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COMPARISON OF MARKET REACTIONS TO AUTO-REJECTION OF IPO STOCK ON THE INDONESIAN STOCK EXCHANGE DURING 2022 – 2024

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Abstract
This study aims to analyze differences in market reactions, measured by Average Abnormal Return (AAR) and Averange Trading Volume Activity (ATVA), among Intial Public Offering (IPO) stock that experienced Auto Rejection on the Indonesia Stock Exchange during the 2022-2024 period. This study employs an event study methodology comparing market reactions on the event day with the period after the event. The sample consists of 90 comnpanies selected using purposive sampling. The data analysis was conducted using the nonparametic Wilcoxon Signed Rank Test. The result of data analysis and hypothesis testing reveal a significant differences in Averange Abnormal Return (AAR) and Averange Trading Volume Activity (ATVA) between the Auto Rejection and peiod after the event. Market reactions show a declining trend after the occurrence of Auto Rejection. This finding is evidenced by the majority of sampled companies experiencing decreases in abnormal returns and tarading volume during the post event period comnpared to the Auto Rejection day. The results support the semi strong form of the Efficient Market Hypothesis, indicating that the market responds rapidly to price limit information by adjusting stock returns and trading activity.
Keywords*: Initial Public Offering (IPO), Auto Rejection Abnormal Return, Trading Volume, Efficient Market Hypothesis*

Introduction

Indonesia's economic growth and capital market development can be seen form the growing number of investors and companies conducting Initial Public Offering (IPOs). An IPO provides companies with an opportunity to enter the capital market by offering their shares to the public for the first time, allowing them to raise funds for business expansion and strengthen their capital structure (Natsir, 2024). However, IPO stocks are generally high volatility, with prices moving rapidly and often diverging from fundamental values (Dewan & Dharni, 2019). (Guilmi, 2014) explains that stock prices frequently experience substantial fluctuations, deviate from fundamentals, and display volatility clustering, where periods of high volatility are followed by similar periods. These conditions suggest that IPO stock prices are affected not only by company fundamentals but also by investor behavior when responding to market uncertainty (Sibarani, 2024).

In periods of high information uncertainty, investors tend to have difficulty evaluating stocks' fundamental value and are more likely to follow market sentiment. High volatility in IPO stocks is closely related to information asymmetry, which refers to an imbalance in information where some investors possess better information than others. As companies that have recently entered the capital market, IPO stocks generally have limited trading history and publicly available information, making it difficult for investors to evaluate company fundamentals (Talebong & Pagalung, 2024). This condition encourages investors to use market behavior as a reference in making investment decisions and following market movements (Yahya et al., 2024). Consequently, investment decisions become increasingly influenced by collective investor behavior, which may accelerate stock price movements in the market (Qi, 2023).

Collective investor behavior is often influenced by psychological factors and market sentiment, causing investors to make irrational decisions. This response causes the capital market to move in line with market dynamics, including behavioral finance and herding. Herding behavior refers to investors' tendency to follow the majority's actions when making transactions rather than making decisions based on fundamental information (Sibarani, 2024). In periods of high volatility, stock prices are under pressure, causing them to move in a particular direction. For IPO stocks with high information uncertainty, herd behavior can causing stock prices to approach the predetermined price limits more rapidly.

The tendency of stock prices to move toward price limits can be explained by the Magnet Effect Hypothesis proposed by Subrahmanyam (1994). This theory suggests that stock prices act as a "magnet," attracting price movements toward the limit boundary, so rapid trading pressure can drive prices to reach the predetermined price limits. In the Indonesian capital market, the price limit mechanism is implemented through

Auto Rejection Atas (ARA) and Auto Rejection Bawah (ARB), which represent the maximum upward and downward limits on stock prices within a single trading day. When stock prices reach the ARA or ARB limits, the trading system automatically rejects the order. Therefore, the Auto Rejection mechanism serves not only as a trading control instrument but also as a means to address investor behavior that may trigger excessive stock price volatility.

As an acts to limit extreme price movements within a single trading session, the Indonesia Stock Exchange implements the Auto Rejection Atas (ARA) and Auto Rejection Bawah (ARB) mechanisms by setting daily price movement limits (*price limits*). This mechanism is designed to prevent excessive price changes within a short period and provide investors with opportunities to respond to information entering the market. This policy has resulted in changes to market mechanisms, with the previously asymmetric ARB limit being adjusted to a symmetric price limit mechanism on September 4, 2023. Nevertheless, the effectiveness of the price limit mechanism remains debated in financial literature. On the one hand, the mechanism is considered capable of maintaining orderly trading conditions. However, several studies indicate that price limits may influence investor behavior when stock prices approach trading limits.

Several studies show that increased investor attention positively affects to stock market volatility. (Murdani & Wibowo, 2025; Yang et al., 2023) reveal that high market volatility often increases investor uncertainty, thereby triggering larger stock price fluctuations. (Hewamana et al., 2022) show that stock price volatility is influenced not only by macroeconomic factors and company fundamentals but also by investors' psychological factors. Meanwhile, empirical evidence regarding this phenomenon in IPO stocks on the Indonesia Stock Exchange remains very limited, particularly after the change in the Auto Rejection policy from asymmetric to symmetric in 2023.

A study conducted in the Shenzhen Stock Exchange, China, by (Qi, 2023) examined the increase in price limits from 10% to 20% as a natural experiment. The results showed that there was a positive and significant effect on the Magnet Effect Hypothesis. In contrast, a study conducted in the South Korean capital market by (Eom et al., 2022) found that price limits could provide a cooling-off effect that helps reduce market pressure. Previous studies have shown that investor behavior may contribute to faster stock price movements as prices move closer to the price limits (Kaya & Çatak, 2025). These differences in findings suggest that the effectiveness of price limits and the presence of the Magnet Effect Hypothesis are still the subject of global debate in global literature. Therefore, further research is needed to understand how price limits relate to stock price volatility and investor behavior in capital market.

Based on these conditions, this study aims to examine market reactions toward ARA/ARB price limits among IPO stocks listed on the Indonesia Stock Exchange during the 2022–2024 period.

Literature Review

1. Market Efficiency

Information Asymmetry proposed by George Akerlof (1970) explains a condition of information imbalance where some investors possess better information compared to other investors. For Initial Public Offering (IPO) stocks, limited trading history makes it difficult for investors to obtain a complete information of the company's value. Nabila et al. (2024) explain that higher information asymmetry increases risks for investors. This condition makes it difficult for investors to evaluate and assess a company's fundamentals and therefore investors are more likely to follow on market sentiments when making investment decisions (Talebong & Pagalung, 2024). This situation can contribute to market inefficiency because stock prices do not fully reflect the company's fundamental value. As a result, buying and selling pressures can be increased and causing stock prices to move rapidly and become less reflective with fundamental information, thereby reducing market efficiency (Papadimitriou, 2023). The concept of Efficient Market Hypothesis introduced by Fama (1970) emphasizes that market efficiency is determined by the extent to which information is reflected in security prices. Nainggolan (2025) explains that market efficiency testing can be conducted by observing abnormal returns following the release of public information. These findings indicate that market efficiency strongly depends on investors' ability to obtain, process, and respond to available information.

2. Signaling Theory

Signaling Theory, introduced by Spence (1973), explains that parties with greater information provide signals to investors to reduce information asymmetry. (Blajer-Gołębiewska, 2021) states that clear and credible information serves as a signal that influences investor responses toward a company. The better the quality of information disclosed, the higher investors' confidence in the company, leading to more

positive responses in their investment decisions. Every piece of information published to the market provides signals that investors use to evaluate market conditions before making investment decisions (Lukman et al., 2022).

3. Mixture of Distribution Hypothesis

The Mixture of Distribution Hypothesis proposed by Clark (1973). This theory states that stock price changes and trading volume activity are influenced by the arrival of new information to the market. When new information is received by investors, they respond by buying and selling, causing price changes that are reflected in stock returns and increasing volatility and trading volume. (Anwar & Asandimitra, 2018) show that information affects stock trading activity. This finding is consistent with (Al-Qudah & Houcine, 2022), who found that information has a significant effect on market returns and volatility. In addition, (Yusran & Lesmana, 2022) found significant differences in stock prices and return volatility before and after changes in the Auto Rejection policy, while trading volume also showed a significant effect. These findings indicate that information affects investor responses, as reflected in changes in stock returns, volatility, and trading volume.

4. Auto Rejection

Auto Rejection is a mechanism implemented by the Indonesia Stock Exchange to limit stock price movements within a single trading day. The Indonesian capital market applies the Auto Rejection Atas (ARA) and Auto Rejection Bawah (ARB) mechanisms by setting daily price movement limits (*price limits*). This mechanism is designed to prevent excessive fluctuations in stock prices and to determine the maximum limits of price within a single trading day. Once stock prices reaches the ARA or ARB limits, the trading system automatically rejects the orders that exceed the predetermined price limits. Kim and Rhee (1997) explain that price limits serve as a volatility control mechanism, and allowing investors to evaluate available information before making investment decisions.

The results of previous studies (Heradhyaksa, 2022; Utami & Mawardi, 2021) indicate that price limit policies have a positive effect on return volatility and stock price formation processes. Price limits are considered market stabilization instruments that regulate the price-formation process (Heradhyaksa, 2022). (Saputri et al., 2023) found that price limits accelerate stock price movements and influence investor behavior, while (Zhang et al., 2022) demonstrated that widening price limits increase in market liquidity and volatility.

5. Hypothesis Development

Research on the impact of changes in the Auto Rejection policy on IPO stocks during the 2022–2024 period remains limited. Additionally, prior studies have reported inconsistent findings regarding the effects of price limits on abnormal returns, volatility, and trading volume. Drawing on previous research on market reactions to Auto Rejection, as well as the current conceptual framework, this study tests the following hypotheses.

The research conducted by (Nainggolan, 2025) explains that investor responses to information are reflected in changes in abnormal returns. Abnormal returns indicate market inefficiency, where security prices should reflect available information and expected returns. If the market is inefficient, securities may generate returns greater than their normal expected returns, which are referred to as abnormal returns. Therefore, testing market efficiency is essentially a test of abnormal returns.

H1 *: There is a difference in abnormal return between IPO stocks experiencing Auto Rejection*

H2 : *There is a difference in Trading Volume Activity (TVA) between IPO stocks experiencing Auto Rejection*

Research Methods

This study is a comparative study using a quantitative approach and an event-study method. This study aims to analyze differences in market reactions, measured by Abnormal Return (AR) and Trading Volume Activity (TVA), among Initial Public Offering (IPO) stocks that experienced Auto Rejection on the Indonesia Stock Exchange during the 2022–2024 period.

The sample was selected using purposive sampling to more effective, so overall there are 90 IPO companies that met the research criteria. Market reactions were observed over an eight-day event window, spanning the Auto Rejection event (t0) and seven trading days after the event (t1 to t7). The

Abnormal Return and Trading Volume Activity values on the Auto Rejection day were compared with their averages after the Auto Rejection to assess whether market reactions differed following the event. The research data were analyzed using descriptive statistics, normality tests, and the Wilcoxon Signed-Rank Test to examine differences in Abnormal Return and Trading Volume Activity between the period before Auto Rejection and the period after Auto Rejection.

The population in this study comprises all companies that conducted Initial Public Offerings (IPOs) on the Indonesia Stock Exchange during the 2022–2024 period, totaling 171 companies. Sample determination was conducted using the purposive sampling method with the following criteria:

1) Companies conducting IPOs on the Indonesia Stock Exchange during the 2022–2024 period.
2) Companies that have complete stock price data, trading volume data, listed shares data, and Composite Stock Price Index (IHSG) data during the observation period.
3) Companies experiencing Auto Rejection Atas (ARA) or Auto Rejection Bawah (ARB) on the first trading day after stock listing.

Based on the selection process using these criteria, 90 companies were selected as research samples, comprising 29 companies experiencing ARA and 61 companies experiencing ARB. These companies met the criteria and were selected as research samples.

The data used in this study are secondary data obtained from the official website of the Indonesia Stock Exchange (IDX) and other supporting sources providing stock price data, stock trading volume, outstanding shares, and IHSG data during the research period.

The following are the data analysis methods used:

1) Collecting closing stock prices, IHSG closing prices, daily trading volume, and the number of outstanding shares.
2) The data processing was conducted by calculating the actual return and expected return to obtain the Average Abnormal Return. The formulas used in this study are based on the event study concept developed by Brown and Warner (1985) and Jogiyanto (2017).

The actual return was calculated using the following formula (Jogiyanto, 2017):

$$R = \frac{(P_{it} - P_{it-1})}{P_{it-1}} (1)$$

Expected return was calculated using the Market Adjusted Model method (Brown & Warner, 1985) with the following formula:

$$E(R_{it}) = R_{mt} (2)$$

The market return was calculated using the following formula:

$$R_{mt} = \frac{IHSG_{\ t} - IHSG_{\ t-1}}{IHSG_{\ t-1}} (3)$$

Abnormal Return was calculated using the following formula (Brown & Warner, 1985):

$$AR_{it} = R_{it} - E(R_{it}) (4)$$

Average Abnormal Return was calculated using the following formula (MacKinlay, 1997):

$$AARt = \frac{\sum_{i=1}^{N} AR_{it}}{N} (5)$$

Trading Volume Activity was calculated by comparing daily trading volume with the number of outstanding shares. Subsequently, Average Trading Volume Activity (ATVA) was calculated to measure average stock trading activity over the research period. The formulas used follow the event-study concept proposed by Beaver (1968) and Jogiyanto (2017).

Trading Volume Activity was calculated using the following formula (Beaver, 1968):

$$TVAit = \frac{Stock\ Trading\ Volume_{\ it}}{Number\ of\ Outstanding\ Shares_{\ it}} (6)$$

Average Trading Volume Activity was calculated using the following formula (Jogiyanto, 2017):

$$ATVAit = \frac{\sum_{i=1}^{N} TVA_{it}}{N} \quad (7)$$

Research Findings and Discussion

This study aims to analyzes differences in market reactions, measured by abnormal returns and Trading Volume Activity (TVA), among Initial Public Offering (IPO) stocks that experienced Auto Rejection on the Indonesia Stock Exchange during 2022–2024. Employing a quantitative event study method and purposive sampling, the research sample comprises 90 IPO companies meeting the specified criteria. Table 1 presents the distribution of the research population and sample.

Table 1. Research Sample

Period	IPO Population	Sample
Pre Pandemic Period (1 Januari 2022–4 Juni 2023)	93	33
Normalization Period (5 Juni 2023–3 September 2023)	23	4
Symmetic Period (4 September 2023 – 31 Desember 2024)	55	53
Total	171	90
Sample Size	90 Companies	

Source: Processed data by the researcher (2026)

Table 2. Descriptive Statistic Test

Variabel	AAR_t0	AAR_After	TVA_t0	ATVA_After
N Valid	90	90	90	90
Mean /Rata-rata	.1226116669	.0154163161	.6010466217	.2282331361
Stdr.Eror	.0298343296	.0070499321	.1105857309	.0249804519
Median	.1888636789	.0032953945	.2555920343	.1655879755
Std. Deviation	.2830333019	.0668815288	1.049108359	.2369853747
Range	2.059721146	.3938734653	8.820007034	1.320592758
Minimum	-.932361662	-.118839664	.0005899658	.0067619086
Maximum	1.127359484	.2750338017	8.820597000	1.327354667

Source: Processed data by the researcher (2026)

Based on the descriptive statistics, the average abnormal return on the day stocks experienced Auto Rejection (t0) was 0.1226, whereas the average abnormal return during the period after Auto Rejection was only 0.0154. This difference indicates that the strongest market response toward IPO stocks occurred on the day when Auto Rejection took place. In the following days, the abnormal return decreased, indicating that excess returns were no longer as high as on the event day.

A similar pattern was also found in Trading Volume Activity (TVA). The average TVA value during Auto Rejection value was 0.6010 and then decreased to 0.2282 during the following period. This also indicates that trading activity was concentrated on the day when Auto Rejection occured. After market conditions began to adjust, the intensity of trading activity also declined.

Descriptively, these results provide an initial indication that differences in abnormal return and Trading Volume Activity between the Auto Rejection event and the post period after event. Overall,

both variables show a similar pattern: market reactions were stronger during Auto Rejection than in the days that followed. However, the statistical significance of these differences needs to be examined through hypothesis testing using the Wilcoxon Signed-Rank Test.

Table 3. Abnormal Return Observations

Observations	Time	Average Abnomal Return
Auto Rejection Day	t0	0,1226116669
	t1	0,0501463327
	t2	0,02858263373
	t3	0,007150855228
	t4	-0,0005883466493
	t5	0,002180342261
	t6	0,001535506363
	t7	0,01890688931

Source: Processed data by the researcher (2026)

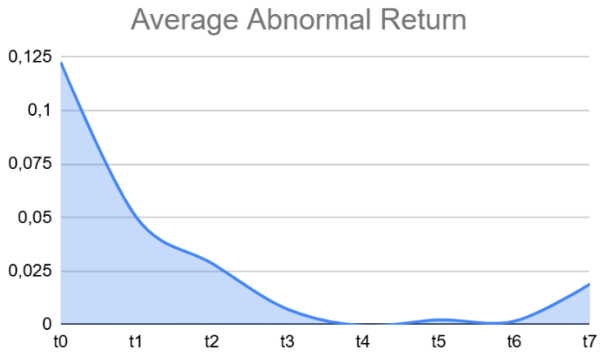


Figure 1. Average Abnormal Return

Source: Processed data by the researcher (2026)

Based on Table 3 and Figure 1, the average abnormal return reached its highest level in Auto Rejection occurred (t0) and then decreased in the following days after. This pattern indicates that the market reaction was strongest when the Auto Rejection occurred. After market participants absorbed and responded the available information, abnormal returns gradually decreased, indicating that stock prices moved toward a more stable as investors adapted the information. Furthermore, this pattern indicates that the Auto Rejection mechanism may affects investor behavior. The increase in abnormal return on the event day shows that investors tend to respond quickly to significant price movements.

This phenomenon is consistent with the Efficient Market Hypothesis proposed by Fama (1970), which states that investors quickly respond rapidly to available information. When new information is gradually absorbed into stock prices, the level of uncertainty investors face tends to fall and abnormal return begin to shrink. This suggests that events capable of moving prices to have a weaker effect in periods that follow.

These findings are also consistent with (Nainggolan, 2025), who states that abnormal returns are an indicator of market response to new information. Furthermore, the results also support (Yusran & Lesmana, 2022), explain that differences in stock returns following changes in the Auto Rejection policy.

Therefore, this study demonstrates that the Auto Rejection mechanism is not only related to limiting stock price movements but also affecting how investors quickly respond to information in the short term, as reflected through changes in abnormal return during the observation period.

Table 4. Trading Volume Activity Observations

Observations	Time	Average Trading Volume Activity
Auto Rejection Day	t0	0,6010466217
	t1	0,399863875
	t2	0,2629590761
	t3	0,2362620649
	t4	0,1861219347
	t5	0,1914980026
	t6	0,1451576149
	t7	0,1757693843

Source: Processed data by the researcher (2026)

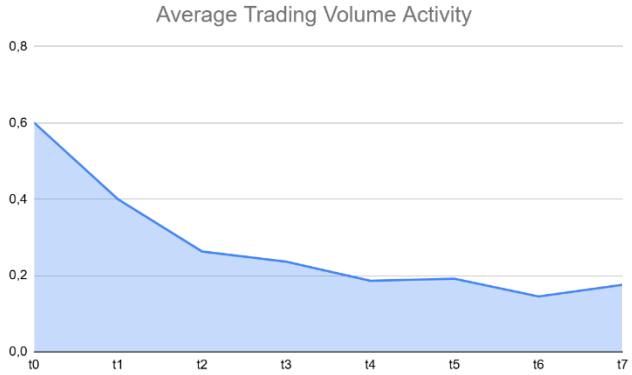


Figure 2. Average Trading Volume Activity
Source: Processed data by the researcher (2026)

Based on Table 4 and Figure 2, the average movement of Trading Volume Activity shows a pattern similar to abnormal return. Trading activity reached its highest level when Auto Rejection occurred, then gradually decreased in the following days after the event. This pattern indicates that investor trading activity was highest when stocks reached the Auto Rejection limit. After the Auto Rejection event passed, transaction frequency began to decrease, resulting in a decline in trading volume. The decline in trading activity over the following days indicates that transaction intensity declined as market uncertainty eased and market conditions returned to stability. This finding indicates that investors tend to respond to ongoing market movements and demonstrates the potential presence of herding behavior in IPO stocks.

These findings consistent with the Mixture of Distribution Hypothesis, which explain that the arrival of new information in the market can increased trading activity as investors respond through buying and selling activity. In this study context, Auto Rejection essentially acts as a signal to the market, and leads to trading more on the daya after the event. The findings are also consistent with (Al-Qudah & Houcine, 2022), explain that market information affects stock trading activity. Also (Qi, 2023) found that changes in the price limit mechanism can influence investor responses, as reflected in changes in trading activity.

Therefore, this study demonstrates that the Auto Rejection mechanism not only as a limitation on stock price movements but also affects investor transaction behavior, which is reflected through changes in Trading Volume Activity during the observation period.

Table 5. Normality Test

	Kolmogorov - Smirnov			*Shapiro - Wilk*		
	Statistic	df	Sig.	Statistic	df	Sig.
AR_t0	.183	90	<.001	.872	90	<.001
ARR_After	.140	90	<.001	.934	90	<.001
TVA_t0	.284	90	<.001	.497	90	<.001
ATVA_After	.218	90	<.001	.692	90	<.001

Source: Processed data by the researcher (2026)

Based on Table 5, the results of the normality test using the Kolmogorov-Smirnov and Shapiro-Wilk tests indicate that all research variables have significance values below 0.05. Therefore, the abnormal return and Trading Volume Activity data do not meet the assumption of normality. This condition suggests that market reactions are different across IPO companies. In other words, some companies experience substantial changes, while others show relatively smaller changes. These differences in characteristics among IPO companies cause the data distribution to become non-normal.

Because the data did not meet the normality assumption, the further hypothesis testing was conducted using the Wilcoxon Signed-Rank Test, a non-parametric test appropriate for the characteristics of the research data.

Table 6. Wilcoxon Signed Rank Test

		N	Mean Rank	Sum of Rank
AAR_After – AR_t0	Negative Ranks	63[a]	49.43	3114.00
	Positive Ranks	27[b]	36.33	981.00
	Ties	0[c]		
	Total	90		
ATVA_After – TVA_t0	Negative Ranks	54[d]	56.57	3055.00
	Positive Ranks	36[e]	28.89	1040.00
	Ties	0[f]		
	Total	90		

Source: Processed data by the researcher (2026)

Based on Table 6, for the abnormal return variable, there are 63 companies experienced a decrease in abnormal return after Auto Rejection, while 27 companies experienced an increase. Since the data negative ranks dominate, this means most IPO stocks generated lower abnormal returns after the event than on the Auto Rejection day. This condition indicates that the strong market reaction observed during Auto Rejection weakened as the market absorbed to the available information.

For the Trading Volume Activity variable, there are 54 companies experienced a decrease in trading activity after Auto Rejection, while 36 companies experienced an increase. These results also indicate that most of companies experienced a decline in trading volume after Auto Rejection, although some stocks continued to experience higher transaction activity. This finding suggets that investors were more active in trading when Auto Rejection occurred, while trading intensity gradually decreased as market conditions became more stable.

Overall, the results show a negative ranks in both variables indicates that abnormal return and Trading Volume Activity generally declined after Auto Rejection. These findings provide an initial indication that the strongest market response occurred on the event day and gradually weakened in the following period.

Table 7. Statistic Test

Variabel	Z	Asymp.Sig. (2- tailed)	Keputusan
AAR_After – AR_t0	-4.291[b]	<.001	HI accepted
ATVA_After – TVA_t0	-4.054[b]	<.001	H2 accepted

Source: Processed data by the researcher (2026)

Based on Table 7, the results of the Wilcoxon Signed-Rank Test for the abnormal return variable show a Z-value of -4.291 and a significance level of <0.001. Since p-value is below than the 0.05 significance level. Therefore, the research hypothesis stating that there is a difference in abnormal return among IPO stocks experiencing Auto Rejection is accepted. The test results indicate that there is a significant difference between abnormal return on Auto Rejection day and the days after the event. The results also show that most of the companies experienced a declined in abnormal return after Auto Rejection. The decline in abnormal returns indicates that investors adjusted their decisions based on available market information, leading to a decrease in abnormal returns during the event period.

These findings support the Efficient Market Hypothesis proposed by Fama (1970), explain that stock prices quickly adjust to available public information, meaning that abnormal returns generated by information cannot be sustained over the long term. Therefore, the decline in abnormal return after Auto Rejection indicates that the market had absorbed and adjusted to the information generated by the event. Furthermore, this phenomenon is consistent with Signaling Theory, which changes in abnormal returns reflect investors' interpretation of the information they receive. The decline in AAR after Auto Rejection suggests investors perceived the event as anticipated information, and leading some investors to take actions such as profit-taking.

The findings are also consistent with (Nainggolan, 2025), explain that abnormal returns represent market responses to new information. In addition, these findings also support (Yusran & Lesmana, 2022), explain that changes in stock returns following changes in the Auto Rejection policy. Overall, the decline in AAR following Auto Rejection suggests that the Auto Rejection mechanism contains information that can influence investor decisions. However, this response is short-term because the market gradually adjusts until the information is fully reflected in stock prices.

The Trading Volume Activity variable shows a Z-value of -4.054 with a significance level of <0.001. Since the p-value is below than the 0.05 significance level, there is a significant difference in Trading Volume Activity between the day when Auto Rejection occurred and the period after the event. Therefore, the research hypothesis stating that there is a difference in Trading Volume Activity among IPO stocks experiencing Auto Rejection is accepted. The test results indicate that most companies experienced a decline in trading activity after Auto Rejection.

This finding demonstrates that trading activity was concentrated on the event day when stock prices reached the Auto Rejection limit. After the event, investors gradually reduced their trading activity as market uncertainty eased and the information had been incorporated into stock prices. The decline in Trading Volume Activity after Auto Rejection indicates that investor responses were strongest at the time of the event. The high level of trading activity on the event day reflects increased investor attention toward IPO stocks experiencing significant price movements. However, after the market received and processed the information, trading activity gradually declined.

These findings support the Mixture of Distribution Hypothesis proposed by Clark (1973), explain that trading volume activity is influenced by the arrival of information in the market. When new information enters the market, investors respond through buying and selling activity, leading to increased in trading volume. When investors have processed the information, trading activity tends to decrease. The findings are consistent with (Al-Qudah & Houcine, 2022), explain that information affects market activity and trading behavior. Furthermore, these findings also support (Yusran & Lesmana, 2022), who found that differences in trading volume before and after changes to the Auto Rejection policy. Therefore, the results indicate that the Auto Rejection mechanism provides information signals that influence investor transaction decisions.

Conclusion

This study aims to analyze differences in market reactions, measured by abnormal returns and trading volume activity, among IPO stocks that experience Auto Rejection on the Indonesia Stock Exchange during the 2022–2024 period. Based on descriptive analysis and Wilcoxon Signed Rank Test, this study concludes that there are significant differences in abnormal return and Trading Volume Activity between the Auto Rejection day and the post event day. Both variables show a similar pattern: market reactions are strongest when Auto Rejection occurs and gradually decline over the following trading days.

The significant difference shows that Auto Rejection generated a significant market reaction among investors. When stocks reached the Auto Rejection limits, investors quickly respond and reflected in higher abnormal returns and trading volume on the event day. This condition suggest that Auto Rejection attracted investor attention and influenced short-term market behavior. The decline in abnormal return and Trading Volume Activity after Auto Rejection indicates that the market gradually absorbed and processed the information related to the event. As the information was reflected in stock prices, investor uncertainty tended to decrease and leading to weaker market reactions in the following days.

Theoretically, these findings support the Efficient Market Hypothesis and the Mixture of Distribution Hypothesis, both of which explain that new information can influence stock prices and investor trading activity. Practically, this study suggests that Auto Rejection events provide important information for evaluating short-term stock movements. Investors are suggests to consider not only on price movements but also company fundamentals and available market information when making investment decisions.

For future researchers, this study suggests using a longer observation period, considering different market conditions, and examining other factors that may influence investor reactions toward Auto Rejection events, such as investor sentiment, liquidity, and stock volatility.

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