CHAPTER V

CONCLUSION

5.1   Research Conclusion

Based on the research results and discussions conducted to test the existence of herding behavior in stocks that listed in SRI-KEHATI and Jakarta Islamic Index supported by the underlying theories, the researchers conclude that:

Herding behavior occur in the SRI-KEHATI and Jakarta Islamic Index when market conditions is down or negative (bearish), where there is significant non-linear relationship between Cross Sectional Absolute Deviation (CSAD) and market returns that can be seen from the results of the non-linear coefficient (γ_2) between CSAD and market return squared. Investors during this market condition and research period (2019-2023) acted irrationally in making investment decision.

In contrast, when market conditions is up or positive (bullish), there is no indication of herding behavior during the research period. This can be seen form the result of the non-linear coefficient (γ_2) between CSAD and market return squared which was not significant in the SRI-KEHATI and Jakarta Islamic Index have positive coefficient (γ_2) value. So it can be said that the investors of SRI-KEHATI and Jakarta Islamic Index in 2019-2023 tend to behave rationally in their investment activities during this condition.

The difference result of both market condition shows the investors' psychology may affected due to the market condition, where market stress (down condition) will lead investor being panic while facing the possibility of losses that

will occur so that they will follow the market consensus. This result align with the with the Behavioral Finance assumption which clarify how human's behaviors, thoughts, and psychology influence financial decisions (Başarir & Yilmaz, 2019). Compared to previous research by Vidya et al. (2023) in 2018-2022, this research have similar result and state that investors in Indonesian financial markets seems to be reliant on external information due to the weak and opaque disclosure of information. In contrast, Ramadhansyah et al. (2020) shows no herding behavior in LQ-45 Index from 2015-2018, where it may happen due to the difference phenomenon that makes the market become volatile and investors' psychology may affect so they do herd.

5.2 Implication of Research

The result of this research is expected to be useful and can be implicated by interest parties. The following are the implication of this research:

1. Theoretical Implications

    This research adds empirical evidence that investors in SRI-KEHATI and Jakarta Islamic Index when bear market condition tend to follow market consensus in making investment decisions while in bull market condition, they behave rationally which align with the with the Behavioral Finance assumption that state human's behaviors, thoughts, and psychology influence financial decisions.

2. Practical Implications

    The result of this research can be used as input for the investors especially in the Indonesian capital market to focus on analyzing the information

available in the market and make the decision based on both fundamental and technical information, not by imitate the decisions of other investors.

5.3   Limitation of Research

Researcher realizes that the results of this research have several shortcomings. Therefore, there are still many limitations in this research, such as:

1. This research only analyzes herding behavior in shares that consistently listed in SRI-KEHATI and Jakarta Islamic Index as the research object for 2019-2023 period.

2. This research only focus on the market up (bullish) and down (bearish) condition.

5.4   Research Recommendation

The following are several suggestions that can be considered regarding further research:

1. Further researches can analyze other stock as research samples and conducting research in different periods.

2. Further research can analyze the effect of COVID-19 on herding behavior or look at other phenomenon that have more influence on investor behavior.

3. Further researches are expected to be able to develop and expand research by adding other variables that might influence the movement of stock returns.