Analysis of capital market reaction to the 2024 Prabowo-Gibran inauguration on Indonesian Stock Exchange

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ABSTRACT

The Free Nutritious Meals (MBG) program was one of Prabowo-Gibran's flagship programs during the 2024 presidential and vice-presidential election campaign. The inauguration of the Prabowo-Gibran president and vice-president was a highly anticipated event not only by the public, but also by investors who believed it would impact the Indonesian capital market. This study aimed to examine the market reaction to the inauguration of the Prabowo-Gibran president and vice-president among companies in the consumer non-cyclical food and beverage subsector on the IDX. The capital market reaction was proxied by trading volume activity and abnormal returns. The researchers used a population of companies in the consumer non-cyclical food and beverage subsector and obtained a sample of 91 companies using a purposive sampling method. The observation period for the reaction was three days before and three days after the event from 16 October 2024 until 23 October 2024. Testing was conducted using the One Sample Kolmogorov-Smirnov test for normality and the Wilcoxon Signed Rank Test for hypothesis testing using SPSS 26. The study found that there is no difference in average trading volume activity before and after the event. This was due to investors adopting a wait-and-see strategy due to economic instability amidst changes in the country's political situation. However, there was a difference in abnormal returns before and after the event. This aligns with signaling theory, which states that every signal from an event will be perceived by investors as useful information for making investment decisions.

Keywords: Event Study, Capital Market Reaction, Prabowo-Gibran Inauguration, Indonesian Stock Exchange

1. Introduction

Capital markets have a complex role in the dynamics of a country's economic growth. Capital market fluctuations are influenced by responses to information, that came from events [1]. Capital markets are influenced by various events surrounding them, both economic and non-economic events. One form of non-economic event that is considered capable of influencing capital markets is political events [2].

The inauguration of the President and Vice President is one of the political events that is considered to have an influence on the capital market [3]. According to KPU regulation No. 360 on 2024, President and Vice President Prabowo-Gibran won the presidential election and will be inaugurated as President and Vice President of the Republic of Indonesia on October 20, 2024 [4]. This event occurs only once in a few periods and brings about major changes to the state system and also to the economy, so it is considered capable of influencing the capital market.

Signaling Theory

As for the relationship between an event and the capital market, this aligns with the concept of signaling theory. Signaling theory is a theory that states that every event will contain a specific set of information that influences the capital market [5]. The information contained in the presidential inauguration is considered to be able to influence trading on the capital market [6].

Efficient Market Hypothesis (EMH)

The capital market will always reflect market conditions, this is in accordance with the economic theory of the efficient market hypothesis (EMH) [7]. The efficient market hypothesis (EMH) explains that asset prices (stock prices) will always reflect the response to all information available in the capital market [8]. The capital market in Indonesia often reflects investor responses to events that occur, thus aligning with the efficient market hypothesis (EMH) theory in analyzing capital market reactions to the inauguration of the president and vice president in 2024 [9].

Event Study

Event study is a method used to observe market reactions to events through the analysis of publicly disclosed events. Event study uses a specific research period to examine the information content of the events being studied. Event study use timeframe to prevent biased market reaction patterns to other events. The application of event study to information content analysis in the capital market can be studied by use trading volume activity and abnormal returns [10]. One of the factors determining information content is fluctuations in the capital market [11].

Differences in Trading Volume Activity Before and After the Prabowo-Gibran Inauguration

Trading volume activity is a measure that focuses on the quantity of trading. Trading volume activity reflects investor reactions through changes in transaction volume. This variable provides insight into changes caused by an event and provides a concrete view of market liquidity [12]. Therefore, the inauguration of the president and vice president is considered capable of generating changes in trading volume activity before and after the event. **H1**: There is a difference in trading volume activity before and after the inauguration of President and Vice President Prabowo-Gibran in 2024 in the food and beverage subsector on the IDX.

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The reaction to response some information from event can also be measured through the abnormal return variable [3]. Abnormal returns are defined as the difference between actual returns and expected returns, indicating a deviation from the normal rate of return. Abnormal returns can be a powerful indicator in examining market reactions, because if there are abnormal returns around an event window, this indicates that the market is reacting to the information. [13]. The inauguration of the president and vice president, a non-economic event, is considered to be one of the events capable of generating abnormal returns in the capital market. **H2**: There is a difference in abnormal returns before and after the inauguration of the president and vice president Prabowo-Gibran in 2024 in the food and beverage subsector on the IDX.

One of the flagship programs of President and Vice President Prabowo-Gibran during the campaign period was the Free Nutritious Meals Program (MBG). The program targets elementary, junior high, and high school students in Indonesia. This program is predicted to require a large supply of food and beverages, so it is expected to have a certain reaction on the IDX companies in the food and beverage subsector [14]. This study aims to examine the market reaction to the inauguration of President and Vice President Prabowo-Gibran in 2024 on the Indonesia Stock Exchange in the food and beverage subsector, for three days before to three days after the event from October 16, 2024 to October 23, 2024. Market reaction is proxied by the variables trading volume activity and abnormal return.

2. Method

Research Design

This research is based on a comparative quantitative research method. It employed an event study approach. The observation period was seven days: three days before and three days after the event. The inauguration of President and Vice President Prabowo-Gibran is scheduled for October 20, 2024. However, because that date was a holiday, the date was moved to October 21, 2024. The measurement dates for the trading volume activity and abnormal return variables were from October 16, 2024, to October 24, 2024, during the seven-day market opening.

Data Collection Instruments

The data collection method in this study is by using documentation through recording, reviewing and analyzing data published by sample companies through access to the official website of the Indonesian Stock Exchange with adjustments to the researcher's data needs.

Sample

The population and sample of this study were all 101 companies registered in the food and beverage subsector. Based on Table 1, from the total population of registered companies, 91 samples were obtained, with the following selection criteria:

Table 1. Determination of Research Samples

No	Criteria	Amount
1.	The company is listed in the food and beverage subsector on the Indonesia Stock Exchange	101
3	Food and beverage sub-sector companies that do not publish daily closing price data	(7)
4	Food and beverage sub-sector companies that carry out corporate actions	(3)
	Total	91

Source: www.idx.co.id, data processed by researchers, 2024

Data analysis
In this study, data description was examined using descriptive statistical models using the IBM SPSS 26 application. Data normality testing used the One-Sample Kolmogorov Smirnov Test, and in testing the hypothesis, using the non-parametric Wilcoxon signed ranked test.

3. Results and Discussion

Descriptive Statistics
Based on the data in Table 2, of the 91 samples tested, the minimum value before the event was 0,000088, and after the event was 0,000442. The maximum value before the event was 28,885311, with the maximum value after the event being 10,62750. The average trading volume activity before the inauguration of President and Vice President Prabowo-Gibran in 2024 was 1,1305509, with the average trading volume activity after the inauguration of President and Vice President Prabowo-Gibran in 2024 being 0,0668183.

Table 2. Descriptical Test Variabel Trading Volume Activity

No	Desc.	N	Minimum	Maximum	Mean	Std.Dev
1	ATVA Before	91	0,000088	28,885311	1,1305509	3,5395631
2	ATVA After	91	0,000442	10,627500	0,0668183	1,4630234

Source: data processed by researchers, 2025

Table 3 presents the results of the descriptive statistical test of abnormal returns, where the minimum abnormal return before the event was -0,155840 and after the event was -0,056870. The maximum value before the event was 0,027498, with the maximum value after the event being 0,141290. The average abnormal return before the inauguration of President and Vice President Prabowo-Gibran in 2024 was -0,002583, with the average abnormal return after the inauguration of President and Vice President Prabowo-Gibran in 2024 being 0,005269.

Table 3. Descriptical Test Variabel Trading Volume Activity

No	Desc.	N	Minimum	Maximum	Mean	Std.Dev
1	AAR Before	91	-0,155840	0,027498	-0,002583	0,019597
2	AAR After	91	-0,056870	0,141290	0,005269	0,021272

Source: data processed by researchers, 2025

Normality Test
The normality test in this study uses the One Sample Kolmogorov Smirnov Test with the condition that if the Asymp. Sig. (2-tailed) value is more than 0,05 then the data is said to be normally distributed. If the Asymp. Sig. (2-tailed) value is less than 0,05 then the data is said to be not normally distributed. If the data is normally distributed, hypothesis testing will be continued with the parametric Paired Sample T-Test, whereas if the data is not normally distributed, hypothesis testing will be continued with the non-parametric Wilcoxon Signed Ranked Test.

Table 4. Descriptical Test Variabel Trading Volume Activity

	ATVA Before	ATVA After	AAR Before	AAR After
N	91	91	91	91

Normal Parameter	*Mean*	1,130550	0,669538	-0,002583	0,005269
	Std. Dev	3,539563	1,462449	0,019597	0,021272
Most Extreme Differences	*Absolute*	0,375	0,324	0,265	0,168
	Positive	0,354	0,295	0,160	0,168
	Negative	-0,375	-0,324	-0,265	-0,145
Test Statistic		0,375	0,324	0,265	0,168
Asymp. Sig. (2-tailed)		0,000[c]	0,000[c]	0,000[c]	0,000[c]

Source: data processed by researchers, 2025

Table 4 shows the significance of the average trading volume activity value before and after the presidential and vice-presidential inauguration event at 0,000. The presented value is less than > 0,05, or classified as ATVA data before and after the event is not normally distributed. A similar thing occurs with the average abnormal return variable before and after the event, where the Asymp. Sig. (2-tailed) value before and after the event is 0,000, so it is less than 0,05, or in other words, not normally distributed. Based on the classification of the normality test that occurred, the testing step is continued with the non-parametric Wilcoxon Signed Rank Test.

Hypothesis Test
The results of the normality test for the trading volume activity variable were 0,000 or below 0,05, so the hypothesis test was continued with the non-parametric Wilcoxon signed-rank test. Table 5, show a significance value from asymp.sig (2-tailed) conclude value 0,555 was obtained. This value indicates that the hypothesis H_0 is supported, thats concluding there is no significant difference in trading volume activity before and after the inauguration of President and Vice President Prabowo Gibran in 2024.

Table 5. Wilcoxon Signed Ranked Test from Trading Volume Activity

	ATVA Before-ATVA After
Z	-0,590[c]
Asymp. Sig. (2-tailed)	0,555

Source: data processed by researchers, 2025

The results of the normality test for abnormal return variable were 0,000 or below 0,05, so the hypothesis test was continued with the non-parametric Wilcoxon signed-rank test. Table 6 presents the results of the hypothesis test on the abnormal return variable which obtained an Asymp. Sig. (2-tailed) value is 0,001. The value presented is smaller than 0,05 so that H_0 is rejected or can be interpreted that there is a difference in abnormal returns before and after the inauguration of President and Vice President Prabowo Gibran in 2024 in non-cyclical consumer sector companies in the food and beverage subsector listed on the IDX.

Table 6. Wilcoxon Signed Ranked Test from Abnormal Return

	AAR Before-AAR After
Z	-3,253^c
Asymp Sig (2-tailed)	0,001

Source: data processed by researchers, 2025

Discussion

Differences in Trading Volume Activity Before and After the Inauguration of President and Vice President Prabowo-Gibran in 2024

The findings from the hypothesis test on the trading volume activity variable indicate no significant difference between the periods before and after the inauguration of President and Vice President Prabowo-Gibran in 2024 for companies in the non-cyclical consumer sector, the food and beverage subsector, listed on the Indonesia Stock Exchange. The study found that the null hypothesis H0 was supported, indicating no statistically significant difference in trading volume activity due to the event.

Based on the study, there was a significant decrease before and after the event. This decrease indicates that the market responded negatively to the event. The decrease in trading volume activity that occurred during the inauguration of President and Vice President Prabowo-Gibran was caused by investors reducing trading activity through a wait-and-see strategy. Investors had low confidence in the sample issuers, resulting in a decrease in trading volume activity. Economic instability due to the change in leadership was the main driver of the change in trading volume activity.

The findings of this test align with signaling theory, which explains how investors respond to information in interpreting events. Investors who make decisions Investing is based on each individual's level of understanding and ability to interpret the meaning of an event. The lack of significant differences in average trading volume activity reflects variations in investor perceptions and reactions to the information content of the inauguration, the event studied. Investors tended to hold some unnecessary transactions, considering the level of risk associated with the country's economic instability during the inauguration of President and Vice President Prabowo-Gibran. This study yields similar conclusions to Karina's study, "Analisis Reaksi Investor di Bursa Efek Indonesia pada Pelantikan Joko Widodo" The results indicate that Jokowi's inauguration event did not significantly impact the timing of the event [3].

Difference in Abnormal Returns Before and After the Inauguration of President and Vice President Prabowo-Gibran in 2024

The results of the hypothesis test on the abnormal return variable indicate a significant difference between the periods before and after the inauguration of President and Vice President Prabowo-Gibran in 2024. Based on this study, the results of the null hypothesis H0 were rejected, which showed a significant difference in abnormal returns before and after the inauguration. This significant difference in the average abnormal returns was caused by strong investor interest in the event. Although the presidential and vice-presidential inauguration caused economic instability, investors viewed the free nutritious meal program (MBG) of President and Vice President Prabowo-Gibran as an investment opportunity in food and beverage companies. This finding is also consistent with the Efficient Market Hypothesis (EMH), which states that in an efficient market, all publicly available information is immediately reflected in financial assets, including stock price fluctuations in response to specific events. This research supports Paramarta's study, "Perbedaan Reaksi Pasar terhadap Pelantikan Presiden dan Wakil Presiden Negara Indonesia Tahun 2019" The researchers stated

that there were differences in abnormal returns before and after the presidential and vice-presidential inaugurations [15].

4. Conclusion

Based on the theoretical foundation and empirical findings outlined previously, the following conclusions can be drawn: There was no difference in trading volume activity before and after the inauguration of President and Vice President Prabowo-Gibran in 2024 for non-cyclical consumer companies in the food and beverage subsector listed on the Indonesia Stock Exchange. The decrease was caused by investors reducing trading activity through a wait-and-see strategy. Economic instability due to changes in leadership was a key factor in the change in trading volume activity, particularly after the inauguration. This finding supports signaling theory, which argues that investor responses to an event can vary depending on their ability to interpret the information contained within the event.

There was a difference in abnormal returns before and after the inauguration of President Prabowo and Vice President Gibran in 2024 for non-cyclical consumer companies in the food and beverage subsector listed on the Indonesia Stock Exchange, with a significant increase. This significant difference in average abnormal returns was due to strong investor interest in the event. This finding aligns with the positive average abnormal return. Investors view the presidential and vice presidential inauguration as a series of signals with the potential to generate returns. Although the inauguration of the president and vice president has the potential to create short-term economic uncertainty, investors view the free nutritious meal program as a potential investment opportunity.

Limitations in this study include the varying distribution of trading volume activity values, and varying abnormal returns. The study population focused on non-cyclical consumer companies in the food and beverage subsector listed on the Indonesia Stock Exchange. The event window in this study was 7 days: t-3, t-0, and t+3. Testing market reactions during the presidential and vice-presidential inauguration period is not limited to trading volume activity and abnormal returns. Further research is expected to expand the use of other variables in analyzing the events. A decrease in trading volume activity and an increase in abnormal returns are factors contributing to changes in market reactions. Other factors such as economic uncertainty, national stability, and investor perceptions should also be considered in future research. Future research could also consider using other sectors on the IDX to assess the impact of the events studied.

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