

CHAPTER I

PRELIMINARY

Before the coronavirus outbreak, by the end of 2019, there were many epidemics and pandemics in the past few decades. The 2002 SARS outbreak had a negative impact on economic growth, financial markets, and small businesses in affected countries (Chen et al., 2007). Ebola Virus Disease (EVD) outbreak also had a negative impact on the stock market (Ichev & Marinč, 2018). COVID-19 pandemic is a big crisis in the world, as it also affects the economic growth of the entire world. According to the World Bank (2020), the COVID-19 pandemic has brought a recession in this world that led us to a 5,2% shrinkage in 2020. Lots of companies across the world also have been interrupted. By the end of March 2020, more than 100 countries had banned domestic and international traveling. Air and intercity travel was reduced in the world's major cities affecting billions of people, compared to March 2019 figures, between 70% and 90%.

COVID-19's first case is identified in Wuhan, China, at the end of December 2019. Afterward, positive cases in Hubei Province had exploded, and China government imposed a lockdown. Furthermore, all provinces in China were under lockdown due to the increase of the COVID-19 case. In less than two months, the COVID-19 virus has caused 80.000 cases and 3.000 deaths. Starting in the third week of January 2020, the COVID-19 virus has spread to other countries in Asia, America, Africa, and Europe. While the COVID-19 is subsided in China, the number of cases is exploded in several countries in Asia, America, Africa, and Europe. On May 8th, 2020, the number of infected cases in the US, Italy, Spain, England, France, Russia, Germany, Turkey, Brazil, and Iran had surpassed China as the first infected country. As in the death case, six countries have surpassed China: the US, France, Italy, Spain, Germany, Iran, England, and Belgium. Meanwhile, the number of death cases in the Netherlands and Canada also increased and is almost equal to cases in China.

On March 2nd, 2020, Indonesia announced the first case of COVID-19 with the confirmation of two positive cases in Depok. As Corona Virus (COVID-19) had been reported in Indonesia, the country's economic stability was affected. Several sectors are affected by the COVID-19, such as; industrial, tourism, agriculture, transportation, entertainment, and investment (Unidas, 2020). Furthermore, the total accumulative COVID-19 cases in Indonesia have a negative effect on the Indonesian stock market in a long term (Rahmayani & Oktavilia, 2020). The stock market is an essential source of financing for a company. Companies listed in the capital market can raise the fund by selling their shares on the capital market. The funds raised are a long-term source of funding, so the company can optimize those funding sources to improve performance. By obtaining the best performance, the company can maintain and also generate investors' confidence. So much research has been carried out, both in Indonesia and even globally, related to the stock market (Bose et al., 2006). According to Alwi (2008), internal and external variables both influence the movement of stock prices and stock price indexes. Internal factors include funding announcements, investments, financial reports, and others. External factors include statements from the government, the securities industry, political turmoil, and others.

On April 7th, 2020, Jakarta governor Anies Baswedan announced Large Scale Social Restriction (PSBB/Pembatasan Sosial Berskala Besar) policy that would take effect on April 10th, 2020. On April 8th, 2020, the Indonesia Composite Index (ICI) dropped 3,18% from 4.780,215 to 4.626,69, which was indicated by 335 stocks. The definition of PSBB itself is an effort to limit certain activities to communities in a place suspected of being affected by a COVID-19 to control the spread and contamination of the increasingly widespread virus. The PSBB was implemented to overcome the economic turmoil. The economic crisis in the country will have a significant impact on the company's performance and affect investor sentiment on domestic stock prices. Stock return is the primary measuring tool in describing this situation (Lestari, 2020). Following the end of the PSBB period, another policy, namely PPKM, started on July 3rd, 2021. PSBB and PPKM are that PSBB is stricter because some activities are restricted. PSBB regulated school and

work vacation, restrictions on religious activities in places of worship, restrictions in public areas or facilities, restrictions on socio-cultural activities, and restrictions on transportation. The implementation of PPKM consists of several points, such as limiting workplaces by implementing work from home by 75 percent and working in offices by 25 percent. Many flights were suspended in many countries, including Indonesia. Land and sea transportation is also restricted to prevent and reduce infection. Goodell (2020) found that natural disasters such as COVID-19 can cause unprecedented economic damage directly in every area of the globe.

Previous studies have identified several significant events that affected the stock market's return. For example, Ichev & Marinč (2018) investigate the influence of the Ebola Virus Disease (EVD) on the stock market. Kowalewski & Śpiewanowski (2020) analyzed the stock market's reaction to a mine accident. Chen et al. (2007) investigated the response of the stock market to the SARS outbreak. Additionally, the author supplements this work by examining the stock market's reaction to the COVID-19 pandemic. Baker et al. (2020) discovered that the COVID-19 pandemic has resulted in the highest stock market volatility of any other infectious disease or pandemic. The early impact of the COVID-19 pandemic on China's stock market and share price was analyzed, and it was discovered that the increase in COVID-19 death cases had a considerable negative influence on the stock market return (Al-Awadhi et al. 2020). Ashraf (2020) studied the influence of COVID-19 on the stock market by examining 64 countries' key stock indexes. They discovered that confirmed cases had a greater effect on stock market volatility than deaths do. Zhang et al. (2020) discovered that the COVID-19 pandemic has an effect on global financial market risk. Extending this topic, the author analyses the influence of the increase in COVID-19 confirmed and death cases on the Indonesia Stock Exchange's stock market indices.

The goal of this study, based on the background research, is to determine the impact of the COVID-19 pandemic on the BUMN20 index traded on the Indonesia Stock Exchange. This research is expected to give the reader knowledge about how the pandemic such as COVID-19 affects the stock market and the share price on Indonesia Stock Exchange indexes based on the country's COVID-19

confirmed and death cases. This research applies a multiple regression method in which the data used is secondary data gathered from the internet. The BUMN20 stock index because the BUMN20 index is a group of governmental company stocks that concludes a company from various sectors. In this index, most of the companies have a large market capitalization. For example, the companies are Telkom Indonesia Tbk (TLKM) has 450, 73T market capitalization; Bank Mandiri (Persero) Tbk (BMRI) has 354, 58T market capitalization; Aneka Tambang (Persero) Tbk (ANTM) has 61, 28T market capitalization; and many more. A large market capitalization will attract investors in choosing stocks (Basrowi & Fauzi, 2018). In addition, investors are also interested in investing in a company that has a growing market capitalization (wan & Hendrawaty, 2018).

The research found that the COVID-19 confirmed and death cases did not significantly correlate with the BUMN20 stock index during the PPKM period. In addition, the COVID-19 confirmed cases are confirmed to have a significant relationship to the BUMN20 stock index. However, the COVID-19 death cases do not significantly correlate to the BUMN20 stock index in the period before the PPKM. This research can contribute to researchers who are expected to provide more knowledge and understand what factors affect stock index price movements.

This research has systematic writing as follows: in chapter 1, the introduction will explain the research background, research purpose, research gaps, summary of research methods and results, research contribution, and writing systematics. In general, this chapter explains the overall picture of the research that wants to be done; in chapter 2, the literature review will explain the related theoretical basis by a relevant researcher. The theory that this research will apply is Market Efficiency Theory because the theory explains a lot about the financial market. Finding the solution to the research problem formulation by determining the hypothesis utilizing past research as reference material. This chapter also includes a conceptual framework that explains how each variable is related to the others; in chapter 3, the research methodology will discuss the research methods, samples, types and sources of data, and data collection procedure used by the researchers. Moreover, this chapter will explain a procedure related to the testing

of the established hypothesis by the researcher; in chapter 4, the discussion part will explain the general picture of sampling in research, description of research statistics, classical assumption testing, and hypothesis testing by conducting multiple linear regression tests on the effect of COVID-19 confirmed and death cases on BUMN20 stock index before PPKM and during PPKM. After analyzing the regression results, the next step is to discuss the study's results; in chapter 5, the conclusion and suggestion part will explain the conclusion related to the results of the research found by the researcher and contains suggestions for investors and further research.