Evaluation of Sleeping Stocks in Financial Sector Companies in Indonesia

Monica Weni Pratiwi
Department of Accounting, Bakrie University, Jakarta, Indonesia

ABSTRACT: This study aims to evaluate the background of the occurrence of sleeping stocks in terms of the number of outstanding shares, stock prices, market capitalization, and return on equity. The population of this study is financial sector companies listed on the Indonesia Stock Exchange in the 2016-2020 period. The sampling technique used a purposive sampling method with a total sample of 45. Data analysis methods used were time series, cross-section, and combined. The research results show that the low trading frequency of sleeping shares can be caused by the relatively small number of outstanding shares and market capitalization negative return on equity growth.

KEYWORDS: Sleeping Stocks, Outstanding Shares, Stock Prices, Market Capitalization, and Return on Equity.

I. INTRODUCTION

The Capital Market is a meeting place between organizations or companies in selling or buying shares and securities with the aim of profit from the agreement that is used as an additional and or strengthens the capital of an organization or company. (Fahmi, 2013). Investment products in the capital market or securities that are traded generally have a life of more than one year, one of which is stock. Meanwhile, parties that provide a platform for buying and selling securities in the capital market are called stock exchanges. Currently trading stocks in Indonesia is the Indonesia Stock Exchange (IDX).

Investing in the capital market, investors need to consider a variety of different perspectives obtained from data and information in making decisions. These investors need to understand the economic situation against capital market conditions to avoid losses in placing capital into stocks. In the capital market, shares that are traded are partially liquid. Liquid stocks are shares that are actively sold so that they effectively influence the movement of the share price. A high level of stock mobility is indicated by a high frequency of transactions so that the shares are easier to trade [13].

Sleeping stocks are trading in a stock that is not liquid over a long period [1]—referring to the Circular Letter officially issued by the IDX with the number PT BEJ No. SE-03/BEJ II-1/I/1994 states that if the frequency of stock trading for three months is less than 75 times or in one year less than 300 times, then the shares are not active or are called sleeping shares. Companies that fall into the category of sleeping shares in each sector listed on the IDX show that during 2016 to 2020, sleeping shares in the financial industry totaled 11, 12, 10, 10, and 7 companies, respectively. If analyzed based on this data, it can be concluded that during the period 2016 to 2020, companies in the financial sector were recorded as having the highest sleeping shares each year. A high number of sleeping shares is a condition avoided by investors in investing stock funds in the company. The high number of sleeping shares in the financial sector compared to other sectors is the basis for determining the industry in this study.

The phenomenon of sleeping shares in financial sector companies listed on the Indonesia Stock Exchange (IDX) is interesting to study. The phenomenon of sleeping shares has been widely studied, which shows that sleeping shares are influenced by several factors, such as the number of outstanding shares, stock prices, market capitalization, and company performance. The results of previous research show that sleeping shares are affected by the number of outstanding shares [12]. However, research states that sleeping shares are not affected by the number of outstanding shares [4]. The results of previous study show that sleeping shares are affected by stock prices [4] and [12], however, there is research that states that sleeping shares are not affected by stock prices. [1]. The results of previous research show that sleeping stocks are influenced by market capitalization [1] and [12], Based on the phenomena and differences in the results of the previous research. The purpose of this research evaluate the

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background sleeping stocks in terms of the number of outstanding shares, stock prices, market capitalization, and return on equity.

II. LITERATURE REVIEWS

2.1 Sleep Stock

In stock trading activities on the Indonesia Stock Exchange, not all company shares that are traded are liquid, meaning that some shares are in the non-liquid category, and these shares are rarely or even not traded or are called sleeping shares. Sleeping stocks are stocks with a low price trend and don't move during a certain period, so they have a deficient number of trading transactions. Sleeping stocks are shares that are rarely traded in small amounts [3]. Sleeping shares can be caused by several factors, one of which is because the number of shares listed is too few or the majority of shares are controlled by institutional or institutional investors and old shareholders (company founders).

There are two possible causes of dormant shares, firstly the shares of an issuer have the potential to pay dividends regularly so that they are of interest to long-term investors, which causes old shareholders to be disinterested in releasing their shares, secondly because these shares rarely carry out corporate actions. Hence, they are not attractive and no prospects [2]. There are many factors and conditions that cause stocks to sleep, starting from the company's poor financial performance, the company's rare corporate actions, the lack of outstanding issuer shares to the company's unclear prospects.

2.2 Number of Outstanding Shares

The number of outstanding shares is the number of shares that have been issued by the company and are circulating in the capital market so that they can be transacted either by buying or selling by investors. The number of shares issued to the public is intended to encourage investors to invest in these shares. The number of shares placed in the capital market has been officially recorded by the Indonesian Stock Exchange under the term listed shares [4]. Thus, the number of shares outstanding in the capital market can be clearly identified by all investors.

The number of outstanding shares or listed shares is an important piece of information in analyzing the financial ratios of a public company, especially for stock investors who focus on the fundamental analysis of shares of a public company. The number of outstanding shares is the number of company shares that are owned by investors as a whole, whereas the number of outstanding shares does not include shares that have been bought back by the company (treasury shares). The first factor affecting sleeping shares is the number of outstanding shares. The number of outstanding shares determines the number of shares offered by issuers to investors. The number of outstanding shares is also a signal that can affect investors' attention and purchasing power. If the number of outstanding shares is large, it will increase the opportunity for potential investors to invest in these shares in order to increase the income and purchasing power of investors, thereby encouraging the growth of stock liquidity [8]. The number of shares outstanding determines the number of shares offered by issuers to be owned by potential investors.

2.3 Stock price

The stock price is one of the key factors that every potential investor will see because the price determines the purchasing power and capability of investors in relation to the number of requests, whereas if the stock price is considered overvalued by the market, the number of requests will decrease. Conversely, if the market evaluates that the stock price is too low, demand will increase. High stock prices can reduce the ability of investors to buy these shares [4].

The share price is determined by market participants and is a reflection of the level of demand and supply that occurs on the stock market at a certain time in the capital market. Share prices are formed based on demand and supply on the stock buying and selling market and a daily reference on the closing price [6]. The stock price is the market value, namely the price formed as a result of the activity of buying and selling shares in the capital market [6]. Stock prices that are too high can reduce the attention and purchasing power of investors to invest, so stock prices tend to be difficult to increase again. The stock price, which is considered overvalued, can reduce the amount of market demand. This results in a decrease in the number of shares traded, while on the other hand, if the market judges that the share price is undervalued, then the level of demand for shares will increase. The purchasing power of investors to buy issuer shares will decrease if the offering price of the shares is considered high. Capital market players, especially stock investors, are heavily influenced by issuer stock price trends and information related to changes in share prices.

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2.4 Market Capitalization

On the performance side, companies that have sleeping shares tend to lead to poor profitability and growth with similar results when compared to similar companies. This gives an indication that companies with small market capitalization and poor performance have a high chance of having unattractive shares, and it is also possible to become dormant stocks. Therefore, the market capitalization value, which is often used as an indicator of the size of a company and the company's fundamental condition, is the basis for separate considerations for investors and market participants on the IDX in choosing the type of stock to be traded for both portfolio and trading purposes.

2.5 Return on Equity

The performance of companies with inactive stocks is proxied by a negative value of return on equity which interprets that the company has poor performance [1]. Companies with inactive shares tend to be ineffective in generating profits by converting assets and lower than the ability of active stock companies to generate profits by utilizing company assets. The liquidity ratio also needs to be considered by investors because this ratio measures a company's ability to meet short-term financial obligations or repay debt [10]. The liquidity ratio used in this study is the debt-to-equity ratio which indicates the amount of collateral available to the lender [7]. The higher the ratio level.

III. METHODS

Financial sector companies listed on the Indonesia Stock Exchange in the 2016-2020 period. The sampling technique used a purposive sampling method with a total sample of 45. This study used secondary data sources in the form of annual reports of financial sector companies and annual statistics listed on the Indonesia Stock Exchange (IDX) in 2016-2020. The data and reports were obtained from IDX's official website [14], stock summary sites, and websites of each company. The data collection technique used is archival research; namely data collection is done by analyzing the company's annual report and annual statistical report selected as a sample.

3.1 Variable Operational Definitions

The frequency of stock trading is measured based on the number of stock trades in one year. Sleeping stock has units of times and is different from other variable units. Therefor it needs to be transformed (standardized) before analysis is carried out using the standardized method in the form of a z-score. The standard value or z-score is a number or result that indicates how far the raw value deviates from the average in the data distribution with SD units. The standardization aims to standardize units so that standard values no longer depend on raw data units but become standard values. The method of standardizing is using SPSS, which then includes all sleep stock variables in the form of standardized values [5].

In this study, the number of outstanding shares used is listed shares as of 30 December 2016-2020. This data is cross sectional in nature and is obtained officially from the IDX website with the assumption that there was no corporate action during the study period that could change the data. The number of shares outstanding has units of shares and is different from units of other variables. Therefor it needs to be transformed before analysis is carried out using the transformation method to form a z-score.

In this research, the share price used is the daily closing share price in rupiah units averaged in the fourth quarter. This data is cross-sectional in nature and obtained from annual statistical reports published by the IDX [14].

Return on equity is very dependent on the size of the company, for example, for small companies, of course they have relatively small capital, so the return on equity generated is small, and vice versa for large companies. This return on equity shows the level of effectiveness of the company's management team in generating profits from funds invested by shareholders. The higher the rate of return on equity, the better the company's financial performance. Bank Indonesia sets a return on equity rate of ≥ 12% so that a bank can be said to be in good health. As a comparison, return on equity is expressed as a percentage and is calculated using the formula return on equity comparing net profit after tax with the equity that has been invested by the company's shareholders [9].

$$Return\ on\ \text{Equity} = \frac{Earning\ After\ Tax}{Equity}$$

3.2 Data analysis method

Descriptive statistical analysis in this study was seen from the maximum, minimum, average and standard deviation values of the dependent variable, namely Investment yield, the independent variable, namely the volume of capital, and the moderating variable, namely leverage. Data analysis methods used are time series, cross section, and combined. In the time series analysis, financial ratios are classified as good performance if it experiences an increase, ok performance if there is still no increase, and

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poor performance if it decreases. On cross-section, analysis was conducted to compare the performance of similar companies. Combined analysis in this study combines cross section analysis with combined analysis.

IV. RESEARCH RESULTS

Company totals financial sector listed on the Indonesia Stock Exchange in the 2016-2020 period, which became a sample of 45 companies, which have been selected according to purposive sampling criteria. Based on the results of the descriptive statistical tests in Table 1, it shows that the average share trading frequency of sleeping shares is 147.62 times in one year, and the minimum trading frequency of shares in financial sector companies is 14 times in one year. This can be interpreted as stock trading transactions in the financial sector. Very low finances. The average number of outstanding shares is 1.8114 billion shares, while the minimum number of outstanding shares is 0.15 billion shares. The limited number of outstanding shares is suspected of causing not many transactions to occur which will cause the shares to sleep. The average share price is IDR 2,523 and the minimum share price is IDR 50. the small share price is thought to be due to the low trading frequency and the small demand for shares in the market. The average market capitalization is 4,590.7 billion, while the minimum market capitalization is 50.2 billion. Based on these results it can be categorized as sleeping shares. The average return on equity in this study is 0.0695 with an average growth of 0.0057 and a minimum return on equity of -0.09 and growth of -0.06. These data indicate that companies cannot provide returns on the capital invested by investors in these companies.

Table 1. Descriptive Statistics

Variable	Stock Trading Frequency	Number of shares outstanding	Stock price	Market Capitalization	Return on Equity	ROE growth
Means	147.6222	1.8114	2523	4590.7	0.0695	0.0057
N	45	45	45	45	45	23
std. Deviation	76.23179	1.7443	2507922	10572.2	0.07518	0.04156
Minimum	14	0.15	50	50.2	-0.09	-0.06
Maximum	302	6.52	8650	55100	0.22	0.12

The results of the time series analysis test in Table 2 are a comparison of variables between periods (t with t-1). The test results show that the frequency of "poor" stocks is traded 157 times in one year, the frequency of "ok" trades is 221 times in five years, and the frequency of "good" stocks is 176 times in one year. Based on these data, it can be concluded that the largest trading frequency is the "ok" category, where the "ok" category is the category of companies that do not change trading frequency at t with t-1.

The results of the time series analysis test in Table 2 show that the number of "poor" shares outstanding is 1.5898 billion, the "ok" shares outstanding are 0.41768 billion, and the "good" shares outstanding are 1.4823 billion. Based on these data, it can be concluded that the largest number of outstanding shares is in the "poor" category, where the "poor" category is the category of companies whose number of outstanding shares has decreased during the year of observation.

The results of the time series analysis test in Table 2 show that the "poor" stock price is Rp. 2,903, the "ok" stock price is Rp. 4,663, and the "good" stock price is Rp. 2,468. Based on these data it can be concluded that the price of the largest outstanding shares is in the "ok" category, where the "ok" category is the category of companies whose share prices do not change at t with t-1.

The results of the time series analysis test in Table 2 show that the "poor" market capitalization is 3,364.9 billion, the "ok" market capitalization is 2,417.2 billion, and the "good" market capitalization is 2,143.8 billion. Based on these data it can be concluded that the largest market capitalization is the "poor" category whereas the "poor" category is the category of companies whose market capitalization has decreased at t with t-1.

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Table 2. Time Series Analysis Results

time series	Stock Trading Frequency	Number of Outstanding Shares (in billions)	Stock price	Market Capitalization (in billions)
poor	157 [a]	1.5898 [a]	2903 [a]	3364.9 [a]
ok	221 [a]	0.41768 [a]	4663 [a]	2417.2 [a]
good	176 [a]	1.4823 [a]	2468 [a]	2143.8 [a]

The results of the cross-section analysis test in Table 3 are a comparison of variables between companies. The test results show that the frequency of "poor" stocks is traded 133 times in one year, the frequency of "ok" trades is 141 times in five years and the frequency of "good" stocks is 169 times in one year. Based on these data, it can be concluded that the largest trading frequency is in the "good" category where the "good" category is the category of companies where there is a change in trading frequency between sample companies.

The results of the time series analysis test in Table 3 show that the number of "poor" shares outstanding is 1.7704 billion, the "ok" shares outstanding are 2.497 billion and the "good" shares outstanding are 0.81231 billion. Based on these data it can be concluded that the largest number of outstanding shares is in the "poor" category where the "poor" category is the category of companies whose number of outstanding shares has decreased among sample companies.

The results of the time series analysis test in Table 2 show that the "poor" stock price is Rp. 1,680, the "ok" stock price is Rp. 2,118 and the "good" stock price is Rp. 3,732. Based on these data it can be concluded that the price of the largest outstanding shares is in the "good" category where the "good" category is the category of companies whose share prices change between sample companies.

The results of the time series analysis test in Table 2 show that the "poor" market capitalization is 2.566.2 billion, the "ok" market capitalization is 7.197 billion and the "good" market capitalization is 2.127.3 billion. Based on these data it can be concluded that the largest market capitalization is the "poor" category whereas the "poor" category is the category of companies whose market capitalization has decreased among sample companies.

Table 3. Cross Section Analysis Results

cross-sectional	Stock Trading Frequency	Number of Outstanding Shares (in billions)	Stock price	Market Capitalization (in billions)
poor	133 [a]	1.7704 [ab]	1680 [a]	2566.2 [a]
ok	141 [a]	2,497 [b]	2118 [ab]	7197 [a]
good	169 [a]	0.81231 [a]	3732 [b]	2127.3 [a]

The combined analysis test results in Table 4 are a comparison of variables in similar companies and between periods. The test results show that the frequency of "poor" stocks is traded 137 times in one year, the frequency of "ok" trades is 165 times in five years and the frequency of "good" stocks is 188 times in one year. Based on these data it can be concluded that the largest trading frequency is the "good" category where the "good" category is the category of companies where there is a change in trading frequency between companies at t with t-1.

The results of the time series analysis test in Table 3 show that the number of "poor" shares outstanding is 1.3506 billion, the "ok" shares outstanding are 1.563 billion and the "good" shares outstanding are 1.3344 billion. Based on these data it can be concluded that the largest number of outstanding shares is in the "poor" category where the "poor" category is the category of companies whose number of outstanding shares has decreased between companies at t with t-1.

The results of the time series analysis test in Table 2 show that the "poor" stock price is Rp. 1,440, the "ok" stock price is Rp. 3,133 and the "good" stock price is Rp. 3,065. Based on these data it can be concluded that the price of the largest outstanding shares is in the "good" category where the "good" category is the category of companies whose share prices change between companies at t with t-1.

The results of the time series analysis test in Table 2 show that the "poor" market capitalization is 1,856.5 billion, the "ok" market capitalization is 3,541.6 billion and the "good" market capitalization is 2,220.1 billion. Based on these data it can be concluded that the largest market capitalization is the "ok" category where the "ok" category is the category of companies whose market capitalization does not change between companies at t with t-1.

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Table 4. Combined Analysis Results

combined	Stock Trading Frequency	Number of Outstanding Shares (in billions)	Stock price	Market Capitalization (in billions)
poor	137 [a]	1.3506 [a]	1440 [a]	1856.5 [a]
ok	165 [a]	1,563 [a]	3133 [a]	3541.6 [a]
good	188 [a]	1.3344 [a]	3065 [a]	2220.1 [a]

V. DISCUSSION

The average frequency of sleep stock trading transactions 147.62 times for five years, and the minimum frequency of stock trading for five years is 14 times, this shows that the low frequency of stock trading in the financial sector in Indonesia during the year of observation. The cause of sleeping shares is the number of outstanding share this is evident in the results of the analysis showing the low number of outstanding shares in sleeping shares. In addition, the low market capitalization is likely because it does not have a relatively high profit attractiveness for investors so investors do not want to be involved in the stock transaction. This is supported by the average return on equity and a negative return on equity growth. The company cannot provide returns on the capital invested by investors in the company.

VI. CONCLUSION

Based on the results of data analysis and processing, it shows that the low trading frequency of sleeping shares can be caused by the relatively small number of outstanding shares and market capitalization negative return on equity growth. So investors are reluctant to get involved in the stock transaction.

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