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# Analysis of the Impact of Rights Issue Announcements on the Stock Returns of Companies Listed on the Indonesia Stock Exchange for the Period 2020-2023

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## Abstract

This study aims to determine whether there is a difference in the average stock return before and after the announcement of a rights issue in companies listed on the Indonesia Stock Exchange (IDX) during the period from 2020 to 2023. The primary focus of this study is to examine the market reaction to corporate information in the form of new share issuance through the rights issue mechanism, as well as to assess the extent to which this event affects investors' perceptions of the company's performance. This study employs a quantitative approach, utilizing a parametric Paired Sample T-Test to examine the difference in average stock returns before and after the announcement of a rights issue. The research sample consists of 42 companies that conducted a rights issue during the 2020–2023 period. The observation period used was five days before and five days after the announcement of the rights issue. The results indicate a difference in average stock returns before and after the announcement of the rights issue; however, this difference is not statistically significant. This finding suggests that the market does not respond substantially to the announcement of a rights issue, indicating that a rights issue does not provide a strong signal to investors. This contradicts the prediction of signal theory, which expects a positive reaction from investors to corporate information. This study has implications for investors to be more cautious in evaluating corporate information, and for companies to enhance transparency and communicate the objectives of the rights issue strategically to form positive market perceptions.

**Keywords:** *Right issue; Return of shares; Indonesia Stock Exchange; Market reaction.*



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# INTRODUCTION

The capital market is a key pillar of a country's financial system, as it acts as an intermediary between fund owners and parties that require long-term funds to finance economic activities. The dual function of the capital market, namely as a means of raising funds and an investment vehicle, makes it a strategic component in supporting national economic growth (Sholikah et al., 2022). In this context, companies can utilize the capital market to obtain additional capital by issuing financial instruments such as shares. One of the most common share issuance

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schemes is a rights issue, where new shares are offered to existing shareholders on a limited basis. This scheme enables companies to obtain funds without needing to borrow from third parties, thereby avoiding the requirement for collateral typically associated with bank loans (Aini, 2019). However, a right issue is not without risks. In practice, the announcement of a rights issue can create negative perceptions among investors, especially if the issuance of new shares does not accompany clear business prospects. When investors perceive that funds from the rights issue are only used to cover short-term liabilities or company debt, this can be a negative signal and cause share prices to decline (Hilmy & Utiyati, 2018). Conversely, if the funds are used for expansion or productive investment, investors will view this as a positive signal. This issue becomes increasingly relevant during the 2020–2023 period, when many companies on the Indonesia Stock Exchange faced liquidity pressures due to the COVID-19 pandemic, prompting them to conduct rights issues as a survival strategy. This phenomenon suggests that the market's response to rights issue announcements is complex and context-dependent, necessitating further study to determine the extent to which such information affects stock returns.

Research on the effect of right issue announcements on stock returns has become a focus in the field of corporate finance, particularly because this mechanism involves important decisions regarding a company's capital structure. A rights issue is a limited offering of new shares to existing shareholders in order to maintain their ownership proportion (Hatta, 2018). This offering is known as the Right to Subscribe to New Shares (HMETD). It is a strategy that enables companies to secure funding without incurring debt, which typically requires collateral, such as bank loans (Rustan, 2024). HMETD offers flexibility while also presenting challenges for investors in responding to the announcement, depending on their perception of the prospects for utilizing the funds raised. The primary variables in this study are rights issues, announced financial events, and stock returns, examining their impact on the market. According to Pradnyawati (2022), returns are the profits obtained by investors from their investment decisions, which are greatly influenced by changes in stock prices. When a rights issue is announced, investor responses can vary depending on the context and market perceptions of the information contained in the announcement. In line with signaling theory, a rights issue is considered a form of managerial communication to the market regarding the company's condition and prospects.

Previous studies have shown that there is no consistency in conclusions regarding the effect of rights issues on stock returns, both empirically and theoretically. Nugroho (2013) states that rights issues can have a positive impact, with an increase in stock returns after the announcement. This finding reinforces the assumption of the signaling theory, which states that the announcement of a rights issue can serve as a positive signal to investors, especially if the funds raised are used for business expansion. However, this result is inconsistent with Rozi's (2021) findings, which indicate that the market does not respond significantly to the announcement of a rights issue. Sumantika (2018) states that rights issues do not significantly affect stock returns, which instead indicates a negative signal or investor distrust of the policy. Theoretically, the signaling theory assumes that the market will respond quickly and efficiently to information that has economic value. However, the inconsistency of results between studies shows that market responses to right issue announcements can be highly contextual and not entirely dependent on the

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substance of the information itself, but also on market perceptions, macroeconomic conditions, and corporate communication strategies. In the context of the Indonesian capital market, particularly during the 2020–2023 period marked by uncertainty due to the COVID-19 pandemic, these factors have not been systematically explored. This is a gap in the literature—the lack of comprehensive studies linking right issue announcements with market responses during crises, especially using a focused event study approach.

This study offers novelty in two main aspects. First, this study was conducted during a period that has not been widely studied, namely 2020–2023, when companies on the Indonesia Stock Exchange faced liquidity pressures and economic uncertainty due to the COVID-19 pandemic. This period is important because crisis conditions can influence investors' perceptions of financial signals, including rights issue announcements. Second, the approach employed is an event study with a time window of five days before and five days after the right issue announcement, which enables researchers to accurately capture the market's reaction to the information and avoid other confounding effects, as recommended by Tandelilin (2010). By focusing on stock returns as the primary variable and using signal theory as the basis for interpretation, this study aims to answer whether there is a significant difference in the average stock returns before and after the announcement of a rights issue. Empirically, this study is expected to enrich the financial literature in Indonesia, which still shows mixed results on this issue, while providing a more comprehensive understanding of how the capital market responds to corporate policies in an unstable economic situation.

Signalling Theory

Signaling Theory is one of the most important theories in financial literature, explaining how company management conveys information to the market to reduce information asymmetry between managers and investors (Spence, 1973). According to Fathi et al. (2024), signaling theory states that a company's actions, such as financial policy announcements, stock issuance, or other corporate actions, can serve as signals for investors to assess the company's internal condition. In the context of capital markets, these signals are crucial because external investors often lack direct access to internal company information. Therefore, management uses publicly observable financial decisions as a means to convey their beliefs about the company's prospects.

In practice, signaling theory is used to explain market reactions to various corporate announcements, including rights issues. Kreppmeier & Laschinger (2023) in their study on security token markets show that strong signals from companies, such as announcements of transferability and transparent initial pricing, can enhance the success of fundraising. A similar phenomenon is observed in the context of rights issues, where the announcement of new share issuance can be interpreted as a positive signal if accompanied by clear and transparent expansion prospects. Conversely, if not supported by credible information, a rights issue may be interpreted as a negative signal indicating urgent liquidity needs or other financial issues. Research by Lutfiah (2018) also confirms that the effectiveness of signals is greatly influenced by corporate transparency and the price discount offered in rights issues. When the information provided is clear and logical, the market tends to respond positively, as reflected in an increase in share prices.

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Signal quality is also closely related to the company's risk profile and investor expectations. Aalbers et al. (2021) revealed that in an uncertain environment, investors will be more selective about the signals conveyed by companies, particularly in acquisition announcements. Unclear or ambiguous signals can lead to higher risk perceptions and negatively impact stock prices. Conversely, firm and consistent signals, such as increased cash or stable financial performance growth, tend to enhance investor confidence in the company's prospects (Eldomiaty et al., 2024). This is also supported by a study conducted by Ilyas et al. (2025), which found that investors often consider companies' decisions to conduct rights issues based on the company's performance history and the intended use of funds. If the proceeds from the rights issue are used for productive purposes such as business expansion or strategic acquisitions, the market responds positively. However, if the purpose is only to repay debt or cover losses, the signal tends to be perceived negatively.

## Capital Market

The capital market is a financial system that brings together parties with excess funds (investors) and parties that need funds for productive activities, such as business expansion, financial restructuring, or long-term project financing. According to Law Number 8 of 1995 of the Republic of Indonesia on the Capital Market, the capital market encompasses activities related to the public offering and trading of securities, as well as public companies associated with the securities they issue, and institutions and professions related to such activities. The functions of the capital market are not merely as a place for buying and selling stocks, but also play a crucial role in facilitating national economic growth through efficient capital allocation and the provision of long-term financing sources (Apriliani et al., 2023). In a global context, capital markets play a crucial role in shaping a robust capital structure, enhancing financial transparency, and bolstering corporate competitiveness amid the evolving dynamics of the world economy (Sholikah et al., 2022).

The existence of capital markets serves two primary functions: economic and financial. The economic function of the capital market is realized through its ability to efficiently channel funds from surplus units (those with excess funds) to deficit units (those in need of funds). In this regard, the capital market serves as an optimal allocation mechanism for financial resources, enabling investors to select the most productive sectors to achieve competitive returns (Yusrina et al., 2023). The financial function of the capital market, on the other hand, is evident in the provision of various long-term financial instruments that companies can use to finance their investment needs without relying on short-term debt or bank loans, which typically require collateral (Lubis et al., 2024). The capital market also offers a variety of financial assets, such as stocks, bonds, and mutual funds, with varying levels of risk, allowing investors to diversify their portfolios according to their risk preferences (Paningrum, 2022). The relationship between risk and return is a key consideration in investment decisions in the capital market, where the greater the risk an investor is willing to take, the greater the potential return.

In practice, the capital market is not only an efficient source of financing, but also serves as a tool for assessing the performance and value of companies on an ongoing basis. Information available in the capital market, such as financial reports, corporate announcements, and managerial policies, will be immediately responded

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to by investors through changes in stock prices or trading volume (Neuhierl et al., 2013). Therefore, transparency and information disclosure are important foundations for market efficiency and investor confidence. Additionally, the capital market promotes corporate management discipline due to accountability demands from shareholders (Kautsar & Rosdini, 2025). In the Indonesian economic context, capital market development is crucial for reducing reliance on external financing, such as foreign debt. By utilizing capital market instruments, domestic companies can finance their business growth from domestic funding sources. The diversity of industrial sectors listed on the Indonesia Stock Exchange—such as energy, basic materials, manufacturing, finance, healthcare, technology, and logistics—also reflects the maturity and complexity of the capital market in Indonesia, which continues to grow year after year (Yusrina et al., 2023).

Right Issue

A rights issue, or Preemptive Rights (HMETD), is a right granted to existing shareholders to purchase new shares issued by a company in proportion to their existing shareholdings before the shares are offered to the public. This mechanism allows existing shareholders to maintain their ownership percentage and avoid share dilution (Otieno & Ochieng, 2015). In practice, a rights issue is one of the most common equity financing alternatives used by companies, particularly when they require additional capital for business expansion or to repay financial obligations without incurring further debt. According to Ghozali & Solichin (2003), companies tend to choose a right issue because it avoids underwriting costs and does not require collateral, as is the case with bank loans. In addition, these rights can be transferred to other investors if they are not exercised within a specified period, typically 14 days from the announcement of the offer, thereby providing flexibility to existing shareholders.

Recent studies have investigated the impact of rights issues on ownership structure, liquidity, and stock prices. Yong et al. (2021) found, in their study of the Australian market, that retail investor participation in rights issues is significant, and their decision to exercise or sell their rights is heavily influenced by their perception of the company's performance and prospects. When investors choose not to exercise their rights, their ownership proportion will be diluted, depending on the number of new shares issued relative to the outstanding shares. On the other hand, Di Martino and Federico (2018) revealed that the dilution effect is one of the primary reasons for the decline in stock prices following the announcement of a rights issue. This market reaction is caused by investors' concerns that the company needs funds for unproductive reasons, such as covering operational debts. However, research by Bobenhausen & Salzmann (2021) shows that information transparency and the discount on the offering price can mitigate these adverse reactions. If a company openly communicates the purpose of the funds and sets the price of new shares at a reasonable discount to the market price, the market tends to respond positively.

Research by Ramadhan et al. (2022) in Indonesia demonstrates that market reactions to rights issues are highly dependent on their intended use. Companies that use rights issue proceeds for productive investments or expansion receive positive market responses in the form of increased abnormal returns. Conversely, if the funds are used to repay debt or cover losses, market reactions tend to be negative. This aligns with signaling theory, which posits that financial decisions, such as rights

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issues, convey implicit information about a company's condition and prospects. In the context of liquidity, Balachandran et al. (2012) state that the implementation of a rights issue can enhance stock liquidity if investor participation is high. Conversely, if participation is low, trading frequency tends to decrease due to market uncertainty about the company's strategic direction. Meanwhile, Murthy et al. (2024) found that stock price fluctuations are highly intense before and after the announcement of a rights issue, indicating that investors are actively processing information to assess risks and potential returns.

Stock Return

Stock return is the rate of profit earned by investors from a stock investment traded on the capital market, particularly in publicly traded companies. Return is one of the leading indicators of investment performance and is often used as a basis for investment decisions (Ang, 2001). In this context, returns not only reflect financial gains but also serve as a measure of the effectiveness of investment strategies and company performance. According to Fahmi (2013), return is the profit obtained by a company, individual, or institution from investment decisions made. Without the potential to earn a profit from an investment, it is unlikely that investors will be interested in investing their funds. Therefore, the primary goal of investors is to increase their wealth by maximizing the returns they obtain, while considering the associated risks. The higher the return on a stock, the more actively it is traded in the capital market. Investors use return as a benchmark to compare the level of profit received from various types of stocks and adjust it to the expected rate of return.

Hadi (2013) emphasizes that stock return also plays an important role in determining the value of a stock. The higher the return generated by a stock, the more likely its value will increase, as it is perceived as capable of providing greater benefits to investors. Additionally, returns reflect how the market evaluates a company's performance and prospects. Hartono (2022) distinguishes between two types of returns: realized returns and expected returns. Realized returns are returns that have occurred and are calculated based on historical data. On the other hand, expected return is the return that investors anticipate receiving in the future. This distinction is important because realized return is used to evaluate past performance, while expected return is used to make predictions about the potential future returns of an investment. Furthermore, the factors that influence the magnitude of returns can be divided into two categories: internal factors and external factors. Internal factors include the quality and reputation of company management, as well as the capital structure and debt structure. External factors include government fiscal and monetary policies, industry developments, and macroeconomic conditions such as inflation and deflation. The combination of these factors greatly influences stock price movements in the market and ultimately affects the magnitude of returns received by investors.

Event study

An event study is a research method used to analyze how the market responds to an event that a company officially announces. According to Tandelilin (2010), an event study is a type of research that observes market reactions based on the information contained in an announcement. The primary objective of this method is to assess the impact of information on a company's stock price over a specified

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period. Bodie et al. (2014) explain that event studies enable researchers to assess the influence of a specific event on stock prices by observing price changes around the announcement date. The market response is then measured through stock returns, both actual returns and abnormal returns. Abnormal returns indicate a discrepancy between actual returns and expected returns, as determined by normal market conditions. In the context of rights issue announcements, event studies are used to measure whether there are significant changes in stock prices in response to the information announced.

For comparison, Parmitasari and Kandi (2016) found significant differences in stock returns before and after the announcement of a rights issue in Indonesian banking companies during the period 2010–2014. On the other hand, research by Desliniati et al. (2022) yielded different results, specifically that a rights issue did not have a significant impact on stock returns. This inconsistency underscores the importance of event studies in providing a deeper understanding of market reactions in various contexts. In this study, the announcement of the rights issue was set as the reference time point (event date) with t = 0. The observation period was divided into two periods: five days before the announcement (t = -5) and five days after the announcement (t = +5). This period was chosen by standard practices in event studies, which aim to capture short-term changes in stock prices and avoid confounding effects or other information that could interfere with the results. Additionally, the BEI operates five days a week. The event period is shown in Figure 1.

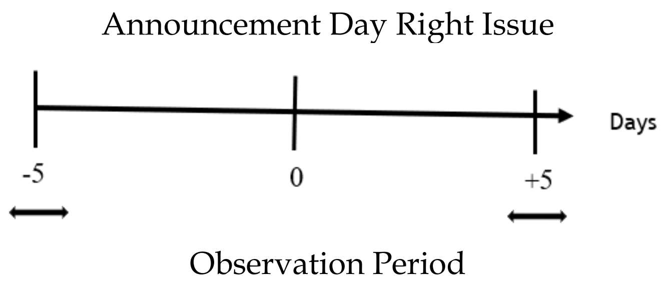


**Figure 1. Event Study**

# METHODOLOGY

This study employs a quantitative approach, utilizing an event study method, to analyze the capital market's reaction to the announcement of a rights issue by companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. According to Kasiram (2008), quantitative research is an approach that relies on numerical data and is analyzed using statistical methods. An event study was chosen as the primary approach because it is capable of measuring the impact of a specific event, in this case, the announcement of a rights issue, on changes in stock prices through returns. The observation period (event window) used in this study was 11 days, consisting of five days before the announcement (H-5), one day on the announcement date (H0), and five days after the announcement (H+5).

The population in this study consists of all companies listed on the Indonesian Stock Exchange that conducted a rights issue between 2020 and 2023. Based on data obtained from the official IDX website (www.idx.co.id), 47 companies from 11 industrial sectors met the population criteria. The sampling technique employed was simple random sampling, a method that involves randomly selecting samples from a

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defined population. To determine the number of samples used in this study, the researcher used the Slovin formula with an error rate of 5%. Based on the calculation, 42 companies were selected as the number of samples, which were considered representative for analysis in this study.

The type of data used in this study is secondary data. According to Sugiyono (2018), secondary data refers to information obtained indirectly by researchers through documents, reports, or other official sources. Secondary data sources were obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id), specifically the closing stock prices of companies that conducted rights issues during the observation period, from D-5 to D+5. Data collection techniques were carried out using the documentation method, which involves recording and observing daily stock prices during the observation period for each sample company. The data was then used to calculate daily stock returns using the following formula:

$$Ri = \frac{Pt - Pt - 1}{Pt - 1}$$

Information:

Ri = return of share i on day t

Pt = closing price of stock i on day t

Pt-1 = closing price of the i-th share on the previous day

Data analysis was conducted through several statistical procedures, including:

- Descriptive statistics are used to provide an overview of data characteristics through minimum, maximum, mean, and standard deviation values (Ghozali, 2018).
- Normality testing was performed using the One-Sample Kolmogorov-Smirnov method to determine the distribution of data. If the significance value was greater than 0.05, the data were normally distributed, and if it was less than 0.05, the data were not normally distributed.
- Hypothesis testing is used to determine whether there is a difference in stock returns before and after the announcement of a rights issue. If the data is normally distributed, then a Paired Sample t-test is used. If the data are not normally distributed, a Wilcoxon Signed-Rank Test is used. Both are analyzed with a significance level of 5%. (Ghozali, 2018).

## RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview of the characteristics of the data being studied, including the minimum, maximum, mean, and standard deviation (Ghozali, 2018). In this study, descriptive statistics were used to explain the characteristics of the average return on shares before and after the announcement of the rights issue.

**Table 1. Descriptive Statistical Analysis**

**Descriptive Statistics**

| | N | *Minimum* | *Maximum* | *Mean* | *Std. Deviation* |
|---|---|---|---|---|---|
| **Before** | 42 | -0,067 | 0,060 | -0,00417 | 0,024855 |
| **After** | 42 | -0,052 | 10,385 | 0,25024 | 1,602098 |
| **Valid N (listwise)** | 42 | | | | |

***Source:*** *Data were processed using SPSS 26 by the researcher (2024)..*

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Based on the results of Table 1, the average return on shares before the announcement of the rights issue had a minimum value of -0.067 (Batavia Prosperindo Trans Tbk) and a maximum of 0.060 (Asuransi Harta Aman Pratama Tbk), with an average of -0.00417 and a standard deviation of 0.024855. Meanwhile, after the announcement of the rights issue, stock returns showed a minimum value of -0.052 (Indomobil Sukses Internasional Tbk) and a maximum of 10.385 (Cita Mineral Investindo Tbk), with an average of 0.25024 and a standard deviation of 1.602098.

Normality tests are used to determine whether the data in a study is normally distributed or not (Ghozali, 2018). The purpose of this test is to determine the appropriate hypothesis testing method, whether to use parametric or non-parametric tests. In this study, normality tests were performed using the Kolmogorov-Smirnov Test. The results of the normality tests are presented in Table 2.

**Table 2. Normality Test**

***One-Sample Kolmogorov-Smirnov Test***

| | | ***Unstandardized Residual*** |
|---|---|---|
| N | | 42 |
| *Normal Parameters[a,b]* | *Mean* | 0,0000000 |
| | *Std. Deviation* | 0,02452024 |
| *Most Extreme Differences* | *Absolute* | 0,130 |
| | *Positive* | 0,130 |
| | *Negative* | -0,111 |
| *Test Statistic* | | 0,130 |
| *Asymp. Sig. (2-tailed)* | | 0,070[c] |

***Source:*** *Data were processed using SPSS 26 by the researcher (2024).*

The non-parametric Kolmogorov-Smirnov (K-S) statistical test showed a significant value greater than 0.05. Based on the table above, the Kolmogorov-Smirnov test results have a significance value of 0.070, which is greater than 0.05. From these results, it can be concluded that the data is normally distributed. Since the data is normally distributed, the Parametric Paired Sample T-Test is used to test the hypothesis.

The hypothesis test used in this study is the parametric Paired Sample T-Test. This analysis method is helpful for testing differences between two related samples, often referred to as paired samples, which come from the same population but are given different treatments, in order to determine whether the two samples still have the same average. In the context of quantitative research, this method enables the evaluation of whether there is a statistically significant difference between two conditions or treatments (Nugroho, 2013). The results of the paired sample t-test are presented in Table 3.

**Table 3. Paired t-test**

***Paired Samples Statistics***

| | | ***Mean*** | ***N*** | ***Std. Deviation*** | ***Std. Error Mean*** |
|---|---|---|---|---|---|
| Pair 1 | Before | -0,0042 | 42 | 0,02486 | 0,00384 |
| | After | 0,2502 | 42 | 1,60210 | 0,24721 |

***Source:*** *Data were processed using SPSS 26 by the researcher (2024).*

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Table 3 shows that the average return before and after the announcement of the rights issue rose from -0.004 to 0.250, representing an increase of 0.254. N indicates the number of data points, which is 42 companies. The standard deviation shows that the data before and after the right issue announcement are 0.024 and 1.602, respectively. The standard error before and after the right issue announcement is 0.003 and 0.247, respectively.

**Table 4. Paired Sample Correlation Statistical Test**

***Paired Samples Correlations***

| | | N | Correlation | Sig. |
|---|---|---|---|---|
| Pair 1 | Before and After | 42 | 0,164 | 0,300 |

***Source:*** *Data were processed using SPSS 26 by the researcher (2024).*

Table 4 shows whether there is a relationship between the average before and after the announcement of the rights issue. It can be seen that the significance value of 0.30 is greater than 0.05, so it can be concluded that there is no significant difference in the relationship before and after the announcement of the rights issue.

**Table 5. Paired Samples Correlation Statistical Test**

***Paired Samples Correlations***

| | | **N** | **Correlation** | **Sig.** |
|---|---|---|---|---|
| Pair 1 | Before and After | 42 | 0,164 | 0,300 |

***Source:*** *Data were processed using SPSS 26 by the researcher (2024).*

From Table 5, it can be seen that the 2-tailed significance value of the average return is 0.30, which is greater than 0.05, so H1 is rejected. This means that there is no difference in the average before and after the announcement of the rights issue.

**Discussion**

The results of this study indicate that the announcement of a rights issue by a company does not have a significant impact on changes in stock returns. Although there appears to be a descriptive difference between the average stock returns before and after the announcement of the rights issue, the results of inferential statistical analysis indicate that this difference is not statistically significant. Thus, the information about the rights issue disclosed by the company is not strong enough to trigger a meaningful market reaction. When investors do not respond significantly to such information, it can be concluded that the announcement has failed to change investor sentiment or expectations regarding the company's future performance prospects. This situation suggests that the market is either passive or indifferent to the announcement. Within the framework of efficient market theory, these results indicate that information considered relevant and material by the company is not necessarily viewed as such by investors. The lack of market response to the rights issue also suggests that the public may view the announcement as a routine action or one that does not sufficiently reflect promising business prospects. Therefore, although there is a technical change in the average return, since it is not statistically significant, it can be concluded that the market did not sufficiently appreciate this corporate event.

This is an important note for companies to consider when developing their communication strategies to the public and investors regarding material corporate

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actions, such as rights issues. Specifically, the results obtained in this study indicate that information about rights issues is not considered important enough or does not contain strong strategic signals by market participants. In capital market theory, public information that has strategic value will create a visible reaction in changes in stock prices or trading volume.

However, in this case, investors did not seem to interpret the rights issue as a strong indicator of the company's future financial performance or growth direction. This reinforces that the effectiveness of information in the capital market heavily depends on the context in which it is communicated, including the extent to which details accompany the information on the use of funds and the company's long-term strategic objectives. Often, rights issues are conducted without detailed explanations, leading to uncertainty among investors. When the information provided is not accompanied by a straightforward narrative about its purpose and benefits, the potential of such information as a positive signal is reduced. In this context, the market perceives that corporate actions such as rights issues do not add significant value or reflect management's optimism about the company's future. Therefore, clarity and transparency of information are essential to make right issue announcements an effective tool in influencing investment decisions. As such, companies must recognize that investors' perceptions of information are not solely determined by the formal substance of the announcement but also by the quality of communication and the credibility of the party conveying the information.

These findings reveal a discrepancy between the empirical results obtained and the conceptual framework built based on signal theory. According to signal theory, companies convey information to the market through corporate actions, one of which is a rights issue. In this view, a rights issue should send a positive signal to investors, mainly if it is carried out for productive purposes such as business expansion or investment in strategic assets. Investors are expected to respond to these signals with increased confidence in the company's performance prospects, which is then reflected in stock prices. However, the findings of this study indicate that rights issues did not have the desired effect. This suggests that the signals sent by companies were unable to capture the attention or build confidence among investors. One possible cause of this condition is the information gap between the company and the market, or because investors have doubts about the purpose and effectiveness of the use of proceeds from the rights issue. When signals are sent without being followed by convincing evidence or plans, their power is diminished. This shows that the success of signals is highly dependent on how companies manage market expectations and provide complete, reliable, and relevant information.

In this case, the signaling theory is not empirically confirmed because there is no significant relationship between corporate actions and market responses. This discrepancy suggests that information related to rights issues is not yet sufficiently trusted by the market or lacks a clear direction for the use of funds. In many cases, investors require more detailed information to determine whether a corporate action will have a positive impact on the company's value.

Suppose the announcement of a rights issue is not accompanied by an explicit explanation of whether the funds will be used for business expansion, debt repayment, or other operational needs. In such cases, investors tend to adopt a neutral or even pessimistic stance. Hartomo (2014) argues that rights issues used to

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pay off debt are often interpreted as a negative signal because they indicate liquidity pressure or unhealthy financial conditions. In the context of this study, the market did not respond positively because there were no strong indications that the proceeds from the rights issue would be used to support the company's long-term growth. This reflects the market's high demand for transparency and accountability in the company's strategic decision-making. Investors who do not receive clarity on the use of funds will doubt the effectiveness of the rights issue and choose not to react actively. Additionally, this situation also indicates that the Indonesian capital market, in some cases, is conservative in responding to uncertain signals. Therefore, to make a rights issue an effective signal, companies must ensure that the communication strategy used is informative, consistent, and capable of building investor confidence in the company's future business direction.

In comparison with previous studies, the findings of this study align with those of Dewi & Candraningrat (2019) and Ardiansyah et al. (2024), who stated that there is no significant difference in stock returns before and after the implementation of a rights issue. These studies also indicate that investors do not respond enthusiastically to rights issue announcements, likely due to the perception that such actions are not a strong enough signal about the company's prospects. These insignificant results indicate that the market tends to ignore rights issues as strategic information unless clear and growth-supporting plans for the use of funds accompany them. However, these results are contrary to the research conducted by Parmitasari & Kandi (2016), who found that rights issues have a significant impact on stock returns. In their study, investors responded positively to rights issues, which was thought to be influenced by the company's context, industry sector, and the clarity of the information provided. This indicates that the impact of rights issues on stock prices is context-dependent and highly influenced by investors' perceptions of the strategic objectives of the action. The differences between these research findings emphasize that market reactions to rights issues are not universal. In some cases, rights issues can be accepted as a positive signal if accompanied by convincing growth prospects and measurable business strategies. However, in the context of this study, the lack of clarity regarding the purpose of the funds and possibly the low reputation of some companies conducting rights issues led to the signal losing market confidence.

## CONCLUSION

This study aims to investigate whether there is a difference in the average stock return before and after the announcement of a rights issue in companies listed on the Indonesia Stock Exchange (IDX) during the period from 2020 to 2023. Using a quantitative approach and parametric Paired Sample T-Test analysis, the findings indicate that while there are differences in stock return values before and after the announcement of a rights issue, these differences are not statistically significant. Thus, the results indicate that information regarding rights issues does not have a significant impact on market reactions. Investors tend not to respond significantly to such announcements, reflecting that the market adopts a passive stance toward this information and that there are no substantive changes in expectations regarding the company's future performance.

This study makes an important contribution to the academic field by showing the inconsistency between signal theory and market reactions to right issue

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announcements, particularly in the context of the Indonesian capital market. Theoretically, these results enrich the scientific discourse by indicating that the effectiveness of corporate signals still depends on the context of delivery and market perceptions. From a practical perspective, this study implies that investors should not automatically assume that rights issues always have a positive impact on stock value. For companies, it is essential to clearly and transparently communicate the purpose of issuing new shares, thereby creating a positive perception in the market. Efforts to maintain corporate reputation and credibility are also important factors in ensuring that the signals conveyed are perceived positively by investors.

This study has several limitations. First, the scope of observation is limited to five days before and five days after the announcement of the rights issue, which cannot capture the medium- or long-term impact of the event. Second, the low correlation between the rights issue variable and stock returns suggests the possibility of other factors that may be more dominant in influencing market reactions. Therefore, further research is recommended to expand the observation period to several weeks or months after the announcement to capture market dynamics more comprehensively. Additionally, subsequent studies could consider other variables such as secondary offerings, private placements, company reputation, and the use of funds raised from the rights issue to provide a more comprehensive understanding of the relationship between corporate policies and investor responses.

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