AICIEB **Annual International Conference**
on Islamic Economics and Business, 2024, 12-17

Analysis of the Impact of COVID-19 Pandemic Revocation on the Stock Performance of Islamic Banks in Indonesia: Empirical Study on BRIS and BTPS

Leonny Noviyana Sakti Pamungkas[1], *Y Anni* Aryani[2]

[1,2]Faculty Economy and Business, Sebelas Maret University, Indonesia

Abstract. This study aims to analyze the impact of the revocation of COVID-19 emergency status by WHO on the stock performance of Islamic banks in Indonesia, with samples from Bank Syariah Indonesia (BRIS) and PT Bank BTPN Syariah (BTPS). The analysis emphasizes on measuring volatility, average returns and the impact of the revocation of Covid 19 emergency status. The analysis is classified in the pre and post announcement period of the revocation of Covid 19 emergency status using long term (90 days), medium term (60 days) and short term (30 days). To analyze using the t test and f test. To analyze the t test and f test taken from the closing price of BRIS and BTPS shares collected on yahoo finance. The results show that there are positive returns in the short-term period (30 days) on both. We find that there is a significant difference in returns between the Covid 19 revocation event and the returns outside the event. Finally, we find that the same event has a different impact on the stock performance of Islamic banks. The implications of this study underscore the importance of portfolio diversification and regular monitoring by investors before making decisions.

Keywords: Islamic Bank Stock Performance, Impact of COVID-19 Repeal, Financial Market Volatility

1 Introduction

The pandemic COVID-19 pandemic that has hit the world since the beginning of 2020 has had a significant impact on various sectors of the economy, including the financial and financial sectors. significant impact on various economic sectors, including the financial and banking sectors. banking sector. In Indonesia, various social restriction and lockdown policies have resulted in a decline in economic activity and increased uncertainty have resulted in a decline in economic activity and increased uncertainty in the financial markets in the financial markets. Islamic banks, as part of the national banking system, also felt the impact of these conditions. One of the impacts is one of which is a decrease in financing during the COVID-19 pandemic (Muthoifin, 2021). Although, despite the decline, Islamic portfolios tend to be more able to survive (Insawan et al., 2022).

On May 5, 2023, the World Health Organization (WHO) officially lifted the COVID-19 pandemic status into a global transition to the recovery phase. The lifting of this pandemic status is expected to improve the economy, including the Islamic banking sector. With the end of the pandemic, economic recovery is expected to occur which can encourage an increase in the financial performance of companies, including Islamic banks.

Islamic banks have unique characteristics compared to conventional banks, especially in terms of operational principles that comply with Islamic law. Principles such as the prohibition of usury (interest) and investment in halal sectors provide their own advantages, especially in attracting customers who want to transact in accordance with sharia values. This can be influenced by policy differences between the implementation of Islamic banking and conventional banking (Iska et al., 2024). Islamic banking with an Islamic concept is more able to survive than conventional banks (Sugiono & Dasuki, 2023). However, despite the advantages of Islamic banking policies, the performance of Islamic bank stocks in the capital market is still strongly influenced by macroeconomic conditions and market sentiment such as natural disasters, human error and pandemic risk (Kurniawan et al., 2022).

Research on the impact of the revocation of pandemic status on the performance of Islamic bank stocks is important because it provides an overview of the market response to changes in government policies that are

1 Corresponding author : leonnynoviyana@student.uns.ac.id

considered by interested parties. This study will measure changes in stock prices and volatility before and after the lifting of the pandemic status to provide a better understanding of the dynamics of the Islamic stock market in the post-pandemic context.

By analyzing stock price changes and volatility, this study can provide valuable insights for investors, investment managers, and policy makers in making more informed decisions. In addition, this study is also expected to enrich the academic literature on Islamic bank stock performance and market response to policy changes in crisis and post-crisis times.

Overall, the background of this study shows the importance of understanding the impact of the lifting of the COVID-19 pandemic on the stock performance of Islamic banks in Indonesia. This research aims to make a significant contribution in understanding the dynamics of the Islamic stock market and assist various parties in making better decisions in the context of post-pandemic economic recovery.

2 Literature Review

Prospect Theory, developed by Daniel Kahneman and Amos Tversky, explains how investors make decisions under conditions of risk and uncertainty (Kumari et al., 2024; Srinivasan & Karthikeyan, 2023). According to this theory, investors tend to make decisions based on potential gains and losses relative to a certain reference point, rather than based on absolute outcomes. This theory is used to investigate asymmetry and volatility for decision-making. This theory is used to investigate the volatility and asymmetry of return uncertainty during the covid 19 pandemic.

Research conducted by Setiawan et al. (2021) analyzed the stock market reaction to the COVID 19 pandemic using a sample of financial companies listed on the Indonesia Stock Exchange. The results of this study revealed that there was a negative impact 10 days after the announcement of the first case of Covid 19. This raises the question of how resilient Islamic Banks are during these events. Athief et al. (2024) found that, overall, Islamic banks in Indonesia showed financial resilience during the COVID-19 pandemic. However, the study also noted that some Islamic banks faced challenges in maintaining a balance between profitability and compliance with sharia principles. This means that although Islamic banks are able to survive during the pandemic, they need to try harder to remain profitable while still complying with Sharia financial principles.

Although Islamic banks are able to survive amid pandemic conditions, there has been a decline in financing activities (Muthoifin, 2021). However, the results of research conducted by (Karim et al., 2022) show that during the Covid 19 pandemic many people are more interested in Islamic banking and Islamic fintech. Of course, this indicates an increase in public awareness and preference for financial services that comply with sharia principles. This increased interest can be an opportunity for Islamic banks and Islamic fintech to develop innovative products and services that meet customer needs. However, this study also highlights an important question regarding how Islamic banks will perform after the lifting of the COVID-19 emergency status. To answer this question, further analysis is needed to deeply understand the impact of the lifting of the emergency status on the performance of Islamic banks in various timeframes.

3 Research Method

This study uses a quantitative approach with a secondary data analysis method to measure the impact of the lifting of the COVID-19 pandemic status on the stock performance of Islamic banks in Indonesia. The sample used consists of the daily stock prices of Bank Syariah Indonesia and PT Bank BTPN Syariah, obtained from the Indonesia Stock Exchange (IDX). These two banks were chosen because they represent the largest Islamic banks, banks with a focus on microfinance, as well as the first digital Islamic bank in Indonesia, thus providing a comprehensive perspective. The data was collected during the 90-day period before and 90 days after the lifting of the pandemic status by WHO on May 5, 2023, with the sampling period starting from February 3, 2023 to August 3, 2023.

Data analysis is carried out using daily returns which are divided into several time periods like the research conducted by (Balaji et al., 2018). Here we divide it into long-term (90 days), medium-term (60 days) and short-term (30 days). We follow Cheng et al. (2020) to calculate the stock time series data. The daily rate of return is calculated as follows:

$$Rt= \log (Pt/Pt-1)$$

We used SPSS to conduct statistical tests in this study. Linear regression analysis was used to compare stock returns in the period before and after the lifting of the COVID-19 emergency status with normal conditions. Furthermore, the t-test was applied to test the difference in stock returns between the periods before and after the lifting of the emergency status. In the last stage, the F test is used to measure the variation of stock returns across the various periods analyzed.

4 Result and Discussion

Table 1. Daily average Return BRIS dan BTPS

BANK	X3	X2	X1	Y1	Y2	Y3
	LAST 90 DAYS	LASY 60 DAYS	LAST 30 DAYS	NEXT 30 DAYS	NEXT 60 DAYS	NEXT 90 DAYS
BRIS	-0,0023	-0,0013	-0,0013	0,0003	-0,0003	0,0007
BTPN Sharia	0,0021	0,0016	0,0022	0,0017	-0,0011	-0,0004

Table 2. Result t-test BRIS dan BTPS

	X3 & Z	X2 & Z	X1 & Z	Y1 & Z	Y2 & Z	Y3 & Z
BRIS						
ACTUAL	58,6689	71,9862	123,9340	89,8115	157,1266	199,4618
Sig. (2 tailed)	0,000	0,000	0,000	0,000	0,000	0,000
BTPS						
ACTUAL	3,45116	5,27719	11,93775	-0,35417	-4,13915	-5,47618
Sig. (2 tailed)	0,001	0,000	0,000	0,728	0,000	0,000

Table 3. Impact of WHO Revocation of COVID 19 Status

	SHORT TERM PERIOD			MEDIUM PERIODE			LONG TERM PERIODE		
	X3 & Y1	X2 & Y1	X1 & Y1	X3 & Y2	X2 & Y2	X1 & Y2	X3 & Y3	X2 & Y3	X1 & Y3
BRIS									
ACTUAL	-4,652	-9,244	1,801	-6,431	-1,834	1,801	-4,050	-1,834	1,801
Sig. (2 tailed)	0,000	0,000	0,092	0,000	0,075	0,092	0,000	0,075	0,092
BTPS									
ACTUAL	21,963	21,963	21,963	9,348	9,348	26,276	6,160	7,564	26,276
Sig. (2 tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000

Table 1 is derived from the average of the short-term, medium-term and long-term periods. Based on these two samples, the results show that there was an increase in short-term returns after the announcement of the COVID 19 revocation decision. This shows the difference in returns visually calculated through the average daily return formula. However, this result does not indicate whether there is a significant difference or not.

Table 2 shows the results of stock returns between the event of lifting the Covid-19 emergency status and a normal day outside the pandemic to measure the significance of the returns. On average, the results show a very significant difference between the return on the event and the normal daily return. However, in the short term after the lifting, BTPS returns are not significantly different from the Covid-19 period, meaning similar financial performance before and after the lifting of the Covid 19 emergency.

4.1 90 Days

A sample t-test has been conducted to evaluate whether there is a statistically significant difference between the returns of the 90-day period before and after the COVID revocation decision by WHO. The results show that there is a significant increase in returns between pre and post the revocation of COVID 19 status by WHO known from variables X3 and Y3. BRIS and BTPN stocks have different impacts on X2&Y3, X1&Y3 terms.

4.2 60 Days

A sample t-test was conducted to evaluate the statistically significant difference between the 60-day returns before and after the revocation of COVID 19 by WHO. The results show that there is a significant increase in returns between pre and post revocation of COVID 19 status by WHO known from X2 and Y2 variables. BRIS and BTPN stocks have a different impact on X2&Y2, X1&Y2 terms, meaning that each stock has a different impact under the same conditions.

4.3 30 Days

A sample t-test was conducted to evaluate the statistically significant difference between the 30-day returns before and after the withdrawal of COVID 19 by WHO. The results show that both BRIS and BTPS stocks in the short term were significantly affected by the event in the X3&Y1, X2&Y1 tests. This shows that the COVID 19 revocation event affects Islamic bank stocks in the short term of 30 days.

From the long-term, medium-term and short-term analysis, it can be concluded that each stock has a different impact on the same conditions. On the other hand, this event has a significant effect on the short term. Furthermore, to determine the level of variance by conducting the f test as follows:

Table 4. F test results of BRIS

	X3 & Y1	Table value	X3 & Y2	Table value	X3 & Y3	Table Value
BRIS	3,776	4.54	5,533	4.12	7,177	4.02
Sig.	0.071		0.025		0.010	

Table 5. F test results of BTPS

	X3 & Y1	Table value	X3 & Y2	Table value	X3 & Y3	Table Value
BTPS	3,710	4.49	0,232	4.12	6,542	4.01
sig.	0.073		0.633		0.013	

The findings in Tables 4 and 5 show the results of the F test to examine the difference in returns in the short, medium, and long term periods after the lifting of the Covid-19 emergency status. The F-test values for BRIS and BTPS at various time periods show significant volatility. For BRIS, the highest F-test value is found in the long-term period with a significance of 0.010. Similar results were seen for BTPS, with the highest F-test value in the long-term period with a significance of 0.013. This suggests that the most significant difference in returns occurs in the long-term period, while the short- and medium-term periods also show volatility but not as strong as the long-term.

4.4 Findings

Table 1 and table 2 show the average returns divided into pre and post COVID-19 emergency status revocation periods by WHO. This analysis provides insights into the impact of COVID-19 revocation on stock returns over various time horizons: short, medium, and long. In the short term, both stocks experienced positive returns after the COVID-19 repeal. This is in line with the findings of Balaji et al. (2018) that stock returns experience a short-term increase on certain events. This finding reveals that the revocation of COVID-19 by WHO provides positive sentiment in the stock market in the short term which can be seen from the average daily return.

Further testing using the t test is seen in table 3 to determine the impact of the revocation of the Covid 19 emergency status. The results show a different impact on BRIS and BTPS stocks in the short term, medium term and long term. The test results show a significant difference in the short-term period. These results strengthen the daily return test in table 1 in the short term which shows positive returns.

The F test is further used to determine the variance of returns to measure volatility. The f test results show that the long-term period is more volatile than the short-term and medium-term. The long-term value is smaller than the medium-term and short-term, meaning that both experience fluctuations after the long term. This is a consideration for investors in diversifying and monitoring before making investment decisions.

5 Conclusion

Based on the analysis of BRIS and BTPS stock returns before and after the lifting of the COVID-19 emergency status by WHO, it is found that there are significant differences in the returns of the two stocks at various time horizons. On the short time horizon, both stocks showed positive returns, indicating a positive sentiment in the stock market immediately after the lifting of the emergency status. However, stock returns on the medium and long-time horizons showed varying results between positive and negative. This concludes that the lifting of the COVID-19 state of emergency did not have a uniform impact on all stocks and across all time periods. Overall, there is an increase in returns after the lifting of the emergency status, but with varying volatility depending on the time horizon.

Investors are advised to diversify their portfolios and monitor stock performance regularly in order to respond appropriately to market changes, especially after major events such as the lifting of the COVID-19 emergency status. The implication is that investment strategies should be flexible and adaptive to medium- and long-term volatility, with policy support from the government and regulators to maintain market stability. Future research should consider other external factors that affect stock performance, such as government policies and global economic conditions, to provide a more comprehensive understanding of the impact of major events on the stock market.

Reference

Athief, F. H. N., Zaky, R. A., Virgiawan, R., Fathoni, M. A., & Rofiqo, A. (2024). Capturing Islamic Bank Performance In Indonesia During The Covid-19 Crisis: RGEC and SCNP Approaches. *Banks and Bank Systems*, *19*(2), 15–29. https://doi.org/10.21511/BBS.19(2).2024.02

Balaji, C., Kusuma, G. D. V., & Ravi Kumar, B. (2018). Impact of General Elections on Stock Markets in India. *Open Journal of Economics and Commerce*, *1*(2), 1–7. https://doi.org/10.22259/2638-549x.0102001

Cheng, C. S. A., Wang, K., Xu, Y., & Zhang, N. (2020). The impact of revealing auditor partner quality: evidence from a long panel. *Review of Accounting Studies*, *25*(4), 1475–1506. https://doi.org/10.1007/s11142-020-09537-w

Insawan, H., Karyono, O., & Farida, I. (2022). The Covid-19 Pandemic and Its Impact on the Yields of Sharia Stock Business Portfolio In Indonesia. *International Journal of Professional Business Review*, *7*(6). https://doi.org/10.26668/businessreview/2022.v7i6.e941

Iska, S., Jaya, I., Nengsih, I., & Renie, E. (2024). The Implications of the Countercyclical COVID-19 Policy on the Performance of Rural Banks and Sharia Rural Banks in Indonesia. *Juris: Jurnal Ilmiah Syariah*, *23*(1), 143–153. https://doi.org/10.31958/juris.v23i1.12329

Karim, S., Naeem, M. A., & Abaji, E. E. (2022). Is Islamic FinTech coherent with Islamic banking? A stakeholder's perspective during COVID-19. *Heliyon*, *8*(9). https://doi.org/10.1016/j.heliyon.2022.e10485

Kumari, R., Gupta, A., & Aggarwal, A. (2024). Stock Assessment Using Cumulative Prospect Theory In DEA Cross-Efficiency Model: A Case Study Of The Indian Stock Market. *Croatian Operational Research Review*, *15*(1), 1–11. https://doi.org/10.17535/crorr.2024.0001

Kurniawan, M. A., Anwar, M., & Nidar, S. R. (2022). Developing a Strategy for Islamic Money Market Model to Enhance Quality of Islamic Banking Performance during the Pandemic in Indonesia 2021. *Quality - Access to Success*, *23*(190), 261–268. https://doi.org/10.47750/QAS/23.190.28

Muthoifin. (2021). The Performance Of Sharia Financing Amid The Covid-19 Pandemic In Indonesia. *Universal Journal of Accounting and Finance*, *9*(4), 757–763. https://doi.org/10.13189/ujaf.2021.090421

Setiawan, D., Arifin, T., Aryani, Y. A., & Yau, J. T. H. (2021). How Has The Indonesian Stock Market Performed During COVID-19 Outbreaks? *International Journal of Business and Society*, *22*(3), 1420–1428. https://doi.org/10.33736/ijbs.4312.2021

Srinivasan, K., & Karthikeyan, P. (2023). Investigating Self-Efficacy And Behavioural Bias On Investment Decisions. *E a M: Ekonomie a Management*, *26*(4), 119–133. https://doi.org/10.15240/tul/001/2023-4-008

Sugiono, A., & Dasuki, H. (2023). Comparing the Resilience of Sharia and Conventional Banking to the Financial

Crisis in the Association of Southeast Asian Nations. *Banks and Bank Systems*, *18*(3), 192–204. https://doi.org/10.21511/bbs.18(3).2023.16