IS THE RIGHTS OFFERING ANNOUNCEMENT GOOD OR BAD? (EMPIRICAL STUDY ON THE USE OF FUNDS FOR INVESTMENT AND DEBT REPAYMENT PURPOSES FOR THE 2016 - 2019 PERIOD)

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Abstract

This study aims to determine changes in market reactions to the rights offering based on the purpose of investment and debt repayments. This research indicator uses abnormal return and trading volume activity. The research observation period was conducted five days before and after the effective date. The research object was all companies listed on the Indonesia Stock Exchange from 2016 to 2019. The samples were collected from 42 companies using the purposive sampling technique. Data testing used Wilcoxon Signed Rank Test and paired sample t-test. The result shows that the rights issue for investment purposes has differences in abnormal returns and trading volume activity around the effective date. Meanwhile, there were no differences in abnormal returns and trading volume activity around the effective date for restructuring purposes. From these results, the researcher recommends that investors look at the purpose of using company funds to improve the quality of investment decision-making..

Keywords: Right Issue, Abnormal Return, Investment, Debt Repayment, Trading Volume Activity

INTRODUCTION

This article investigates the market reaction to investment and debt repayment announcements on the firms that will conduct rights offerings. Rights offerings have long been recognized as an alternative for public companies to raise funds. Rights offerings provide a mechanism for companies to raise capital from existing shareholders efficiently, fairly, and at a low cost (Au Yong et al., 2021). The proceeds can be used in company activities for investment, restructuring, and other purposes. However, behind these advantages, there is still a risk of market reactions that can lead to indirect costs that the company must bear. Market reaction is feedback about the information that appears in the market and can lead to the company's good or bad news (Fahmi, 2015). Theoretically, the rights issue increases the number of shares and can affect the stock prices (Amir & Suaryana, 2019). Prior studies indicated that announcements of seasoned equity offerings commonly provide negative abnormal returns (Veld et al., 2020). The pecking order theory is one reason why stock prices decline when companies announce the issuance of new shares.

This theory was developed by Myers & Majluf (1984), who explained the existence of information asymmetry between company management and investors. When a stock issuance announcement occurs, the managers want to notify investors about a great investment opportunity, but investors are skeptical and cannot verify this claim (Gitman et al., 2018). Therefore, managers anticipate this by preferring them to use funding that is immune from the problem of information asymmetry (Myers & Majluf, 1984). According to the theory, the market reaction causes the cost of capital of rights offering to be much higher. On the other hand, Fahmi (2015) argued that using the fund in a specific way could provide a good or bad signal to the investors. The same argument came from Silva & Bilinski (2015), who found that SEO purposes for investment and debt repayment have different impacts on the market reaction. Companies conducting rights offering for investment purposes indicate that they have succeeded in managing their resources and need additional funding to grow their business. However, if the companies intend to pay their maturing obligations with the rights offering, the investors will assume that the company is experiencing financial distress.

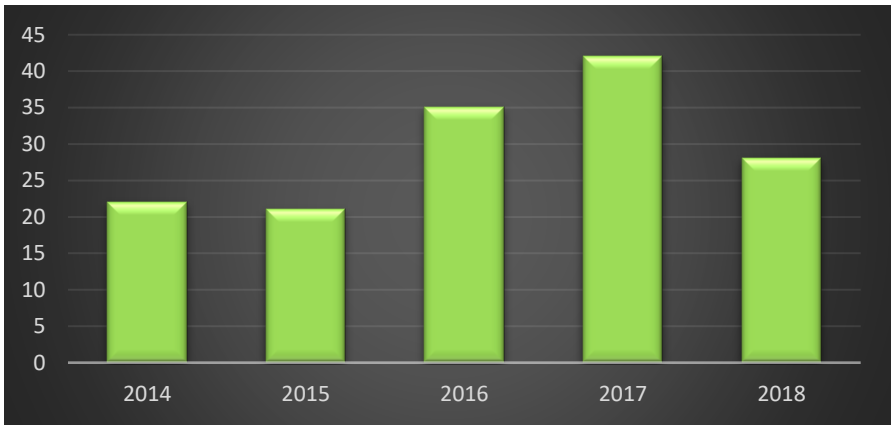

Figure 1. Amount of Rights Offering in Indonesia during 2014 - 2018
Source: idx.co.id (2019)

In Indonesia, companies commonly use rights offering to raise their capital in a short period. The table shows that the number of corporate actions is still in demand as an alternative to raising capital. In 2017, the Indonesia Stock Exchange (IDX) recorded the highest number of rights issue announcements, with 42 events. Before the rights offering is conducted, the company will release publications to ensure the investors are aware of this corporate action. The publication can contain information that causes the change in stock liquidity around the announcement and reflects investors' expectations of the company's future performance (Chen et al., 2020). The study also conducted by Ariani et al. (2016) found that stock liquidity will be increased after the rights offering is announced. According to the theory, if investors consider the rights offering essentials, there will be changes in stock liquidity or stock return. However, many prior studies about rights offerings in Indonesia tend to have insignificant results (Suthiono & Atmaja, 2019), and it does not separate the purpose of using the funds. We argue that there would be significant differences in abnormal return and stock liquidity if the tests were conducted separately between rights offerings for investment and debt repayment purposes. In addition, in 2015, the Indonesia Financial Services Authority (OJK) also released a new policy that changed the rights offering mechanism. This case brings questions about investor behavior consistency in the market and the new research needed to solve the puzzle of rights offering in Indonesia, especially when the effective date has come.

LITERATURE REVIEW

Rights Offering

The rights offering gives the first chance for existing investors to purchase the new shares. In essence, these rights give a shareholder to buy a firm's new shares in proportion to their current ownership position (Smart et al., 2017). The rights granted by the company to the old investors are known as preemptive rights. The old shareholders use this right to keep their control and protect their ownership proportion in the company when the new shares issuance policy appears (Fahmi, 2015). In practice, these rights are not required to be redeemed by investors. However, it has several implications if the shareholder who gets the rights does not redeem their rights. Gitman et al. (2018) explain several impacts if shareholders are not using their preemptive rights. First, it will decrease their ownership proportion resulting from the sale of new shares (dilution of ownership). Second, an increase in outstanding shares reduces the income that investors can claim from ordinary shares (dilution of earnings).

The decision to conduct a rights offering is not only driven by expansion plans. Companies tend to issue shares rather than debt when the risk increases but prefer debt after risk decreases (Dierker et al., 2019). Dewi & Vijaya (2018:124) explain some of the company's motivations in conducting rights issues from the perspective of financial performance, namely: (1) Issuers who intend to make rights offerings are companies with financial difficulties but not in a dangerous financial distress position. (2)The company no longer adds several debts because they have touched their maximum ability to pay the debt, so additional capital is needed by not taking loans to outside parties. (3) The company involves its old shareholders by conducting a rights issue to commit and strengthen the business plan decisions that the management has taken until it is implemented. (4) The company views the rights issue as a strategy to reduce short-term and long-term risks. The company does not pay interest expenses to outsiders in the short term. In the long term, the company's management becomes more focused on the prosperity of the old shareholders. (5) Externally, investors consider the company capable of solving various internal problems.

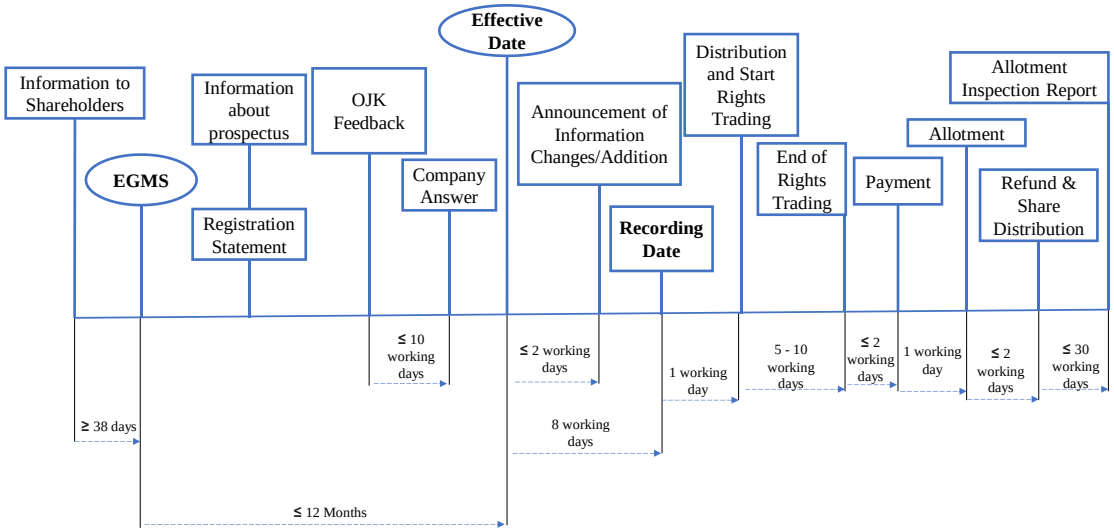

Figure 2. Rights Issue Mechanism in Indonesia
Source: ojk.go.id (2015)

In Indonesia, the first procedure to conduct rights offerings is holding an Extraordinary General Meeting of Shareholders (EGMS) as a plan to obtain approval. The EGMS must be attended to and approved by at least half of the number of independent shareholders that are not affiliated with the public company. The company is also required to disclose information regarding the EGMS at least once through a national daily newspaper written on the Indonesian or stock exchange website and the company's official website.

After obtaining approval through the EGMS, the company can submit the registration statement, cover letter, prospectus, and other supporting documents regarding information disclosure to the Indonesia Financial Services Authority. The period between the EGMS approval date and the registration statement's effective date should not be more than 12 months. Shareholders entitled to preemptive rights are registered eight days after the registration statement. Rights trading transactions are conducted 5-10 working days after the distribution date.

Signaling Theory, Pecking Order Theory & The Risk

According to Gitman et al. (2018), the signal is a funding action taken by the company in providing instructions to investors on how management views the value of the company's shares. Signaling theory is closely related to asymmetric information between shareholders and company management. Asymmetric

information indicates that managers know more about their companies' prospects, risks, and future value than investors (Gitman et al., 2018). Therefore, this situation explains why companies are motivated to give the stored information to external parties. Investors are generally passive and have limited time to make decisions. They tend to focus on important news or events driven by news releases, high trading volumes, or extreme returns (Berk & Dermazo, 2019). Investors need the information to decide whether they will invest or not in a company. Signaling theory explains how data can signal to investors about management's success or failure (Suganda, 2018). The price balance formed in the market is an agreement reached by all market participants regarding the asset value based on the available information (Hartono, 2017). Investors will respond positively to information that can provide good news so that the market will experience positive abnormal returns, or it can also provide bad news to investors who will cause negative abnormal returns (Tandelilin, 2017).

According to Holderness (2019), when shareholders approve the issuance of shares, the market reaction to the initial announcement is, on average, positive. On the other hand, when managers unilaterally issue shares, the average announcement effect has a negative market reaction. This happens due to the existence of information asymmetry faced by the investors, especially in the US stock market (Holderness, 2019). Referring to the research of Veld et al. (2020), many journals indicated negative market reaction results, and this is based on the pecking order theory.

The pecking order theory was first discovered by Myers & Majluf (1984) because of the information about an investment owned by shareholders or buyers. The unequal distribution of information causes investors to monitor every action taken by managers to obtain information on the company's prospects, so the managers are careful in taking actions that outsiders can take (Clayman et al., 2012). When announcing new stocks, managers want to inform investors about great investment opportunities, but investors are skeptical and have no way of verifying this claim (Gitman et al., 2018). Therefore, when a company announces the issuance of new shares, investors rationally protect themselves against information asymmetry by setting the value of these shares at discounts (Frank et al., 2020). Managers anticipate this price discount and prefer to use another funding that is immune to

the problem of asymmetric information (Myers & Majluf, 1984). The use of retained earnings is considered a cheap solution to meet revenue. If it is needed from external sources, companies will prefer to issue loans first before being given the shares as a last resort (Brigham & Houston, 2015). With asymmetric information, managers can issue new shares when the security price is overvalued to maximize fundraising, especially for restructuring purposes (Veld et al., 2020). Furthermore, the share price will fall more often after announcing a new share offering.

There are several reasons why these companies undertake external financing. First, those who issue shares are more likely to be in companies that are overleveraged and overvalued because companies that are overvalued already have a buffer against the decline in share value at the time of issuance (Asad et al., 2020). On the other hand, firms have limited collateral to creditors; therefore, most of the funding relies on external equity financing (Bolton et al., 2019). Accordingly, the companies must have high growth prospects in the future when they want to offer shares.

The old shareholders must approve the rights offering in Indonesia, and at least 50% of independent shareholders agree to this corporate action. Prior journals find that the closer the time for shareholder voting to issuance or the more significant the percentage of shareholders approving the offer, the more positive the market reaction (Holderness, 2019). Companies that conduct rights offerings for investment purposes will give the signal that the companies have succeeded in managing their resources and need more funding to grow their business (Fahmi, 2015), and it causes positive abnormal returns (Aryasa et al., 2017).

Silva & Bilinski (2015) studied using the proceeds from the rights offering at the London Stock Exchange. In the short term, companies that use the proceeds from the rights offering for investment purposes have given signals about opportunities to increase the company's value to the market. The company that will use a rights issue to pay its maturing obligations, the investors will catch a signal that the company is experiencing financial distress, and it causes negative abnormal return because the investors think the price is too high (Silva & Bilinski, 2015; Veld et al., 2020). Furthermore, companies that use the proceeds of raising funds to increase investment have a greater abnormal return than companies threatened with financial

distress (Lestari & Wirama, 2019; Walker & Wu, 2019). We argue there is a difference between abnormal returns before and after the announcement of rights offerings for investment and debt repayment purposes.

When the company uses its funds for debt repayment, it assumes they try to reduce the risk faced by the company. When the company decreases its risk, it sends the signal that makes the market maker interested in making more transactions that cause the stock liquidity to increase (Kang et al., 2017). Asad et al. (2020) found a positive market reaction to the announcement due to a decrease in the amount of debt towards the optimum. When stock liquidity increases, the cost of equity decreases, making the issuance of shares more attractive than debt (Dang et al., 2019). As a result, companies with high liquidity tend to have a lower proportion of debt in their capital structure.

Ariani et al. (2016) found that after rights offering announcement causes a change in preferences for investors. Changes in liquidity around news publications reflect investors' expectations of the company's future performance (Chen et al., 2020). Zheng (2020) found that trading volume decreased on unexpected and expected announcements. This is because traders wait and see until the news is released, and the trade will increase after the report is published. It differs from Chen et al. (2020) in China when the first announcement came. It still brought asymmetric information, and the investor waited to publish other information. It certainly inspires us what happens when the final report is released. Especially on the effective date when the company provides the final information based on the Indonesia rights offering mechanism. We argue there is a difference in stock liquidity before and after the announcement of rights offerings for investment and debt repayment purposes.

RESEARCH METHODS

Research Hypothesis

This study tests market reaction differences before and after the effective date. From the literature, the following hypotheses can be formed:

H1: There are differences in abnormal returns before and after the rights issue announcement for investment purposes.

H2: There are differences in abnormal returns before and after the rights issue announcement for debt restructuring purposes.
H3: There is a difference in the average trading volume activity before and after the rights issue for investment purposes.
H4: There is a difference in the average trading volume activity before and after the rights issue for debt restructuring purposes.

Research Approach & Research Model

Research that observes how the market reacts to a published announcement is called event studies (Tandelilin, 2017). An event study investigates the relationship between market reactions to information content that can be in the form of good news or bad news by analyzing abnormal returns or liquidity from stocks that may affect the company's prospects in the future. An event study requires an event window in which the impact of an event will be measured. Mcwilliams & Siegel (1997) argue that a long window period increases the likelihood of capturing a confounding effect and thus results in biased results. Furthermore, Brown & Warner (1985) found that an extended event window reduces the statistical power of abnormal returns. Still, the test will be specific if the window period is longer than one day. The window period used in this study is five days before the effective date and five days after the effective date (-5, +5), and the total window period used is 11 days.

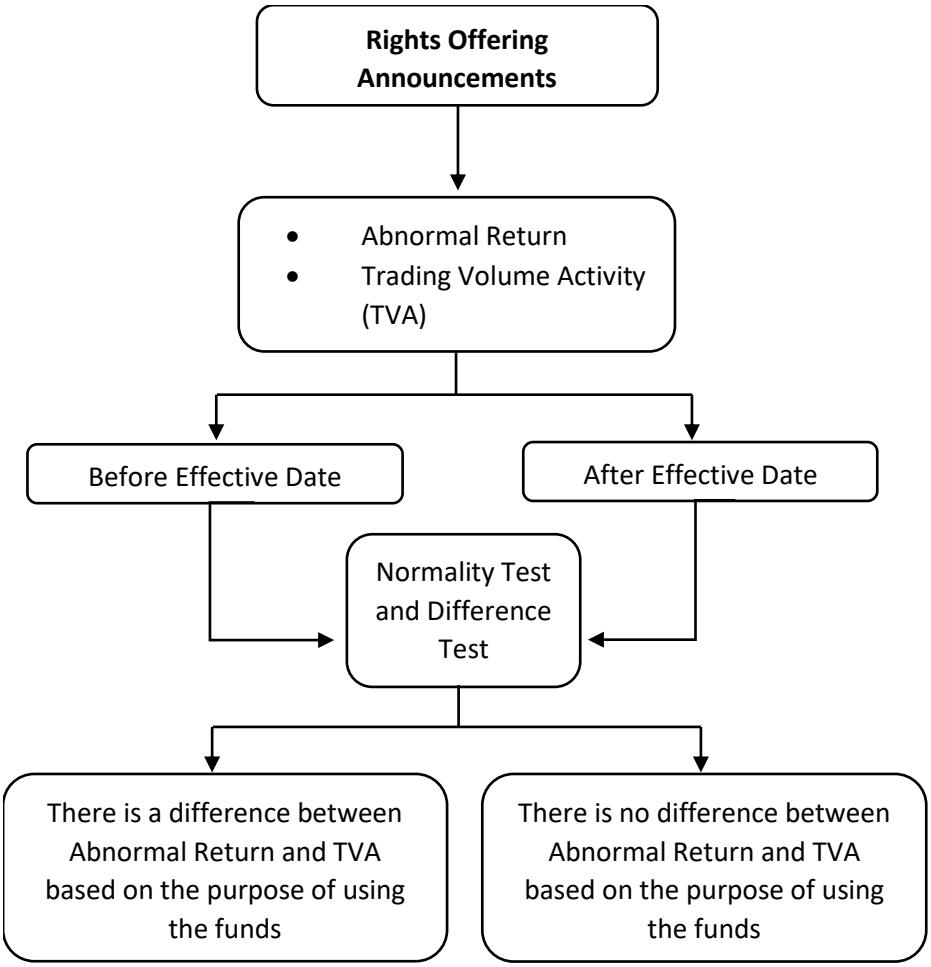

Figure 3. Initial Research Model

Source: Data processed by author (2021)

Population and Sample

The population in this study are companies listed on the Indonesia Stock Exchange that conducted rights offering from 2016 to 2019. The population is 119 announcements. In this study, the data collection technique used the purposive sampling technique by determining the criteria to be sampled. Rights issue dates must be accessible through the prospectus from the media or relevant authorities. The prospectus clearly states the purpose of using the funds for both plans. We group project funding, capital expenditures, R&D expenditures, expansion, and acquisitions as investment purposes, as Silva & Bilinski (2015) study. Then, the company does not take other corporate actions simultaneously. The company lists the purpose of using funds specifically for one purpose or has the most significant

proportion, which is more than 50% compared to other plans for using funds. The total sample that can be processed is 42 rights issue announcements. The results of data sorting based on research variables contained 31 announcements for investment purposes and 11 announcements for restructuring purposes.

Data Collection Technique

This study uses secondary data from several sources that can be accessed publicly through the Indonesia Stock Exchange (IDX) website, the Indonesia Central Securities Depository (KSEI), and the company's official website. Meanwhile, the daily market index, daily stock prices, and daily trading volume can be obtained through finance.yahoo.com.

Variable Operationalization

Abnormal return is the difference between actual and expected returns (Hartono, 2017). This study uses a market-adjusted model to estimate the expected return. This model assumes that the best estimator for estimating stocks is the market return index for that period (Hartono, 2017). The formula can be used as follow:

$$AR_{i,t} = R_{i,t} - R_{Mt} \quad (1)$$

Where is $R_{i,t}$ the actual return for the *i*-th stock in the t-period, and R_{Mt} is the market index return in the t-period. The actual return can be calculated as follow:

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}} \quad (2)$$

Where is $P_{i,t}$, stock price (*i*) on the current day (*t*), and $P_{i,t-1}$ is stock price (*i*) on the previous day (*t-1*). The expected return can be calculated as follow:

$$E[R_{i,t}] = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}} \quad (3)$$

Where is $IHSG_t$ Composite Stock Price Index on the current day (*t*), and $IHSG_{t-1}$ is Composite Stock Price Index on the previous day (*t-1*). After calculating the abnormal return then calculate the average in the window period before and after the event date with the formula:

$$AAR_{i,t} = \frac{\sum AR_{i,t}}{n} \quad (4)$$

Trading Volume Activity (TVA) can be used as an indicator to observe the market reaction to an event. Trading transaction activity was first used by Beaver (1968). Trading volume activity measures the sales of each transaction that occurs on the stock exchange at a specific time for specific stocks and is one of the factors that also influences stock movements (Ariani et al., 2016). The formula for calculating trading volume activity is as follows:

$$TVA = \frac{number\ \ of\ shares\ i\ traded\ \ in\ period\ \ t}{number\ \ of\ shares\ i\ outstanding\ \ \ in\ period\ \ t} \quad (5)$$

After calculating the trading volume activity then, calculate the average in the window period before and after the event date with the formula as follow:

$$\bar{X}TVA = \frac{\Sigma_{i=1}^{n} TVA_i}{n} \quad (6)$$

Data Analysis Technique

The research used Microsoft Excel and SPSS version 24 as a statistical tool to make descriptive statistics, measure the normality, and test the hypothesis.

RESULT AND DISCUSSION

The data have to pass the normality test to find out what analytical techniques can be used. This test also aims to determine whether or not the information is usually distributed. The normality test of this study uses the Shapiro-Wilk test with the criteria that can be used is the two-tailed test. The Shapiro-Wilk test was carried out using a significance level of 0.05. Data is normally distributed if the significance value is more significant than 0.05. On the other hand, the information is not normally distributed if it has significantly less than 0.05.

Table 1. Normality Testing Result

		Shapiro-Wilk		
	Code	Statistic	df	Sig.
Result	AR Invest Before	.778	31	.000
	AR Invest After	.666	31	.000
	TVA Invest Before	.222	31	.000
	TVA Invest after	.381	31	.000
	AR Rest Before	.894	11	.154
	AR Rest After	.936	11	.473
	TVA Rest Before	.810	11	.013
	TVA Rest After	.453	11	.000

Source: Data processed by author (2021)

Table 1 shows that the significance value of the Shapiro-Wilk test is less than 5% ($\alpha < 0.05$) on abnormal returns and trading volume activity for investment purposes, so the data can be said to be not normally distributed. Testing on these variables can use Wilcoxon signed-rank test. The abnormal return variable on the rights issue for restructuring purposes in the period before and after has a significance value of more than 5% ($\alpha > 0.05$), where before the effective date is 0.154 and after the effective date is 0.473, so that hypothesis testing is more suitable using paired sample t-test. Before and after the effective date for restructuring purposes, the trading volume activity variable has a significance value of more than 5% ($\alpha > 0.05$), so the data is not normally distributed. Then the hypothesis testing using Wilcoxon signed-rank test.

Descriptive statistics is a type of statistics used to analyze data by describing the data that has been collected as it is without intending to make general conclusions or generalizations (Sugiyono, 2018). The descriptive statistics of this study use the mean, standard deviation, minimum and maximum value.

Table 2. Descriptive Statistic

Code	N	Minimum	Maximum	Mean	Std. Deviation
AR Invest Before	31	-.0440	.0659	.0003	.0187
AR Invest After	31	-.0195	.1634	.0169	.0436
TVA Invest Before	31	.0000	.0968	.0038	.0173
TVA Invest after	31	.0000	.1009	.0077	.0217
AR Rest Before	11	-.0407	.0499	-.0032	.0226
AR Rest After	11	-.0109	.0214	.0022	.0107
TVA Rest Before	11	.0000	.0010	.0003	.0004
TVA Rest After	11	.0000	.0081	.0011	.0024

Source: Data processed by author (2021)

Table 2 shows that, on average, abnormal returns on rights issues have increased. The mean abnormal return for investment purposes before the effective date is 0.0003, and the mean abnormal return after the effective date is 0.0169. Before the effective date, the minimum value from the data before the effective date is -0.0440, and the maximum value is 0.0659. The minimum value from the data after the effective date is -0.0195, and the maximum value is 0.1634. the standard deviation increases from 0.0187 to 0.436. Trading volume activity on the rights issue for investment purposes rose from 0.0038 before the effective date to 0.0077 after. Before the effective date, the minimum value from the data is 0.0000, and the maximum weight is 0.0968. The minimum value from the data after the effective date is 0.0000, and the maximum value is 0.1009. the standard deviation increases from 0.0173 to 0.0217.

On average, abnormal returns on rights issues for restructuring purposes have increased. The mean of the overall abnormal return before the effective date of -0.0032 rose to 0.0022 after the effective date. The minimum value from the data before the effective date is -0.0407, and the maximum value is 0.0499. The minimum value from the data after the effective date is -0.0109, and the maximum value is 0.0214. The standard deviation increases from 0.0173 to 0.0217. The average trading activity on the rights issue for restructuring purposes has increased. The mean trading volume activity before the effective date was 0.0003 and rose to

0.0011 after the effective date. The minimum value from the data before the effective date is 0.0000, and the maximum value is 0.0010. The minimum value from the data after the effective date is 0.0000, and the maximum value is 0.0081. The standard deviation increases from 0.0004 to 0.0024.

From table 2, we realize some of the companies have a significantly lower value. The ranking on the Wilcoxon signed-rank test for abnormal returns is done by looking at the multiplication of 103 with different results. If the resulting difference is too small or less than one (diff < 1), it will be considered to have the same number of changes and be given a zero rating. Also, the trading volume activity is done by looking at the results of the multiplication of 105 with the different results. If the resulting difference is too small or less than one (diff < 1), it will be considered to have the same number of changes and be given a zero rating.

Hypothesis Test. Data testing used the Wilcoxon Signed Rank Test for hypothesis three. Then, hypothesis one, hypothesis two, and hypothesis four used paired sample t-test.

Table 3. Wilcoxon Signed Rank Test for Hypothesis 1

Description	Abnormal Return for Investment
Z	-1.958
Asymp. Sig. (2-tailed)	0.050

Source: Data processed by author (2021)

The test table above shows the value of sig. (2-tailed) of 0.050 or less equal to 0.05 ($0.050 \leq 0.05$) so that H0 is rejected and Ha is accepted. In the sense that companies that conduct rights issues for investment purposes show significant differences in abnormal returns around the effective date.

In the descriptive analysis, companies that conduct rights issues for investment purposes have an abnormal return before the effective date of 0.0003 and increases after the effective date to 0.0169. The existence of differences in abnormal returns supports the study of the findings of Silva & Bilinski (2015), which states that there is a positive abnormal return if the stock offering is used for investment. In the short term, companies that claim to use rights issue funds for investment purposes have

succeeded in giving signals about opportunities to increase company value to the market. These results are also similar to studies conducted by Aryasa et al. (2017) and Walker & Wu (2019), where this announcement shows that the market gives a good response. Meanwhile, this finding does not support the research from Veld et al. (2020), which revealed no significant abnormal return on the use of offerings for investment purposes.

Table 4. Wilcoxon Signed Rank Test for Hypothesis 3

Description	Trading Volume Activity for Investment
Z	-3.171
Asymp. Sig. (2-tailed)	0.002

Source: Data processed by author (2021)

The test table above shows the value of sig. (2-tailed) of 0.002 or less than 0.05 (0.002 <0.05) so that H0 is rejected and Ha is accepted. In the sense that companies that conduct rights issues for investment purposes show significant differences in trading volume activity around the effective date.

In line with Zheng (2020), trading volume will increase after the announcement is published. Ariani et al. (2016) announcements about effective dates contain information that can influence investor preferences. This difference can be seen through changes in trading volume after the effective date. From the mean, there is a change in stock liquidity from before the effective date of 0.0038 to 0.0077 after the effective date.

The results of this study are also consistent with previous research conducted by Velayutham (2019) and Kang et al. (2017) regarding stock liquidity around the announcement of rights issues. Investment activities also reduce the company's risk so that market makers increase stock liquidity after the announcement (Kang et al., 2017). The increase in stock liquidity after the rights issue announcement was because the information disseminated had been absorbed by investors, so investors' understanding of corporate actions increased, and information asymmetry decreased. Companies that conduct rights issues for investment purposes strongly signal changes in price and stock liquidity. In the opinion of Dewi & Vijaya (2018),

rights issues must be profitable for the company and its shareholders. Rights are granted free, and redemptions are generally below market value. It also gives the investment opportunity and makes non-shareholder investors interested in participating in trading transactions.

Table 5. Paired Sample T-test for Hypothesis 2

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	Upper			
Pair 1	Abnormal Return for Restructuring	-0.0055	0.0248	0.0075	-0.0221	0.0112	-0.731	10	0.481

Source: Data processed by author (2021)

The test table above shows the value of sig. (2-tailed) of 0.481 or more than 0.05 (0.481>0.05) so that H0 is accepted and Ha is rejected. In the sense that companies that conduct rights issues for restructuring purposes do not show any significant differences in abnormal returns around the effective date.

The finding indicates that the abnormal return for restructuring purposes is lower than for investment funding purposes; this finding supports Walker & Wu (2019) and Aryasa et al. (2017). Issuing shares to pay debts can reduce shareholder value (Silva & Bilinski, 2015). As a result, the announcement of the distribution of shares to pay off debt received less response from the market. Meanwhile, Veld et al. (2020) research show that the market reacts negatively to rights issues for restructuring purposes. This finding is near to Asad et al. (2020), which state that there is a positive market reaction around the announcement due to a decrease in debt in an optimal direction. In descriptive statistics, the purpose of abnormal return for debt repayment before the effective date is -0.0032, increasing to 0.0022 after the effective date. However, the hypothesis test showed that the increase was not significant.

Table 6. Wilcoxon Signed Rank Test for Hypothesis 4

Description	Trading Volume Activity for Restructuring
Z	-1.481
Asymp. Sig. (2-tailed)	0.139

Source: Data processed by author (2021)

The test table above shows the value of sig. (2-tailed) of 0.139 or less than 0.05 (0.139>0.05) so that H0 is accepted and Ha is rejected. In the sense that companies that conduct rights issues for restructuring purposes do not show any significant differences in trading volume activity around the effective date.

The results of this study do not support the research of Chen et al. (2020), where stock liquidity will decrease after the rights issue announcement. The results of this study also do not support the research of Kang et al. (2017) regarding the more significant risk shift affecting the greater change in stock liquidity as well, Velayutham (2019), where there was an increase in stock liquidity after the announcement of the rights issue, and Zheng, (2020) who stated that there was a change in trading volume after the report. From both abnormal return and trading volume activity, we conclude that investors consider the information which the right issue for debt repayment purposes is less attractive. Meanwhile, rights issues can be implemented because it is good news for old investors. The goal of the rights issue is good, namely, to save the company's finances. According to Dewi & Vijaya (2018), companies view rights issues as a strategy to reduce short-term and long-term risks. In the short term, the company can reduce paying the interest to outsiders. In the long term, the company's management becomes more focused on the prosperity of the old shareholders. Externally, old investors consider the company still capable of solving various internal problems. Walker & Wu (2019) stated that issuing new shares could increase business sustainability opportunities. From this statement, the rights issue can be carried out because of the critical role of old investors in approving corporate actions. Even then, prices and trading volume changes will not change much after the effective date because non-shareholder investors are less interested in making transactions in these shares.

We can see that rights offering does not have the worst impact on the market reaction of investment and debt repayment purposes after the effective date. We argue it happens because, in Indonesia, rights offering must be approved by the investor and at least a half by independent investors nonaffiliate. According to Holderness (2019), when shareholders approve the issuance of shares, the market reaction to the initial announcement is positive. The greater the percentage of shareholders approving the offer, the more positive the market reaction. However, this finding does not study wealth transfer between existing and new investors after the effective date and the effect of price discount. The questions can be explored in future research.

CONCLUSION

Companies that conduct rights issues for investment purposes give a strong signal change for price and stock liquidity. The increase in abnormal return and stock liquidity is good news that there is a signal about investment opportunities. In making decisions, investors must look at the information, especially the prospectus issued by the company, to improve the quality of the decisions taken. The company is also expected to be able to disclose information to increase the absorption of capital that will be held. The rights issue for restructuring purposes is less attractive to non-shareholder investors, marked by no significant change in abnormal return and stock liquidity. Whereas, judging from the definition of the rights issue, there is a good reason. This corporate action is a strategy to reduce short-term and long-term risks. Companies can distribute information about business opportunities to reach the interest of non-shareholder investors to increase capital absorption even better. Investors should choose companies with high growth in the future.

Future research can use other methods to improve the quality and consistency of research results. The researcher can add or differentiate more specific proceeds-use by increasing the data period. It also can be developed by examining the period longer and the variable such as the transfer of wealth between new and old investors and price discount.

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