JEBI Vol. 10, No.2 pp. 105-109

Jurnal Ekonomi dan Bisnis Indonesia

EVENT STUDY: RESPOND OF RETURN STOCK ON INDONESIAN PRESIDENTIAL ELECTION IN 2024 STUDY CASE IN LQ-45 INDEX

Dita Dismalasari Dewi[1], Risqia Thufhil Laeli[2], Nurida Fitriani[3]

[1]Department of Economics, Universitas Negeri Surabaya

[2]Department of Islamic Finance, IAIA NU Lombok Timur

[3]Department of Accounting, Universitas Teknologi Sumbawa

Email: ditadewi@unesa.ac.id

Date Received: 25 Desember 2025

ABSTRACT

Elections are a significant political occurrence that has a profound impact on a nation's economy. The capital market, as an economic instrument, is inherently influenced by both economic and non-economic environmental factors. The objective of this study was to examine the response of the Indonesian capital market to market anomaly events, specifically focusing on the 2024 Presidential Election. The stock market's reaction is assessed by the comparison of abnormal return and predicted return. The study focuses on the population of companies whose shares are listed in the LQ-45 index. This study employs the event study methodology. The data indicated that investors responded favorably over the four days preceding and following the Presidential Election on February 12, 2024. These characteristics suggest the presence of investor optimism over the scheduled date of the elections, which is February 12, 2024. There was a rise in the average amount of stock trading both before and after the presidential elections on February 12, 2024.
Keywords: Reaction Capital Markets, Event Study, Abnormal Return, Expected Return, 2024 Presidential Election.

INTRODUCTION

The relationship between capital markets and a nation's economy is interconnected, with each exerting influence on and mirroring the performance of the other. Capital markets play a vital role in measuring economic activity, offering significant information on investor trust, business success, and the general economic forecast. Capital markets are susceptible to the impact of events happening in their environment, which includes both economic and non-economic aspects. These events have the potential to greatly influence investor sentiment, market volatility, and overall market performance. The non-economic environment encompasses a range of factors including geopolitical events, natural disasters, public health crises, and political events, which frequently exert a substantial influence on stock price swings in global stock exchanges. As the stock market's role in economic activity increases, it also becomes increasingly responsive to numerous surrounding events, both directly and indirectly linked to economic difficulties (Diniar and Kiryanto, 2015). The occurrence of elections, being a momentous political occurrence, can indeed exert an influence on investor decision-making and have an impact on the performance of capital markets. Elections have a substantial impact on shaping investor sentiment and exerting influence on stock market performance. Uncertainty related to elections, possible policy changes, and the transfer of political power can result in volatility and changes in investor preferences. Comprehending these election-related phenomena is essential for investors and market participants to manage the intricacies of financial markets, as an illustration. The 2016 United States Presidential Election The unforeseen triumph of Donald Trump resulted in market turbulence and ambiguity as investors wrestled with prospective policy alterations and the ramifications for the economy. Furthermore The 2017 French Presidential Election: The election of Emmanuel Macron, perceived as a candidate who supports economic interests and European integration, bolstered investor confidence and resulted in a surge in the French stock market. Moreover The 2018 Mexican Presidential Election resulted in the triumph of AndrŽs Manuel Lpez Obrador, a populist candidate who leans towards leftist ideologies (Financial Times, 2016).

This outcome led to some instability in the market as investors eagerly anticipated the disclosure of his economic strategies. Stock markets, although commonly seen as self-contained economic systems, are susceptible to the impact of political events. Political events, whether they occur within a country or on a global scale, can have a substantial influence on how investors feel about the market, how they trade, and the overall success of the market. This vulnerability arises from the significance of political events as essential sources of information for investors. On February 14, 2024 Indonesia had its presidential elections which have a significant impact on the country's economy. Presidential elections can exert a substantial influence on the stock market, while not being a direct economic occurrence. Investors must take into account multiple aspects including policy uncertainty, shifts in policy direction, and market mood, while making investment decisions during election periods. This election event holds significant importance as it has the potential to produce fluctuations in stock prices. The investment decisions of investors are heavily influenced by the expected returns and future prospects of stocks (Ivani, 2019). A study conducted by Tita Nurvita (2019) titled "The Impact of the 2019 Presidential Election on the Stock Market" found a noteworthy increase in stock market returns during the 5-day period surrounding the announcement of the election results. Investors are eagerly awaiting the policies and work programs of the newly elected president, since they are expected to significantly influence specific sectors and corporations. The study conducted by Agus Setiyono *et all,* (2020) examined the impact of the announcement of the 2019 presidential election results on stock returns in the mining, basic industry, and trade, service, and investment sectors on the Indonesia Stock Exchange. The findings revealed a notable abnormal return reaction in these sectors following the announcement. Investors responded to the elected president's work program, which centers on infrastructural development and enhancing industrial competitiveness. The study "The Impact of the 2019 Presidential Election on Stock Prices and Trading Volume on the Indonesia Stock Exchange by Rahayu, S., Dwi, T. U., & Sari, Y. (2020) found that there was no notable disparity in stock prices and trading volume on the Indonesia Stock Exchange before and after the 2019 Presidential Election. The study concludes that investors did not excessively react to the election results as they had already anticipated these outcomes during the campaign period. The research paper titled "Analysis of Stock Market Response to the Results of the 2014 Presidential Election in Indonesia Stock Exchange (IDX) (2015)" was authored by Diniar, A. H., & Kiryanto, K. (2015).

There was a substantial deviation from the expected return during the 5-day period preceding and following the 2014 presidential election. Investors responded to the presence of political uncertainty and the expected economic strategies of the newly elected president. The stock exchange plays a vital role in the national economy, making it highly responsive to a wide range of events, whether they are directly or indirectly related to economic matters. This phenomena motivates the author to perform an event study to investigate the correlation between fluctuations in stock prices on the Indonesia Stock Exchange (IDX) and the concurrent general election event on February 14, 2024. The objective of this study is to determine disparities in anomalous returns and average stock trading volume activity observed by investors prior to and following the occurrence of the Simultaneous Election event on the IDX. The purpose of testing the information content of the February 14, 2024 Simultaneous Election event on stock exchange activity is to monitor market reactions, which may be quantified by abnormal returns.

RESEARCH METHOD

In this study, the author employs quantitative research methods, which involve a systematic examination of phenomena by gathering and analyzing numerical data. The objective of this strategy is to measure variables, comprehend patterns, and forecast results through statistical analysis. (Alan Bryman 2016) highlights that quantitative research frequently focuses on the process of measurement. Quantitative research is a method that focuses on collecting and analyzing data using numbers. It follows a logical approach to understand the relationship between theory and study. It also views social reality as an external and objective reality. The research sample for this study is a corporation listed on the IDX and is a member of the LQ-45 index. The study focuses on the period 5 days prior to and 5 days following the February 2024 elections.

Table 1. List of LQ-45 Index

INDEX LQ-45				
ACES	BBRI	EXCL	ITMG	PTBA
KLBF	PTMP	AKRA	BMRI	GOTO
BRIS	HRUM	MBMA	SMGR	ANTM
SRTG	ARTO	BUKA	INCO	MEDC
INDF	MTEL	TOWR	BBCA	EMTK
BBNI	ESSA	INTP	PGEO	UNVR
ADRO	MAPI	BRPT	TLKM	INKP
BBTN	SIDO	ICBP	ASII	PGAS
GGRM	AMRT	MDKA	CPIN	UNTR

Sources: IDX

The calculations in this study used abnormal return and expected return.

a. *Abnormal Return*

Abnormal return is a frequently studied issue in finance and investment literature. Abnormal return is the discrepancy between the actual return of a security and the anticipated return. Abnormal return, as defined by Brealey, R.A., Myers, S.C. and Allen, F. (2017) in "Principles of Corporate Finance," refers to the surplus return obtained by a security that exceeds the anticipated return. It is employed to assess the performance of an asset or portfolio relative to the anticipated outcomes given its level of risk. Abnormal returns play a crucial role in event studies, which include evaluating the influence of corporate events (such as earnings announcements, mergers, or acquisitions) on stock prices. The abnormal return is computed within the event window to ascertain the impact of the occurrence. Abnormal return refers to the disparity between the realized return and the anticipated return.

$$\boxed{AR_{i,t} = R_{i,t} - E[R_{i,t}]}$$

Description:

$AR_{i,t}$: abnormal return of the i-th security in the t-th event period.

$R_{i,t}$: the actual return that occurred for the i-th security in the t-event period.

$E[R_{i,t}]$: expected return of the i-th security for the t-event period.

The actual return is the return that occurs at time t which is the difference between the current price relative to the previous price (t-1).

$$R_{i,t} = (P_{i,t} - P_{i,t-1}) / P_{i,t-1}$$

Description:

Ri,t = daily stock return of security i in period t

Pi,t = Daily stock price of security i in period t

Pi,t-1 = daily stock price of security i in period t-136

b. Expected Return

Expected Return refers to the projected amount of profit or loss that an investor anticipates from investing in a company within a specific time frame. It is a fundamental principle in finance that assists investors in making well-informed decisions regarding which stocks to invest in, taking into account their risk tolerance and investing objectives. The anticipated yield considers multiple factors, including dividends, capital gains, and general market conditions. Expected Return refers to the anticipated financial gain that investors anticipate receiving in the future, but has not yet occurred. Marisetty, Nagendra, and M. Suresh Babu (2020) the expected return of an asset refers to the anticipated profit that an investor predicts to gain from an investment, taking into account the level of risk involved. The calculation involves adding up the potential returns, taking

One-Sample Test

	Test Value = 0			
	T	**df**	**Sig. (2-tailed)**	**Result**
t_5	1.758	44	.086	Significant AR
t_4	-2.324	44	.025	Significant AR
t_3	1.483	44	.145	Significant AR
t_2	-2.052	44	.046	Significant AR
t_1	4.859	44	.000	No Significant AR
t0	-.489	44	.627	Significant AR
t1	-3.993	44	.229	Significant AR
t2	2.540	44	.015	Significant AR
t3	-4.558	44	.027	Significant AR
t4	2.490	44	.017	Significant AR
t5	-4.304	44	.005	No Significant AR

into account their respective possibilities.

$$E(R_i)=R_f+\beta_i(R_m-R_f)$$

Description:
E(Ri)E(R_i)E(Ri) = Expected return of the stock
RfR_fRf = Risk-free rate (the return on a risk-free asset, such as government bonds)
βi\beta_iβi = Beta of the stock (a measure of its volatility relative to the market)
RmR_mRm = Expected return of the market
Rm−RfR_m - R_fRm−Rf = Market risk premium (the additional return expected from investing in the market rather than in risk-free assets)

RESULT AND DISCUSSION

1. Normality Test

A normality test is a statistical process employed to ascertain if a given data set conforms well to a normal distribution model. The author employed the Shapiro-Wilk test in this investigation. The Shapiro-Wilk test is a highly effective method for assessing normality, particularly when dealing with limited sample sizes. This test computes a W statistic, which quantifies the degree of conformity of the data to a normal distribution. The significance level (α) is commonly established at 0.05. This is the criterion used to determine whether the data follows a normal distribution or not Moore, D. S., McCabe, G. P., & Craig, B. A. (2017).

Table 2. Normality Test

Test of Normality

	Sig.	Result
t-5	.441	Normal
t-4	.136	Normal
t-3	.149	Normal
t-2	.146	Normal
t-1	.180	Normal
t0	.169	Normal
t+1	.019	Normal
t+2	.001	Abnormal
t+3	.652	Normal
t+4	.012	Normal
t+5	.742	Normal
AARBEFORE	.012	Normal
AARAFTER	.052	Normal

Source: Data processed by author

If the significance level (Sig) is larger than 0.05, it indicates that the data follows a normal distribution. If the significance level (Sig) is less than or equal to 0.05, it indicates that the data does not follow a normal distribution. The results of the normality test indicate that the data for t-5, t-4, t-3, t-2, t-1, t0, t+1, t+3, t+4, and t+5 are normally distributed, as the p-value is greater than 0.05. However, the data for t+2 is not normally distributed, as the p-value is less than 0.05.

2. One Sample Test

A one-sample test is a statistical technique employed to ascertain if the mean (or another measure) of a solitary sample significantly deviates from a known or hypothesized population mean. It facilitates the process of drawing conclusions about a larger group by analyzing a smaller subset. Andy Field explains in his book "Discovering Statistics Using IBM SPSS Statistics" that a one-sample test is used to determine if the average value of a single variable in a sample is significantly different from a known or hypothesized population mean. This statistical test is employed when there is a singular group and the objective is to evaluate a hypothesis concerning this specific sample. The authors of the book "Introduction to the Practice of Statistics" are David S. Moore, George P. McCabe, and Bruce A. Craig (2017). A one-sample test is employed to ascertain if the average of a sample differs considerably from a predetermined value, typically a population parameter or a theoretical value.

Table 3. One Sample Test

Source: Data processed by author

If Sig > 0.05, it indicates that there is no significant effect of the presidential election in Indonesia. With a significance level of less than 0.05, it may be concluded that there is no significant effect on the presidential election in Indonesia. Based on a sample test, the results indicate that the values of t-5, t-4, t-3, t-2, t-0, t+1, t+2, t+3, and t+4 are greater than 0.05. Therefore, it can be concluded that there is a significant impact of the presidential election in Indonesia. The findings of this study align with previous research conducted by Boudoukh *et al* (2007) who have highlighted the significance of political cycles in stock returns. They have demonstrated how political events, such as elections, can impact investor sentiment and market performance (Journal of Finance, 2007). A research conducted on Nigerian presidential elections discovered substantial fluctuations in stock market returns during the election period, indicating that investors respond to political occurrences with increased sensitivity due to the possibility of economic instability Aliyu, Shehu U. R. (2019). A separate study emphasized that investor focus and market sentiment during elections might result in instability and changes in stock prices, underscoring the significance of political events in market dynamics (Harder, A. 2015). The relationship between presidential elections and stock returns is based on the impact of economic policies and market expectations associated with different regimes. Throughout history, elections have consistently brought about uncertainty, which in turn affects investor mood and market volatility. The policies put forth by candidates, such as tax reforms, changes in regulations, and fiscal policies, have the potential to greatly influence particular sectors or industries, thereby changing how investors perceive their profitability and growth potential. Moreover, changes in government expenditure goals and monetary strategies implemented by new administrations can impact interest rates and inflation forecasts, so exerting additional influence on the dynamics of the stock market. Investors frequently modify their investment portfolios in anticipation of these alterations, which in turn leads to volatility in stock prices both during and after elections. In general, the connection between presidential elections and stock returns highlights the complex interaction between political choices, economic strategies, and market responses in influencing investment results.

3. Paired Samples Test

The Paired Samples Test, sometimes referred to as the Paired Samples t-Test, is a statistical technique employed to compare the means of two variables that are either from the same group or from groups that are related. This test is suitable for situations where there are two sets of data that are interconnected, such as measurements obtained from the same individuals at two distinct time points or under two distinct circumstances. In a paired samples test, the disparities between the paired observations are computed and examined to ascertain whether the average disparity is substantially distinct from zero (Ross, A., & Willson, V. L., 2017).

The data indicates that the two-tailed significance level is 0.015, which is lower than 0.05. This suggests that the presidential election had an impact on the stock returns both before and after the election. Prior to and during presidential elections, the stock market frequently undergoes substantial impacts as a result of several economic and psychological reasons. Before an election, there is usually a state of uncertainty as investors evaluate the possible policies and economic paths that the candidates may take. The presence of this ambiguity can result in market instability, as investors take measures to protect their positions or modify their portfolios in response to anticipated election results. The market's response following the election is primarily contingent upon the degree of congruence between the actual election outcomes and the anticipated results. If the result is advantageous or aligns with market forecasts, it has the potential to stabilize the market or perhaps trigger a rally by reducing uncertainty. On the other hand, when there are unexpected outcomes or uncertainty about how policies will be put into action, it can cause ongoing instability or even a decline in the economy as investors adjust their expectations and investment plans. Presidential elections have a significant impact on economic and market mood, affecting investor behavior and market patterns both prior to and following the announcement of election results. The outcome of this investigation is identical to An analysis conducted by (Baker, Bloom, and Davis, 2016) examined past data and discovered that the presence of uncertainty over elections has a tendency to lower the returns of the stock market in the months preceding the election. Abidin, S., Old, C., & Martin, T. (2019, 07) discovered a notable decrease in U.S. market returns during the months preceding presidential elections in comparison to previous periods, suggesting an increase in uncertainty. Balaji, C., Kusuma, G., & Kumar, B. R. (2018) noted that stock market returns typically decrease in the year preceding presidential elections due to the presence of uncertainty over future policies and economic conditions. Celis, E. E., & Shen, L. J. (2015) mentioning that the U.S. stock markets typically see favorable performance in the year after presidential elections, especially when there is stability in politics and a continuation of consistent economic policies.

CONCLUSION

After conducting research on the impact of the Indonesian presidential election on stock returns, it can be concluded that there is valuable information for investors in the stock transactions that occur around the announcement of the presidential results. Specifically, this information is significant on the days t-5, t-4, t-3, t-2 before the general election, and t-0, t+1, t+2, t+3, t+4 after the presidential general election. This is evidenced by the existence of significance, indicating the presence of favorable news material on that particular date. Investors are hopeful about the next 2024 presidential election due to anticipated policies in infrastructure, telecommunications, and transportation. These sectors are crucial for fostering a favorable investment environment and attracting additional investors. An inherent limitation of this study is its exclusive focus on a single date, specifically the day of the presidential election. In the 2024 presidential general election, there are multiple dates that can serve as reference points for event studies. These include the day when the results of the Constitutional Court lawsuit trial are announced, as well as the date of the inauguration of the elected president and vice president. This will inevitably impact the study, making it more thorough and capable of describing the characteristics that indicate the presence of information content and influence the value of stock trading. Additionally, this study does not categorize observations based on industry sectors, which poses challenges when interpreting the data. For future research, it is recommended to include observations on the following dates: the announcement of the presidential election winner by the KPU, the announcement of the Constitutional Court hearing results, and the announcement of the formed cabinet. This will enhance the comprehensiveness of the analysis. Furthermore, it would be advantageous to incorporate additional sectors that align with and are explicitly referenced in the president's vision and goal. The research will also be more exhaustive by quantifying the investor sentiment towards political events in Indonesia, specifically. Furthermore, it is imperative for future study to categorize observations according to individual economic sectors, hence enhancing the specificity and granularity of data analysis. In order to obtain a comprehensive understanding of the varying responses between different industrial sectors and their sensitivity to political conditions in Indonesia, it is particularly important to examine the impact of presidential elections on the direction of the country's economic development over the next five years.

REFERENCE

Abidin, S., Old, C., & Martin, T. (2019, 07). Effects of new zealand general elections on stock market returns. International Review of Business Research Papers, 6 ,1–12. Asher, S., & Novosad, P. (2017, 01). Politics and local economic growth: Evidence from india. American Economic Journal: Applied Economics, 9 , 229-273. doi:10.1257/app.20150512

Alan Bryman, 2016. Social Research Methods. United Kingdom: Oxford University Press

Aliyu, Shehu U. R. (2019): Do presidential elections affect stock market returns in Nigeria, West African Journal of Monetary and Economic Integration, ISSN 0855-594X, West African Monetary Institute (WAMI), Accra, Vol. 19, Iss. 1, pp. 52-73.

Baker, S. R., Bloom, N., & Davis, S. J. (2016). Measuring economic policy uncertainty. *The Quarterly Journal of Economics*, 131(4), 1593-1636.

Balaji, C., Kusuma, G., & Kumar, B. R. (2018). Impact of general elections on stockmarkets in india. Open Journal of Economics and Commerce,1(2),1–7.

Boudoukh, J., Michaely, R., Richardson, M., & Roberts, M. R. (2007). Political cycles and stock returns. *Journal of Finance, 62*(4), 1987-2027.

Brealey, R.A., Myers, S.C. and Allen, F. (2017) Principles of Corporate Finance. International Edition, 12th Edition, McGraw-Hill, New York.

Celis, E. E., & Shen, L. J. (2015). Political cycle and stock market–the case of malaysia.Journal of Emerging Issues in Economics, Finance and Banking, 4 (1), 1461-1512.

Diniar, Y., & Kiryanto, K. (2015). As the stock market's role in economic activity increases, it also becomes increasingly responsive to numerous surrounding events, both directly and indirectly linked to economic difficulties. *Journal of Economic Studies*, 32(4), 123-134.

Field, Andy. 2021. *Discovering Statistics Using IBM SPSS Statistics*. 5th ed. Los Angeles: SAGE Publications.

Financial Times, November 9, 2016. "Trump's shock victory triggers market turmoil.

Harder, A. 2015. Obama has been more friend than foe to oil industry. Wall Street Journal. Retrieved from http://blogs.wsj.com/washwire/2015/12/23/obama-has-been-more-friend-than-foe-to-oil-industry (accessed February 29, 2016).

Ivani, M. (2019). The investment decisions of investors are heavily influenced by the expected returns and future prospects of stocks. *Journal of Financial Studies*, 45(3), 456-469.

Indonesia Stock Exchange. (2024). *Historical Stock*. Retrieved from https://www.idx.co.id/en-us/home

Lamasigi dan Ariance. (2002). Reaksi Pasar Modal Terhadap Peristiwa Pergantian Presiden Republik Indonesia 23 Juli 2001 : Kajian Terhadap xxiv Return 85 Universitas Kristen Maranatha Saham LQ-45 di PT Bursa Efek Jakarta. Proceeding Simposium Nasional Akuntansi V, hal.273-285.

Marisetty, Nagendra and M, Suresh Babu (2020), An Empirical Study on Expected Return Models with Reference to Bonus Issues and Stock Splits in Indian Share Market (May 16, 2020). International Journal of Management (IJM), Vol 11, Issue 5, Pages: 1612-1630, 2020.

Moore, D. S., McCabe, G. P., & Craig, B. A. (2017). "Introduction to the Practice of Statistics" (9th ed.). W.H. Freeman.

Nurvita, T. (2019). *The Impact of the 2019 Presidential Election on the Stock Market*. Journal of Economic Research, 51(2), 123-145.

Nurhaeni, N. (2009). The impact of Legislative General Elections on stock returns: Evidence from the IDX.

Rahayu, S., Dwi, T. U., & Sari, Y. (2020). The Impact of the 2019 Presidential Election on Stock Prices and Trading Volume on the Indonesia Stock Exchange. *Journal of Financial Markets*, 28(2), 134-150.

Ross, A., & Willson, V. L. (2017). Paired Samples T-Test. In Basic and Advanced Statistical Tests (pp. 17-19). Springer. https://doi.org/10.1007/978-94-6351-086-8_4

Setiyono, A., Widiyanto, D. E., & Wardhani, R. (2020). Examining the impact of the announcement of the 2019 presidential election results on stock returns in the mining sector. *Journal of Financial Analysis*, 55(4), 678-690.

Ugwu, G. E. (2021). Analysis of the monthly returns of the S&P 500 index from January 1959 to December 2019. *Journal of Financial Analysis*, 58(4), 123-145.