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IS THE INDONESIAN MARKET REACT TO THE SUKUK ISSUANCE ANNOUNCEMENT ?

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ABSTRACT

This study aims to examine the market reaction following the announcement of sukuk issuance by companies listed on the Indonesia Stock Exchange between 2013 and 2017. During this period, there were 23 sukuk publishing announcements as samples for this study. Although two events led to the issuance of sukuk, there have been no unusual returns overall. There was no change in trading volume on the day before and after the announcement of the sukuk issuance, both as a whole and for each event. To that end, we cannot find any significant association between the type of sukuk (i.e., *ijarah*) and the not related to cumulative abnormal returns.

INTRODUCTION

Sukuk, also known as Islamic bonds, are certificates representing a part of the ownership of assets or special investment activities (IIFM, 2010), so sukuk can be used as an alternative source of financing. Sukuk plays a role as an alternative source of financing for both companies and governments, which has increased in recent years. In Indonesia, the first corporate sukuk was issued by PT. Indosat Tbk. in 2002 with the structure of Ijarah. The companies have issued 137 sukuk as of 2017, totaling an issuance value of over 26 billion Rupiah. Thus, it implies that companies in Indonesia started using sukuk as a source of financing.

Foster (1986) stated some information may affect the market, e.g., information about financing. An increase in sukuk issuance by corporations raises questions about the impact of its announcement on market response. Only a small amount of empirical research, particularly in Indonesia, has been done on the characteristics of sukuk and how stock market investors react when sukuk issuance is announced. In addition, earlier studies (e.g., Ashhari, 2009; Ibrahim and Sobri, 2009; Modirzadehbami and Mansourfar, 2011; Ahmad and Rahim, 2013; Alam, 2013; Godlewski, 2011; 2013; 2016) only examined market reactions in the form of abnormal returns, while this study added trading volume to analyze market responses to sukuk issuance announcements. While some of the studies (Ashhari, 2009; Ibrahim and Sobri, 2009; Ahmad and Rahim, 2013) claimed that there was a positive market response to the announcement of sukuk issuance, the results from the various aforementioned prior studies were inconsistent. In contrast, research conducted by Modirzadehbami and Mansourfar (2011) and Godlewski (2011) stated that the market reaction was negative to the announcement of sukuk issuance. As a matter of fact, the previous research was carried out in Malaysia, where the Malaysian Sharia capital market has developed. In light of this, the findings of research in Malaysia are not necessarily generalizable to the context of Indonesia.

Research in Indonesia on market response to sukuk issuance announcements has been conducted by Siregar and Sukamulja (2010), who examined the market reaction to sukuk announcements in

the period 2007-2009, covering six sukuk issuances. Furthermore, Fatimatuzahra and Herlambang (2015) also studied the market response to the announcement of sukuk issuance between 2008 and 2012, covering eleven sukuk issuances. Both studies were conducted at a time when sukuk was not as developed as it is today and the number of sukuk issuances was still limited. Accordingly, this study aims to investigate the market response to the announcement of sukuk issuance in Indonesia between 2013 and 2017, determined from abnormal returns and trading volumes, as well as the influence of sukuk types between 2013 and 2017.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1 Sukuk

Sukuk, as defined by AAOIFI (2002), is a certificate that represents ownership of tangible assets and the result of a return on assets for certain investment projects and/or activities. Meanwhile, sukuk, according to Iqbal and Abbas (2011), is a proof of ownership of an asset for a certain period of time with risks and rewards in the form of cash flow derived from the utilization of the underlying asset. The National Sharia Council (2003) defines sukuk as a security issued by an issuer to pay profit sharing to investors as well as pay back the principal at maturity. According to the state Sharia Securities Law (2008), sukuk are securities issued based on sharia principles, as evidence of SBSN ownership.

In sum up, based on the above-mentioned definitions, sukuk can be defined as a commercial letter that is proof of ownership of an asset and has a return that is in accordance with Sharia principles. The existence of tangible assets is what distinguishes sukuk from conventional bonds. AAOIFI (2002) distinguishes sukuk from stocks, bonds, and other conventional securitizations. AAOIFI (2002) divides sukuk into several types based on the contract, namely:

A. Sukuk As-salam is a contract for sale as the main concept. In exchange for the full price being paid at that time, the seller agrees to provide the buyer with a specific commodity in the future. As a form of financing, the buyer can acquire the asset by prepayment at a discount and then sell it upon delivery. Sukuk As-Salam represents a type of

forward contract that is prohibited under Shari'ah law unless there are strict requirements aimed at eliminating uncertainty.

B. Sukuk *Istisna'a* is a type of sukuk used for funding real estate development, industrial projects, and large equipment, e.g., turbines, power plants, ships, or aircraft. During the construction of the asset, the investor funds the manufacturer or contractor and acquires ownership of the asset. Upon completion, the owner either transfers the rights to the developer along with the agreed payment terms or leases the assets to the developer under an *ijarah* contract.

C. *Murabaha* Sukuk is based on the traditional idea of purchase financing. Substantially, its structure is relatively simple and is based on a declared mark-up integrated into the sale price with deferred payment. The investor purchases the necessary goods or equipment from third parties, then sells them to his customers at a fair price plus a profit.

D. A *mudharabah* sukuk is an agreement made between the party providing the capital (an investor) and the other party (an entrepreneur); the profit share is divided according to a predetermined ratio. In the meantime, only the fund provider is responsible for the loss.

E. Similar to *mudharabah* contracts, *musyarakah* sukuk is frequently used in equity financing. According to the *musharakah* structure, both parties are responsible for financing the project, sharing profits according to a predetermined ratio, and bearing losses in proportion to the size of their respective investments.

F. *Ijarah* sukuk, which is similar to a leasing structure, enables the lessee to purchase the asset at the end of the lease period. Certificates are issued on stand-alone assets identified on the balance sheet. The rental rate of return on the sukuk is renewable (floating) under the agreement. Cash flows from leases include lease payments and principal payments paid to investors in the form of coupons. *Ijarah* sukuk provides efficient medium-long-term financing capital. Sukuk *ijarah* is the most widely issued sukuk.

2. Event Studies

Event studies are empirical techniques used to see the impact of an event on a company's

stock market price, according to Bodie et al. (2013). Meanwhile, Wells (2004) states that event studies aim to measure abnormal return changes in stock prices affected by an event. Jogyanto Hartono (2010) adds that event studies are used to measure the market's reaction to an event. When an information-containing event takes place, the market reacts. The market reaction is indicated by changes in stock prices and trading volumes. Generally, research using the event study approach measures signals and waves of abnormal returns around the date of an information announcement. Abnormal returns can be positive, negative, or zero. If the abnormal return is zero, the market does not react to the event.

Trading volume analysis can be used to study market reactions in addition to price changes. According to Beaver (1968), if there is an increase in the volume of shares traded at the time the information is published, it contains information. Stock trading takes place as investors assign varying values to a company in response to an information-bearing event. Less efficient markets lead to lower trading volumes because investors assume an event contains no information. In this regard, Admati and Pfleiderer (1989) state that trading volume depends on the divergence of investors' interpretations when receiving information. The same information may be interpreted differently by investors; there are groups that view the information as good news and vice versa. In light of this, the company must carefully consider the information that will be disclosed to the public.

3. Hypothesis Development

Moyer, et al. (2011) divide information in the capital market into micro and macro information. Micro information is information related to company activities (profit announcements, stock splits, dividend payments, mergers and acquisitions, and bond issuance). Meanwhile, macro information is information related to the dynamics of economic conditions (changes in currency exchange rates, interest rates, and government fiscal and monetary policies). Therefore, Spence (2002) suggests that the company will make various efforts to disclose information in accordance to the condition and prospects of the company. Announcements of the issuance of Sukuk serve as a company's signal to investors that the company has promising futures.

In making financing decisions, a company must take into account the optimal capital structure so as to maximize the value of the company (Modigliani and Miller, 1958). Mikkelson and Partch (1986) state that certain types of debt cause abnormal returns. Moreover, Ibrahim and Shobi's (2009) research in Malaysia showed that the market reacts positively and significantly to the announcement of sukuk issuance within a 7-day time window. This backs up the findings of Ahmad and Rahim's (2013) study regarding a significant and positive market response to the issuance of Sukuk. Correspondingly, Ashhari, Chun, and Nassir (2009) found that there was a wealth effect in sukuk issuance announcements but not in conventional bond issuance announcements.

A sample of 45 Bursa Malaysia-listed companies that issued Islamic debt from 2005 to 2008 revealed a significant negative abnormal return that occurred one day before the announcement date, according to Modirzadehbami and Mansourfar (2011). Godlewski et al. (2011, 2013) also mentioned similar results, that there was a negative market response to abnormal returns on sukuk issuance while the market reaction to bond issuance was neutral.

Examining the market reaction to sukuk announcements in the period 2007–2009, Siregar and Sukamulja (2010) revealed that there were no significant abnormal returns in the sukuk issuance announcement period, which covers six sukuk issuances. Furthermore, in the period 2018–2012, Fatimatuzahra and Herlambang (2015) examined the market reaction to sukuk issuance, which included eleven issuances, and found that there was an abnormal return on the day around the announcement of sukuk issuance. Considering the inconsistent results in previous studies, the researchers formulated hypothesis 1 as follows:

H1: There was an abnormal return in the period *around the announcement of sukuk issuance*.

Beaver (1968) found that the market response to information is considered not only from abnormal returns, but also from trading volume. Fatimatuzahra and Herlambang (2015) claimed that they found differences in trading volumes before and after the announcement of sukuk issuance on the Indonesia Stock Exchange. Thus, the second hypothesis is formulated as follows:

H2: There is a difference in trading volume in the period before and after the announcement of sukuk issuance.

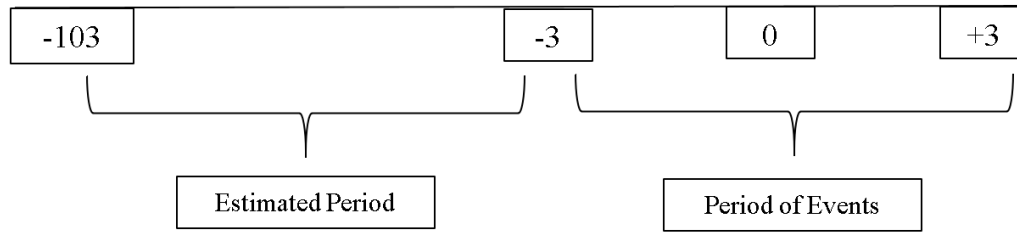
Godlewski et al. (2016) investigated the effect of the characteristics (type of contract) of sukuk issued on market response. The types of sukuk contracts were also divided into *ijarah* and *non-ijarah* by Godlewski et al. (2016), with *ijarah* sukuk based on data being the most published. The results showed that the issuance of sukuk *Ijarah* leads to a more positive market response than *non-Ijarah* sukuk. As opposed to sukuk *mudharabah* and *musyarakah*, where the return is dependent on the performance of the company, sukuk *ijarah's* return is more predictable. Previously, Mikkelson & Partch (1986) stated that the issuance of certain types of debt would result in abnormal returns. This study then developed the third hypothesis in accordance with Godlewski et al. (2016) as follows:

H3: There is a positive relationship between the issuance of *ijarah* sukuk and abnormal returns.

METHODOLOGY

This study employed an event study approach. Event studies are used to determine whether an event has informational content and, consequently, the market will respond. The market reaction is indicated by changes in the price and trading volume of the company's shares on the day around the announcement of the sukuk issuance. The announcement of sukuk issuance by a company listed on the Indonesia Stock Exchange (IDX) was the event studied in this study. This study employed an event study approach.

The announcement of sukuk issuance by a company listed on the Indonesia Stock Exchange (IDX) was the event that became the focus of this study. Data on sukuk issuance announcement were obtained from Bloomberg data source and the date was set as day-0. Referring to Jogianto Hartono (2010), this study used an estimation period of 100 days. Meanwhile, one symmetrical window of events for seven days, namely, (-3) to (+3) trading days for the window of events was used in this study, referring to Ashhari (2009) and Ibrahim and Minai (2009).



To calculate abnormal returns on the day around the announcement of sukuk issuance, this study followed Godlewski (2010, 2013, and 2016) by using a market model. The market model is constructed as follows because it links the stock returns of the company making the sukuk issuance announcement with market returns:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (1)$$

Where:

- R_{it} : stock return i during period t.
- R_{mt} : return on market portfolio in period t
- α_i : constant average return of stock i
- β_i : estimated share beta i.

Expected return is an investor's expectation on ownership of an asset over the long term (Jones, 2012). The expected return can be calculated with the market model, so it is formulated as follows:

$$E(R_{it}) = \alpha_i + \beta_i R_{mt} \quad (2)$$

Where:

- $E_{(R_{it})}$: expected return on stock I during period t.
- R_{mt} : return on market portfolio in period t
- α_i : constant average return of stock i
- β_i : estimated share beta i.

The actual return is the return obtained from an investment over a certain period of time (Jones, 2012). Actual return can also be interpreted as investors' income in the form of profit or loss from the difference between the selling price and the purchase price of the stock. The actual return is formulated as follows:

$$R_{it} = \frac{(P_t - P_{t-1})}{(P_{t-1})} \quad (3)$$

Where:

- R_{it} : stock return i during period t.

P_t : stock price in period t.

P_{t-1} : stock price in period t-1

The stock price used to calculate the actual return is the daily stock price at closing, obtained from IDX.

Abnormal returns are returns from investments outside of their expected returns on a risk basis (Jones, 2012). The abnormal return indicates the residual value obtained from the difference between the actual return and the expected return, so it can be formulated as follows:

$$AR_{it} = R_{it} - E(R_{it}) \quad (4)$$

Where:

- AR_{it} : abnormal return of stock i in Period t.
- R_{it} : actual return of stock i in Period t.
- $E(R_{it})$: expected return on stock I during period t.

Trading activity is measured based on the turnover approach, determined by the number of shares traded divided by the number of shares outstanding (Lo and Wang, 2000). Trading volume is applied to ascertain whether the announcement of sukuk issuance has any influence on investors' trading decisions. Trading volume activity is formulated as follows:

$$TVA = \frac{\text{Jumlah Saham yang Diperdagangkan}_{it}}{\text{Total Saham Beredar}_{it}} \quad (5)$$

In an effort to find out the market reaction to the announcement of sukuk issuance by the company, the trading volumes before and after the announcement of sukuk issuance were compared. The formulation is as follows:

$$ATVA_{sebelum} = \frac{\sum_{t=-3}^{t=0} TVA_{sebelum}}{t} \quad (6)$$

$$ATVA_{sesudah} = \frac{\sum_{t=+3}^{t=0} TVA_{sesudah}}{t} \quad (7)$$

Where:

$ATVA_{before}$: average trading volume prior to sukuk issuance announcement.

$ATVA_{after}$: average trading volume following sukuk issuance announcement

Following Godlewski et al. (2016) the type of sukuk in this study is divided into two: *ijarah* and non-*ijarah*. Variable of sukuk type used *dummy*, so *ijarah* sukuk will be labeled with the number 1, while non-*ijarah* with the number 0. The population in this study were all companies issuing sukuk and listed on the IDX in the research period (2013–2017). Samples were selected using purposive sampling with the following criteria:

1. Companies issue sukuk between 2013 and 2017
2. Companies whose shares were actively traded on the IDX between 2013 and 2017.
3. Companies did not take corporate action or release other critical information in the observation period. These are, for instance, mergers, acquisitions, profit announcements, dividend distribution announcements, and so on.

RESULTS AND DISCUSSION

1. Data Description

Table 4.1 Sample selection

Sample	Number of Issuance
Issuance of corporate sukuk between 2013-2017	122
Sample criteria: Companies' shares were actively traded in the study period.	46
No confounding events	23
Total Final Sample	23

Source: Processed data of Bloomberg (2018)

Of the 122 corporate sukuk issuance announcements, only 46 companies had their shares actively traded on the IDX. Furthermore, an examination of the existence of confounding events was carried out. As a result, of these 46 issuance announcements, 23 corporate sukuk issuance announcements were sampled in this study. Confounding events are in the form of the company issuing more than one sukuk on the same day. Table 4.2 below describes an overview of 23 samples in this study.

Table 4.2 Sukuk issuance announcement of sample companies

Number	Issuing Company	Source:	Date	Type	Number	Issuing Company	Code	Date	Type
1	Tiga Pilar Sejahtera Food Tbk	AISA	01/04/2013	<i>Al Ijara</i> Sukuk	13	Indosat Tbk PT	ISAT	16/08/2016	<i>Al Ijara</i> Sukuk
2	Summarecon Agung Tbk PT	SMRA	05/12/2013	<i>Al Ijara</i> Sukuk	14	Adira Dinamika Multi Finance Tbk PT	ADMF	07/03/2017	<i>Al Mudarabah</i> Sukuk
3	Bumitama Agri Ltd	BUMI	03/06/2014	<i>Al Mudarabah</i> Sukuk	15	XL Axiata Tbk PT	EXCL	25/04/2017	<i>Al Ijara</i> Sukuk
4	Bumitama Agri Ltd	BUMI	25/08/2014	<i>Al Mudarabah</i> Sukuk	16	Aneka Gas Industri Tbk PT	AGGI	24/05/2017	<i>Al Ijara</i> Sukuk
5	Summarecon Agung Tbk PT	SMRA	06/10/2014	<i>Al Ijara</i> Sukuk	17	Indosat Tbk PT	ISAT	06/10/2014	<i>Al Ijara</i> Sukuk
6	Indosat Tbk PT	ISAT	08/12/2014	<i>Al Ijara</i> Sukuk	18	Bank Maybank Indonesia Tbk PT	BNII	2/06/2017	<i>Al Mudarabah</i> Sukuk
7	Indosat Tbk PT	ISAT	18/05/2015	<i>Al Ijara</i> Sukuk	19	Global Media-com Tbk PT	BMTR	03/07/2017	<i>Al Ijara</i> Sukuk
8	XL Axiata Tbk PT	EXCL	21/11/2015	<i>Al Ijara</i> Sukuk	20	Timah Tbk PT	TINS	23/08/2017	<i>Al Ijara</i> Sukuk
9	Indosat Tbk PT	ISAT	04/12/2015	<i>Al Ijara</i> Sukuk	21	Global Media-com Tbk PT	BMTR	13/09/2017	<i>Al Ijara</i> Sukuk
10	Bank Maybank Indonesia Tbk PT	BNII	06/06/2016	<i>Al Mudarabah</i> Sukuk	22	Indosat Tbk PT	ISAT	23/10/2017	<i>Al Ijara</i> Sukuk
11	Adira Dinamika Multi Finance Tbk PT	ADMF	29/06/2016	<i>Al Mudarabah</i> Sukuk	23	Adira Dinamika Multi Finance Tbk PT	ADMF	31/10/2017	<i>Al Mudarabah</i> Sukuk
12	Tiga Pilar Sejahtera Food Tbk	AISA	01/07/2016	<i>Al Ijara</i> Sukuk					

Source: Bloomberg (2018)

According to Table 4.2, 10 companies participated in 23 sukuk issuance announcement events. Based on the number of sukuk issuance announcements, the companies involved are as follows: Indosat Tbk. Fr (6), Adira Dinamika Multi Finance Tbk PT (3), Bank Maybank Indonesia Tbk. PT (2), Tiga Pilar Sejahtera Food Tbk. (2), Bumitama Agri Ltd (2), Summarecon Agung Tbk. PT (2), XL Axiata Tbk. PT (2), Global Mediacom Tbk PT (2), Aneka Gas Industri Tbk. PT (1), and Timah Tbk. PT (1).

Based on the type of sukuk issued, there are 16 sukuk with the structure of *ijarah* and 7 (seven) with the structure of *mudharabah*. If considered, companies engaged in the financial industry always issue sukuk with a structure of *mudharabah*, while companies engaged in non-financial industries always issue sukuk with the structure of *ijarah*. Theoretically, companies engaged in finance require more cash than means of production, while those engaged in non-financial industries require more means of production for their operational activities. The means of production are obtained through

financing by issuing sukuk with the structure of *ijarah*.

2. Statistical Description

The statistical description provides an overview of the variables studied, for instance, the minimum, maximum, average, and standard deviation of each variable. The statistical description of the Abnormal Return variable (AR), the Cumulative Abnormal Return (CAR), and the abnormal return of each event can be observed in Table 4.3 below.

Based on Table 4.42, it is entirely known that the average trading volume before the announcement of sukuk issuance was 10,314,513, while after the announcement it was 7,308,230. Thus, there was a decrease in trading volume both before and after the announcement of sukuk issuance. For each of the change events in trading volume before and after the announcement of sukuk issuance, 13 events experienced an increase in trading volume, while the remaining 10 events experienced a decrease in trading volume.

Table 4.3 Statistical description of AR variable

Variable	N	Minimum	Maximum	Average	Standard Deviation
Overall AR	161	-0,09180	0,06653	-0,00036	0,02283
AR Event-1	7	-0,02248	0,06653	0,00002	0,03109
AR Event-2	7	-0,03359	0,03242	-0,00205	0,02047
AR Event-3	7	-0,02672	0,02676	-0,00195	0,01954
AR Event-4	7	-0,02685	0,00573	-0,00518	0,01113
AR Event-5	7	-0,03902	0,04148	-0,00015	0,02496
AR Event-6	7	-0,01307	0,02650	0,00932	0,01411
AR Event-7	7	-0,03089	0,03686	0,00060	0,02349
AR Event-8	7	-0,09180	0,03370	-0,00928	0,04103
AR Event-9	7	-0,05411	0,05100	-0,00006	0,03433
AR Event-10	7	-0,02051	0,01220	-0,00383	0,01285
AR Event-11	7	-0,03483	0,04681	0,00607	0,02689
AR Event-12	7	0,00212	0,04857	0,02502	0,01607
AR Event-13	7	-0,02990	0,00695	-0,00759	0,01352
AR Event-14	7	-0,03987	0,03244	-0,00893	0,02315
AR Event-15	7	-0,02082	0,05645	0,00617	0,02409
AR Event-16	7	-0,02724	0,01351	-0,00921	0,01622
AR Event-17	7	-0,04703	0,00561	-0,01627	0,02095
AR Event-18	7	-0,01253	0,01540	0,00190	0,00871
AR Event-19	7	-0,05022	0,04211	-0,00697	0,02770
AR Event-20	7	-0,01683	0,05446	0,01978	0,02848
AR Event-21	7	-0,02095	0,02540	-0,00133	0,01693
AR Event-22	7	-0,04516	0,01763	-0,00459	0,02090
AR Event-23	7	-0,01322	0,01203	0,00003	0,00793

Table 4.4 Statistical description of Variable Trading Activity volume (TVA)

Events	N	Average		Events	N	Average	
		Before	After			Before	After
Overall	69	10.314.513	7.308.230	Event-12	3	9.481.500	8.559.466
Event-1	3	6.925.666	11.575.000	Event-13	3	1.737.933	639,766
Event-2	3	34.966.833	12.414.666	Event-14	3	84.800	97.000
Event-3	3	497,333	572,666	Event-15	3	4.481.333	4.435.300
Event-4	3	750,333	1.102.666	Event-16	3	1.462.233	120,500
Event-5	3	38.755.400	21.205.400	Event-17	3	457,366	334,566
Event-6	3	2.489.866	2.604.400	Event-18	3	795,844	38.231.666
Event-7	3	106,633	432,500	Event-19	3	572.577	30.355.100
Event-8	3	4.630.178	5.237.307	Peristiwa-20	3	61.324.066	39.979.666
Event-9	3	237.666	450.566	Peristiwa-21	3	28.923.000	25.686.400
Event-10	3	369.620	662.058	Peristiwa-22	3	363.133	879.066
Event-11	3	32.966	108.366	Peristiwa-23	3	128.433	64.300

Source: SPSS processing results

3. Hypothesis Testing

3.1 First Hypothesis Testing

The first hypothesis examines the market reaction to the announcement of sukuk issuance as reflected in the presence or absence of

abnormal returns. Based on the study of events by Kartini (2001), Nilmawati (2003), Nurjanah (2008), Siregar (2010), and Wirawan (2014), slight modifications were made to adjust to the hypothesis of this study.

Table 4.5 Results of the first hypothesis test: abnormal returns *One-Sample T Test*

Events	Test Value = 0			Events	Test Value = 0		
	T	df	Sig. (2-tailed)		T	df	Sig. (2-tailed)
Overall	-0.205	160	0.838	12	4.119	6	0,006**
1	0.002	6	0.999	13	-1.485	6	0.188
2	-0.266	6	0.799	14	-1.020	6	0.347
3	-0.265	6	0.800	15	0.678	6	0.523
4	-1.232	6	0.264	16	-1.503	6	0.184
5	-0.017	6	0.987	17	-2.054	6	0,086*
6	1.748	6	0.131	18	0.579	6	0.583
7	0.068	6	0.948	19	-0.667	6	0.530
8	-0.599	6	0.571	20	1.838	6	0.116
9	-0.005	6	0.996	21	-0.208	6	0.842
10	-0.790	6	0.460	22	-0.582	6	0.582
11	0.598	6	0.572	23	0.010	6	0.992

significance at the level of 510% and 10%, respectively. ** significant at the level of 5%

Based on Table 4.5, significance value for the overall abnormal return is 0.838 where the number is greater than ($p > 0.05$), so the abnormal return is statistically equal to zero ($AAR = 0$) for the whole event. The event for which there is an abnormal return is not statistically zero ($AAR (2) 0$) i.e. the

12th event with ($p 0.006$) and the 17th event with significance value ($p = 0,086$).

3.2 Second Hypothesis Testing

The second hypothesis examines the change in trading volume due to the announcement of

sukuk issuance. Referring to the study of events by Wirawan (2014), a minor modification was made to adjust to the hypothesis of this study.

Table 4.6 Results of the second hypothesis test: differences in trading volume of Wilcoxon Test

Events	Z	Asymp. Sig. (2-tailed)	Events	Z	Asymp. Sig. (2-tailed)
Overall	-0.655	0.513	12	0.000	1.000
1	-1.604	0.109	13	-1.069	0.285
2	-1.604	0.109	14	0.000	1.000
3	-0.535	0.593	15	0.000	1.000
4	0.000	1.000	16	-1.604	0.109
5	-1.604	0.109	17	-1.069	0.285
6	-0.535	0.593	18	0.000	1.000
7	-0.535	0.593	19	-1.069	0.285
8	0.000	1.000	20	-0.535	0.593
9	0.000	1.000	21	0.000	1.000
10	-1.069	0.285	22	-1.604	0.109
11	-1.604	0.109	23	-1.604	0.109

Based on Table 4.6, the Z value of the difference in trading volume before and after the announcement of the issuance of corporate sukuk in the overall events was -0.655 with a significance level of ($p = 0.513$). To that end, the trading volume before and after the announcement of the issuance of corporate sukuk did not significantly differ. This also applies to each event ($p >$ where the significance figure is greater than 0.05). Thus, for each event, no difference was found in trading volume before and after the announcement of the issuance of corporate sukuk.

3.3 Third Hypothesis Testing

The third hypothesis test is to conclude whether the type of sukuk affects the market response to the issuance of sukuk. Following the event study research by Godlewsky (2016), Kartini (2001), and Nilmawati (2003), along with modifications and developments tailored to this study, the third hypothesis was analyzed using the following regression model:

Where:

CAR: cumulative abnormal returns

Type: type of sukuk measured by *dummy* that is 1 for *ijarah* sukuk and 0 for non *ijarah* sukuk

Size: the size of the company as measured using the natural logarithm of total assets

Profit: the level of profitability of the company as measured by Return on Assets (ROA)

Table 4.7 Correlation test results

	CAR	ROA	Log_Aset	Type of Sukuk
CAR	1	0,048*	0.915	0.222
ROA	-0.055	1	-0,645**	-0,382**
Log_Aset	-0,208**	-0,658**	1	-0,183*
Type of Sukuk	0,315**	-0,400**	-0.143	1

**,* showed significance at the level of 1% and 5%, respectively.

The numbers above the diagonal are Pearson correlations, while the numbers below the diagonal are Spearman correlations.

Based on Table 4.7 regarding correlation testing between variables, a positive relationship is found between *ijarah* sukuk and cumulative abnormal returns with a coefficient value of 0.268 for *Pearson* correlation and 0.315 for *Spearman* correlation. Meanwhile, the variable profit, as measured by ROA, and the cumulative abnormal return have a negative relationship, with a coefficient of -0.063 for *Pearson* correlation and -0.055 for *Spearman* correlation. The variable of company assets has a positive correlation with cumulative abnormal returns, with a coefficient rate of -0,198 for the *Pearson* correlation and -0,208 for the *Spearman* correlation. Furthermore, to determine how close the correlation was between these variables, a simple regression test was conducted. The following table is the result of the regression test for the third hypothesis.

Based on the results of the third hypothesis testing in Table 4.8, t value of sukuk type variables of 1.233 with significance value ($p = 0.219$), thus, no significant positive influence between *ijarah* sukuk against cumulative abnormal returns. The total value of the asset was 2.540% of ($p = 0.012$); therefore, asset variables have a significant effect on cumulative abnormal returns. Value of T variable profit of -1.,652 with a significant value was ($p = 0.101$). As a result, the profit variable has no significant effect on the cumulative abnormal return

Table 4.8. The result of the regression test: the correlation between *ijarah* sukuk and abnormal return

	Coefficients	t-statistic	Sig.
Constant	0.336	2.157	0.033
Type of Sukuk	0.018	1.233	0.109
Asset	-0.050	-2.540	0.012
Profit	-0.385	-1.,652	0.101
N	161		
R	0.110		
Adj. R	0,093		
F-statistics	6.473		

Dependent variable: CAR; Independent variables: ROA, assets, Sukuk type

3.4 Discussion

Based on the main test of the first hypothesis, the T value of abnormal returns for the entire sukuk issuance announcement event by the company is -0.205 with a significance value of ($p = 0,838$). Generally, the overall event had no statistically significant abnormal return, so it can be concluded that the overall event of the first hypothesis was not supported. For each event, there are two events that have statistically significant abnormal returns, namely the twelfth event by PT Tiga Pilar Sejahtera Food Tbk. with a t value of 4.119 and a significance value of ($p = 0.006$) and the seventeenth event by PT Indosat Tbk. with the value of t -2,054 and a significance value of ($p = 0.086$). Thus, it can be concluded that for each event there are only two events that support the first hypothesis, e.g. Event-12 and Event-17. In contrast to studies by Siregar and Sukamulya (2010) and Fatimatuzahra and Herlambang (2015), this study's findings are unique. There was an abnormal return on the day around the announcement of sukuk issuance by the company.

Fatimatuzahra and Herlambang (2015). Moreover, there were differences in trading volumes before and after the announcement of corporate sukuk issuance in Indonesia between 2008 and 2012.

Based on correlation testing on Table 4.7, sukuk of the *ijarah* type have a positive relationship to the cumulative abnormal returns with a coefficient of 0.268 for correlation *Pearson* and 0.315 for correlation *Spearman*, while the variable profit and assets have a negative relationship to the

cumulative abnormal return. Based on Table 4.8, it can be seen that t of the sukuk type variable is 1.233 with a significance value of $p = 0.219$. This means that sukuk of the *ijarah* type have a positive relationship but are not statistically significant. Thus, it can be concluded that the third hypothesis is not supported. These results do not support the research of Godlewksi (2016).

Based on the regression test results seen from abnormal returns and trading volume, the market not significantly reacted to the announcement of sukuk issuance by the company. Market reaction in the form of abnormal returns overall negative events but not statistically significant, while for each event the company's sukuk issuance announcement produced a variety of abnormal returns (positive and negative). For the third hypothesis test results, sukuk with structure *ijarah* had a positive relationship with cumulative abnormal returns but was not statistically significant.

Although the market reacted to the announcement of sukuk issuance by the company, the reaction was not statistically significant. So it is concluded that the announcement of the issuance of sukuk by the company does not contain informational content for investors. Some of the factors leading to the announcement of sukuk issuance received less response: investors' lack of role of regulators in designing proper regulations and the interests of investors (Fatah, 2011). In addition, there is also no achievement of fatwa standards on Sharia sukuk conformity internationally, so it has not been able to attract investors from foreign countries (Azmat, 2014).

The existence, development, and regulation of the sukuk secondary market are also factors explaining why sukuk has received less response from investors. In addition, there are several sukuk structures that cannot be traded, according to sharia law (Said, 2013). Investors consider the above conditions when responding to sukuk issuance announcements. The lack of investor response to the announcement of sukuk issuance is due to investors' consideration that sukuk issuance cannot add significant value to the company. This is in accordance with data that the value of sukuk issuance is still relatively small compared to conventional bond issuance.

CONCLUSION

Based on the analysis and discussion, can be drawn some conclusions on the research as follows:

1. In each event, viewed from the abnormal returns, there are two statistically significant abnormal returns. They are Event-12, i.e., the announcement of sukuk issuance by PT Tiga Pilar Sejahtera Food Tbk. and the Event-17 by PT Indosat Tbk.
2. Overall, judging by the abnormal returns, there was no market reaction to the announcement of sukuk issuance by companies in Indonesia. This indicates that the announcement of the issuance of sukuk is considered by investors to have no information content.
3. There was no difference in stock trading volume before and after the announcement of sukuk issuance either from each event or overall. This indicates that the announcement of the issuance of sukuk is considered by investors to have no information content.
4. There is a positive relationship between *ijarah* sukuk and cumulative abnormal returns, in contrast, the effect is not significant. This indicates that the type of contract in a sukuk has no effect on cumulative abnormal returns. As a result, it is concluded that the type of contract on a sukuk does not affect the investor's decision.

RESEARCH LIMITATIONS AND IMPLICATIONS

This research focuses only on the context in Indonesia, where the existence, development, and regulation of the secondary market for sukuk and other Islamic financial products are still very limited. This condition caused investors not to

respond to the announcement of sukuk issuance in Indonesia. Cross-border research involving countries with good Islamic financial developments and regulations (e.g. Malaysia, Brunei, UAE) can strengthen research results on market response to sukuk announcements. The samples used in this study were 23 events announcement of sukuk issuance by the company. Considering the development of sukuk in Indonesia, it is expected that in the future there will be an increase in the number of sukuk issuances hence more samples. The event window used is only seven days (D-3 to D+3). Considering the capital market in Indonesia, it is possible that the market response to an event occurs slowly so that further research can extend the window of events.

This study offers additional empirical evidence that the announcement of the issuance of corporate sukuk in Indonesia is considered by investors to have no meaningful information content so that there is no market reaction from either abnormal returns or trading volumes. The main factor in that case is the immaturity of the regulations governing Islamic finance, especially sukuk. Regulators should be able to make better rules for sukuk development in Indonesia, for instance, providing incentives to companies issuing sukuk, socializing to the public as potential investors related to sukuk. The better the regulation, the more developed the sukuk will be in terms of issuance amount and nominal value. Regarding funding purposes, the companies may consider issuing sukuk as an alternative source of financing. The issuance of sukuk, however, is not the solution if the company attempts to send a positive signal to investors whose objective is to raise the market value of the company. This is due to the announcement of sukuk issuance by the company that is not responded by investors.

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