guide in formulating research problems, research hypotheses, and research variables. This study uses simple regression analysis.

3.2. Object of Research

The object of the study is the effect of news announcements as an independent variable and stockprice volatility as a dependent variable.

3.3. Data Type and Source

3.3.1. Data Type

The type of data used in this study is quantitative data. Quantitative data is data in the form of numbers or numbers (Sugiyono, 2017: 178). Quantitative data in this study are stock price figures and news announcements that are scaled using binary variables to indicate the existence of company news announcements (for example, 0 = no announcement, 1 = there is an announcement). A dichotomous / binary variable is a variable that has only two categories, namely a category that states a successful event (Y = 1) and a category that states a failed event (Y = 0).

3.3.2. Data Source

The data from this study comes from secondary data. In this study secondary data in the form of a summary of the share price of PT Bank Syariah Indonesia (BSI) Tbk on the Indonesia Stock Exchange and Yahoo Finance. Stock price data is used to calculate capital market volatility after company news announcements.

In addition, company-related news data is obtained from financial news sources or analytics platforms that provide access to company news. The news data includes information on company news announcements that are relevant to the capital market. This includes information about changes in management, corporate finance, new projects, partnerships, or changes in strategy.

Secondary data in the form of stock price data and related news allows researchers to collect relevant data and analyze capital market volatility following corporate news announcements. This provides important insights to understand how

Published by AFEBI Economic and Finance Review

corporate news announcements can affect volatility levels in the capital market.

3.4. Data Collection Technique

The data collection method related to this research is documentation study. Documentation studies in the form of quantitative secondary data collection in the form of a summary of stock prices obtained from the Indonesia Stock Exchange and Yahoo finance.

3.5. Data Analysis Method

3.5.1. Descriptive Analysis of Data

Descriptive statistics are part of statistics that function to describe or give an overview of the object under study through sample or population data as it is, without analyzing and making conclusions that apply to the public (Sugiyono, 2007: 29). Descriptive statistics is a method related to the collection and presentation of a cluster of data so that it provides information that describes and describes the variables in the study.

Descriptive analysis of data in this study was carried out on stock prices. Stock price data is obtained from reliable sources and used to calculate capital market volatility after company news announcements. Standard deviation is used as an indicator of capital market volatility. The following is the formula for calculating stock price volatility:

1. Collect previous stock prices.
2. Calculate the average price of the previous share price.
3. Determine the difference between each price in the set and the average price.
4. Square the difference from the previous step.
5. Sum the difference of squares.
6. Divide the squared difference by the total number of prices in the pool (find the variance).
7. Calculate the square root of the number obtained in the previous step.

3.5.2. Simple Linear Regression Analysis

In this study, the analysis method used to determine the effect of news announcements on stock volatility is to use the simple regression analysis method. Linear regression analysis is used to determine changes that occur in the dependent variable (variable Y), the value of the dependent variable based on the known independent value (variable X).

To determine the extent of the estimated influence between News Announcements andStock Price Volatility, a simple linear regression formula is used, as follows:
(Source: Sugiyono. 2009: 204) Description:

$$Y = a + bX$$

Y = Stock Price Volatilitya = Constant

b = Regression CoefficientX = News Announcement

3.6. Hypothesis Testing

3.6.1. Statistical Test t

The t test is used to test the effect of the independent variables partially on the dependent variable, namely the effect of each independent variable. Testing is done with the following hypothesis:

a. Ho = βi = 0, meaning that there is no significant effect of the independent variable (NewsAnnouncement) on the dependent variable (Stock Price Volatility).
   Ha = βi > 0, meaning that there is a significant effect of the independent variable (NewsAnnouncement) on the dependent variable (Stock Price Volatility).
b. Significance level = 0.05 (5%)
c. Testing criteria: If t count> t table, then Ho is rejected and Ha is accepted
   If t count < t table, then Ho is accepted and Ha is rejected.

4. RESULT AND DISCUSSION

4.1 Descriptive Analysis of Variables

4.1.1. News Announcement (X)

News announcement (X) as an independent variable is represented by a binary variable. Dichotomous / binary variables are variables that have only two categories, namely categories that state success events (Y = 1) and categories that state failure events (Y = 0). In this study, news announcements that are considered to significantly affect stock prices, either negative or positive news, will be given the number 1, while when there is no news related to the company, it will be given the number 0. The news taken is representative news for a one-month period so that there are only 12 news in the 1-year period. In 2021-2022, 12 news were obtained and in 2023 only 5 news were obtained. The following is a description of news announcements related to Bank Syariah Indonesia (BSI) in 2021-2022:

Table 4.1
Bank Syariah Indoensia (BSI) News Announcement 2021-2022

Year	Month	News	Value
2021	January	No significant news announcements	0
	February	BSI operates, BRIS shares jumped to	1
	March	To become the world's sharia finance center, Indonesia must have a global sharia bank	1
	April	2 months after merger, BSI brings hope for Indonesian Islamic finance	1
	May	Forbes recognized bsi as the world best banks 2022	1
	June	No significant news announcements	0
	July	BSI Expands MSME Financing to Remote Areas	1
	August	Strengthening Sharia Financial Ecosystem, BSI Partners with BMT Nusantara	1
	September	BSI records positive performance in the first semester of 2022	1
	October	No significant news announcements	0

Published by AFEBI Economic and Finance Review

	November	BSI Honored as The Strongest Islamic Bank 2021	1
	December	No significant news announcements	0
2022	January	Qanun LKS enacted, BSI aims to become a major player in sharia economic development	1
	February	No significant news announcements	0
	March	No significant news announcements	0
	April	No significant news announcements	0
	May	No significant news announcements	0
	June	No significant news announcements	0
	July	No significant news announcements	0
	August	BSI's mobile banking surges 98%	1
	September	BSI believes profit in 2022 can increase 40%	1
	October	Third Quarter of 2022, BSI's Net Profit Increased 42 Percent to Rp 3.21 Trillion	1
	November	No significant news announcements	0
	December	2 Sharia Banks Receive BI Award 2022, BSI Wins 2 Titles	1
2023	January	No significant news announcements	0
	February	No significant news announcements	0
	March	No significant news announcements	0
	April	BSI (BRIS) Raise Net Profit of Rp1.45 Trillion in the First Quarter of 2020	1
	May	BSI customer data on sale to hackers, what is the real threat?	1

Source: Secondary Data Processed, 2023

4.1.2. Stock Price Volatility (Y)

Stock price volatility is seen through changes in stock prices over a certain period of time and is referred to as standard deviation. The amount of stock volatility is often expressed in percent. The higher the level of volatility, the higher the level of uncertainty of stock returns that can be obtained. That is, the higher the volatility value, the more wild the stock is, it can rise and fall sharply. The calculation of stock price volatility is based on the following steps:

1. Collect previous stock prices.
2. Calculate the average price of the Previous share price.
3. Determine the difference between each price in the set and the average price.
4. Square the difference from the previous step.
5. Sum the difference of squares.
6. Divide the squared difference by the total number of prices in the pool (find thevariance).
7. Calculate the square root of the number obtained in the previous step.

After the above steps, the following stock price volatility is obtained:

Table 4.2
Share price volatility of PT Bank Syariah Indonesia (BSI) Tbk in 2021-2023

Year	Month	Stock Price Volatility (Standard Deviation)
2021	January	28%
	February	211%
	March	483%
	April	268%
	May	240%
	June	60%
	July	471%
	August	722%
	September	353%
	October	120%
	November	218%
	December	131%
2022	January	466%
	February	80%
	March	23%
	April	189%
	May	50%
	June	185%
	July	153%
	August	202%
	September	358%
	October	200%
	November	184%
	December	571%
2023	January	97%
	February	98%
	March	76%
	April	50%
	May	72%

Source: Secondary Data processed, 2023

Based on tables 4.1 and 4.2, it can be seen that in January, June, October, and December 2021 there was no news related to Bank Syariah Indonesia (BSI) that significantly affected the stock price so that the volatility of the stock price was only 28%, 60%, 120%, and 131%. This means that when no information appears related to the company, it can be seen that the market reaction is in a normal state, not increasing and decreasing drastically. Furthermore, it can be seen that in February, March, April, May, July, August, September, November it can be seen that there is news that appears related to the company so that it causes a significant market reaction to increase and also significantly decrease. It can be seen that the number of stock price volatility in the month the news appeared increased and decreased significantly, namely 211%, 483%, 268%, 240%, 471%, 722%, 353%, 218%. The decrease and increase in stock price volatility in the month of news appears to increase and decrease very drastically. This means thatwhen news appears, the market reacts significantly, when positive news appears, it is likely that investors rush to buy shares and when negative news appears,

Published by AFEBI Economic and Finance Review

investors rush to sell shares.

The same thing happened in 2022, in February, March, April, May, July, November,it can be seen that the stock price volatility rate has decreased and increased but not too drastic. Seen with stock price volatility figures of 80%, 23%, 189%, 50%, 185%, 153% and 184%. This means that when there is no news related to the company, it can be seen that the market reaction is in a normal state, not increasing and decreasing drastically. In January, August, September, October and December the stock price volatility figures were 466%, 202%, 358%, 200% and 571%. It can be seen that the market reaction to the news that appears causes stock price volatility to increase and decrease drastically. This means that when news appears, the market reacts significantly, when positive news appears, it is likely that investors rush to buy shares and when negative news appears, investors rush to sell shares.

In 2023 for the months of January, February and March, no significant news emerged that could affect stock price volatility. It can be seen that the stock price volatility rate is 97%, 98% and 76%. Whereas in April and May there is news that affects stock price volatility by 50% and 72%. In May and April 2023 Bank Syariah Indonesia was hit hard with news of being

hacked by hackers, causing transaction disruptions at Bank SYraiah Indonesia. This can affect price volatility because the share price will decrease due to this problem. Investors are also expected to rush to sell their shares.

4.2 Data Analysis and Hypothesis Testing

4.2.1 Simple Regression Analysis

From the research results in the description of the variables, the simple linear regression method is used which is processed using IBM SPSS Statistic 26, this is done to determine whether there is an influence of the News Announcement variable on Stock Price Volatility from the processing results obtained values as listed in the table as follows:

Table 4.3
Simple Regression Analysis Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	105.286	37.573		2.802	.009
	News Announcement (X1)	220.381	52.244	.630	4.218	.000
a. Dependent Variable: Stock Index Volatility						

Source: Secondary Data Processed, 2023

Based on Table 4.3 above, the following equation can be obtained:

$$Y = 105.286 + 0.630 + e$$

1. The constant with a value of 105.286 means that if the independent variable news announcement is equal to zero, the dependent variable Stock Price Volatility willincrease by 105.286.
2. The coefficient X1 of 0.630 means that if the independent variable Bertia Announcement increases by 1, the dependent variable Stock Price Volatility increasesby 0.630.

4.2.2 Hypothesis Testing

Hypothesis testing can be done by comparing the t-count with the t-table with a t-sig value withα: 0,05. If If t count> t table, then Ho is rejected and Ha is accepted, otherwise if t count < t table, then Ho is accepted and Ha is rejected.

Table 4.4

Summary of t Test and Coefficient of Determination (R)^2

		Equation		
Variables	**thitung**	**ttabel**	**Sig.**	**R Squeare**
X	4,218	1,699	0,000	0,397

Source: Secondary Data Processed, 2023

Ha: Company-related news announcements affect stock price volatility.

Based on the results of the news announcement regression equation on stock price volatility, the t value for the News Announcement variable is 4.218 at a significance of 0.000 andthe t table value at α = 0.5 is 1.699. Thus it can be seen that t count> t table so that 4.218>1.699 with a significant t level of 0.000 < α = 0.05. The β coefficient value of variable X is positive, namely 0.000. based on the above results it can be said that the hypothesis that has been formulated has been proven and in accordance with the research results so that H a can be accepted. These results indicate that news announcements affect stock price volatility.

4.2.3 Coefficient of Determination (R)^2

The coefficient of determination test (R^2) is carried out to measure how far the model's ability to explain the variation in the dependent variable. The coefficient of determination is between 0 and

1. A small (R^2) value means that the ability of the independent variables to provide almost allthe information needed to predict the dependent variables.

The results of statistical calculations in table 4.4, can be described as follows: The R Square value of 0.397 or rounded up in percent units to 40% which means that the independent variable (news announcement) has an influence of 40% on the dependent variable (stock price violatility). Meanwhile, the remaining 60% is influenced by other factors not discussed in this study such as interest rates, company size and asset growth.

Published by AFEBI Economic and Finance Review

4.3 Discussion

In this study, we find interesting and significant evidence of the positive effect of corporate news announcements on stock market volatility. This finding provides a deeper understanding of how company-related events can affect stock price fluctuations in the stock market.

The regression analysis results show that the binary variable representing corporate news announcements has a strong and significant relationship with the standard deviation of volatility. The regression coefficients obtained indicate that when significant corporate news announcements occur, market volatility increases substantially. This indicates that changes in theinformation conveyed through corporate news announcements trigger more volatile and unstable stock price movements.

This finding is in line with previous literature that has highlighted the important role of corporate news announcements in shaping capital market volatility. Corporate news announcements may include a variety of information such as financial results, strategic decisions, management changes, or significant project developments. This information can havea significant impact on investor perceptions and actions, which in turn affect stock price movements and overall capital market volatility.

Significant corporate news disclosures often elicit intense market responses and can triggersharp stock price changes. Investors who are responsive to corporate news announcements can take advantage of investment opportunities that arise during periods of high volatility. However, market volatility also brings additional risks for investors, as sharp price changes can lead to significant losses if not managed properly.

Therefore, it is important for investors and market participants to pay attention to corporate news announcements as a factor that can affect capital market volatility. Investors should view corporate news announcements as important signals that can influence their investment decisions. Effective risk management, portfolio diversification, and a good understanding of company fundamentals can help investors deal with market volatility and make smarter investment decisions.

However, it is also important to keep in mind that the relationship between corporate news announcements and capital market volatility does not necessarily indicate the direction of causality. There are other factors that can affect market volatility, such as overall market sentiment, macroeconomic factors, or global events that are not directly related to the company itself.

5. CONCLUSION

In this study, we found that corporate news announcements have a significant positive effect on stock market volatility. The regression analysis results show that corporate news announcements trigger an increase in volatility which can lead to greater stock price fluctuations in the capital market. This finding shows the importance of paying attention to corporate news announcements as a factor that can affect market movements. Further research is needed to dig deeper and understand this relationship better, as well as identify other factors that can affect capital market volatility.

Published by AFEBI Economic and Finance Review

Reference

Amir, P. Q., & Suaryana, I. G. N. A. (2019). Capital Market Reaction to Right Issue Announcements in Companies Listed on the Indonesia Stock Exchange. E-Journal of Accounting, 28, 159. https://doi.org/10.24843/eja.2019.v28.i01.p07

Adiputra, I Gede., Ellen Patricia. 2020. "The Effect of Financial Attitude, Financial Knowledge, and Income on Financial Management Behavior". Advances in Social Science, Education and Humanities Research, volume 439.

Andiani, N. W. S., & Gayatri, G. (2018). The Effect of Stock Trading Volume, Earnings Volatility, Dividend Yield, and Company Size on Stock Price Volatility. E-Journal of Accounting, 24, 2148. https://doi.org/10.24843/eja.2018.v24.i03.p19

Astuti, T., Sri Ambarwati, & Myranda Shavira. (2021). Determinants of Stock Price Volatility. RELEVAN: Journalof Accounting Research, 1(2), 73-82. https://doi.org/10.35814/relevan.v1i2.2262

Aten, P. M., & Nurdiniah, D. (2020). The Effect of Dividend Policy on Stock Price Volatility with Inflation as a Moderating Variable. ACCURACY: Journal of Accounting and Finance Research, 2(2), 85-94. https://doi.org/10.36407/akurasi.v2i2.192

Brigham and Houston. (2013). Fundamentals of Financial Management 10th Edition. Jakarta: Fourth Edition.

Hamidah, H., Maryadi, S., & Ahmad, G. N. (2018). The Effect of Stock Price, Stock Price Volatility, and Stock Trading Volume on Bid-Ask Spread Shares in Mining Sector Companies Listed in Issi for the Period June 2016ˆ'June 2017. JRMSI - Indonesian Science Management Research Journal, 9(1), 145-167. https://doi.org/10.21009/jrmsi.009.1.10

Hidayati, N., & Sukmaningrum, P. S. (2021). Factors Affecting Stock Price Volatility in Issuers Listed on the Jakarta Islamic Index. Journal of Sharia Economics Theory and Applied, 8(6), 706. https://doi.org/10.20473/vol8iss20216pp706-713

Jensen, Michael C. and W.H. Meckling. (1976). Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure. Journal of Financial Economics 3. 305-360 pp.

Josua Sirait, Unggul Purwohedi, & Diena Noviarini. (2021). The Effect of Earnings Volatility, Financial Leverage, Dividend Policy, and Price to Book Value on Stock Price Volatility. Journal of Accounting, Taxation and Auditing, 2(2), 397-415. https://doi.org/10.21009/japa.0202.12

Fauziah, Naimatul (2013). "Analysis of the Effect of Trading Volume, Inflation, Dividend Yield and Dividend Payout Ratio on Stock Price Volatility of Companies Listed in LQ 45". Thesis. Syarif Hidayatullah State Islamic University. Jakarta

Rahmayani, M. W., Riyadi, W., & Ginanjar, Y. (2020). The Effect of Stock Trading Volume and Leverage on Stock Price Volatility (Empirical Study on LQ-45 Index Companies Listed on the Indonesia Stock Exchange in 2012-2014). Journal of Sharia Economics,I(2),133-141. http://journal.ikopin.ac.id/index.php/ecoiqtishodi/article/download/176/137

Rosyida, H., Firmansyah, A., & Wicaksono, S. B. (2020). Stock Price Volatility: Leverage, Company Size, Asset Growth. JAS (Journal of Sharia Accounting), 4(2), 196-208. https://doi.org/10.46367/jas.v4i2.256.

Sarmanu. (2017). Basic Quantitative, Qualitative and Statistical Research Methodology, Surabaya: Airlangga University Press.

Published by AFEBI Economic and Finance Review

Selpiana, Komang Ria, and Ida Bagus Badjra. (2018). "The Effect of Dividend Policy, Exchange Rate, Leverage, and Firm Size on Stock Price Volatility." E-Journal of Management, Udayana University 7(3):1682. doi: 10.24843/ejmunud.2018.v7.i03.p20.

Wibawa, I. G. A., & Suryantini, N. P. S. (2019). Differences in Abnormal Return and Trading Volume Activity Before and After the Announcement of Right Issue in Bei. E-Journal of Management, Udayana University, 8(4), 2381. https://doi.org/10.24843/ejmunud.2019.v08.i04.p18

Sugiyono.(2009). Educational Research Methods Quantitative, Qualitative, and R&D Approaches. Bandung: Alfabeta

Sugiyono.(2017).Quantitative, Qualitative, and R&D Research Methods. Bandung: Alfabeta, CV.

Tandelilin, Eduardus. (2010). Portfolio and Investment: Theory and Applications. 1st Edition.Yogyakarta

Verina, Y. F. (2021). The Impact of News Related to Companies Listed in the LQ45 Stock Price Index for the Period February 2019 - January 2020. Scientific Journal of FEB Students, Brawijaya University.