CHAPTER V

CONCLUSION

5.1 Conclusion

Based on the results of research and discussion conducted on stocks incorporated in the LQ-45 index supported by the underlying theories, to test the existence of herding behavior, namely by looking at the non-linear relationship between CSAD and market return (RM2), which implies the value of the market return coefficient (RM2) which shows a negative and statistically significant value. So that the following conclusions can be drawn:

Herding behavior occurs in the Indonesian capital market, where there is a significant non-linear relationship between CSAD and market returns before and during COVID-19 or in 2019-2021. This can be seen from the results of the non-linear coefficient between CSAD and market returns (RM2) which was significant at the time of the study. Investors during this study acted hastily in making decisions when investing.

Herding behavior does not occur in the Indonesian capital market, where there is no significant non-linear relationship between CSAD and market returns when market conditions arise, namely after COVID-19 or in 2022. This can be seen from the results of the nonlinear coefficient between CSAD and market returns (RM2) which was not significant at the time of the study. Investors during this study have acted reasonably in making decisions when investing.

Overall, it can be concluded that the result of this study is that herding behavior was detected in the LQ-45 index, namely in 2019 in the condition of the

LQ-45 high return index and 2020-2021 in the condition of the LQ-45 market stress index and was not detected in 2022 when the LQ-45 index conditions began to stabilize again. This can be caused by investors in 2019-2021 not being able to utilize the information available in the conditions of COVID-19. In addition, the psychological impact caused by the COVID-19 pandemic such as fear, anxiety, and uncertainty makes investors prefer to follow the majority flow in decision-making. However, when the market starts to return to normal, investors can make decisions appropriately so that herding behavior is not detected in market conditions after COVID-19.

5.2 Implication

1. Theoretical Implications

   This study adds empirical evidence that investors in LQ-45 stocks do herding in extreme conditions in making investments and return to rational actions because the market has returned to normal.

2. Investor Implications

   a. Investors can understand how herding behavior affects stock market volatility, particularly the stocks included in the LQ45 index, during different periods related to the COVID-19 pandemic. This helps in better managing investment risk.

   b. Investors in understanding the more complex market dynamics and how psychological factors influence market behavior, enabling them to make smarter and more informed investment decisions.

3. Companies and Regulation Implications

Companies and the government can create a more stable and transparent investment environment, which in turn supports sustainable economic growth.

5.3 Limitation

This research has limitations and imperfections because no research is perfect. As a human being, researchers are also not free from mistakes. The research limitations of this study are as follows :

1. This study only examines herding behavior on the LQ-45 index as the object of research.
2. This study only examines from 2019-2022, so the results of this study only describe companies that are consistently listed on the LQ-45 from 2019-2022.

5.4 Recommendation and Suggestion

From the results and conclusions obtained, the suggestions from this research are:

1. For Future Researchers

   It is hoped that they can develop and expand research by adding variables and research samples and conducting research in different periods. And also they can complement quantitative analysis with qualitative research, such as interviews and surveys with investors, to gain deeper insights into the psychological factors driving herding behavior and explore how investor education and awareness programs can mitigate herding behavior.
2. For Investor

Investors should be wary of herding behavior that tends to occur when the market experiences high returns. This is because investors may be tempted to follow the actions of others without conducting thorough analysis. It is recommended that investors continue to perform independent fundamental and technical analysis before making investment decisions. When the market is under significant pressure, such as during the pandemic, herding behavior is more likely due to high uncertainty. Investors are advised not to panic and to remain calm, conducting careful analysis of both company and market conditions as a whole before making buy or sell decisions.

3. For Company and Regulation

   Companies need to be more transparent in conveying their financial and operational information to help investors make better decisions and reduce herding tendencies. In addition, companies can provide more analysis and reports that can be accessed by investors. Regulators are expected to tighten rules related to corporate information disclosure to ensure that all investors have equal access to relevant information. And regulators can work with educational institutions and financial organizations to improve financial literacy among the public.