PUBLIC PERCEPTION AND FIRM'S MARKET PERFORMANCE: THE CASE OF ANNUAL REPORT AWARD IN THE EMERGING ECONOMY

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Abstract

It has been a general belief that the public's perception can affect the firm's value. Subsequently, many initiatives have been made by various governments to pull such effects on their listed firm. Particularly in Indonesia, one of those initiatives is known as Annual Report Award (ARA), whereby its participants are required to show their good corporate governance (GCG) practices. Thus, the purpose of this study is to investigate the 2018 ARA's effect on the market performance of its listed firms' categories. In which, the analysis focuses on the categories' abnormal returns and the abnormal trading volume. Through the application of the event study methodology, the findings imply that the Indonesian capital market is more attentive to the participants within the financial state-owned enterprise category, and 2018 ARA has helped increase the participants' abnormal return within the respective category. Although an increase in abnormal returns is not necessarily accompanied by an increase in abnormal trading volume, the findings also suggest that the 2018 ARA can influence participants' stock returns across multiple market indices. Hence, the ARA event could influence the public's perception and, simultaneously, bringing added value to its participants.

Keywords: Annual Report Award, Event Study, Abnormal Stock Return, Abnormal Trading Volume, Indonesia

1. INTRODUCTION

The concept and mechanism of good corporate governance (GCG) are essential for every firm. GCG can help every firm prevent detrimental situations and other circumstances that can endanger its well-being and the welfare of its shareholders and stakeholders. In doing so, the firm has to ensure the five principles of GCG — accountability, responsibility, independence, fairness, and transparency — that are integrated and infused within its corporate conducts and practices.

Likewise, the same five principles are also expected to be applied within the firm's engagement with its stakeholders and shareholders. In this regard, every firm can use the idea of GCG to create and protect its value (Godfrey, Merrill, & Hansen, 2009; Kim & Park, 2020; Shahrour, Girerd-Potin, & Taramasco, 2021).

In a different light, the firm's value can be enhanced through active scrutinization by the public. The principle of transparency is instrumental in increasing the understanding of the stakeholders and shareholders of the firm's executive judgment, decisions, and performance. For that to happen, the firm has to ensure that the information concerning its well-being is accessible to the public (Bandsuch, Pate, & Thies, 2008). One of the most common forms of transparent conduct practiced by the firms in disclosing their financial and non-financial information is within the form of an annual report. Through the publication of annual reports, the firm facilitates the public to scrutinize the timeliness and the intensity of its financial disclosure and, at the same time, enables the public to examine the firm's governance and hold its executives accountable in running the firm (Bushman, Piotroski, & Smith, 2004). Failing to do so would cause an information asymmetry issue to emerge among the firm's stakeholders and the shareholders and, as a result, increase its reputational risk (Cui, Jo, & Na, 2018). Moreover, from a market perspective, a market with a dominant transparency culture has the potential to strengthen its capital market and attract new investors; on the contrary, a non-transparent market can discourage investors from investing and may give rise to unethical behavior and conduct to occur (Chao, Hsu, & Yeh, 2010).

In realizing a market with high transparency culture, one of the approaches to stimulate the firms to adopt and integrate the principles of GCG is by applying a pull approach. For instance, by giving a positive recognition that values and appreciates firms with exceptional and exemplary GCG conduct through an award mechanism. This approach can attract many firms to participate and compete to display the maturity and effectiveness of its GCG to the market. In a way, utilizing an award mechanism can also promote the importance of GCG to the market, improve the market's level of GCG practice, and enhance the public understanding of the necessity of applying the idea of GCG within the firm's business activities. Therefore, it can help the market improve and grow a transparent culture from within and, simultaneously, complement the mandatory implementation of GCG imposed by the regulators to the firms.

Many countries have applied a pull approach within the form of an award mechanism to promote a mature and effective GCG practice. Particularly in Indonesia, several deliberate efforts are applied to create a pull effect through the positive recognition initiatives, and the most prominent one is the Annual Report Award (ARA). ARA is a joint initiative of the seven highly respected institutions in Indonesia, namely 1) the Financial Services Authority, 2) the Ministry of State-Owned Enterprise, 3) the Indonesia Stock Exchange (IDX),

4) the Institute of Indonesia Chartered Accountants, 5) the Directorate General of Taxes, 6) Bank Indonesia, and 7) the Indonesia Committee on Governance. ARA's primary purpose is to improve the firm's quality of information and governance through its annual report. As a result, ARA's event is bound to signal the market and may trigger the investors' reaction to the state and maturity of Indonesian firms' GCG practice and conduct.

Under this context, many previous studies explore the effect of an announcement on the firm's market performance by using an event study analysis (Eroglu, Kurt, & Elwakil, 2016; Wilkens & Wimschulte, 2005). Similar analysis and studies regarding the ARA effect on the firm's market performance also take place in the literature. However, some previous studies concerning ARA show contrasting results on the market reactions towards the significance of a prestigious event that promotes effective GCG practice within the firms (Ekawati, 2011; Firmansyah & Hadijono, 2016). Moreover, most of the previous studies on ARA (Kemala & Ulupui, 2015; Wardani & Antara, 2017) focused on a single Indonesian market index and heavily concentrated on the stock return abnormality of either the participants or winners of the event. Consequently, the literature regarding the ARA's effect on the Indonesian market has not been fully explored and examined.

Accordingly, by expanding the scope of the previous studies, this paper aims to analyze the 2018 ARA winners' announcement effect on the listed firm's stock performance under multiple Indonesian market indices. Specifically, this study focusses on 1) assessing the 2018 ARA effect on its participants' abnormal return and trading volume within their respective listed firm's categories listed in the IDX's main and development board of Jakarta Composite Index (i.e., IHSG), and 2) examining the overall abnormality level of the participants' stock return and trading volume concerning the other Indonesian market indices of LQ45, IDX30, KOMPAS 100, and PEFINDO-25.

The information generated from this study should provide the government with greater insights and the reasons to hold events that promote the importance of GCG regularly. This, in turn, could further encourage various Indonesian firms across multiple industries to thoughtfully and effectively integrate and imbue the idea of GCG within their practice. Moreover, the novelty of this study is that it includes multiple Indonesian market indices since most previous research only uses a single index — IHSG — concerning the investigation of the ARA's effect on the Indonesian listed firms' market performance.

As for the remainder of this paper, it is structured as follows. The following Section 2 presents the literature review on the relationship between the investors' sentiment, firm transparency, and value. Section 3 presents the data and methodologies used in this study. Section 4 presents results obtained through the application of event study methodology. The discussion of the effect of ARA is presented in Section 5. Lastly, this study's conclusion, limitations, and recommendations for future research are presented in the Section 6.

2. LITERATURE REVIEW

When a market has a high transparency culture, it can influence the firms' behavior to disclose their information fully — as described within the principle of transparency — and provide better protection for their shareholders (Chao et al., 2010). On the other hand, failing to create a transparent culture within a market can increase investment risk and the likelihood of jeopardizing the stakeholders' and shareholders' welfare and well-being (Bae, Masud, & Kim, 2018; Millar, Eldomiaty, Choi, & Hilton, 2005). From another point of view, a firm that lacks transparency can decrease the trust and interest of its shareholders, stakeholders, and the public and put the firm's reputation and goodwill at risk (Bandsuch et al., 2008; Bidabad, Amirostovar, & Sherafati, 2017; Cui et al., 2018). In addition, such a lack of transparency can also reduce the firm's ability to gain financial access (Cheng, Ioannou, & Serafeim, 2014; El Ghoul, Guedhami, Kwok, & Mishra, 2011).

Many countries in the world have their accounting, financial, and non-financial disclosure regulations for the firms to conform and comply to ensure the principle of transparency is uphold. Prior studies have shown that when a firm has a high GCG effectiveness level, it can increase the quality of the firm's disclosure and, at the same time, reduce the information quality gap between the firm and the public (Krambia-Kapardis, Clark, & Zopiatis, 2016; Salehi, Moradi, & Paiydarmanesh, 2017). Through those regulations, along with the support provided by technological advancement, every firm can disclose all the necessary information about their well-being. Any violation attempt may negatively change the perception of the market, public, and potential investors towards the corresponding firm.

The idea of a transparent firm is vital to the public. The timeliness of a firm's annual report publication can also function as an indicator by the public to assess its GCG performance. Considering the research of Abdelsalam and Street (2007), Ashton, Willingham, and Elliott (1987), and Suryanto (2016), the larger firms have the incentives to reduce any delay in their reporting due to the supervision by the regulators, and it also is also closely monitored by the investors. As such, every large firm has a higher pressure to disclose information regarding their well-being, especially their financial conditions. Given this circumstance, a delay in disclosing the firm's financial and non-financial information has the likelihood to raise public attention.

Regarding the relationship between the firm's value and information disclosure, the firm with the better implementation of corporate governance standards has a higher market-to-book ratio (Black, Jang, & Kim, 2006). Moreover, there is a positive relationship between the firm valuation with the quality of its governance and information disclosure practice, by which it influences the firm's standing in the market in terms of its investment opportunities (Durnev & Kim, 2005). A similar result also occurred in the emerging Asian market. Hasan, Kadapakkam, and Kumar (2008) show that the improvement in corporate governance can give the firm access to the capital market by mitigating its investment dependency on internal resources and enhancing the firm's capability to exploit its investment opportunities.

While the review above shows that the firm's transparency and disclosure can increase its value in the market, the previous studies on ARA (Ekawati, 2011; Firmansyah & Hadijono, 2016; Kemala & Ulupui, 2015; Wardani & Antara, 2017) gave some mixed results. Although the official institutions have acknowledged the award-winning firms in terms of their excellent implementation of GCG and transparency, there still have been diverse reactions within the Indonesian market towards the award recipient's market performance. These phenomena show that winning the award does not guarantee an increase in the firm's stock return and trading volume.

Following this previous phenomenon, Langberg and Sivaramakrishnan (2008) explained that good news regarding the firm might increase the analyst scrutiny level and become skeptical of its information disclosure. Likewise, according to Kothari, Shu, and Wysocki (2009), the investors see the firm's good news with skepticism due to the possibility of bias and inaccuracy that resides within the news; on the contrary, the bad news regarding the firm is expected to be less biased and more accurate. Moreover, in some cases, an extensive disclosure by the firm may damage the firm's competitive advantage, and it may lead to a curvilinear relationship between the firm's market performance and information (Chahine & Filatotchev, 2008).

Putting all the reviews above, the firm's transparency and information disclosure have the potentials to generate a positive effect to increase the firm's value as well as lower it down. Some studies even show some paradoxical phenomena. For example, they found a situation where the award recipients' return and trading volume decreased after the winners' announcement date. These notions contradict the general belief that good news will result in better performance in the market. Nevertheless, this contradictory phenomenon is quite explainable by some of the previous studies that say good news circulated in the market may be seen skeptically due to the bias and inaccuracy of the results that reside within the news with regards to the firm's achievement.

3. RESEARCH METHODOLOGY

3.1. Data

The data used in this study is based on all the Indonesian listed firms who participated in the 2018 ARA and focused on the listed firms' categories. The list of participants is obtained from the Indonesia National Committee on Governance. Meanwhile, the data of the 2018 ARA participants' and the Indonesian market indices' daily stock price and trading volume are obtained from Yahoo Finance and investing.com.

Within the 2018 ARA, the listed firms' category is divided into five sub-categories, namely, 1) the private financial firm, 2) the non-financial private firm, 3) the regional-owned enterprise, 4) the financial state-owned enterprise, and 5) the non-financial state-owned enterprise.

Although both state-owned enterprise and regional-owned enterprise are owned by the Indonesian government, the two categories are separated since the state-owned enterprise is owned by the ministry of state-owned enterprise. In contrast, the regional-owned enterprise is owned by the municipality. All the firms used as the sample in this study are listed in the IDX. In order to simplify the explanation regarding the effect of the 2018 ARA on its participating firms' stock returns and trading volume, all the listed firms' categories in the respective event are labeled as presented in Table 1.

Table 1. 2018 ARA listed firms' categories

Categories	Label
Listed state-owned enterprise	A
Financial state-owned enterprise	A-1
Non-financial state-owned enterprise	A-2
Listed private firm	B
Financial private firm	B-1
Non-financial private firm	B-2
Regional-owned enterprise	C

Concerning the data of Indonesian markets' stock price movement, it uses the Indonesian market indices of the Jakarta Composite Index (i.e., IHSG), LQ45, IDX30, PEFINDO-25, and KOMPAS 100. The mentioned stock indices are selected due to

following reasons: first, the IHSG index is chosen because all Indonesian firms' stocks are listed in the IDX's main and development board; second, the indices of LQ45, IDX30, and KOMPAS 100 are selected because the respective indices have large market capitalization and have high liquidity; lastly, the market index of PEFINDO-25 is selected because the firms associated with the mentioned index is perceived to have good growth potential.

In terms of the period taken to capture the firms' market performance, this study uses 28 daily stock prices movements of the listed firms participating in the 2018 ARA. By which, it is divided into two phases. Phase one is two weeks before the ARA winners' announcement date on November 14, 2019. Whereas phase two is two weeks after. As for the data's validity and consistency, any participating firms that have missing historical data or are no longer registered in the stock market are excluded from the analysis. Thus, the total number of firms used as a sample for this study is 77 out of 98 participating firms classified in the 2018 ARA listed firms' categories. The exact number of firms used as the final sample in this study concerning its classification in the 2018 ARA listed firms' categories and the market indices that the participants are associated with are presented in Table 2.

Table 2. Final sample

Label	Listed firms' categories	Final sample	Sample breakdown by market index				
			IHSG	LQ45	IDX30	PEFINDO-25	KOMPAS 100
A-1	State-owned enterprise — Financial	4	4	4	4	0	4
A-2	State-owned enterprise — Non-financial	9	9	6	5	0	9
B-1	Private — Financial	19	19	1	1	0	5
B-2	Private — Non-financial	43	43	11	9	6	18
C	Regional-owned enterprise	2	2	0	0	0	1
	Total	77	77	22	19	6	37

Notes: With regards to the participants associated with the market indices of LQ45, IDX30, PEFINDO-25, and KOMPAS 100, it is based on the IDX's periodical evaluation from August 2019 to January 2020 concerning the list of stocks that constitutes the aforementioned Indonesian market indices. Additionally, some of the 2018 ARA participants are associated with multiple Indonesian market indices.

3.2. Method

In fulfilling the study objectives, the study uses the event study methodology to assess the effect of the 2018 ARA on the market performance (i.e., the stock price movement and trading volume) of its participating firms during the period before and after the winners' announcement date. In general, the event study analysis aims to isolate the incremental impact of an event on the firm's market performance and behavior (Kothari & Warner, 2007).

The event study analysis applied in this study replicates the approach used in the research of Al Ayoubi and Enjolras (2021), Gurgul, Majdosz, and Mestel (2006), and Yildiz, Karan, and Pirgaip (2017). In addition, the detailed steps in conducting an event study analysis can be seen in the research of McWilliams and Siegel (1997). Fundamentally, an event study analysis consists of three steps: 1) determining the event of interest along with its pre- and post-event windows, 2) measuring the stock market reaction by calculating the selected firms' abnormal returns and statistical significance, 3) aggregating the selected firms' abnormal returns used as the data for the event study analysis.

By referring to the suggested steps above, the 2018 ARA winners' announcement date is

defined as the event of interest [0]. The event window for the event study analysis is 28 days [-14, +14], precisely 14 days before and after the event. The selection of 28 days event window is due to two following reasons. Firstly, to see whether the ARA can induce the market to react two weeks before the event and examine whether ARA's effect continues for two weeks after the winners' announcement. Secondly, the public reacts less quickly to the announcement that has no financial content (Chen, 2001; Ekawati, 2011) — thus, the selection of 14 days for the post-event window is to see if there is a delay in the changes of the participants' stock returns with regards to the ARA's news. As for the detailed explanation in measuring the participants' abnormal return and trading volume, the selected measurement approach is further described in the following two subsections.

3.2.1. Abnormal return

The abnormal return is defined as the deviation from the expected return (Yildiz et al., 2017). The expected return is obtained by applying equation (1), and the abnormal return is calculated by following equation (2).

$$E(R_{i,t}) = \alpha + \beta R_{m,t} \qquad (1)$$

In equation (1), $E(R_{i,t})$ and $R_{m,t}$ represent the expected return of firm i in time t and the market m return in time t, respectively. Under this context, each firm is associated with its respective market indices. Moreover, $R_{i,t}$ is the daily stock return of firm i in time t. Whereas α and β are the estimations obtained from the regression of the daily stock return of the firms with the market's daily stock return before the event window. Specifically, the estimations of α and β are obtained from the firm's and the market's stock price movement within 92 trading days before the event window [-106, -15]. The selection of the 92 days in the estimation period is to capture the event's effect on the participants' expected and actual return during the event window.

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \qquad (2)$$

After the α and β are determined, they are then used to calculate the abnormal return of the listed firms that are participating in the 2018 ARA as presented in equation (2). The variable of $AR_{i,t}$ represents the abnormal return of firm i in time t. The firm's abnormal return is obtained by subtracting the firm's return from its expected return. Furthermore, the mean abnormal return (MAR) and the mean cumulative abnormal return (MCAR) are also calculated for each day in the event window. MAR is applied to determine if all the participating firms within their respective categories experience an abnormality in their daily return, and MCAR is to capture the overall level of abnormality in the firm's daily return throughout the event window.

In terms of the interpretation of the *AR* value, if the $AR_{i,t}$ value is above 0, it indicates that the firm i has experienced an increase in their return, and it is higher than the expected level. Conversely, if the $AR_{i,t}$ value is below 0, it indicates that the firm has experienced a decrease in their return, and it is lower than the expected level.

3.2.2. Abnormal trading volume

In order to capture the participating firms' abnormal trading volume during the event window, the market-adjusted abnormal volume is applied. An abnormal trading volume can be perceived as a deviation from the expected trading volume. The formula to measure the firm's abnormal trading volume is presented in equation (3) and (4).

$$MATV_t = \frac{1}{n} \sum_{i=1}^{n} ATV_{i,t} \qquad (3)$$

$$ATV_{i,t} = \frac{\dfrac{V_{i,t}}{\overline{V_i}}}{\dfrac{V_{m,t}}{\overline{V_m}}} \qquad (4)$$

$MATV_t$ stands for the mean abnormal trading volume at time t. Meanwhile, $ATV_{i,t}$ represents the abnormal trading volume of firm i in time t in accordance with the market's trading volume. The variables of $V_{i,t}$ and $\overline{V_i}$ represent the trading volume of firm i at time t and the firm's average trading volume at time t, respectively. As for the $V_{m,t}$ and $\overline{V_m}$, these two variables are used to represent the market m trading volume in time t and the market's average trading volume, consecutively. Particularly for the variables of $\overline{V_i}$ and $\overline{V_m}$, the average trading volume of the firm and the market are obtained from the estimation period, which is 92 trading days before the event window [-106, -15]. Thus, the 92 trading days estimation period is used to capture the effect of the 2018 ARA on the firms' and the markets' trading volume during the specified event window.

As for the interpretation of the abnormal trading volume ratio, it is given as follows. If $ATV_{i,t}$ equals 1, it indicates that the firm i trading volume is normal in time t. On the other hand, if $ATV_{i,t}$ is higher than 1, it indicates that the firm i trading volume is experiencing an increase, and it is above the expected level at time t. Lastly, if $ATV_{i,t}$ is lower than 1, it indicates that the firm i is experiencing a decrease in its trading volume, and it is below the expected level in time t.

4. RESULTS

### 4.1. ARA's effect on the participants listed in the IHSG index

4.1.1. The abnormality of the participants' stock price movement

The visual representation and statistical significance of the 2018 ARA listed firms' categories MCAR is depicted in Figure 1. In general, an abnormality within the 2018 ARA participants' stock returns occurs during the event window.

Figure 1. The MCAR of the 2018 ARA listed firms' categories as to IHSG index
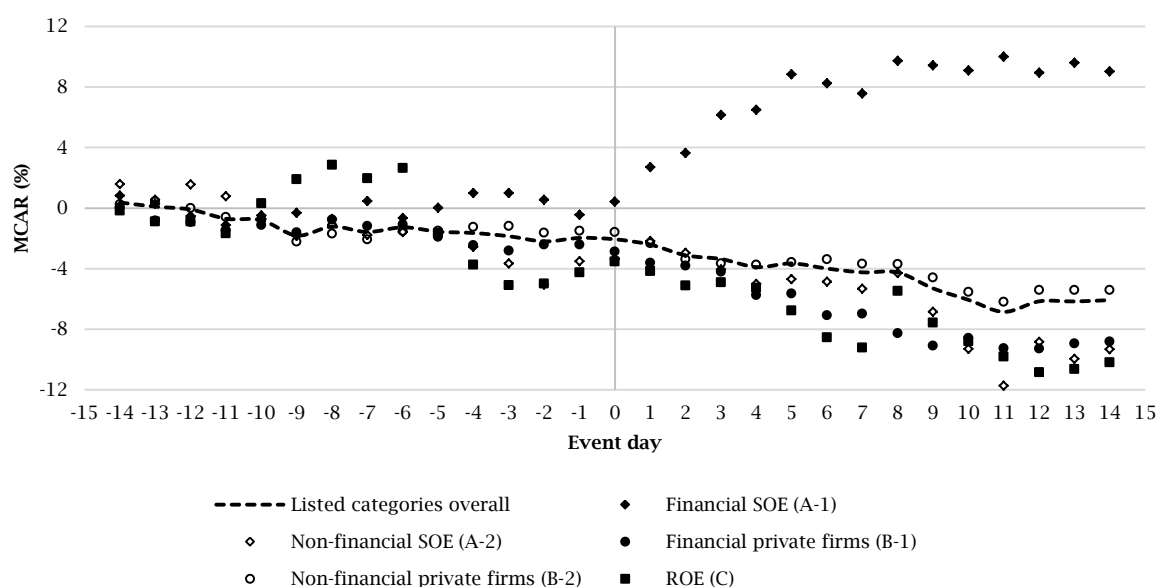
As shown in Figure 1, the MCAR of the A-1 category outperformed the rest of the categories. By which, the significant gain of abnormal return of the A-1 category leverages the overall increase of the MCAR of all the listed firms' categories combined. In contrast to the performance of the A-1 category, the overall MCAR movement of the listed categories has a downward trend during the period after the winners' announcement date. It indicates that the Indonesian market reacts negatively to the 2018 ARA winners' announcement. Consequently, it results in a situation where most of the participants' stock return decreases below the expected level. Such negative reaction from the Indonesian market continued until the eleventh day after the winners' announcement date [0, +11], and it reached its lowest point of MCAR at -6.85%.

Table 3 presents the MAR and MCAR of each listed firms' category and its overall movement.

Table 3. The MAR and MCAR of the 2018 ARA listed firms' categories under IHSG index

t	A-1 MAR (%)	A-1 MCAR (%)	A-2 MAR (%)	A-2 MCAR (%)	B-1 MAR (%)	B-1 MCAR (%)	B-2 MAR (%)	B-2 MCAR (%)	C MAR (%)	C MCAR (%)	Overall MAR (%)	Overall MCAR (%)	AR ≤ 0 (%)
-14	0.818	0.818	1.593	1.593	0.037	0.037	0.245	0.245	-0.178	-0.178	0.37	0.37	32.47
-13	-0.531	0.287	-1.048	0.545	-0.858***	-0.821***	0.08	0.441	-0.715	-0.894	-0.27	0.099	76.62
-12	-0.806	-0.518	1.023	1.568	-0.102	-0.923	-0.44	0.001	0.001**	-0.893	-0.193	-0.094	58.44
-11	-0.609	-1.128	-0.79	0.779	-0.535	-1.457	-0.594	-0.593	-0.782	-1.675	-0.608***	-0.702***	55.84
-10	0.641	-0.486	-1.487	-0.709	0.347	-1.11	-0.166	-0.759***	1.988	0.313	-0.096	-0.798**	48.05
-9	0.163	-0.323	-1.133	-1.841	-0.494	-1.604	-1.45	-2.21*	1.592	1.904	-1.014**	-1.812*	58.44
-8	-0.385	-0.709	0.742	-1.099	0.84***	-0.763	0.521	-1.689*	0.946	2.85	0.589***	-1.223*	38.96
-7	1.171	0.462	-0.686	-1.785***	-0.428	-1.191**	-0.375	-2.064*	-0.874	1.976	-0.357	-1.58*	61.04
-6	-1.118	-0.656	0.195	-1.59	0.12	-1.071**	0.541	-1.523*	0.664	2.64	0.314	-1.266*	45.45
-5	0.672	0.016	-0.114	-1.704	-0.836***	-1.908*	0.019**	-1.504*	-4.282	-1.643	-0.285	-1.552*	50.65
-4	0.979	0.995	-0.852	-2.555**	-0.536	-2.444*	0.255	-1.249*	-2.104	-3.746	-0.093	-1.645*	62.34
-3	0.007	1.002	-1.097	-3.652**	-0.373	-2.817*	0.076**	-1.173**	-1.344	-5.09***	-0.212	-1.857*	61.04
-2	-0.457	0.545	-1.393	-5.046*	0.409	-2.408*	-0.461	-1.634*	0.098	-4.992***	-0.34	-2.198*	61.04
-1	-0.986	-0.44	1.533	-3.513**	0.005	-2.404*	0.139	-1.495*	0.754	-4.238	0.226	-1.971*	40.26
0	0.855	0.414	0.155	-3.358**	-0.477	-2.88*	-0.093**	-1.587*	0.706	-3.532	-0.088	-2.06*	45.45
1	2.293***	2.708**	1.192	-2.166***	-0.743	-3.623*	-0.739	-2.327*	-0.633	-4.165	-0.354	-2.414*	53.25
2	0.922	3.63**	-0.788	-2.953**	-0.186	-3.809*	-1.055	-3.382*	-0.949	-5.114***	-0.704***	-3.118*	55.84
3	2.51***	6.14*	-1.107	-4.06*	-0.387	-4.196*	-0.275	-3.657*	0.22	-4.894***	-0.242	-3.36*	51.95
4	0.349	6.489*	-0.949	-5.009*	-1.548*	-5.744*	-0.083**	-3.74*	-0.367	-5.261***	-0.531	-3.891*	61.04
5	2.341***	8.83*	0.317	-4.692*	0.104	-5.64*	0.167	-3.573*	-1.5	-6.761***	0.239	-3.652*	48.05
6	-0.589	8.242*	-0.168	-4.86*	-1.442**	-7.082*	0.201	-3.372*	-1.773	-8.533***	-0.34	-3.992*	57.14
7	-0.683	7.559*	-0.47	-5.329*	0.11	-6.971*	-0.302	-3.674*	-0.681	-9.215***	-0.25	-4.241*	48.05
8	2.161***	9.72*	1.029	-4.3*	-1.299**	-8.27*	-0.034**	-3.708*	3.736	-5.479***	-0.01	-4.251*	42.86
9	-0.302	9.418*	-2.538**	-6.839*	-0.815***	-9.084*	-0.869	-4.577*	-2.079	-7.558***	-1.053*	-5.304*	72.73
10	-0.337	9.082*	-2.466**	-9.305*	0.497	-8.587*	-0.969	-5.546*	-1.223	-8.781***	-0.756**	-6.06*	67.53
11	0.923	10.004*	-2.42**	-11.725*	-0.674	-9.261*	-0.649	-6.195*	-1.03	-9.811**	-0.79**	-6.85*	64.94
12	-1.056	8.948*	2.902**	-8.823*	-0.011	-9.273*	0.791	-5.404*	-1.036	-10.847**	0.696***	-6.154*	46.75
13	0.641	9.589*	-1.119	-9.943*	0.338	-8.934*	0.002**	-5.402*	0.223	-10.624*	-0.007	-6.161*	50.65
14	-0.569	9.02*	0.63	-9.313*	0.128	-8.806*	0.000**	-5.401*	0.432	-10.192*	0.087	-6.074*	41.56

*Notes: MAR and MCAR represent the mean abnormal return and the mean cumulative abnormal return, respectively. *, **, and *** represent the significance level of 1%, 5%, and 10%, respectively. Day 0 [0] is the 2018 ARA winners' announcement date on November 14, 2019. AR ≤ 0 (%) represents the percentage of the number of participants that have an abnormal return ratio that is less or equal to zero. The t-statistic is applied to test the statistical significance of the participants' abnormal return.*

Prior to the winners' announcement date, it is found that the MAR of most listed firms' categories is not statistically significant. However, during the same period, some of the listed firms' categories (i.e., A-2, B-1, B-2, and C) have experienced an increase in their abnormal return. This circumstance indicates that the Indonesian market anticipated the 2018 ARA winners' announcement and initiated a positive reaction. Particularly to the MAR of the A-2 category on the day before the announcement [-1], the respective category has the highest MAR compared to the other categories. This suggests that the market focuses on the non-financial state-owned enterprise participants. As for the overall MCAR of the listed firms' categories, the event's cumulative effect starts to emerge on the eleventh day before the winners' announcement date [-11]. Such an effect suggests that the market is beginning to react to the 2018 ARA winners' announcement date as it draws near, and it simultaneously initiates the activities that affected the participants' returns. Nevertheless, the market sees the 2018 ARA with a pessimistic view during this time [-11]. As a result, it decreases the overall MCAR of the listed firms' categories by around 60 basis points (bps) due to 55% of total participants experiencing a decrease in their stock returns.

On the winners' announcement date [0], an increase in MAR indicates that the market positively reacts to the event. Under this context, however, around 45% of the total participants across all the listed firms' categories of the 2018 ARA have negative abnormal returns. It suggests that almost half of the participants experience a loss in terms of their stock value on the 2018 ARA winners' announcement. Particularly to the A-1 category, the respective category has the highest MAR. Although the MAR of the A-1 category is not statistically significant, it implies that the market is reacting positively to the participants classified in the financial state-owned enterprise category. Consequently, the MAR of the A-1 category has increased by 85 bps during the day of the 2018 ARA winners' announcement.

After the winners' announcement date, the A-1 category has the highest MAR on the first day after the event [+1]; the MAR of the A-1 category is statistically significant at 10%. Moreover, from the second day to the end of the event window [+2, +14], only the A-1 category gains a steady increase in their MCAR. As a result, the A-1 category becomes the highest gainers of stock returns due to the ARA. The significant increase of MAR that happened to the A-1 category indicates that the Indonesian market reacts positively to the financial state-owned enterprise category participants. Moreover, such positive reactions persist to the end of the event window.

4.1.2. The abnormality in the participants' trading volume

An abnormality in the participants' trading volume exists during the event window. Figure 2 presents the visual representation of the participants' abnormal trading volume concerning the IHSG index.

Figure 2. The MATV of the 2018 ARA listed firms' categories with regards to IHSG index
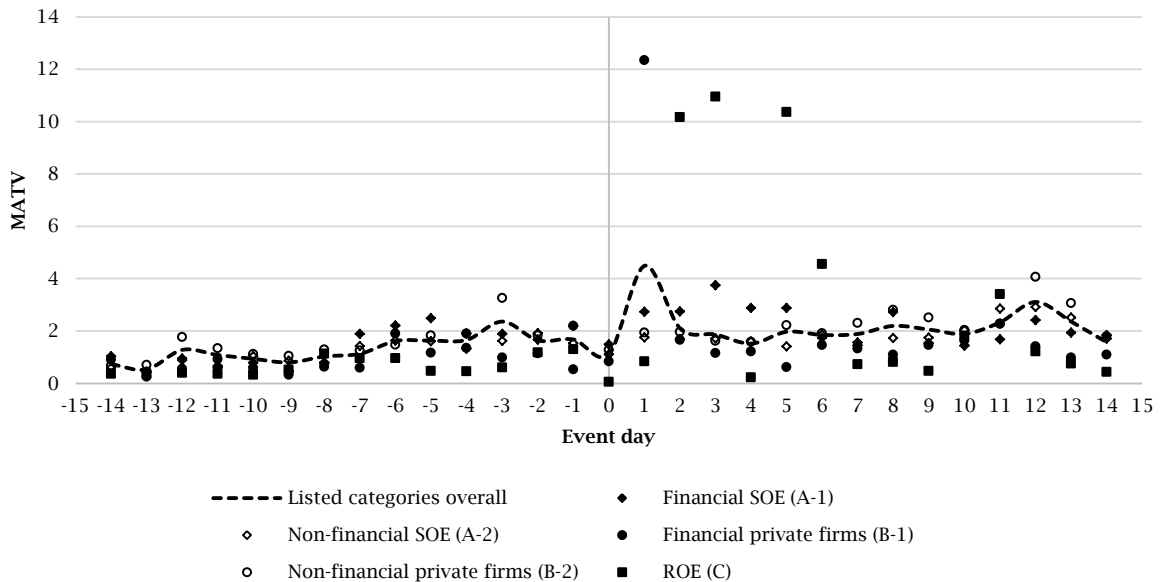
As shown in Figure 2, the overall MATV of the listed firms' categories starts to increase on the eighth day before the winners' announcement date. An increase in MATV indicates a high rate of trading activities that are above the expected level. As the 2018 ARA winners' announcement draws near, many of the participants' trading volume increases. The MATV of the overall listed firms' categories is above one on the eighth day before the winners' announcement date [-8]. Moreover, it remains above one to the end of the event window. These results indicate that the Indonesian market

anticipated and responded to the 2018 ARA winners' announcement date. In other words, the high rate of trading activities occurs even before the event takes place, and it persists for two weeks after the event [-8, +14].

Table 4 presents the MATV of each listed firms' category and its overall movement covering the entire event window [-14, +14].

Table 4. The detailed MATV of the 2018 ARA listed firms' categories under the IHSG index

t	A-1	A-2	B-1	B-2	C	Overall	
	MATV					MATV	ATV ≤ 1 (%)
-14	1.024	0.593***	0.906	0.672	0.361	0.731	74.03
-13	0.44	0.419	0.243	0.703	0.349	0.534	88.31
-12	0.943***	0.881**	0.552	1.759*	0.389	1.280**	71.43
-11	0.658	0.586***	0.919	1.335**	0.349	1.084**	84.42
-10	0.789	1.025**	0.592	1.115**	0.322	0.938***	79.22
-9	0.468	0.861**	0.324	1.040**	0.511	0.799***	74.03
-8	0.794	0.741**	0.627	1.285**	1.123	1.029**	68.83
-7	1.886**	1.422*	0.588	1.247**	0.95	1.130**	54.55
-6	2.198**	1.624*	1.897	1.466*	0.953	1.616*	49.35
-5	2.480**	1.607*	1.164	1.821*	0.461	1.633*	42.86
-4	1.898**	1.322*	1.351	1.900*	0.456	1.660*	49.35
-3	1.883**	1.613*	0.977	3.255*	0.595	2.361*	37.66
-2	1.663**	1.910*	1.142	1.826*	1.177	1.642*	37.66
-1	2.194**	1.525*	0.53	2.184*	1.297	1.676*	46.75
0	1.478**	1.096**	0.835	1.276**	0.044	1.125**	59.74
1	2.733*	1.747*	12.342*	1.928*	0.826	4.490*	38.96
2	2.744*	1.682*	1.649	1.952*	10.168***	2.101*	45.45
3	3.738*	1.710*	1.15	1.619*	10.940***	1.866*	49.35
4	2.869*	1.596*	1.208	1.578*	0.224	1.521*	49.35
5	2.880*	1.411*	0.613	2.213*	10.363***	1.971*	48.05
6	1.733**	1.858*	1.461	1.906*	4.545	1.850*	44.16
7	1.439**	1.558*	1.316	2.305*	0.727	1.888*	42.86
8	2.718*	1.720*	1.085	2.801*	0.804	2.195*	57.14
9	1.526**	1.739*	1.461	2.511*	0.46	2.057*	48.05
10	1.428**	2.031*	1.629	2.027*	1.807	1.892*	31.17
11	1.672**	2.849*	2.28	2.258*	3.4	2.332*	36.36
12	2.406**	2.911*	1.41	4.055*	1.21	3.109*	33.77
13	1.928**	2.511*	0.983	3.053*	0.746	2.360*	44.16
14	1.835**	1.695*	1.094	1.782*	0.425	1.570*	49.35

*Notes: ATV and MATV represent abnormal trading volume and mean abnormal trading volume, respectively. *, **, and *** represent the significance level of 1%, 5%, and 10%, respectively. Day 0 [0] is the 2018 ARA winners' announcement date on November 14, 2019. ATV ≤ 1 (%) represents the percentage of participants with an abnormal trading volume ratio that is less or equal to one. The t-statistic is applied to test the statistical significance of the participants' MATV.*

During the period before the event, the majority of the listed firms' categories (i.e., A-1, A-2, and B-2) has the MATV value above one and statistically significant to the day prior to the event. This indicates that the Indonesian market anticipates the winners' announcement date and initiates high trading activities concerning the participants' stocks even before the event. Such high trading activities persist to the event day and to the end of the event window for most listed firms' categories — apart from the C category that has an inconsistent pattern of MATV.

Among all the listed firms' categories, the B-1 category is the only one that has the MATV that is barely significant within the event window. Moreover, the respective category has the highest MATV on the first day after the winners' announcement date [+1], and it is statistically significant at the level of 1%. The significant surge of trading activities with regards to the participants classified in the B-1 category on the first day after

the ARA is 12 times higher than the expected level. However, on the second day after the event to the end of the event window [+2, +14], the MATV of the B-1 category is not statistically significant. Such lack of significance indicates that the information published by the ARA does not have the effect of triggering the market to make an abnormal increase in trading activities concerning the B-1 category.

4.2. ARA's effect on the participants associated with other indices

4.2.1. Changes in the participants' abnormal return due to the ARA

The effect of the 2018 ARA winners' announcement also influenced the other Indonesian market indices. The overall abnormal returns of the 2018 ARA listed firms' categories under multiple Indonesian market indices are presented in Table 5.

Table 5. The MAR and MCAR of the ARA listed firms' categories under multiple indices

t	*IDX30*		*KOMPAS 100*		*LQ45*		*PEFINDO-25*	
	MAR (%)	*MCAR (%)*	*MAR (%)*	*MCAR (%)*	*MAR (%)*	*MCAR (%)*	*MAR (%)*	*MCAR (%)*
-14	0.540	0.54	0.651	0.651	-0.114	-0.114	-1.191	-1.191
-13	-0.249	0.291	-0.321	0.329	-0.161	-0.275	-1.004	-2.195***
-12	-0.239	0.052	0.179	0.509	0.195	-0.08	0.826	-1.369
-11	0.177	0.229	-0.136	0.372	0.292	0.212	-0.474	-1.844***
-10	-1.255**	-1.025**	-1.11***	-0.734	-1.64	-1.427**	-0.057	-1.9***
-9	-1.361**	-2.386*	-0.903	-1.637**	-1.34	-2.767*	-1.738***	-3.638**
-8	0.202	-2.184*	0.631	-1.01***	0.111	-2.656*	0.1	-3.538**
-7	-0.152	-2.336*	-0.589	-1.595**	0.485	-2.171*	-0.12	-3.658**
-6	0.77***	-1.564*	0.312	-1.283**	0.246	-1.925**	-0.558	-4.216*
-5	-0.109	-1.672*	-0.536	-1.819*	-0.414	-2.34*	-0.088	-4.304*
-4	0.455	-1.218**	0.073	-1.747*	0.383	-1.957**	-1.026	-5.329*
-3	-0.098	-1.315*	-0.57	-2.316*	-0.636	-2.594*	-1.535	-6.864*
-2	-0.276	-1.591*	-0.517	-2.833*	-0.211	-2.805*	-0.283	-7.147*
-1	0.091	-1.501*	0.108	-2.725*	-0.37	-3.175*	0.164	-6.982*
0	-0.143	-1.643*	-0.239	-2.964*	-0.533	-3.708*	-0.011	-6.993*
1	-0.065	-1.708*	0.041	-2.923*	0.302	-3.407*	0.28	-6.713*
2	-0.090	-1.798*	-0.222	-3.145*	-0.369	-3.776*	0.614	-6.099*
3	-0.099	-1.897*	-0.674	-3.819*	0.354	-3.422*	0.031	-6.068*
4	-0.510	-2.407*	-0.504	-4.323*	-0.375	-3.797*	0.351	-5.717*
5	0.155	-2.252*	0.374	-3.949*	-0.152	-3.949*	0.555	-5.163*
6	-0.250	-2.502*	-0.186	-4.135*	-0.175	-4.124*	1.301	-3.862*
7	0.222	-2.28*	-0.089	-4.224*	-0.242	-4.366*	-0.911	-4.773*
8	0.485	-1.795*	0.528	-3.697*	0.107	-4.259*	-1.05	-5.823*
9	-1.294**	-3.089*	-1.966*	-5.663*	-1.228	-5.487*	-1.106	-6.929*
10	-0.581	-3.67*	-1.548**	-7.211*	-1.676	-7.162*	-1.044	-7.973*
11	-0.73***	-4.406*	-0.97***	-8.18*	-0.118	-7.281*	-0.439	-8.413*
12	0.77***	-3.635*	1.821*	-6.358*	2.852*	-4.428*	3.038**	-5.374*
13	0.102	-3.533*	-0.316	-6.675*	-0.301	-4.73*	2.964**	-2.41**
14	0.070	-3.463*	0.173	-6.502*	0.011	-4.719*	-0.388	-2.798**

Notes: MAR and MCAR represent the mean abnormal return and the mean cumulative abnormal return, respectively. *, **, and *** represent the significance level of 1%, 5%, and 10%, respectively. Day 0 [0] is the 2018 ARA winners' announcement date on November 14, 2019. The t-statistic is applied to test the statistical significance of the participants' abnormal return.

As shown in Table 5, the MCAR of the overall listed firms' categories, by the majority, are statistically significant for the multiple Indonesian market indices during the period before the 2018 ARA winners' announcement date. Even though the degree of MAR and MCAR differs from one index to another, it indicates that the Indonesian markets also anticipate the upcoming announcement of the 2018 ARA. In general, the cumulative effect of the 2018 ARA is starting to take place on the tenth day before the winners' announcement date.

On the day of the winners' announcement [0], all the Indonesian market indices are experiencing a decrease in their MAR. Although it is not statistically significant, this implies that the Indonesian markets react negatively to the 2018 ARA winners' announcement. Moreover, since the MAR is not statistically significant, it suggests that the winners' announcement triggers a negative reaction from the market towards the participants associated with other indices apart from IHSG.

After the 2018 ARA winners' announcement date, the MAR for most of the listed firms' categories is experiencing a decrease in their stock returns, apart from the participants associated with the PEFINDO-25 index. The participants associated with the PEFINDO-25 index have experienced an increase in their abnormal returns, on average, up to 30 bps from the first to last day of the event window after the winners' announcement date [+1, +14]. Thus, the positive value of abnormal return concerning the PEFINDO-25 index suggests that the respective market positively responds to the 2018 ARA winners' announcement. On the other hand, concerning the MCAR under the multiple Indonesian market indices, it is found that the highest MCAR belongs to the participants associated with the PEFINDO-25 index. In contrast, the lowest MCAR goes to the participants affiliated with KOMPAS 100 index. The gap of the MCAR between the index of PEFINDO-25 and KOMPAS 100 suggests that the Indonesian markets, in general, responded more positively to the participants associated with PEFINDO-25.

4.2.2. Abnormal trading volume of the ARA's participants

Similar to the changes in the IHSG index, the 2018 ARA also affects the trading volume of the participants associated with multiple Indonesian market indices. The overall abnormal trading volume due to the effect of the 2018 ARA on multiple market indices is presented in Table 6.

Table 6. The overall MATV of the 2018 ARA listed firms' categories under multiple indices

t	IDX30		KOMPAS 100		LQ45		PEFINDO-25	
	MATV	*ATV ≤ 1 (%)*	*MATV*	*ATV ≤ 1 (%)*	*MATV*	*ATV ≤ 1 (%)*	*MATV*	*ATV ≤ 1 (%)*
-14	1.394*	21.05	1.159*	40.54	1.273*	27.27	0.962*	50.00
-13	1.207**	47.37	0.48*	97.30	1.096*	50.00	0.656*	83.33
-12	1.632*	5.26	1.031*	72.97	1.594*	31.82	0.84*	66.67
-11	1.427*	31.58	0.801*	83.78	1.348*	27.27	0.974*	50.00
-10	1.144**	68.42	1.022*	64.86	1.185*	59.09	0.638*	83.33
-9	1.179**	63.16	0.959*	72.97	1.074*	72.73	0.721*	66.67
-8	1.684*	21.05	0.978*	70.27	1.213*	54.55	0.66*	83.33
-7	2.52*	0.00	1.184*	43.24	1.506*	22.73	0.859*	66.67
-6	2.086*	5.26	0.941*	56.76	1.296*	27.27	0.559**	83.33
-5	1.995*	15.79	0.934*	72.97	1.121*	40.91	0.875*	83.33
-4	2.306*	15.79	1.041*	51.35	1.268*	40.91	0.578**	100.00
-3	2.423*	10.53	1.022*	48.65	1.265*	40.91	0.556**	83.33
-2	2.777*	5.26	1.109*	48.65	1.36*	31.82	0.609**	83.33
-1	2.868*	0.00	0.957*	59.46	1.224*	31.82	0.88*	66.67
0	2.447*	10.53	1.071*	56.76	1.161*	54.55	0.602**	83.33
1	2.515*	0.00	1.214*	56.76	1.424*	40.91	0.756*	83.33
2	2.795*	5.26	1.278*	45.95	1.476*	27.27	0.73*	83.33
3	2.616*	15.79	1.12*	62.16	1.39*	45.45	1.216*	83.33
4	2.633*	5.26	1.011*	62.16	1.236*	54.55	0.936*	83.33
5	2.912*	0.00	1.135*	45.95	1.539*	27.27	1.254*	83.33
6	2.568*	5.26	1.232*	51.35	1.548*	31.82	0.87*	83.33
7	2.618*	5.26	0.919*	67.57	1.387*	22.73	0.807*	83.33
8	4.217*	5.26	0.826*	64.86	1.081*	45.45	0.25	100.00
9	2.594*	0.00	0.857*	72.97	1.234*	36.36	0.98*	66.67
10	2.145*	0.00	1.024*	67.57	1.224*	45.45	1.02*	66.67
11	2.704*	0.00	1.067*	56.76	1.593*	22.73	1.08*	66.67
12	2.218*	10.53	1.078*	59.46	1.432*	31.82	1.047*	66.67
13	2.102*	10.53	1.051*	56.76	1.38*	31.82	1.007*	66.67
14	2.035*	5.26	0.938*	56.76	1.199*	45.45	1.068*	83.33

*Notes: ATV and MATV represent abnormal trading volume and mean abnormal trading volume, respectively. *, **, and *** represent the significance level of 1%, 5%, and 10%, respectively. Day 0 [0] is the 2018 ARA winners' announcement date on November 14, 2019. ATV ≤ 1 (%) represents the percentage of participants with an abnormal trading volume ratio that is less or equal to one. The t-statistic is applied to test the statistical significance of the participants' MATV.*

Based on the findings presented in Table 6, the 2018 ARA event increases the trading activities for most of the event window concerning the participants associated with the Indonesian market indices of IDX30, KOMPAS 100, LQ45, and PEFINDO-25. The significant increase in trading volume regarding the mentioned indices suggests that the Indonesian market highly anticipates the 2018 ARA. Accordingly, the Indonesian markets have already started to react two weeks before the winners' announcement date. Moreover, its effect still exists for two weeks after the event.

5. DISCUSSION

Following the results presented in the previous section, it shows that the ARA does have the effect of inducing the Indonesian market's perception towards its participants' stock price. The effect of ARA is permanent instead of temporary in this particular circumstance. This pattern is similar to the findings of Yildiz et al. (2017), which found that an event's effect persists to the end of the event window. The findings of permanent changes because of an event do not follow the price pressure hypothesis, which dictates that, after a certain event, the stock price will go back to the state of equilibrium (i.e., price reversal) within a short-term period (Park & Lee, 2018; Yildiz et al., 2017). Simply put, the affected stock price movement of a firm will be back to its normal movement within a short period after the increased demand is satisfied.

In the case of ARA, however, the participants' stock continues to be affected by the event for two weeks after the announcement. Thus, the effect generated by ARA suggests that the Indonesian firms can use the respective event to obtain a permanent increase in their value by demonstrating their GCG practices — especially if the firms already have mature GCG conducts and practices in the first place.

Since the ARA is a prestigious event that promotes effective and mature GCG practice, the results indicate that the Indonesian market is paying close attention to the GCG conduct practices by the event's participants. The permanent effect generated by the ARA follows the information hypothesis. The information hypothesis suggests that the information published by an event provides information to the public (i.e., investors in particular) concerning the potential success of a firm in a long term (Shleifer, 1986; Yildiz et al., 2017). Consequently, due to ARA, the information it produces can make the market react and cause permanent changes. This is because the ARA's information makes the public see that the event's participants have the potential to be successful in the long term. GCG wise, the ARA provides the information to the public that its participants do engage in active actualization and implementation of GCG principles within their practice — especially in upholding the principle of transparency within the participants' annual reports. Conclusively, the ARA is capable to make permanent changes to its participants' stock returns due to the information

it publishes having the content that can make the Indonesian market see the potential success of its participants. Similarly, the information hypothesis may also explain the abnormal returns movement of the participants associated with the PEFINDO-25 index. Since all the participants associated with the PEFINDO-25 are perceived to have good growth potentials, the news published by the ARA further strengthens the positive perception of the Indonesian market regarding the participants affiliated with the PEFINDO-25 index. Subsequently, the MCAR of PEFINDO-25 is the highest compared to the other indices.

Another hypothesis that is fundamental in analyzing the event's effect on the firm's stock price and trading volume is the attention hypothesis. Under the attention hypothesis, it is predicted that the attention from the public (or the market) has a more substantial influence in inducing buying activities instead of selling (Huddart, Lang, & Yetman, 2008). As a result, it can lead to a situation where a firm's stock price can increase significantly. Among all the listed firms' categories within the ARA event, only the A-1 category (i.e., financial state-owned enterprise) gains a significant abnormal increase of stock price due to the respective event. Therefore, the significant increase in abnormal return concerning the A-1 category implies that the Indonesian market's level of attention is heavily oriented on the performance and achievement of the respective category within the event of ARA. Furthermore, such indication becomes more apparent because the rest of the categories follow the downward trend during the period after the ARA's event (as shown in Figure 1). One of the interpretations that can explain the significant increase of A-1 category is due to the Indonesian market is already perceived that financial state-owned enterprises already have mature GCG practice, and the respective firms are highly regulated and supervised by various government agencies and ministries (e.g., Financial Services Authority and the Ministry of state-owned enterprise). Consequently, the information published by the ARA further strengthens the public's positive perception of the financial state-owned enterprise and, as a result, further increases the state-owned enterprise value in the Indonesian market. Contrarily, the B-1 category (i.e., private financial firms) is barely significant within the specified event window. Therefore, following the attention hypothesis, the lack of significance of the B-1 category implies that the Indonesian market's perception is not affected by the ARA event. In other words, the ARA information is not strong enough to make the public's attention focuses on the B-1 category. Moreover, it is also suggested that the information published by ARA contains no new information capable of inducing the public (or the market) to engage in trading activities capable of increasing the stock returns of the participants classified within the category of the private financial firm.

6. CONCLUSION

This study objective is to explore the effect of the 2018 ARA on its participating firms' returns and trading volume associated with the IHSG index.

It also aims to investigate the 2018 ARA effect that corresponds to the other Indonesian market indices of IDX30, KOMPAS 100, LQ45, and PEFINDO-25. Both objectives are novel to the literature that examines the effect of a prestigious event on multiple market indices and firms' market performance within Indonesia's context.

Based on the findings obtained from the event study methodology, only the financial state-owned enterprise category, associated with the IHSG index, has experienced a significant positive effect from the 2018 ARA event. Meanwhile, the other categories are simply following the downward trend after the 2018 ARA winners' announcement date. The findings suggest that the Indonesian market reacts more positively to the winners' announcement result linked with the participants in the financial state-owned enterprise category. Additionally, the findings also show that the trading activities of the financial state-owned enterprise category have an abnormal increase, showing that the Indonesian market is more attentive and observant to the performance and the quality of disclosed information of the financial state-owned enterprise. Given this circumstance, the increase of trading activities and the positive reaction from the market have increased the participants' stocks value that is associated with the financial state-owned enterprise category.

The results of the event study analysis also uncovered that the 2018 ARA influences to change the public's perception concerning the market indices of IDX30, KOMPAS 100, LQ45, and PEFINDO-25. The respective event has triggered abnormal changes in trading volume regarding the participants' stocks associated with the mentioned market indices. Consequently, the 2018 ARA event has triggered an abnormal increase or decrease of value concerning the participants' stocks within the markets. Furthermore, among all the specified market indices, the participants linked to the PEFINDO-25 index have gained the highest cumulative abnormal return after the 2018 ARA winners' announcement date, whereas the lowest belongs to the participants associated with the KOMPAS 100 index. These findings indicate that the Indonesian market generally responds to the 2018 ARA winners' announcement results more positively towards the participants affiliated with the PEFINDO-25 index than the other indices.

Following the findings of this study, it is clear that the 2018 ARA has a significant influence on triggering the reactions from the Indonesian markets. Such influence is not confined only to the major Indonesian stock markets, but it also permeates other indices with different characteristics (e.g., levels of market capitalization and portfolio coverage). Since the 2018 ARA is a government initiative that values firms with mature GCG practice and produces a high level of quality in information disclosure through their annual reports, the findings show that the Indonesian markets use the respective event as a proxy to assess the listed firms' GCG effectiveness. As a result, the public's perception of a particular firm can change and consequently increase or decrease its stock value depending on the 2018 ARA results. In this regard, the Indonesian government

can support and enhance the quality and importance of the ARA event to generate a more substantial pull effect on every firm to implement and practice effective GCG within their activities. Thus, it can help every firm create and propose a higher value to themselves and the public.

Although this study can uncover the 2018 ARA effect on its listed firms' categories and the other Indonesian market indices, three limitations need to be noted. The first limitation is the event study methodology itself. McWilliams and Siegel (1997) explained that the longer the length of the event window, the more difficult it is to control the confounding effect that may exist within the specified window. If the confounding effects are not managed effectively, it would be harder to validate the abnormality that occurred is due to the impact event of interest or not. Moreover, it could also lead to false-positive (negative) results if the confounding effect is not addressed, ultimately affecting the conclusion drawn. Therefore, like McWilliams and Siegel (1997) recommended, future studies should eliminate any firms that have confounding effects within their sample with respect to the specified event windows.

The second limitation is the study focus. No exploration has been made to understand the triggers that cause an abnormality in the participants' market performance. Thus, following the suggestion of Wang and Ngai (2020), it is recommended for future research to apply content analysis in uncovering the pattern that occurs within the specified event window. Additionally, it is also recommended that future studies utilize the decision tree approach. Through this, it can uncover the factors that can lead to an abnormal movement in stock returns and its potential consequences.

Lastly, the third limitation is the period of the analysis. Although this study investigates the ARA's effect, a comparative analysis is not conducted to see whether the influence of the 2018 ARA is similar to or different from its previous events. Hence, it is recommended for future research to conduct a comparative assessment that incorporates multi-year events of ARA to examine the similarities or differences between the events.

To summarize, the three recommendations can provide deeper insights concerning the nature of the Indonesian stock market environments, both empirically and conceptually.

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