

# Stock Price Manipulation (Pump and Dump Stock) and Threats to Indonesian Capital Market Classification: A Legal Analysis from an Investor Protection Perspective

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**Abstract:** *This study aims to juridically analyze the practice of stock price manipulation (“gorengan stocks”) as a form of market abuse from the perspective of investor protection and the maintenance of capital market integrity in Indonesia. The background of this research is based on the increasing prevalence of pump and dump practices, which result in stock prices that do not reflect the fundamental conditions of the issuing companies. This phenomenon potentially harms investors, particularly retail investors, and undermines trust in the capital market. This research employs a normative juridical method, utilizing both a statutory approach and a conceptual approach, supported by primary, secondary, and tertiary legal materials. The findings indicate that the practice of gorengan stocks constitutes a form of market manipulation that is explicitly prohibited under Law Number 8 of 1995 concerning Capital Markets, particularly in Articles 90 to 93. In this context, the Financial Services Authority (OJK) plays a crucial role in supervision and law enforcement, while the Indonesia Stock Exchange (IDX) is responsible for maintaining orderliness and transparency in securities trading. However, the effectiveness of supervision and law enforcement continues to face significant challenges, particularly due to the increasingly complex modes of manipulation, including those conducted through social media and the use of nominee accounts. In addition to*

*causing financial losses to investors, such practices also contribute to declining market confidence and may negatively affect the global perception of the quality of Indonesia’s capital market. Therefore, strengthening regulatory frameworks, enhancing supervisory mechanisms, and promoting continuous investor education are essential to establish a transparent, fair, and trustworthy capital market. This study is expected to contribute to the development of capital market legal policies as well as investor protection in Indonesia.*

**Keywords:** *Pump and Dump Stocks; Market Manipulation; Investor Protection; Capital Market*

## Introduction

Indonesia is one of the developing countries that is actively pursuing national development. In this context, the capital market plays a highly important and strategic role in supporting economic growth, as it functions both as a source of financing for businesses and as a means of investment for the public. The capital market can be understood as a platform where various long-term financial instruments are traded, including debt

securities (bonds), equity (stocks), mutual funds, derivative instruments, and other financial assets. Furthermore, the capital market serves as a medium for raising funds for companies and other institutions, including the government, while also providing a vehicle for the public to engage in investment activities (Aryani, 2020). Investment refers to the allocation of funds with the objective of generating additional value or returns in the future. Fundamentally, investment involves committing a certain amount of capital at the present time with the expectation of obtaining returns at a later date. Based on this understanding, stock investment may be defined as the use of available funds to acquire equity securities (shares), with the expectation of earning profits from trading activities in the capital market or stock exchange in the future (Adnyana, 2020).

In general, there are two main categories of assets that may be utilized as investment instruments, as follows (Adnyana, 2020):

- a. Real assets, which refer to investments in tangible, physical assets, such as gold, real estate, and works of art.
- b. Financial assets, which refer to investments in instruments within the financial sector, such as time deposits, stocks, bonds, and mutual funds.

Investment refers to the allocation of funds with the objective of generating additional value or returns in the future. Fundamentally, investment involves committing a certain amount of capital at the present time with the expectation of obtaining returns at a later date. Based on this understanding, stock investment may be defined as the use of available funds to acquire equity securities (shares), with the expectation of earning profits from trading activities in the capital market or stock exchange in the future (Adnyana, 2020). An investor is a party, either an individual or an institution, that allocates capital in the form of funds into various asset instruments, such as equities, real estate, or business ventures, over a specified period, whether short-term or long-term. The primary objective of such activities is to generate profits or financial returns in the future. In this regard, investors play a significant role in stimulating economic activity by providing a source of financing for companies (Willyanto et al., 2021).

In Indonesia, online stock trading has emerged as a prominent and widely discussed trend, leading to the proliferation of brokerage firms offering such services, including platforms such as E-Trading, Stockbit, Sinarmas Investment, PT Phillips Securities Indonesia, BNI Securities, and others. Although online trading offers various advantages compared to conventional methods, investors are required to possess a more comprehensive understanding, as they are no longer entirely dependent on intermediaries in executing transactions. Therefore, in order to engage in independent trading, investors must have sufficient foundational knowledge to carry out investment activities in the capital market in an optimal and profitable manner (Aryani, 2020). The emergence of the online trading system represents an alternative mechanism for stock transactions that aligns with the advancement of information technology. Such progress is marked by increased communication speed and greater accessibility to information. Previously, stock trading mechanisms relied heavily on intermediaries (brokers), whereby investors were required to contact such parties to execute transactions, a process considered less capable of accommodating investors' needs for direct and real-time trading. Therefore, the online

trading system has emerged as a more effective solution to meet these demands (Aryani, 2020).

The role of the Indonesia Stock Exchange is fundamentally that of a facilitator of securities trading. In this capacity, the Exchange provides trading infrastructure, formulates and establishes regulations governing exchange activities, lists securities instruments, promotes market liquidity, and disseminates information openly as a form of transparency. In addition to its role as a facilitator, the Indonesia Stock Exchange also functions as a supervisory authority overseeing transactions in the capital market (Azmi and Kharisma, 2019). This role includes monitoring trading activities, preventing unlawful price manipulation practices prohibited by statutory regulations, including insider trading, as well as exercising the authority to impose temporary trading suspensions on listed companies that violate applicable rules. Furthermore, the Exchange may carry out the delisting of securities in accordance with prevailing regulations. Moreover, the Indonesia Stock Exchange has a function in selecting companies to become publicly listed entities based on specific requirements, including legal entity status, compliance with minimum capital thresholds, a stipulated number of shareholders, and the absence of any prior history of bankruptcy (Azmi and Kharisma, 2019).

Companies intending to offer their shares on the stock exchange are first required to obtain an effective statement from the Financial Services Authority and to conduct a public offering (go public), commonly referred to as an Initial Public Offering (IPO). Companies that have completed the IPO process are subsequently classified as public companies, listed companies, or issuers. Law Number 8 of 1995 concerning Capital Markets stipulates that companies undertaking a public offering or those that meet the criteria of a public company are obligated to disclose accurate and truthful information to investors. Such information includes the company's financial condition, management structure, production activities, as well as other aspects related to its operations. This disclosure plays a crucial role as a basis for investors in making informed investment decisions. Furthermore, listing refers to the process of registering a company's shares on the Indonesia Stock Exchange, thereby enabling such shares to be traded by the public. This process constitutes the final stage in the sequence of public offering activities. Once the shares are listed on the exchange, investors may engage in buying and selling transactions with other investors through securities companies or brokerage firms that are exchange members and registered with the Indonesia Stock Exchange (Munir, 2024).

Stocks can generally be classified into three categories. First, first-tier stocks, commonly referred to as blue-chip stocks, are typically included in the LQ45 index, characterized by large market capitalization and relatively low volatility. Second, second-tier stocks consist of those with medium market capitalization. Third, third-tier stocks represent the highest-risk category due to their high price volatility and are often associated with speculative trading practices. Third-tier stocks are generally characterized by relatively low prices, making them more susceptible to influence or manipulation by certain parties, often trading below IDR 500 per share. These characteristics render such stocks attractive to speculative market participants seeking short-term gains, albeit with significantly higher associated risks (Syahla and Harahap, 2022).

At present, the phenomenon of speculative stocks has become a widely discussed topic. Such stocks refer to securities that experience significant price increases within a short period without being supported by adequate corporate events or fundamental performance. According to Bektı Sutıkna, these stocks are also commonly referred to as “pump-and-dump” stocks, a term derived from the practice of artificially inflating stock prices and subsequently selling them off. The pump-and-dump scheme is generally carried out by acquiring shares in large quantities at low prices, followed by gradually driving up the price to a targeted level. Subsequently, the stock is promoted or widely disseminated to attract the interest of retail investors. As market interest increases and more investors begin to purchase the stock, the perpetrators engage in distribution by selling their holdings at elevated prices. The remaining shares are then sold progressively, causing the price to decline. Through this scheme, the perpetrators can secure substantial profits, while retail investors face the risk of incurring losses after being trapped at inflated price levels (Syahla and Harahap, 2022).

One notable case of speculative stock manipulation involved a stock influencer, in which the Financial Services Authority (Otoritas Jasa Keuangan/OJK) imposed an administrative fine of IDR 5.35 billion on BVN (allegedly Belvin Tannadi) for engaging in price manipulation through the dissemination of information on social media during the 2021–2022 period. Based on the results of its investigation, the OJK conducted an analysis of stock transaction patterns, social media activities, and various supporting evidence. The findings indicated that the perpetrator utilized multiple securities accounts to execute coordinated buy and sell transactions, thereby creating artificial price formation that did not reflect actual market conditions. Such conduct generated a misleading appearance of trading activity and had the potential to influence investors’ decision-making. Such practices were identified in several stocks, including PT Agro Yasa Lestari Tbk (AYLS), PT MD Pictures Tbk (FILM), and PT Bintang Samudera Mandiri Lines Tbk (BSML) during a certain period. As a consequence of these actions, BVN was found to have violated the provisions of the Capital Market Law, particularly those concerning the prohibition of market manipulation. The existence of speculative stock practices in certain listed companies constitutes a significant challenge to the development of the capital market in Indonesia, particularly in assessing the quality of trading on the Indonesia Stock Exchange. In general, rising stock prices are often associated with an increase in the Composite Stock Price Index (IHSG) and are considered an indicator of a healthy investment climate. However, the persistence of stocks categorized as speculative continues to pose distinct challenges within the market (Syahla and Harahap, 2022).

Speculative stocks fundamentally reflect an unhealthy form of investment, as their price movements are not based on the underlying fundamentals of the issuing companies, but rather are driven by coordinated manipulative practices carried out by certain parties. The proliferation of such manipulation can erode investor confidence, both domestic and foreign, thereby adversely affecting investment interest in Indonesia. Ultimately, this condition may also influence perceptions regarding the quality and integrity of trading on the Indonesia Stock Exchange (Nugraha and Nefi, 2022).

Based on the foregoing background, this study aims to conduct a juridical analysis of the forms of legal protection afforded to investors, particularly retail investors, and to

examine the effectiveness of regulatory frameworks and supervisory mechanisms in maintaining the quality and integrity of stock trading on the Indonesia Stock Exchange in relation to speculative stock practices in Indonesia. In addition, this research seeks to identify normative weaknesses and challenges in law enforcement, as well as to formulate recommendations for improvement in order to establish a capital market that is transparent, fair, and characterized by a high level of trust.

### **Literature Review**

The development of the capital market as a vital instrument in the modern economy has significantly increased public participation as investors, particularly retail investors. However, this growth has also been accompanied by an increased potential for irregularities, one of which is stock price manipulation practices, commonly referred to as speculative stocks or pump-and-dump schemes. Such practices create price distortions that do not reflect the underlying fundamentals of companies and may potentially harm investors. Therefore, legal protection for investors constitutes a crucial aspect in maintaining the integrity of the capital market. Within the theoretical framework, investor protection can be analyzed through the legal protection theory proposed by Philipus M. Hadjon. This theory distinguishes legal protection into two primary forms, namely preventive legal protection and repressive legal protection. Preventive legal protection aims to prevent violations before they occur, whereas repressive legal protection functions to resolve disputes and impose sanctions after violations have taken place (Romli et al.)

In the context of the capital market, preventive legal protection plays a highly strategic role, given the market's nature as an information-driven environment. Investors are often in a relatively weaker position compared to market participants who possess greater access to information, making them vulnerable to manipulative practices such as pump-and-dump schemes. Therefore, regulations governing disclosure and prohibiting manipulation serve as the primary instruments of preventive protection. In Indonesia, preventive legal protection for stock investors is regulated under Law Number 8 of 1995 concerning Capital Markets, particularly in Articles 90 to 93, which explicitly prohibit various forms of market manipulation, including misleading disclosures, fictitious transactions, and price rigging practices. These provisions aim to establish a fair, transparent, and efficient market mechanism, enabling investors to make decisions based on accurate information.

In addition to regulatory frameworks, preventive protection is also realized through the role of supervisory authorities, namely the Financial Services Authority, which is vested with the power to regulate, supervise, and enforce laws in the capital market sector. The Authority plays a role in detecting potential market manipulation, including unusual activities in small-cap stocks that are often categorized as speculative stocks. Furthermore, the Indonesia Stock Exchange contributes to maintaining orderly trading through transaction surveillance systems, trading halt mechanisms, and suspension policies for stocks exhibiting abnormal movements. Nevertheless, in practice, preventive protection continues to face various challenges, particularly in relation to the rapid development of digital technology and social media. Contemporary pump-and-dump practices are not only conducted through market transactions but also through the dissemination of misleading information on digital platforms by certain actors, including influencers. This indicates that

preventive approaches must be continuously strengthened and adapted to the dynamics of technological advancement.

On the other hand, repressive legal protection constitutes a form of protection provided after a violation has occurred. From the perspective of Philipus M. Hadjon, repressive protection aims to ensure justice through law enforcement mechanisms and the imposition of sanctions on violators. In the context of stock manipulation, repressive protection is manifested through the imposition of administrative, civil, and criminal sanctions against perpetrators. The application of repressive protection in Indonesia can be observed in various stock manipulation cases addressed by the Financial Services Authority, where perpetrators have been subjected to sanctions ranging from fines and activity restrictions to potential criminal penalties. Such enforcement is intended not only to create a deterrent effect but also to restore investor confidence in the capital market. Nevertheless, the effectiveness of repressive protection still faces constraints, including the complexity of evidentiary processes, the use of nominee accounts, and limitations in monitoring activities across digital platforms (Romli et al.).

Furthermore, in the development of modern legal scholarship, investor protection is not solely dependent on regulatory and enforcement aspects but also on the enhancement of investor literacy and legal awareness. This aligns with the preventive approach in Philipus M. Hadjon's theory, which emphasizes the importance of empowering individuals to protect themselves. In the context of the capital market, investor education plays a key role in mitigating the risk of losses arising from speculative stock practices, through a better understanding of fundamental analysis, risk management, and the identification of market manipulation patterns.

Accordingly, the legal protection theory proposed by Philipus M. Hadjon provides a comprehensive conceptual framework for analyzing investor protection in the stock market. The synergy between preventive and repressive legal protection constitutes a fundamental element in establishing a capital market that is healthy, transparent, and characterized by integrity. In addressing increasingly complex pump-and-dump practices, it is necessary to strengthen regulatory frameworks, enhance supervision, and continuously improve investor education, so that legal protection can operate effectively and adaptively in response to evolving conditions.

## **Methodology**

This study employs a normative juridical approach, which is a research method that focuses on the examination of legal principles, norms, and the harmonization of applicable statutory regulations. This approach is selected because the issues under study are closely related to the framework of positive law, particularly in the context of investor protection and the handling of stock price manipulation practices in the capital market. The primary objective of this research is to examine, assess, and analyze the extent to which the prevailing legal rules are capable of providing legal certainty, justice, and protection for the parties involved, especially investors as subjects who are vulnerable to manipulative practices.

The normative juridical approach emphasizes the analysis of statutory provisions, legal principles, and legal doctrines relevant to the issues examined. In this regard, the

research does not merely identify legal norms but also interprets and evaluates their effectiveness in practice. Accordingly, this approach is situated within a framework aimed at understanding the objectives, functions, and meanings of the legal order governing the capital market, thereby providing a comprehensive overview of the normative legal system, particularly in relation to investor protection. The type of research employed is normative legal research, supported by several approaches, namely the statute approach and the analytical and conceptual approach. The statute approach is conducted by examining various regulations related to the capital market, such as the Capital Market Law and other relevant regulations, in order to understand their structure and substance. Meanwhile, the conceptual approach is used to analyze legal concepts, theories of legal protection, and fundamental principles relevant to understanding the phenomenon of market manipulation and investor protection (Muhaimin, 2020).

## Result and Discussion

### Threats to the Classification of the Indonesia Capital Market

Based on a report by TradingView, the issue of speculative stocks has *вновь* attracted public attention following a warning issued by Morgan Stanley Capital International (MSCI) regarding the increasing trading activity of small-cap stocks with high volatility in the Indonesian capital market. This phenomenon is considered to pose heightened risks, particularly for retail investors. MSCI is a global provider of stock market indices that serves as a benchmark for institutional investors across various countries in assessing market performance and determining investment allocation. The MSCI Indonesia Index comprises stocks that meet specific criteria, including market capitalization, liquidity levels, and accessibility for foreign investors.

Table 1. MSCI Country Classification (cited from CNBC Indonesia)

Classification	Country
<b>Developed Markets</b>	Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, UK, USA.
<b>Emerging Markets</b>	Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, UAE.
<b>Frontier Markets</b>	Bahrain, Bangladesh, Benin, Burkina Faso, Croatia, Guinea-Bissau, Iceland, Ivory Coast, Jordan, Kazakhstan, Kenya, Mali, Mauritius, Morocco, Niger, Oman, Pakistan, Senegal, Serbia, Sri Lanka, Togo, Tunisia, Vietnam.
<b>Advanced Frontier Markets</b>	Estonia, Latvia, Lithuania, Romania, Slovenia.

<b>Standalone Markets</b>	Argentina, Bosnia and Herzegovina, Bulgaria, Jamaica, Lebanon, Malta, Nigeria, Palestine, Panama, Trinidad and Tobago, Ukraine, Zimbabwe.
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Based on the table, the list of countries according to the MSCI classification as of June 2025 indicates that the global equity market is divided into three main categories, namely Developed Markets, Emerging Markets, and Frontier Markets, which are determined based on the level of economic and capital market maturity. Within this classification, Indonesia is currently categorized as an Emerging Market. MSCI determines market classification based on two primary qualitative criteria, namely the level of economic development and market accessibility. The economic criterion is specifically applied to determine Developed Market status, while the accessibility criterion is applied to all countries. In the case of Indonesia, market accessibility is often the primary concern, including the ease of foreign capital flows and operational efficiency. A decline in the level of accessibility may result in a potential downgrade in a country's MSCI classification.

In addition to regulatory quality, MSCI also evaluates markets based on quantitative indicators, namely market size and liquidity. This assessment considers the overall market capitalization as well as the level of trading activity. To maintain its status as an Emerging Market, Indonesia must have a sufficient number of large-cap companies that are actively traded. A significant decline in the number of large-cap firms or weakening market activity may pose a risk of reclassification to Frontier Market status. MSCI's decisions and evaluations regarding index composition can influence foreign capital inflows and outflows in Indonesia, which in turn affect the movement of the Composite Stock Price Index (IHSG) as well as overall market sentiment. Changes in index weighting, inclusion or exclusion of constituents, and delays in the rebalancing process may generate volatility and exert pressure on the Indonesian capital market.

In recent developments, MSCI has even suspended the rebalancing process of the Indonesian equity index for the February 2026 period, taking into account the proliferation of speculative stock practices. This policy has contributed to downward pressure on the Composite Stock Price Index (IHSG), driven by concerns over potential market manipulation, low free float quality, and insufficient transparency. In response to these conditions, the Financial Services Authority has established a special task force to address pump-and-dump practices. If these issues are not addressed effectively and promptly, there are concerns that perceptions of the Indonesian capital market may deteriorate, potentially placing it on par with countries characterized by lower levels of market confidence, such as Bangladesh.

If the Indonesian capital market seeks to maintain its current classification or even advance to a higher level, serious efforts are required to address speculative stock practices. Controlling such market manipulation is of paramount importance, as investor confidence—both domestic and foreign—largely depends on the quality, transparency, and integrity of the Indonesian capital market. Therefore, comprehensive measures are

necessary, not only through strict law enforcement but also through the strengthening of regulatory frameworks, enhanced supervision, and improved investor education. By fostering a healthy and credible market environment, investor confidence can be sustained, thereby promoting stability and the sustainable growth of the capital market.

### **Investor Protection**

The capital market must be conducted in accordance with the principles of fairness, transparency, and security. In its implementation, there are securities trading mechanisms that must be complied with by all market participants. The offering of securities by issuers to the public as investors operates within a legal framework that ensures disclosure and investor protection. These provisions are regulated under Law Number 8 of 1995 concerning Capital Markets, which serves as the legal foundation in providing legal certainty for all parties in the capital market and in safeguarding investors' interests from harmful practices (Mufid, 2023).

In order to strengthen legal protection, the government established the Financial Services Authority under Law Number 21 of 2011 concerning the Financial Services Authority, which is vested with the authority to regulate, supervise, and develop the capital market sector. In addition, the Indonesia Stock Exchange serves as the institution responsible for the organization and settlement of securities transactions within the capital market (Mufid, 2023). Stock price movements are fundamentally determined by the mechanisms of supply and demand, such that high price fluctuations may reflect the level of liquidity of a given stock. Liquidity constitutes one of the key factors considered by investors in making investment decisions in the capital market. In the context of preventive legal protection for investors in the Indonesian capital market, particularly with regard to stock price manipulation practices, Law Number 8 of 1995 concerning Capital Markets serves as the primary legal foundation. The provisions set forth in Articles 90 to 93 explicitly prohibit various forms of market manipulation, including stock price manipulation. Specifically, Article 90 regulates the prohibition of fraudulent acts, misleading statements, and the dissemination of false information concerning material facts in securities trading activities (Herlambang and Astawa, 2025).

The Financial Services Authority is vested with a strong legal mandate to provide protection to the public as consumers of financial services. Such authority is comprehensively regulated under Law Number 21 of 2011 concerning the Financial Services Authority, particularly in Articles 28, 29, and 30, which govern the mechanisms and scope of consumer protection in relation to financial service providers. This regulatory framework encompasses various aspects, ranging from the prevention of potential losses to the resolution of disputes between consumers and financial institutions. On the basis of this legal foundation, the Financial Services Authority possesses the legitimacy to undertake both preventive and repressive measures in safeguarding consumer interests, while also reflecting its commitment to establishing a financial services system that is fair, transparent, and protective of the rights of the public (Herlambang and Astawa, 2025).

In the context of investor protection in the capital market against manipulative practices, various stakeholders play a role through preventive measures, including the

Indonesia Stock Exchange as the organizer of the secondary market. The Exchange bears the responsibility to ensure security and legal certainty in all trading activities, including supervising potential fictitious or manipulative transactions that may harm investors. One of the strategic efforts undertaken by the Indonesia Stock Exchange is the implementation of comprehensive educational programs, targeting both novice and experienced investors. These programs aim to enhance understanding of capital market mechanisms, provide knowledge regarding various forms of market manipulation and methods for identifying them, and foster awareness of the importance of compliance with applicable legal provisions (Dianisa and Sulistiyono, 2024).

With regard to cases of speculative stock practices (stock manipulation), one notable instance involved an influencer engaged in such manipulative activities, who was subsequently subjected to administrative sanctions in the form of fines in accordance with applicable regulations. The Financial Services Authority, through the Acting Chief Executive of Capital Market, Derivatives, and Carbon Exchange Supervision, stated that the violation was related to the dissemination of misleading information via social media. The results of the investigation indicated that the perpetrator issued recommendations on certain stocks while simultaneously conducting transactions that were contrary to the information communicated to the public.

Based on the investigation, BVN was found to have committed violations in the trading of shares of PT Agro Yasa Lestari Tbk (AYLS), PT MD Pictures Tbk (FILM), and PT Bintang Samudera Mandiri Lines Tbk (BSML) during a certain period. The practice was carried out through the use of multiple securities accounts (nominee accounts) to create artificial price formation that did not reflect genuine market mechanisms. In addition to the imposition of administrative fines, the Financial Services Authority also considered restricting the perpetrator's activities on social media and conducted further investigations into the use of nominee accounts. From a legal perspective, such actions were deemed to violate the provisions of Law Number 8 of 1995 concerning Capital Markets, as amended by the Financial Sector Development and Strengthening Law (P2SK Law), particularly those relating to the prohibition of market manipulation as stipulated in Articles 90, 91, and 92.

## Conclusion

In conclusion, this study demonstrates that stock price manipulation practices—commonly referred to as speculative or “pump-and-dump” stocks constitute a serious threat not only to investor protection but also to the structural integrity and international standing of the Indonesian capital market. The increasing prevalence of such practices, particularly in small-cap and highly volatile stocks, has raised significant concerns among global stakeholders, as reflected in the warning issued by Morgan Stanley Capital International. This condition indicates that market manipulation is no longer merely a domestic regulatory issue but has evolved into a factor capable of influencing global perceptions and capital flows.

From a regulatory perspective, Indonesia has established a relatively comprehensive legal framework through Law Number 8 of 1995 concerning Capital Markets and Law

Number 21 of 2011 concerning the Financial Services Authority. These regulations explicitly prohibit market manipulation and provide a foundation for both preventive and repressive legal protection. In line with the theory of legal protection proposed by Philipus M. Hadjon, investor protection in the capital market operates through two complementary mechanisms: preventive measures aimed at avoiding violations and repressive measures aimed at enforcing sanctions. Preventive protection is reflected in disclosure obligations, trading supervision, and investor education, while repressive protection is manifested through the imposition of administrative sanctions, fines, and potential legal liability for perpetrators.

However, the findings of this study reveal that the effectiveness of such legal protection remains constrained by several challenges. The evolution of manipulation techniques—particularly through digital platforms, social media influence, and the use of nominee accounts—has made detection and enforcement increasingly complex. This indicates a gap between regulatory norms and practical enforcement, which may undermine the credibility of the legal system if not addressed adequately. Moreover, the persistence of speculative stock practices has the potential to erode investor confidence, especially among retail investors, thereby weakening market participation and stability. Furthermore, the study highlights that stock manipulation practices may have broader implications for Indonesia's classification within the global capital market. As an emerging market, Indonesia is required to maintain standards related to market accessibility, liquidity, transparency, and governance. The suspension of index rebalancing and concerns over market quality suggest that failure to address manipulation risks could lead to a deterioration in market classification, potentially affecting foreign investment inflows and overall economic stability.

Therefore, it is imperative for regulators, including the Financial Services Authority and the Indonesia Stock Exchange, to adopt more adaptive and integrated strategies. These should include strengthening regulatory frameworks, enhancing real-time surveillance systems, improving cross-platform monitoring (including digital and social media activities), and intensifying investor education programs. Ultimately, the synergy between robust legal enforcement and increased investor awareness is essential to establish a capital market that is transparent, fair, and resilient. By doing so, Indonesia can not only protect investors from harmful practices but also safeguard its position and credibility within the global financial system.

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