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The Impact of BI 7-Day Reverse Repo Rate Announcements on the IDX80 Index During 2023 to 2024

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Abstract: This study examined the impact of Bank Indonesia's 7-Day Reverse Repo Rate (BI-7DRR) change announcements on market reactions among companies listed in the IDX80 index during the 2023-2024 period. The research employs a total sampling method, encompassing all companies included in the IDX80 index throughout the study period. Secondary data were utilized, consisting of daily stock prices, trading volumes, and interest rate data obtained from the official websites of the Indonesia Stock Exchange (IDX) and Bank Indonesia (BI). Data collection was conducted through documentation methods, involving the downloading and recording of relevant data. Secondary data was collected and analyzed using SPSS 25 software through statistical methods. The data analysis process includes several stages: descriptive statistical analysis and wilcoxon signed ranks testing. The results indicate that abnormal returns show no statistically significant differences between pre- and post-announcement periods across all four events, trading volume activity presents a more nuanced pattern. Significant variations in trading volume emerge for the first and fourth events, suggesting heightened investor activity following these announcements. In contrast, the second and third events show no observable change in trading volume, indicating potentially different market perceptions or contextual factors influencing these particular announcements.

Keywords: BI 7-Day Reverse Repo Rate; IDX80 index; abnormal return; trading volume activity

Abstrak: Penelitian ini bertujuan untuk menganalisis pengaruh pengumuman perubahan BI 7-Day Reverse Repo Rate selama periode 2023-2024 terhadap reaksi pasar pada perusahaan indeks IDX80. Pemilihan sampel dilakukan menggunakan metode total sampling dengan sampelnya adalah semua perusahaan yang masuk dalam indeks IDX80 selama periode 2023-2024. Penelitian ini menggunakan data sekunder yang meliputi data harga saham harian, volume perdagangan, dan data suku bunga yang dapat diakses melalui situs resmi Bursa Efek Indonesia (BEI) dan Bank Indonesia (BI). Teknik pengumpulan data dilakukan melalui metode dokumentasi dengan pengunduhan dan pencatatan data yang relevan Analisis data melibatkan beberapa tahapan, yaitu analisis statistik deskriptif dan uji hipotesis. Hasil menunjukkan bahwa abnormal return tidak mengalami perbedaan yang signifikan secara statistik antara periode sebelum dan setelah pengumuman kebijakan suku bunga BI pada seluruh empat peristiwa yang diteliti. Sedangkan trading volume acitivity pada event pertama dan event keempat terdapat perbedaan antara pre- and post-announcement periods dan pada event kedua dan event ketiga tidak terdapat perbedaan. Hasil penelitian ini menunjukkan kemungkinan adanya variasi dalam persepsi pasar atau faktor eksternal tertentu yang mempengaruhi reaksi investor terhadap pengumuman kebijakan moneter pada periode-periode tersebut.

Kata Kunci: BI 7-Day Reverse Repo Rate; indeks IDX80; abnormal return; trading volume activity

INTRODUCTION

Stock markets serve as a crucial financial intermediary where investors allocate their funds for investment purposes while providing capital-seeking entities with necessary funding for business operations. In Indonesia, the capital market operates under the supervision of the Indonesia Stock Exchange (IDX), whose performance serves as an important economic indicator reflecting both industrial conditions and the nation's overall economic health. Market participants heavily rely on corporate performance indicators reflected in capital market activities when making investment decisions (Kusnindar & Puspitasari, 2020). Market reactions can be triggered by various types of information events, which can be categorized into three groups: company-specific events (such as dividend announcements or M&A activities) that directly affect individual firms; industry-wide events (including central bank monetary policy changes) that impact entire sectors; and broad market events (encompassing economic fluctuations and political developments) that influence all market participants (Hartono, 2015).

One of the key macroeconomic indicators that investors need to consider in their investment decision-making process is the interest rate. The BI Rate, currently known as the BI 7-Day Reverse Repo Rate, is the benchmark interest rate set by the central bank (Bank Indonesia) as a risk indicator. As a reference rate, the BI Rate reflects the monetary policy established by Bank Indonesia and publicly announced. The policies implemented by the government through the Indonesia Stock Exchange (IDX), including interest rate policies, also significantly impact stock market transactions. BI 7-Day Reverse Repo Rate underwent several adjustments throughout 2023 and 2024, reflecting the central bank's monetary policy stance. The rate was initially set at 5.75% on January 19, 2023, marking the starting point of our observation period. Subsequently, on October 19, 2023, Bank Indonesia implemented a 25 basis points increase, raising the rate to 6.00% in response to evolving economic conditions. The tightening cycle continued into 2024, with another 25 basis points hike to 6.25% on April 24, 2024. Most recently, as of September 18, 2024, the central bank maintained the rate at 6.25%, signaling a potential stabilization in its monetary policy approach.

Investors perceive announcements of the BI 7-Day Reverse Repo Rate as new market information that will be converted into signals for investment decisions. This perception triggers changes in the demand and supply of securities in the capital market, leading to stock price fluctuations. These price movements subsequently affect investor returns. All stock-related information consistently influences investor decisions as market participants process these signals. Relevant, accurate, precise, and timely information serves as a crucial analytical tool for investment decision-making. From an investor perspective, during periods of low-interest rate policies, investors tend to favor investments and other consumption alternatives over saving. Conversely, when interest rates are high, investors typically prefer saving over other forms of financial holdings.

A crucial methodological approach for empirical market-based research in finance and accounting is event study analysis. Also known as residual analysis or abnormal performance index testing, this method examines market price behavior surrounding announcement periods (Brigham, 1970). The approach has been widely applied to investigate various economic and non-economic events including benchmark interest rate announcements, annual earnings reports, political events, and natural disasters that may threaten capital market stability. The informational value of an event study in financial markets can be assessed by examining whether an announcement generates statistically significant abnormal returns for investors. If an announcement fails to produce abnormal returns, it can be concluded that the event contained no material information(Zulfikar et al., 2017). Beyond economic factors affecting abnormal returns, stock price formation is also influenced by supply and demand dynamics. These market forces subsequently impact trading volume fluctuations in the capital market.

Research on the Indonesian capital market's response to Bank Indonesia's monetary policy announcements has yielded mixed results across different market segments and time periods. Studies focusing on banking sector stocks (Safira, 2024) and LQ45 index constituents (Fajarwati, 2021) report statistically significant abnormal returns following BI 7-Day Reverse Repo Rate adjustments, indicating price sensitivity to policy changes in these segments. However, contrasting results emerge from examinations of broader market indices like Kompas 100 (Gayatri et al., 2024) and specific sectors such as property and real estate (Indrawan & Dewi, 2023), where abnormal returns showed no

significance difference. These divergent results likely stem from variations in sample composition, sector-specific characteristics, and differing event window methodologies, revealing the complex interplay between monetary policy and market behavior in Indonesia's developing economy.

The results regarding trading volume responses to BI rate announcements present an equally complex pattern. While some studies document significant post-announcement volume changes in LQ45 stocks (Fajarwati, 2021), other results show no meaningful volume fluctuations among banking sector stocks (Safira, 2024) or property/real estate firms (Indrawan & Dewi, 2023). These inconsistent results suggest that trading activity following policy announcements may be mediated by additional factors including prevailing market sentiment, concurrent macroeconomic conditions, and the transparency of central bank guidance. The varied results underscore the importance of further investigation into how different investor groups process monetary policy signals, particularly as Indonesia's financial markets mature and domestic institutional participation grows.

Recent years have seen numerous studies examining capital market reactions to monetary policy announcements, particularly benchmark interest rate changes. Most existing research focuses on the impact of BI Rate announcements on major indices like the IDX Composite or LQ45. Limited attention has been given to the IDX80 index, despite its composition of high-liquidity stocks that better reflect actual market dynamics. In the current post-pandemic market environment where sensitivity to interest rate fluctuations has intensified, understanding IDX80 stocks' reaction to BI 7-Day Reverse Repo Rate announcements becomes particularly relevant. This study aims to address the literature gap by specifically analyzing the impact of Bank Indonesia's 7-Day Reverse Repo Rate (BI-7DRR) change announcements on market reactions among companies listed in the IDX80 index during the 2023-2024 period.

LITERATURE REVIEW

Signaling Theory

Signal theory was first introduced in Spence's (1973) seminal work "Job Market Signaling." The theory emerged to address information asymmetry, where corporate management actions serve as credible signals to investors, ultimately influencing their investment decisions (Brigham & Houston, 2019). Although originally developed for labor markets, signaling represents a universal phenomenon applicable to any market experiencing information imbalances (Morris, 1987). Signal theory examines the information imbalance (asymmetric information) between corporate managers and shareholders. Since managers possess privileged access to internal company information that shareholders lack, changes in corporate financing policies can significantly influence market perceptions of firm value. When such information is disclosed to shareholders, it creates signals that shape their reactions to the company.

Signal theory plays a crucial role in understanding how central bank communications influence financial markets. When Bank Indonesia announces changes to its benchmark interest rate, it transmits important signals about the country's monetary policy stance and economic outlook. These signals enable market participants to anticipate future economic conditions and adjust their investment strategies accordingly. Investors, who typically possess less information than corporate insiders, rely heavily on such policy signals to assess potential impacts on business performance. For example, an interest rate hike signals tighter monetary conditions that may increase borrowing costs for companies, potentially reducing their profitability. Conversely, a rate cut suggests accommodative policies that could stimulate economic activity and improve corporate earnings.

The market's reaction to these signals often manifests through immediate price movements and trading volume changes, particularly in liquid stocks like those comprising the IDX80 index. This signaling mechanism helps reduce information asymmetry between policymakers and market participants, allowing for more efficient price discovery in capital markets. The effectiveness of these signals depends on their clarity and consistency, as ambiguous communications may lead to market misinterpretations and excessive volatility. By analyzing how IDX80 constituents respond to BI rate announcements, this study provides insights into how monetary policy signals are transmitted through Indonesia's equity markets.

Market Efficiency Theory

The Market Efficiency Theory was first introduced and popularized by Fama (1970). A market can be considered efficient if the listed stock prices reflect the company's available information without being influenced by other factors and have been adjusted for risk and the company's strategies (Brigham, 1970). A capital market can be called efficient if the traded stock prices of securities reflect all available information about the company. This market efficiency concept focuses on the aspect of information received by the market. The assessment of market efficiency is based on the relationship between available information and market prices.

BI-7 Day Reverse Repo Rate (BI7DRR)

The BI Rate is the policy interest rate that reflects the stance or direction of monetary policy set by Bank Indonesia and announced to the public (Bank Indonesia, 2025). Operationally, this policy is reflected in the determination of the BI Rate, which is expected to influence money market interest rates, deposit rates, and bank lending rates. In other words, the BI Rate serves as a benchmark for banks in determining applicable deposit, loan, savings, and current account interest rates. On December 21, 2023, Bank Indonesia changed the name of BI7DRR to BI-Rate to strengthen monetary policy communication. Although the name changed, the meaning and purpose of BI-Rate remain the same, and its operational implementation still refers to Bank Indonesia's 7-day reverse repo transactions.

Stock Market

The stock market can be defined as an organized market or exchange where securities are traded (Arifardhani, 2020). The concept of stock markets itself can be divided into two main categories: first, capital goods which include physical assets such as land, buildings, and property; and second, financial capital which refers to stock market activities as a sector that supports national economic growth. The products traded in stock markets include stocks, bonds, and mutual funds, each with different characteristics. Many individuals choose to invest in stock markets with the expectation of gaining significant returns. The stock market itself serves as a platform for various tradable long-term financial instruments, including debt securities (bonds), equities (stocks), mutual funds, derivative instruments, and other investment products.

The Indonesian stock market plays a vital role in supporting the nation's economy. Through the capital market, investors with surplus funds can allocate their investments across various financial instruments with the expectation of earning returns. On the other hand, companies in need of funding can utilize this source of capital to finance their expansion and project development. By having this alternative funding channel through capital markets, companies can maintain operations and grow their businesses, while the government can obtain funds to finance various activities that drive economic growth and improve public welfare (Handini & Astawinetu, 2020).

Market Reaction

Market reactions aim to test whether an announcement contains significant information that is expected to cause price changes in related securities when the information reaches the market (Talumewo et al., 2021). This market reaction is reflected in price fluctuations of the relevant securities. In this study, market reactions are measured using abnormal returns and trading volume activity. Furthermore, these measurements can provide insights into how strongly the market responds to the released information and its influence on investment decisions.

The IDX80 Index

Introduced by the Indonesia Stock Exchange (IDX) in early 2019, the IDX80 index tracks the performance of 80 high-liquidity stocks with large market capitalization and strong corporate fundamentals. The index selection criteria extend beyond conventional liquidity ratios, which traditionally measure a company's ability to meet short-term financial obligations using available current assets. While these ratios reflect overall financial health and the capacity to convert current assets into cash, the IDX80's liquidity assessment incorporates additional market-driven indicators including trading volume, transaction value, and trading frequency (number of transactions). This

multi-dimensional liquidity evaluation ensures the index comprises stocks with both financial stability and active market participation, making it a robust benchmark for Indonesia's most tradeable large-cap securities.

Abnormal Return

Abnormal return is obtained by comparing the expected market return and the actual return. Abnormal return occurs when the actual return is higher than the expected return. Return itself refers to the profit gained from an investment. In financial theory, there are two types of returns, namely realized return and expected return. Realized return, or the realized return, is the return that has occurred and is calculated based on historical data, often referred to as actual return. Meanwhile, expected return is the return that is predicted to be obtained by investors in the future.

Abnormal return often occurs due to "events" such as dividend announcements, earnings reports, or other events that are considered to contain information not yet reflected in the market price (Istianingsih, 2015). Stock return refers to the profit obtained by shareholders from their investment. This return can be in the form of realized return, which is the return that has been realized, or expected return, which is the return expected to occur in the future. Investors buy stocks with the hope of gaining profits from the company's prospects. If the company's prospects improve, the stock price tends to increase, which is expected to impact the rise in stock returns. Stock return is calculated by the difference between the current stock price and the previous stock price (Istianingsih, 2015).Hypothesis to be developed in this research includes:

H_1: The average abnormal returns of IDX80 index constituents differ significantly between the pre- and post-announcement periods of BI 7-Day Reverse Repo Rate changes during 2023-2024.

Trading Volume Activity

Trading Volume Activity (TVA) is an indicator used to measure fluctuations in stock trading volume over a specific period(Amin, 2020). TVA helps assess how the market responds to events or information affecting stock prices. Significant changes in average TVA levels before and after an event announcement can indicate the event's impact on stock trading activity. Stock liquidity levels generally reflect the smoothness of share transactions in the market. Trading volume also measures the extent to which individual investors obtain corporate information and utilize it to execute buy or sell transactions aiming for above-average market returns (Silalahi & Sianturi, 2021). As a significant market indicator, stock trading volume reflects the market conditions of securities traded in the capital market. Before making investment decisions, investors need to consider the stock's liquidity level and evaluate potential risks and expected returns. Thus, trading volume information becomes crucial in investment analysis and decision-making processes. Hypothesis to be developed in this research includes:

H_2: The average trading volume activity of IDX80 index constituents differ significantly between the pre- and post-announcement periods of BI 7-Day Reverse Repo Rate changes during 2023-2024.

RESEARCH METHODOLOGY

This study adopts a quantitative event study approach to examine market reactions to Bank Indonesia's interest rate announcements. The methodology centers on analyzing abnormal returns and trading volume activity during a specified event window, encompassing the pre-event, event date, and post-event periods. Secondary data is collected from official sources, including daily stock prices of IDX80 constituents, trading volumes from the Indonesia Stock Exchange (IDX), and BI 7-Day Reverse Repo Rate data from Bank Indonesia's publications. The data collection process involves systematic documentation of relevant financial metrics through comprehensive downloading of historical price and volume data from IDX databases and extraction of monetary policy announcements from BI's official records. This methodological framework aligns with standard event study techniques in financial economics while addressing the unique characteristics of Indonesia's emerging market context.

This study utilizes a total sampling approach, wherein the entire population all companies listed in the IDX80 index during the 2023-2024 period is included as the sample. The total sampling technique enables comprehensive and representative analysis by incorporating all relevant population members, thus eliminating sampling bias and allowing for complete examination of the index constituents' behavior in response to monetary policy changes. This approach is particularly appropriate for studying the IDX80 index as it captures the complete universe of high liquidity and large capital stocks in the Indonesian market, ensures all potentially affected securities are considered, and provides sufficient data points for robust statistical analysis of market reactions to BI 7-Day Reverse Repo Rate announcements.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics Test

Descriptive Statistics						
		n	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
First Event (January 19, 2023)	Pre-Event Average Actual Return	80	-0.012415	0.039771	0.004981	0.008974
	Post-Event Average Actual Return	80	-0.024505	0.051980	0.003754	0.013014
	Pre-Event Average Abnormal Return	80	-0.023932	0.034068	-0.001682	0.010197
	Post-Event Average Abnormal Return	80	-0.028095	0.049103	0.001935	0.013830
	Pre-Event Trading Volume Activity	80	377,540	4,829,435,320	95,315,626	543,714,928
	Post-Event Trading Volume Activity	80	519,540	4,154,454,420	94,710,290	471,228,512
Second Event (October 19, 2023)	Pre-Event Average Actual Return	80	-0.054220	0.013413	-0.002967	0.010577
	Post-Event Average Actual Return	80	-0.024271	0.022525	-0.004790	0.009589
	Pre-Event Average Abnormal Return	80	-0.060572	0.021948	0.001540	0.012250
	Post-Event Average Abnormal Return	80	-0.026128	0.033694	0.000809	0.010024
	Pre-Event Trading Volume Activity	80	1,187,120	8,735,667,820	138,219,673	974,086,808
	Post-Event Trading Volume Activity	80	978,220	3,640,750,320	74,416,043	405,120,862
Third Event (April 24, 2024)	Pre-Event Average Actual Return	80	-0.026626	0.031670	-0.004394	0.010711
	Post-Event Average Actual Return	80	-0.042489	0.024625	-0.002602	0.011649
	Pre-Event Average Abnormal Return	80	-0.037179	0.035850	-0.003813	0.012405
	Post-Event Average Abnormal Return	80	-0.044391	0.029215	-0.000568	0.013780
	Pre-Event Trading Volume Activity	80	686,460	2,613,501,580	86,198,864	293,959,522
	Post-Event Trading Volume Activity	80	1,179,060	1,902,360,400	79,380,342	224,154,554
Fourth Event (September 18, 2024)	Pre-Event Average Actual Return	80	-0.028220	0.042055	0.005310	0.010303
	Post-Event Average Actual Return	80	-0.005325	0.040554	0.004437	0.008234
	Pre-Event Average Abnormal Return	80	-0.039469	0.040716	0.000471	0.010032
	Post-Event Average Abnormal Return	80	-0.018035	0.039079	0.002117	0.008920
	Pre-Event Trading Volume Activity	80	341,380	6,504,193,640	122,842,220	724,392,513
	Post-Event Trading Volume Activity	80	1,494,720	7,899,463,260	161,739,144	881,293,440

The analysis of actual returns before the interest rate announcements show significant variations across different events. The lowest return of -0.054220 was observed in the second announcement period, indicating substantial declines in some individual stocks. In contrast, the highest return of 0.039771 occurred during the first announcement period. The average returns also varied considerably, with the highest mean of 0.004981 in the first announcement and the lowest mean of -0.002967 in the second announcement. The second announcement period showed the highest standard

deviation (0.010577), suggesting greater market volatility as investors anticipated the upcoming policy decision. Following the announcements, actual returns displayed notable fluctuations. The first announcement period contained both the most negative return (-0.042505) and the most positive return (0.051980) among all events. The highest average return after announcements (0.003754) also occurred in the first period, while the second period showed the lowest average (-0.004790). The substantial standard deviation of 0.013014 in the first post-announcement period indicates diverse market reactions across different stocks.

Abnormal returns before the announcements revealed interesting patterns. The second announcement period recorded both the most negative abnormal return (-0.060572) and the highest average (0.001540), while the third period showed the lowest average (-0.003813). The elevated standard deviation of 0.012250 in the second period suggests investors were particularly uncertain about potential policy changes during this time. After the announcements, abnormal returns showed significant dispersion. The first period contained both the maximum positive abnormal return (0.049103) and the highest average (0.001935), while the third period showed the most negative abnormal return (-0.044391) and lowest average (-0.000568). The peak standard deviation of 0.013830 in the first period indicates particularly varied investor responses to that specific policy announcement.

Trading volumes before the announcements demonstrated substantial variation. The first period had the lowest volume (377,540 shares), while the second period reached the highest volume (4,829,435,320 shares). The second period also showed both the highest average volume (138,219,673 shares) and greatest standard deviation (974,086,808 shares), suggesting intense trading activity as market participants positioned themselves ahead of the anticipated announcement. Following the announcements, trading activity increased significantly. The fourth period recorded both the maximum volume (7,899,463,260 shares) and highest average volume (161,739,144 shares). The substantial standard deviation of 881,293,440 shares in the fourth period indicates particularly active market reassessment of stock values after that specific policy decision.

Wilcoxon Signed Ranks Test

Table 2. Wilcoxon Signed-Rank Test Results for Average Abnormal Return

		N	Mean Rank	Sum of Ranks
First Event (January 19, 2023)	Negative Ranks	37a	37.19	1376.00
	Positive Ranks	43b	43.35	1864.00
	Ties	0c		
	Total	80		
Second Event (October 19, 2023)	Negative Ranks	44a	40.68	1790.00
	Positive Ranks	36b	40.28	1450.00
	Ties	0c		
	Total	80		
Third Event (April 24, 2024)	Negative Ranks	34a	35.74	1215.00
	Positive Ranks	46b	44.02	2025.00
	Ties	0c		
	Total	80		
Fourth Event (September 18, 2024)	Negative Ranks	35a	36.71	1285.00
	Positive Ranks	45b	43.44	1955.00
	Ties	0c		
	Total	80		

The Wilcoxon Signed-Rank Test results demonstrate distinct patterns in abnormal returns across four BI 7-Day Reverse Repo Rate announcements. For the January 19, 2023 event, a majority of firms

(43 out of 80) exhibited positive abnormal returns with higher mean ranks (43.35) and rank sums (1864.00) compared to the 37 firms showing negative returns. The October 19, 2023 announcement produced contrasting results, with 44 firms displaying negative abnormal returns (mean rank=40.68, sum=1790.00) outweighing the 36 firms with positive reactions. Market sentiment shifted again during the April 24, 2024 event, where 46 firms registered positive abnormal returns with substantially higher rank sums (2025.00 versus 1215.00 for the 34 negative-return firms). The September 18, 2024 announcement continued this trend, with 45 firms showing positive returns (mean rank=43.44) compared to 35 firms with negative returns. The complete absence of ties in all events confirms universal abnormal return movements among IDX80 constituents following each policy announcement, though the direction and magnitude of responses varied significantly across events. These findings suggest that market reactions to monetary policy changes are not consistent, potentially reflecting evolving investor expectations and changing macroeconomic conditions throughout the 2023-2024 observation period.

Table 3. Wilcoxon Signed-Rank Test Statistic Results for Average Abnormal Return

	First Event (January 19, 2023)	Second Event (October 19, 2023)	Third Event (April 24, 2024)	Fourth Event (September 18, 2024)
Z	-1,170[b]	-,815[b]	-1,942[b]	-1,607[b]
Asymp. Sig. (2-tailed)	0.242	0.415	0.052	0.108

The Wilcoxon signed-rank test was conducted under the principle that when the significance value (sig) < 0.05, the alternative hypothesis (H_1) is supported while the null hypothesis (H_0) is rejected. Conversely, when sig > 0.05, H_1 is rejected and H_0 is accepted. Analysis of abnormal returns surrounding BI 7-Day Reverse Repo Rate announcements revealed significance values exceeding the 0.05 threshold across all events: January 19, 2023 (Z = -1.170, p = 0.242), October 19, 2023 (Z = -0.815, p = 0.415), April 24, 2024 (Z = -1.942, p = 0.052), and September 18, 2024 (Z = -1.607, p = 0.108). These results consistently support the null hypothesis, indicating no statistically significant difference in abnormal returns before and after BI's policy rate announcements during the 2023-2024 observation period.

Table 4. Wilcoxon Signed-Rank Test Results for Average Trading Volume Activity

		N	Mean Rank	Sum of Ranks
First Event (January 19, 2023)	Negative Ranks	27a	38.70	1045.00
	Positive Ranks	53b	41.42	2195.00
	Ties	0c		
	Total	80		
Second Event (October 19, 2023)	Negative Ranks	34a	42.68	1451.00
	Positive Ranks	46b	38.89	1789.00
	Ties	0c		
	Total	80		
Third Event (April 24, 2024)	Negative Ranks	43a	40.19	1728.00
	Positive Ranks	37b	40.86	1512.00
	Ties	0c		
	Total	80		
Fourth Event (September 18, 2024)	Negative Ranks	14a	36.21	507.00
	Positive Ranks	66b	41.41	2733.00
	Ties	0c		
	Total	80		

The Wilcoxon Signed-Rank Test analysis reveals significant variations in trading volume activity (TVA) surrounding BI 7-Day Reverse Repo Rate announcements across four events. For the January 19, 2023 announcement, 53 firms (66.25% of sample) exhibited increased TVA (mean rank=41.42, sum of ranks=2195.00) compared to 27 firms showing decreased activity (mean rank=38.70). The

October 19, 2023 event demonstrated more balanced responses with 46 firms (57.5%) displaying positive ranks (mean rank=38.89) versus 34 firms with negative ranks (mean rank=42.68). A reversal occurred during the April 24, 2024 announcement where 43 firms (53.75%) showed reduced trading volumes (mean rank=40.19) compared to 37 firms with increased activity. The September 18, 2024 event marked the most prominent response, with 66 firms (82.5%) demonstrating substantially higher TVA (mean rank=41.41, sum of ranks=2733.00) against merely 14 firms with decreased volumes. The complete absence of ties across all events confirms universal trading volume adjustments following each policy announcement.

Table 5. Wilcoxon Signed-Rank Test Statistic Results for Average Trading Volume Activity

	First Event (January 19, 2023)	Second Event (October 19, 2023)	Third Event (April 24, 2024)	Fourth Event (September 18, 2024)
Z	-2,758[b]	-,811[b]	-,518[b]	-5,338[b]
Asymp. Sig. (2-tailed)	0.006	0.418	0.604	0.000

The Wilcoxon signed-rank test results demonstrate varying market liquidity responses to BI 7-Day Reverse Repo Rate announcements. For the January 19, 2023 event, the analysis revealed statistically significant changes in trading volume activity (TVA) with Z = -2.758 (p = 0.006), leading to rejection of the null hypothesis. This significance was even more prominent in the September 18, 2024 announcement (Z = -5.338, p < 0.001), indicating particularly strong market reactions. In contrast, the October 19, 2023 (p = 0.418) and April 24, 2024 (p = 0.604) events showed no significant TVA differences, suggesting more no liquidity responses. These differential outcomes imply that market participants' trading behavior following monetary policy announcements is not consistent, potentially reflecting variations in policy expectations, market conditions, or the informational content of specific announcements. The particularly strong reaction to the September 2024 event may indicate either greater policy surprise or changing market sensitivity to BI's monetary policy signals during this later period.

Discussion

The difference in average abnormal return of IDX80 index constituents between the pre- and post-announcement periods of BI 7-Day Reverse Repo Rate changes during 2023–2024

The first hypothesis (H_1) states that there is a difference in average abnormal returns before and after changes in the BI 7-Day Reverse Repo Rate for the IDX80 index during 2023-2024. Based on the Wilcoxon Signed Rank Test results examining abnormal returns surrounding BI 7-Day Reverse Repo Rate announcements, all events showed significance values above 0.05, leading to acceptance of the null hypothesis (H_0). Specifically, Event 1 (January 19, 2023) yielded Z = -1.178 with p = 0.239; Event 2 (October 19, 2023) showed Z = -0.814 with p = 0.416; Event 3 (April 24, 2024) demonstrated Z = -1.943 with p = 0.052; and Event 4 (September 18, 2024) produced Z = -1.606 with p = 0.108. These results indicate no statistically significant difference in abnormal returns before and after Bank Indonesia's interest rate policy announcements.

These research results contradict Signaling Theory, which suggests that monetary policy announcements should convey new signals to the market. The lack of significant market reaction may be attributed to several factors, including market efficiency where interest rate changes were already anticipated by market participants, Bank Indonesia's policy consistency through prior forward guidance, and the potential dominance of other macroeconomic factors influencing the market. The research results support the semi-strong form of market efficiency, where security prices already reflect all available public information, including Bank Indonesia's monetary policy announcements. The Wilcoxon test results showing no significant difference in abnormal returns before and after BI 7-Day Reverse Repo Rate announcements suggest that information about interest rate changes had been adequately anticipated by the market. In the context of Fama's (1970) Efficient Market Hypothesis, these results are consistent with market characteristics capable of quickly and accurately incorporating monetary policy information into stock prices.

These research results align with research conducted by (Indrawan & Dewi, 2023), which found no significant difference in abnormal returns before and after increases in the BI 7-Day (Reverse)

Repo Rate for property and real estate sector companies. This suggests that investors may have anticipated these monetary policy actions in advance, resulting in muted market reactions when official announcements were made. We can conclude that benchmark interest rate increases did not contain sufficiently strong new information to significantly influence investor behavior in the capital market.

The difference in average trading volume activity of IDX80 index constituents between the pre- and post-announcement periods of BI 7-Day Reverse Repo Rate changes during 2023–2024

The second hypothesis (H_2) states that there is a difference in average trading volume activity (TVA) before and after changes in the BI 7-Day Reverse Repo Rate for the IDX80 index during 2023-2024. Based on the Wilcoxon Signed Rank Test results examining TVA surrounding BI 7-Day Reverse Repo Rate announcements from 2023-2024, the market reactions varied significantly across different events.

For the first event (rate increase from 5.50% to 5.75%) and fourth event (rate decrease from 6.25% to 6.00%), the market showed significant reactions, as reflected by p-values of 0.006 and <0.001 respectively. The study reveals increased trading volume activity following BI's rate hike announcement on January 19, 2023, despite conventional expectations of reduced market activity during tightening cycles. Domestically, a strong trade surplus ($3.86 billion in December 2022), elevated inflation (5.5% YoY), and Rupiah appreciation (USD/IDR below 15,000) likely amplified investor reactions. These overlapping factors may have triggered heightened portfolio rebalancing, explaining the unexpected surge in trading volume post-announcement despite the rate hike.

Meanwhile, in the fourth event (September 18, 2024), only 14 companies (17.5%) showed decreased TVA (negative ranks) with a mean rank of 36.21, while the majority of companies (66 companies or 82.5%) experienced increased TVA (positive ranks) with a higher mean rank (41.41) and total rank sum of 2733.00. These results indicate that the interest rate cut was widely responded to by issuers through increased trading activity. This result aligns with signaling theory, which suggests that markets tend to react more strongly to monetary policy changes. For the second event (rate increase from 5.75% to 6.00%) and third event (rate increase from 6.00% to 6.25%), the market did not show significant reactions, with p-values of 0.418 and 0.604 respectively. This is because the rate increases in these two events had been anticipated by market participants as part of Bank Indonesia's consistent stance in containing inflationary pressures. Additionally, the characteristics of issuers in the IDX80 index, which are predominantly blue-chip stocks with strong fundamentals and high liquidity, made them relatively more stable against moderate-scale interest rate changes, thus not creating significant surprises in the capital market.

CONCLUSION

This study examined market reactions to BI 7-Day Reverse Repo Rate announcements among IDX80 index constituents during 2023-2024 through two key dimensions: abnormal returns and trading volume activity. The results present a nuanced picture of market efficiency and policy transmission in Indonesia's capital markets. Regarding abnormal returns, the results consistently showed no statistically significant differences between pre- and post-announcement periods across all four events. Meanwhile, trading volume activity shows a difference between the pre- and post-announcement periods in the first and fourth events, while no such difference is observed in the second and third events. This divergence suggests that while monetary policy announcements may not immediately impact stock prices, they can trigger shifts in trading behavior particularly during periods of heightened market uncertainty or when the policy direction deviates from expectations. The mixed volume reaction across events further implies that investor responsiveness to BI's signals may depend on contextual factors, such as concurrent macroeconomic conditions or the clarity of central bank communication.

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