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Herding Behaviour in Sharia Stock: The Moderation Effect of Good Governance Business Sharia Disclosure

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Abstract:
Research aims: One of the irrational behavior of investors is herding behavior. Disclosure of certain information is one of the triggering factors for herding behavior. However, "whether all the various types of information disclosure can encourage herding?" This is a big question related to the success of Good Governance Business Sharia (GGBS) information disclosure in stimulating herding behavior in Sharia stock trading. Hence, this study aims to examine the role of GGBS disclosure in herding behaviour.
Design/Methodology/Approach: This study uses the object of companies listed on the ISSI (Indonesian Sharia Stock Index 2018. Data analysis in this research is using the Regression and moderation Test.
Research findings: The results show that the GGBS disclosure was able to moderate herding behavior in Indonesian Sharia Stock. In this study it was found that the presence of GGBS Disclosure further strengthens the existence of herding behavior, meaning that investors conduct herding behavior reinforced by the information coming from within the company in the form of disclosure of GGBS Disclosure.
Theoretical contribution/Originality: The theoretical impact is to expand the study of herding behavior and relate it to the disclosure of information. This study is also an initiator that examined the role of GGBS as moderating variable.
Practitioner/Policy implication: The implication of this research is to be able to increase company concern in terms of GGBS disclosure so that the sharia stock market can be more transparent.
Research limitation/Implication: This research only focuses on one information, namely GGBS Disclosure. This cannot generalize that information disclosure can strengthen or even weaken the existence of herding behavior. This research only uses one method of detection of herding, namely using Cross-Sectional Absolute Deviation (CSAD). This study uses all objects in the Indonesian Sharia Stock Index (ISSI) without considering sharia activities in each company.
Keywords: Good Governance Business Sharia (GGBS); Herding Behaviour; Information Disclosure; Sharia Stock.

Introduction

The classical financial theory explains that the behavior of investors in the capital market is rational, which means that an investment decision of an investor is based on one's logic and rationality (Harsalim, 2015; Octavio & Lantara, 2014; Wijayanto & Achsani, 2011). This rational behavior makes

investors have the desire to get high returns and low risk. An efficient market is characterized that prices on the market reflect all available information and no one can obtain an abnormal return (Dwipayana & Wiksuana, 2017; Gumanti & Utami, 2002; Malkiel, 1989, 2003). Traditional finance / classical financial theory is often associated with modern portfolio theory, modern portfolio theory is published by Markowitz (1952) in his publication about Portfolio Selection. This theory reveals the importance of diversification to reduce the risk of an investment, assuming that investors will behave rationally, predictably and not deviate from generally accepted procedures/habits.

Sharpe (1964), Lintner (1965), and Treynor (1965) introducing a model in valuing security prices, by describing the relationship between risk and expected return. The model is a development of portfolio theory proposed by Markowitz (1952) by introducing new terms namely systematic risk and specific risk / unsystematic risk. In 1970, William Sharpe won the economic model for the theory of the formation of financial asset prices which came to be called the Capital Asset Pricing Model (CAPM). However, these theories are not able to explain some inconsistencies (anomalies) of the capital market, for example, January Effect, Day of the week effects, returns over trading and non-trading periods, Stock return volatility and the internet phenomenon (including capital market deadlock as the impact of the fall of internet-based stocks in the late 1990s), the collapse of the capital markets in 1929 and 1987 and the impact of the subprime mortgage crisis in 2007 - 2008. In reality the current capital market conditions are not fully able to be explained by financial theory classically, there are conditions where investors are not rational in their investment decisions.

In the implementation of capital market practices, there are two types of investors, sophisticated investors, and naive investors. Sophisticated investors are investors who can understand and interpret information quickly and well. Meanwhile, naive investors are investors who have limited ability to interpret and interpret the information received (Elton, Gruber, & Busse, 2011; Stein, 2009). The inability of naive investors will likely cause them to follow other's behavior. While naive investors are not always sophisticated in every decision making in the market, when there is large market uncertainty, the possibility of engaging in behavior also increases. This behavior is a reflection of irrational investor behavior.

One of the irrational behavior of investors is herding behavior. Herding is a behavior carried out by investors who follow the decisions of other investors or follow market consensus (Chia, Chong, Fu, Khoo, & Soh, 2018; Demirer, Lee, & Lien, 2015; Graham, 1999; Walden & Browne, 2009). Herding occurs when the market is not transparent, that is, if the investor encounters an uncertain source of public information and receives unclear signals about the company's future (Arisanti & Asri, 2018; Kremer & Nautz, 2013). Herding Theory describes a situation where people do things together with what many other people do (Graham, 1999). Herding is also often associated with certain phenomena or events that affect a person in investing in the capital market, for example, the January Effect, Crisis Effect, the phenomenon of underpricing, etc. The existence of certain events or phenomena tends to make investors not do the analysis when investing but instead follow the euphoria of the market and public information when it happens.

One of the new information is the disclosure of Sharia Good Governance Business. The emergence of GCG guidelines for sharia business, known as Good Governance Business Sharia (GGBS), is a big question about success in its disclosure. GGBS is an important element as an effort to maintain sustainable business growth and sustainability, especially in sharia-based institutions. The existence of GGBS under sharia rules and regulations will foster a healthy sharia work culture in all fields and make investors satisfied with the company's performance and value (Meilani, 2015). A good GGBS disclosure is good news for investors. This will stimulate investors to take investment decisions.

Research on GGBS still revolves around implementation and its effects on performance (Juanda, Herlyanto, & Oktavendi, 2019; Meilani, 2015; Oktavendi, 2019; Syafei, 2013). Researchers have not found any research that specifically examines the role of GGBS disclosure as a moderating variable and even links it with herding behavior. The reason the researchers set the GGBS as a moderating variable is the existence of voluntary information disclosure that is GGBS that is increasingly transparent and quality so investors will respond to the good news. Conversely, the disclosure of GGBS that is not transparent will make investors reluctant to use the information, so it will be more likely to conduct herding behavior. This is in line with agency theory, specifically regarding asymmetric information.

Some studies like Wiguna and Putri (2016) which tries to prove the role of voluntary disclosure as a moderating variable. The results of the research show that voluntary disclosure can provide an overview in explaining the company's long-term strategy and the risks that might be minimized as well as the possible returns that will be obtained by investors. The more transparent the information, the easier it will be for investors to assess the company's prospects. Ali and Abdelfettah (2016), Cormier, Ledoux, Magnan, and Aerts (2010), dan Samaha, Dahawy, Hussainey, and Stapleton (2012) prove in his research that by disclosing corporate governance can reduce asymmetric information and be able to increase investor confidence in accounting information.

More specific research on herding and the quality of the information itself was also carried out by Alhaj-Yaseen and Rao (2019) Zhou and Lai (2009). The results of his research show that the intensity of herding depends on the quantity and quality of information disclosure. Kampshoff, von Nitzsch, and Braun (2012) found that disclosure of individual short positions caused herding behavior among investors. This means that disclosure of certain information can stimulate the occurrence of herding behavior. However, whether all the various types of information disclosure can encourage herding. This is a big question related to the success of GGBS information disclosure in stimulating herding behavior in Sharia stock trading. Researchers do not find much research related to herding that is associated with information disclosure, especially in Islamic trade.

Sharia stock trading is one of the highlights in this study due to the phenomenon of sharia stock price fluctuations, especially in August 2018 . Fluctuations in the value of the stock price are certainly also due to external factors, one of which is herding. On the

other hand, a company in ISSI is a company that passes the criteria for sharia trading, which should not only be sharia-compliant but also must govern its sharia business governance. This research implies that it can be the basis for constructing a transparent GGBS disclosure model so that it can control herding behavior. Therefore, this research is important because it can be used by companies to increase the concerns of companies and stakeholders of sharia stock trading on the disclosure of GGBS, especially in companies registered with ISSI.

Literature Review and Hypotheses Development

According to Muema (2014) herding is the behavior of investors who follow the actions of other investors and follow the decisions of other investors. Market participants trade in the same direction and at the same time, forming correlated behavior between one investor and another.

Arisanti and Asri (2018) argue that Herding Theory describes situations where people do things together with what many others do. According to Bikhchandani and Sharma (2000), Herding is when an investor has limited information, the investor will follow the movements of other investors in making investment decisions that will ultimately ignore their signals and follow the majority's decision.

Arisanti and Asri (2018) argue that herding is universal. This means that the following behavior can be experienced by anyone, regardless of the level of education, gender, experience, and age. The difference is how often these investors behave in a manner (herding). Some behave once or twice during their lives and some always follow the crowd.

Herding behavior occurs due to a lack of transparency of information available in the market. Investors feel that the information needed to make investment decisions is insufficient. According to Kremer and Nautz (2013) herding behavior occurs when the market is not transparent, i.e. if investors face uncertain sources of public information and receive unclear signals about the company in the future. Bikhchandani and Sharma (2000) argue that when investors have limited information, investors will follow the movements of other investors in making decisions to invest. In the end, will ignore the signal of his and follow the majority's decision (herding behavior).

According to Ritter (2003), heuristics can be interpreted as rules of thumb or make practical rules in making decisions more easily. Heuristic bias consists of availability, hindsight, and representativeness.

Shefrin (2001) states that availability indicates a person's tendency in decision making to rely more on the information contained in his memory. Memory or memory of a person is limited only to events that have just happened (recency), more familiar (familiarity), clarity of information and have strong emotional ties.

In accordance with Arisanti and Asri (2018), Hindsight refers to the tendency of people to feel that an event can be predicted only by seeing the last event that they experienced. Some of the effects arising from hindsight, including:

a. People become overly confident in their ability to predict events.
b. People will be too brave to take risks.
c. People will postpone the sale of poorly performing stocks because they feel prices should not be that bad.
d. The manager postpones the target acquisition plan for fear of regretting his mistake, even though "I knew-it-all-along".

Tversky and Kahneman (1974), states that representativeness is defined as a view that represents something, illustrates that representativeness as a maker of judgments about the probability of an event. An example: The best investment is carried out in companies that produce high initial returns, then people conclude that they will benefit when they want to invest in companies that produce high initial returns.

The development of sharia business is very rapid in Indonesia. In Indonesia, many sharia businesses have developed, especially in the financial and banking sectors and state that they are included in sharia business entities. Meanwhile, there are many sharia business activities carried out by both large and small companies and even individuals that have not declared themselves as sharia business entities and have the potential to develop in the future. A business that is guided by spirituality and ethics will create a healthy and sustainable business climate with the realization of market discipline that is born from a culture of good governance business.

The ability of an organization to maintain business continuity is important to be able to provide benefits to the parties concerned. So in a sharia business, a GGBS(GGBS) is needed that can protect the interests of stakeholders, where the application of GGBS in sharia business is illustrated in achieving the GGBS implementation index.

Baddeley (2012) states that there are indicators that can cause investors to herd in their financial decisions. Investor behavior depends on how available information is being presented to them and how much they are likely to take risks while making decisions, thus playing an important role in determining the investment style of investors (Untari, 2017). Companies registered with ISSI come from various sectors so the information disclosed by each company is very different. Information that tends to vary in companies that are affiliated with ISSI is suspected to cause investors to lose confidence in the information busied, resulting in herding behavior in these investors. Research on the quantity and quality of information disclosure on herding behavior has been carried out by Alhaj-Yaseen and Rao (2019) and also Zhou and Lai (2009). The results of his research indicate that there is a herding behavior in stock trading that has a weak quality and quantity of information.

There are several differences between GCG and GGBS, which are presented in table 1.
Table 1 Difference between GCG and GGBS

Aspects / Criteria	GCG Guidelines	GGBS Guidelines
Creation of preconditions / conducive situations	The creation of an efficient, transparent and consistent market with laws supported by 3 pillars: the State, the business world and society.	The realization of a business that is based on Islamic principles and is oriented towards material and spiritual success. Spiritual preconditions for realizing devotion. Operational preconditions supported by 4 pillars: State, Ulama, Business and society.
Good Governance Principle	Transparency, Accountability, Responsibility, Independence, and Fairness as well as equality.	Two basic steps, namely spiritual in the form of things and thayib. Operational namely the principle of Transparency, Accountability, Responsibility, Independence and Fairness and equality based on the Qur'an and Hadith.
Ethics and Code of Conduct	Every company must have core values: such as trustworthy, fair, honest, which describes the moral attitude and business ethics of every organ of the company and employees.	Business ethics is a moral reference for the formation of morality in business. Sharia business must refer to the basic principles of honesty, trustworthiness, and Ahsan. Businesses can formulate a code of conduct consisting of business values, business ethics and Sharia business code of conduct.

Source: KNKG 2011

H1   : There is herding behavior on the Indonesian Sharia Stock Index

Herding behavior occurs due to a lack of transparency of information available in the market. Investors feel that the information needed to make investment decisions is insufficient. According to Kremer and Nautz (2013) herding behavior occurs when the market is not transparent, i.e. if investors face uncertain sources of public information and receive unclear signals about the company in the future.

Disclosure of GGBS is new in the Sharia business. In companies that are affiliated with ISSI, GGBS has also become something very new and various disclosures. Besides, ISSI registered companies from various sectors and are more likely not to show that they are based on Sharia Business. Therefore, disclosure of GGBS is expected to be weak in companies registered with ISSI. Weak GGBS disclosure will cause investor confidence in the information to fade, resulting in herding behavior. Untari (2017) argues that disclosure of information by companies can act as a determinant of investor investment style. Kampshoff et al. (2012) state that by disclosing information about individual short positions can stimulate the occurrence of herding behavior. Cormier et al. (2010) and Samaha et al. (2012) prove in his research that by disclosing corporate governance can reduce asymmetric information to increase investor confidence in accounting information. Alhaj-Yaseen and Rao (2019) and also Zhou and Lai (2009) prove that the intensity of herding depends on the quantity and quality of information disclosure. It can

be concluded that with the maximum disclosure of GGBS information, it can weaken the occurrence of herding behavior and vice versa.

H2: GGBS Disclosure moderates herding behavior on the Indonesian Sharia Stock Index

The researcher did not examine the effect of GGBS on Stock Returns because the focus of this study was on the role of GGBS moderation on herding behavior. Based on the theory and hypothesis development, the researcher arranges the conceptual framework of this study as in Figure 1.
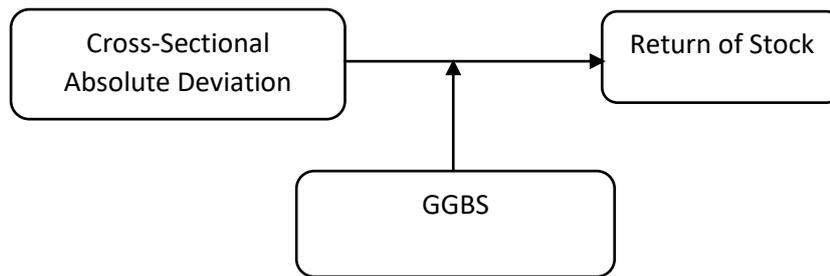

Figure 1. Conceptual framework

Research Method

The type of data used in this study is secondary data. Secondary data used in this study is in the form of GGBS disclosure data sourced from the financial statements along with the company's annual report and downloaded through the official website of the Indonesia Stock Exchange (idx.co.id). In addition, daily stock price data is also used in this study by downloading from Yahoo Finance. Data collection techniques in this study are to use documentation techniques. The documentation technique is used to obtain data that has been processed by other people both in the form of quantitative or qualitative data so that researchers only need to use the data (Ulum & Juanda, 2018).

According to Muema (2014) herding behavior is the behavior of investors who follow other investors or market consensus in their investment decisions. There are several steps in measuring herding, namely: (1) Daily Stock Return Calculation, (2) Daily Market Return Calculation, and (3) Absolute Deviation. Return is the result obtained from an investment. According to Bisara and Amanah (2015) returns consist of capital gains/losses and yields. Chang, Cheng, and Khorana (2000) define returns as capital gains/losses that rise/fall based on stock prices, as an independent variable in (Cross-Sectional Absolute Deviation). Daily stock returns of individual shares are calculated using the formula:

$$R_i = (P_t - P_{t-1}) / P_{t-1}$$

Annotation:
R_i: Stock return "i" on the day "t".
P_t: Stock price on the day "t".
P_{t-1}: Stock price on the previous day.

According to Chang, Cheng, and Khorana (2000), the value of the market return (Rm, t) in this study was obtained by calculating daily stock returns (Ri, t), then adding up all the values of each share on the t-day and divided by the number of shares available (N). This is because not all shares listed on the Indonesia Stock Exchange during the observation period are not all used as samples, so calculating as mentioned above can represent all shares that meet the sample criteria.

The moderating variable in this study is GGBS (GGBS). Researchers used the GGBS Disclosure Index which refers to the KNKG 2011, which contained 47 indicators for GGBS disclosure. GGBS is a measurement made based on policies compiled by the National Committee on Governance. In this policy, it has been explained very complete what items must be disclosed specifically for an Islamic business (Juanda, et al, 2019; Syafei, 2013).

In measuring the level of GGBS implementation, researchers use a binomial scale, namely by giving a score of 1 (one) if the indicator is disclosed in the company's annual report, and if the indicator is not disclosed in the annual report it will be given a score of 0 (zero) (Juanda, et al, 2019; Syafei, 2013).

The population of this study is all companies listed on the Indonesia Sharia Stock Index (ISSI) in 2018. Furthermore, this population is selected into a sample based on established sample criteria, namely issuers that enter the Indonesian Sharia Stock Index (ISSI) in 2008 and disclose the GGBS. The sample in this study is presented in table 2.

Table 2. Purposive Sampling

Keterangan	Jumlah
Number of Issuers included in the 2018 Sharia Indonesia Stock Index (ISSI)	399
Number of Issuers that do not disclose GGBS Disclosure	28
Number of Issuers as research samples	371

Data analysis technique

Data analysis in this research is using the Regression and moderation Test. Therefore, researchers arrange the steps in analyzing data. This is done so that this research is more directed. The following are steps to analyze data:

1. Search the data. The data that has been collected will be carried out searches related to GGBS items. This search is done manually, by reading the company's annual report to find the GGBS items.
2. Encoding data. Data that reveals GGBS items are given a score of 1 if not 0.
3. Tabulate GGBS Disclosure data.
4. Tabulate share price data for each company listed on ISSI.
5. Calculate the daily return of shares during the observation period.
6. Calculate CSADt of daily stock returns for each company stock and calculate the magnitude of market returns. In this study, CSADt calculation is done with the following formula:

$$CSAD_t = \frac{1}{N} \sum_{i=1}^{N} |R_{i,t} - R_{m,t}|$$

Annotation:

$CSADt$: Cross Sectional Absolute Deviation

$R_{i,t}$: individual stock returns in period "t"

$R_{m,t}$: market return in the market period, and daily returns. Daily returns are calculated using the following formula:

$$Ri = (P\ t - P\ t-1)/P\ t-1$$

Annotation:

Ri: Stock return "i" on day "t"

Pt: Stock price on the day "t"

Pt-1: Stock price on the previous day

7. Descriptive and Classical Assumption Test

The data distribution consists of an analysis of the mean, maximum, minimum, and standard deviation. The mean value describes the average of the research data. Meanwhile, the standard deviation describes the distribution of data or data variations. Normality Test used in this study uses the Kolmogorov Smirnov test using a significance level of 0.05. Multicollinearity Test. In this study, to detect the presence or absence of multicollinearity can be seen from the tolerance value and the Prince Inference Fiction (VIF). So, a low tolerance value is equal to high VIF (VIF = 1 / tolerance) and shows a high collinearity. The value used to indicate the presence of multicollinearity is a toll value> 0.10 or equal to VIF <10.

8. Hypothesis Test

The analytical method used in this study is a multiple linear regression model. The multiple linear regression equation determined in this study is as follows:

$$CSAD_t = \alpha + \gamma_{1\ |}\ R_{m,t\ |} + \gamma_2\ R_{m,t}^2 + \varepsilon_t + b_3 * X_3 + \varepsilon$$

Annotation:

α : intersect variable

γ_1 : linear coefficient between CSAD and portfolio market return

γ_2 : Non-linear coefficient between CAD and portfolio market return

$R_{m,t}$: portfolio market return in period "t"

X3 : GGBS Disclosure (Moderating)

ε : Error

Result and Discussion

Based on table 3, CSAD and Return Market variables in this study used 7 days after the announcement of GGBS Disclosure. The average CSAD value during the observation period was 42% with a standard deviation of 13.58%.

Table 3 Descriptive Statistic

Variable	N	Mean	Standar Deviasi
$CSAD_t$	371	42,15	13,58
$R_{m,t}$	371	174,69	39,58
GGBS	371	0,4653	0,1654

Daily average market returns during the observation period of 174.69% with a standard deviation of 39.58% in this study market returns are calculated using portfolio returns, meaning that in this study sample the majority of shares have portfolio returns above 100%. The GGBS variable during the observation period has an average of 0.4653 or 46%, meaning that from the entire company 46% of 47 GGBSitems have been disclosed and the standard deviation is 0.16540.

A normality test is a test conducted to assess the distribution of data in the study population, whether the distribution of data is normally distributed or not. Based on Figure 1 the data spread around the diagonal line and follows the direction of the diagonal line or the histogram graph shows the normal distribution pattern, then the regression model meets the normality assumption.

Multicollinearity test is a test conducted to ascertain whether in a regression model there is intercorrelation or colinearity between independent variables. Multicollinearity test results using Tolerance and VIF, tolerance value greater than 0.10 and VIF value <10.00 means that based on the results of Tolerance and VIF there is no multicollinearity in this regression model.
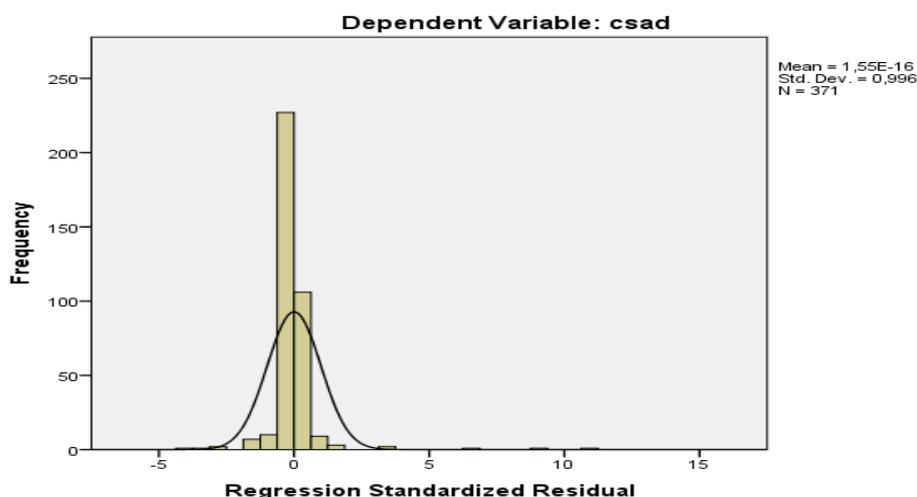
Figure 2 Histogram Chart

Table 4 Aggregate Regression

$CSAD_t$	α	γ1	γ2	GGBS	Adjusted R²
Agregate	25,92 (0,000)	1,140 (0,000)	-0,730 (0,000)	-	0,285
Agregate	3,23 (0,000)	9,59 (0,000)	-6,129 (0,000)	1,379 (0.000)	0,287

In the table 4 shows that the regression results using sample data as a whole amounted to 371 companies included in the Indonesian Islamic stock index empirically indicated the existence of herding behavior. Empirical test results from the regression showed the coefficient γ2 is negative and meets the level of confidence at the level of 95%. The ability of the regression results to meet the expected level of confidence, then empirically this can conclude the existence of herding behavior. This means supporting the hypothesis in Hi, thus in aggregate, it appears that during the observation period herding behavior occurred after the GGBS Disclosure was announced. The adjusted R-Square value in this study is 28.5% which means that the absolute market return and market return variables simultaneously affect the CSAD variable while 71.5% is influenced by other variables not included in the research model.

Based on table 4 the results of the aggregate regression analysis using GGBS Disclosure moderation variables show the results of an increase in Adjusted R-Square thereby strengthening the existence of herding behavior. Empirical test results from the regression showed the coefficient γ2 is negative and meets the level of confidence at the level of 95%. The ability of the regression results to meet the expected level of confidence, then empirically this can deduce the existence of herding behavior by using the GGBS Disclosure variable. The adjusted R-Square value after the moderation variable rises to 28.7% meaning that the absolute market return and market return and GGBS variables as moderation simultaneously affect the CSAD variable while 71.3% is influenced by other variables not included in the research model.

Herding behavior after fundamental information disclosure such as GGBS, IFRS adoption is in line with research Danrimi, Abdullah, and Alfan (2018) which sees the herding behavior on IFRS adoption and culture in the European Capital Market, investors trading not only imitating the actions of other investors but because of reactions to public information. In a country that adopts a collectivist culture system, investors prioritize collective opinions rather than individuals, because when investors experience failure they will prefer failure together rather than fail alone.

This research is also in line with research Nasarudin, Hanijito, Ariffin, and Matemilola (2017), Herding behavior findings are more sensitive to information disclosed to the public, investors pay more attention to the company's historical data than the company's background. Rational expectation theory which explains that investors who do not have private information will get that information by observing through price changes that occur. Investors who do not follow this information will conduct transactions by following transactions carried out by other investors.

Komalasari (2016) researching related herding behavior and information asymmetry, found that when information asymmetry occurs investors tend to follow the behavior of

many people, meaning that the higher the information asymmetry, investors are more likely to ignore their personal information and choose to follow market consensus. In this study it was found that the presence of GGBS Disclosure further strengthens the existence of herding behavior, meaning that investors conduct herding behavior reinforced by the information coming from within the company in the form of disclosure of GGBS Disclosure. The results of this study are supported by research from Zhou and Lai (2009) and Alhaj-Yaseen and Rao (2019) which proves that the intensity of herding depends on the quantity and quality of information disclosure. The quantity of GGBS disclosure in this study is still weak and the disclosure is not uniform, therefore triggering the existence of herding behavior. Besides this research also supports the results of the study Kampshoff et al. (2012) namely by disclosing certain information can stimulate the occurrence of herding behavior. Cormier et al. (2010) and Samaha et al. (2012), their research result also in line with the results of this study namely by disclosing corporate governance to increase investor confidence in accounting information. With increasing investor confidence in accounting information, herding behavior is reduced, and vice versa. The results of this study have implications for companies and policymakers that can increase corporate concern and stakeholders in sharia stock trading policies on the disclosure of GGBS, especially in companies registered with ISSI. GGBS disclosure can be used as one of the requirements to be included in the Indonesian Sharia Stock Index. That way, Sharia stock trading in Indonesia will experience better changes and in the eyes of investors with quality GGBS information can be a source of investment decision making.

Furthermore, what will be discussed in this research is the adjusted R square. The value of adjusted R square means that how well the research model can be applied to explain the theory. The adjusted R square value in the study was 28.5% and it rose to 28.7% after adding the GGBS Disclosure moderation variable meaning that the presence of GGBS Disclosure would strengthen the herding behavior. According to Chang et al. (2000), a high adjusted R square value indicates that macroeconomic conditions have a higher role than company-specific information. Based on these assumptions, the results of this study indicate that the occurrence of herding behavior in Indonesia is not only influenced by the presence of information from within the company but rather is influenced by macroeconomic factors.

Conclusion

In this section, the researchers found that disclosure of GGBS information on companies incorporated in ISSI can stimulate the occurrence of herding behavior. In general, disclosure of GGBS in companies indexed by ISSI tends to be low, at 46%. This indicates that by disclosing relatively low GGBS items, it makes investors unable to make decisions based on that information. Therefore, investors tend to behave herding. Herding behavior occurs when the market is not transparent ie when investors encounter uncertainty about the source of public information and receive unclear signals about the company's future (Arisanti & Asri, 2018; Kremer & Nautz, 2013), investors who do not have private information will get this information by observing through price changes

that occur. Investors who do not follow this information will conduct transactions by following transactions carried out by other investors. Efficient market hypothesis explains that the stock price already reflects all the information available in the company so that the stock price reflects the beliefs of investors that lead to the accuracy of the return expectations of investors, investor knowledge related to the company's fundamental information is very limited so that it allows them to make decisions based on signals from other investors.

The implication of this research is to increase the concern of companies and stakeholders of sharia stock trading on the disclosure of GGBS, especially in companies registered with ISSI. GGBS disclosure can be used as one of the requirements to be included in the Indonesian Sharia Stock Index. That way, Sharia stock trading in Indonesia will experience better changes and in the eyes of investors with quality GGBS information can be a source of investment decision making.

This research only focuses on one information, namely GGBS Disclosure. This cannot generalize that information disclosure can strengthen or even weaken the existence of herding behavior. This research only uses one method of detection of herding, namely using Cross-Sectional Absolute Deviation (CSAD). This study uses all objects in the Indonesian Sharia Stock Index (ISSI) without considering sharia activities in each company. Future studies can use other information disclosures, such as Corporate Social Responsibility, Sustainability Report, and so on. Further research can also use more than one method, namely CSAD, CSSD, or LSV and decide to dig deeper into the "sharia" of companies listed in the Sharia Stock Index.

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