Capital Market Reaction to the Announcement of 2019 Presidential Candidates and Vice Presidential Candidates

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Keyword: Event Study, Political Events, Market Reaction, Trading Volume Activity, Abnormal Return

Abstract: This research is an event study that aims to find out how the capital market reacts to the announcement of presidential candidates and vice-candidates president in 2019. Market reaction is measured using the variable abnormal return and the variable trading volume activity. The research sample was selected using the purposive sampling method and obtained a sample of 41 mining companies on the Indonesia Stock Exchange. Hypothesis testing is done by using paired sample t-test analysis test. In view of the consequences of factual tests demonstrate that there is no huge contrast between the normal anomalous return when the declaration of presidential up-and-comers and bad habit presidential competitors in 2019. There is a significant difference between the average trading volume activity before and after the announcement of presidential candidates and vice-presidential candidates president in 2019. This is because of the declaration of the presidential and bad habit presidential up-and-comers in 2019, giving a negative sign in the capital market. Political occasions will uncertainly affect the economy.

1 INTRODUCTION

A capital market is a spot for different gatherings, particularly organizations that sell offers and securities, with the point of the deal will be utilized as extra reserves or to fortify the organization's capital (Fahmi, 2015).

The capital market as an economic instrument is inseparable from various environmental influences, both the economic environment and the non-economic environment. Changes in the macroeconomic condition that happens, for example, changes in loan costs on reserve funds and stores, outside trade rates, expansion, just as different monetary guidelines and deregulation given by the administration additionally impact the vacillations in stock costs and exchanging volume on the capital market. In spite of the fact that not legitimately identified with the impact of the non-financial condition, likewise can not be isolated from exercises in the capital market.

Political events are one part of the non-economic environment. Political events can contain information that can influence investors' decision making and ultimately, the market reacts to that information to form a new price balance so that it can be said that political events can indirectly influence activities in the capital market.

The declaration of the presidential and bad habit presidential applicants in 2019 is one of the political occasions. Where on September 20, 2018, it was declared that in the 2019 presidential political decision, there were just two competitors, to be specific Joko Widodo with Ma'ruf Amin and Prabowo Subianto with Sandiaga Salahuddin Uno.

Politics is closely related to power that will affect changes in public policies that have been in force. At the end of President Susilo Bambang Yudhoyono's administration on January 11, 2014, the government and the Ministry of Energy and Mineral Resources (ESDM) imposed Government Regulation (PP) No. 1 of 2014 and ESDM Ministerial Regulation (Permen) No. 1 of 2014 concerning Increasing Mineral Value Added Through Mineral Processing and Refining Activities in the Country. The enactment of these two regulations as a form of implementation of Law (Law) Number 4 of 2009 concerning Mineral and Coal Mining (Minerva) which regulates the prohibition of mining entrepreneurs from exporting six types of raw mining materials, namely nickel, bauxite, tin, gold, silver, and chromium before going through the processing and refining process.

Meanwhile, during the administration of President Joko Widodo (Jokowi), the Government and ESDM on 11 January 2017 again allowed the export of concentrates, low-grade raw minerals for

washed bauxite with A12O3 levels of more than or equal to 42% and nickel grading less than 1.7%. Exports are permitted as a result of the issuance of Government Regulation Number 1 of 2017 and Minister of Energy and Mineral Resources Number 5 of 2017 and Number 6 of 2017.

As for one sector that is expected to experience a positive trend in the political year leading up to the 2019 presidential election, namely the coal mining sector. In light of the administration approach plot in the 2019 Draft State Revenue and Expenditure Budget (RAPBN), the Government of Indonesia is focusing on expansion in coal creation from 413 million tons in 2018 to 530 million tons in 2019 or expansion of 28.3% in the political year. Also, non-oil and gas natural resource (SDA) revenues in the 2019 Draft State Budget remain dominated by revenues from mineral and coal mining, which reached Rp 23,946.9 billion and an increase of 24.5% compared to its target in the 2018 outlook.

Therefore, the performance of mining companies in Indonesia is strongly influenced by policies issued and determined by the Government of Indonesia.

Regarding the above wonder, specialists are keen on leading occasion study to explore on market responses to occasions that are not straightforwardly identified with the economy, in particular, the declaration of presidential up-and-comers and bad habit presidential applicants in 2019. The market response in this investigation is estimated by anomalous return and exchanging volume action.

2 RESEARCH METHODS

This type of research is an event study. Occasion studies can be utilized to test the data substance of an occasion or declaration and can likewise be utilized to test the market proficiency of a half solid structure (Hartono, 2010).

The populace in this investigation, in particular, 46 mining organizations recorded on the Indonesia Stock Exchange. The inspecting method in this examination, to be specifically utilizing the purposive testing procedure. Of the several criteria determined, 41 mining companies meet the criteria and will then be the object of research.

The perception time frame (occasion period) utilized is 11 days, for example, 5 days before the declaration of the presidential and bad habit presidential applicants in 2019 (t-5), 1 day during the declaration of the 2019 presidential and bad habit presidential up-and-comers (occasion day), and 5 days after the declaration of the presidential and bad habit presidential competitors in 2019 (t + 5).
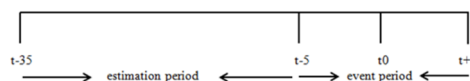

Figure 1. The Windows Event

Sort of information utilized in this examination is auxiliary information from the Indonesia Stock Exchange (www.idx.co.id), which comprises: (1). The daily closing stock price of each mining company that is the sample of the study during the study period. (2). Composite stock price index (CSPI) during transaction days on the Indonesia Stock Exchange (IDX) included in the study period. (3). The daily trading volume of shares of each mining company that was the sample of the study during the study period. (4). Number of shares outstanding from each mining company that was the sample of the study during the study period.

Research Variables: (1). Abnormal return is the difference between the actual return that occurs, and the expected return (Hartono, 2010). (2). Trading volume activity is a comparison of the number of shares of a company traded in a certain period with the total number of shares outstanding from that company in the same period (Mansur et al., 2014).

2.1 Calculation of Abnormal Return

a. Calculates the actual return using the formulation as follows (Hartono, 2010):

$$Ri, t = \frac{Pi, t - Pi, t - 1}{Pi, t - 1} \tag{1}$$

b. Calculates market return using the following formulation (Hartono, 2010):

$$R_{M,t} = \frac{IHSGt - IHSGt - 1}{IHSGt - 1} \tag{2}$$

c. Calculates the Expected Return (Expected Return) by using the following formulation (Hartono, 2010):

$$E[Ri, t] = R_{M,i,t} \tag{3}$$

d. Calculating Abnormal Returns using the following formulations (Hartono, 2010):

$$ARi, t = Ri, t - E[Ri, t] \tag{4}$$

e. Calculating Average Abnormal Returns using the following formulations (Hartono, 2010):

$$AARt = \frac{\sum_{i=1}^{n} ARi, t}{n} \qquad (5)$$

2.2 Calculation of Trading Volume Activity

a. Calculate Trading Volume Activity by using the following formulation:

$$TVAi, t = \frac{\sum saham\ i\ yang\ diperdagangkan\ pada\ hari\ ke\text{-}t}{\sum saham\ i\ yang\ beredar\ pada\ hari\ ke\text{-}t} \qquad (6)$$

b. Calculate Average Trading Volume Activity

$$ATVAt = \frac{\sum_{i=1}^{n} TVAi, t}{n} \qquad (7)$$

2.3 Hypothesis

Hypothesis testing using different paired sample t-test using a confidence level of 95 % or α = 5%, with the following conditions (Ghozali, 2012):

a. Ho is accepted if sig-t (probability)> 0.05
b. Ha is accepted if sig-t (probability itas) <0.05

3 RESULTS

3.1 Hypothesis Testing I

The first hypothesis in this study is that there is a difference between the average abnormal return before and after the announcement of presidential candidates and vice-presidential candidates in 2019. Theory testing uses matched example t-test measurable tests to decide if there is a noteworthy distinction between the normal irregular return when the declaration of the presidential and bad habit presidential up-and-comers in 2019. The results of testing the average abnormal return using the paired sample t-test are obtained as follows:

Table 1 Paired Samples Test average Abnormal Return

	Paired Differences							
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
AAR_Before - AAR_After	,005191 77	,007619 60	,003407 59	,004269 21	,014652 75	1,52 4	4	,202

In light of the test results above demonstrates that the centrality estimation of the normal variable anomalous return when the declaration of the imminent declaration president and bad habit presidential applicants in 2019 added up to 0.202. This shows the significance value is greater than the level of significance that has been set, namely 0.05 (0.202> 0.05). In this way, it tends to be reasoned that the elective theory (Ha) is rejected, and the invalid speculation (Ho) is acknowledged, or there is no huge distinction between the normal unusual return when the declaration of the presidential and bad habit presidential competitors in 2019. The in addition to signing (+) in front t worth demonstrates that the normal estimation of unusual return before the declaration of the presidential and bad habit presidential applicants in 2019 is more noteworthy than the normal estimation of anomalous return after the occasion.

3.2 Hypothesis Testing II

The second theory in this investigation is that there is a contrast between the normal exchanging volume movement when the declaration of the presidential and bad habit presidential up-and-comers in 2019. Theory testing utilizes a combined example t-test measurable test to see if there is a critical contrast between the normal exchanging volume action when the declaration of the presidential and bad habit presidential up-and-comers in 2019. The aftereffects of testing the normal exchanging volume action utilizing the combined example t-test are acquired as pursues:

Table 2: Test Results Paired Samples Test Average Trading Volume Activity

	Paired Differences							
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
ATVA_Sebelum -	ATVA_Sesudah ,00,134, 603,		00,045, 185,00, 020,208 ,		00,078, 498,00, 190,708	6.66 1	4	003

In view of test outcomes combined example t-test above demonstrates that the estimation of variable noteworthiness normal exchanging volume movement when the declaration of the presidential and bad habit presidential applicants in 2019 adding up to 0.003. This demonstrates the criticalness worth is littler than the degree of centrality that has been set, which is 0.05 (0.003 <0.05). Accordingly, it tends to be inferred that the elective speculation (Ha) is acknowledged, and the invalid theory (Ho) is

rejected, or there is a noteworthy contrast between the normal exchanging volume movement when the declaration of the presidential competitors and bad habit presidential up-and-comers in 2019. The in addition to signing (+) in front t worth demonstrates that the normal benefit of exchanging volume action before the declaration of the presidential and bad habit presidential up-and-comers in 2019 is more noteworthy than the normal benefit of exchanging volume movement after the occasion.

4 DISCUSSION

4.1 Analysis of Hypothesis I Testing

A decrease in the normal estimation of unusual returns five days prior and five days after the declaration shows that the market is reacting contrarily (awful news) from the declaration of the presidential and bad habit presidential up-and-comers in 2019. Likewise, speculators have foreseen the declaration of the presidential and bad habit presidential up-and-comers in 2019 by not making such a large number of exchanges around the occasion, making the stock cost on the stock trade decay, as confirm by the normal unusual return esteem that demonstrates a negative number around the declaration date (t-2, t-0, and t + 1).

The nonappearance of a noteworthy distinction is conceivable in light of the fact that data about when the declaration of the presidential and bad habit presidential applicants in 2019 has been across the board both through print media, TV media, and online media with the goal that no financial specialist has more (data asymmetry) to get an irregular return.

Speculators have not responded to the declaration of the presidential and bad habit presidential up-and-comers in 2019, in light of the fact that each of the presidential and bad habit presidential up-and-comers has not had the option to impact financial specialist inclinations in settling on venture choices, so there is no huge contrast between the strange normal return when the declaration occasion. This shows that the announcement of the presidential and vice-presidential candidates in 2019 had no impact on the investment climate in Indonesia.

This examination supports research led by Meidawati et al. (2004) in the 2004 authoritative political decision, Trisnawati (2011) in the 2004 presidential political race, Hutami et al. (2015) in the 2014 presidential political decision, Rahmawaty et al. (2015) in 2014 presidential political decision occasions, and Hasib et al. (2017) in the bureau reshuffle volume II occasion, which found that there

was no noteworthy distinction between the normal anomalous return when the occasion.

4.2 Analysis of Hypothesis II Testing

The presence of critical contrasts in normal exchanging volume action when the declaration of the presidential chosen people and bad habit presidential applicants in 2019 gives an outline that speculators make noteworthy buys and deals when the declaration of presidential up-and-comers and bad habit presidential up-and-comers in 2019. The distinction in normal exchanging volume movement when the declaration of the presidential and bad habit presidential applicants in 2019 likewise demonstrates that the declaration of presidential and bad habit presidential up-and-comers in 2019 has enough data content that impacts financial specialist inclinations in settling on speculation choices.

There is a huge distinction between the normal exchanging volume movement when the declaration of the presidential applicants and the 2019 bad habit presidential competitors. This is conceivable in light of the fact that financial specialists have foreseen the occasion by diminishing and not liable to lead stock exchanging exchanges after the declaration of the presidential up-and-comers and bad habit presidential up-and-comers. 2019.

In view of exchanging volume movement, the declaration of presidential applicants and bad habit presidential up-and-comers in 2019 gave a negative supposition to the venture atmosphere in the Indonesian capital market, as demonstrated by the decrease in normal exchanging volume action after the occasion. This is on the grounds that the declaration of the presidential and bad habit presidential up-and-comers in 2019 gives an underlying portrayal of the vulnerability of government approaches in the following five years, so financial specialists dodge and not purchase and sell partakes in the occasion and pause and carry on observe (keep a watch out) how the effect of the declaration of the presidential and bad habit presidential competitors in 2019 on the Indonesian economy, which caused a critical distinction between the normal exchanging volume action when the occasion.

If, after an event occurs, trading volume activity increases, the information released is positive (good news); on the contrary, if trading volume activity decreases, the information released is negative (Mansur et al., 2014). So it very well may be said that data discharged from the declaration of the presidential and bad habit presidential competitors in 2019 is negative (terrible news) since it causes a decline in normal exchanging volume action after the occasion.

This study supports research conducted by Meidawati et al. (2004) on the events of Indonesia's legislative elections in 2004, Hutami et al. (2015) in the 2014 presidential election event, and Putra et al. (2018) on the announcement of Donald Trump's victory as President of America States, which found that there were significant differences between the average trading volume activity before and after the event.

5 CONCLUSION

(1). There is no huge distinction between the normal irregular return when the declaration of the presidential competitor and the bad habit presidential applicant in 2019. (2). There is a huge contrast between the normal exchanging volume movement when the declaration of the presidential and bad habit presidential applicants in 2019.

For future researchers, it is expected to continue research at the 2019 general election vote counting event or the 2019 general election winner announcement event because the event will have an impact on the policies of the Indonesian government in the next 5 years so that the market can react more with the event. Also, it is expected to develop a research hypothesis by comparing the average abnormal return and the average trading volume activity before the time of the event, after with the time of the event, and before and after the event.

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