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Capital Market Reaction: Before and After the 2019 Presidential and Legislative General Elections in Indonesia

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Abstract: This study identified the difference in levels of abnormal returns and trading volume activity (TVA) before and after the 2019 presidential and legislative elections held in Indonesia. This study had employed a sample of companies listed in the LQ45 stock index (a capitalisation-weighted index of the 45 most heavily traded stocks on the Jakarta Stock Exchange, Indonesia) between January and October 2019. The data analysis technique, namely pairwise difference test, was applied to test five days before and after the 2019 presidential and legislative elections. As a result, the TVA displayed a variance before and after the 2019 simultaneous elections. Nonetheless, insignificant difference was noted for the level of abnormal returns before and after the 2019 presidential and legislative elections in Indonesia. It was evidenced in this study that the Indonesian financial market reflected a semi-strong market; signifying that the LQ45 capital market reacted to the 2019 simultaneous election events due to the high enthusiasm exhibited by the market players towards the political conditions.

1. Introduction

Government policies have a significant impact on the economic performance of a country (Darby & Roy, 2018). Stock markets, which are a vital indicator of the economic performance in a country, reflect the effect of government policies on the general economy (Smales, 2014; McFarlane et al., 2018; Kopar, 2018; Chico et al., 2019; Hadi & Muhammad, 2019; Atik & Erkan Atik, 2019; Manamela & Molapo, 2019; Kaya & Aydin, 2019). Stable and consistent policies facilitate stock market performance (Sharma, Narayan, Thuraisamy & Laila, 2019). Stock markets are volatile to the changing political situation in a country; the reason election causes tension to political and polices fronts (Wong & McAleer, 2009). The election refers to a time when political parties propose new social and economic agendas for a country, wherein such change leads to a unique risk for stock market investors (Liew & Rowland, 2016). Significant empirical evidence retrieved from developing countries portray that the election event significantly affects the stock market (Wang & Lin, 2009; Galatti et al., 2019; Ay & Zeynep, 2019; Mogano & Mokoele, 2019; Hove & Troskie, 2019; Kaya & Aydin, 2019;).

General elections, which trigger political events, riots, and government changes, generate various responses from stock market players (Smales, 2014). Apparently, the better the capital market in a country, the more sensitive the capital market is to multiple events in its surrounding (Wang & McAleer, 2009). The political environment exerts pressure on the economic condition of a country, in which political events can exert a negative or positive impact on the movement of shares in the capital market (Liew & Rowland, 2016; Hove & Troskie, 2019; Mogano & Mokoele, 2019; Galatti et al., 2019; Kanetro, 2019). Interestingly, year 2019 witnessed the first general election for both the President and the legislative members, which was held simultaneously in Indonesia.

The role of capital market is integral to boost the Indonesian economy (Lutfi, Nazwar & Muda, 2016; Manamela & Molapo, 2019; Atik & Erkan, 2019; Hadi & Muhammad, 2019; Chico et al., 2019; Kopar, 2018). The capital market is an essential indicator that determines the stability of macroeconomic conditions (Masouda, 2016). Events that contain information serve as a signal for investors to make decisions. The speed with which the market absorbs new information into changes in security prices signifies market efficiency (Smales, 2014). Efficient market conditions are supported, among others, by the awareness of issuers to publish quality information, particularly in terms of frequency, accuracy, and speed of information (Murtaza, Haq & Ali, 2015). The faster the market reacts to new information, the more efficient the market will be. This reaction is indicated by changes in stock prices that exceed normal conditions, which may result in abnormal returns (Bowes, 2018).

The response of capital market towards non-economic factors has turned into an interesting area of study, especially during political events that cause change in leadership process, political unrest, uncertainty in political process, and changing policies from different regimes (Bowes, 2018; Murtaza et al., 2015). Sihotang and Mekel (2015) assessed the reaction of the capital market towards the 2014 Indonesian Presidential Election. The study revealed a significant difference in trading volume activity (TVA) before and after the election. On the contrary, Muzab (2017) reported insignificant variance in abnormal returns before and after the reshuffle of Jokowi-Jusuf Kalla's work cabinet on the Indonesian Islamic stock index. Different political events, thus, affected the stock market differently as the investors

had responded to these informational cues differently (Rakhman, 2016).

The recent literature has shed light on the different effects of political events on the economic conditions of a country (Darby & Roy, 2018). As such, this present study investigated the effect of the 2019 Indonesian presidential and general elections on the stock market. This study had adopted the event testing methodology to explore market efficiency and market reaction as a result of the 2019 Indonesian elections (Holler, 2014). These reactions were measured using abnormal returns and TVA (Chandra, 2015; Fama, 1997).

The study outcomes highlight the difference in TVA before and after the 2019 simultaneous elections. The findings revealed insignificant variance in the level of abnormal returns before and after the 2019 elections. This study offers significant implications for investors to consider vast information, especially political information, prior to capital market transactions.

The remainder of this paper is structured as follows. Section 2 presents the literature review and the development of research hypotheses. Section 3 describes the sample, the variables, and the research design. Section 4 specifies the empirical result. Section 5 summarises the paper and presents the concluding remarks.

2. Literature Review

2.1. Abnormal Return and Simultaneous General Election

The reaction of capital market towards the information contained in an event may be measured using abnormal returns, which explain the impacts of an event (Bowes, 2018). For instance, a study reported on the relationship between stock price movements of American companies affiliated with Japanese companies and the issue of Prime Minister's resignation in Japan, which led to abnormal returns at the pre- and post-news as a consequence of the announcement made by the Japanese Prime Minister (Lin & Wang, 2005). Koulakiotis, Papapanagos, and Papasyriopoulos (2016) postulated that the Greek political election time offers pre- and post-abnormal returns from the Athens stock exchange. Based on the above depiction, political information in a country can affect the abnormal returns of stocks during the pre- and post-event period. As such, the following are hypothesised:

Hypothesis (Hla): Abnormal returns were obtained by investors before the 2019 presidential and legislative elections in Indonesia.

Hypothesis (Hlb): Abnormal returns were obtained by investors on the 2019 presidential and legislative elections in Indonesia.

Hypothesis (Hlc): Abnormal returns were obtained by investors after the 2019-2024 Presidential inauguration events in Indonesia.

2.2. Average Abnormal Return and Concurrent General Election

Stock investment decisions refer to the process of selecting a specific alternative after the evaluation of several alternative stocks that may generate expected return (Fachrudin, Lumbanraja, Sadalia & Lubis, 2017). The reaction of the capital market towards information contained in an event may be measured based on the abnormal return value of the stock market (Koulakiotis et al., 2016). If an announcement yields abnormal return for

investors, it means that the announcement contains vital information that influences the market (Fachrudin et al., 2017). Political events that are responded to by the capital market, along with evidence of abnormal returns, indicate that the events contain information, political connection, and stock exchange fluctuation; thus inducing greater risk for market players (Harymawan, Lam, Naish & Rumayya, 2019). Change of President of the Republic of Indonesia exemplified that the Indonesian capital market (BEI) reacted to events external the economic activity despite the absence of statistically significant variance in the average abnormal return (AAR) before and after the critical event (Chandara, 2015; Rakhman, 2016). Having those said, the following hypotheses are proposed:

Hypothesis (H2a): There is a difference in the average abnormal return before the 2019 presidential and legislative elections in Indonesia.

Hypothesis H2b: There is a difference in the average abnormal return on the day of the 2019 presidential and legislative elections in Indonesia.

Hypothesis H2b: There is a difference in the average abnormal return after the 2019-2024 Presidential inauguration events in Indonesia.

2.3. Average Trading Volume Activity and Simultaneous General Elections

Market reaction to information was observed through the movement parameters of TVA in the capital market (Darby & Roy, 2018; Nazir, Younus & Anwar, 2014). Increased TVA in the capital market, as a form of capital market reaction to an event, depicts two meanings. Bullish TVA reflects good news for market players, while bearish TVA denotes unpleasant news (Fachrundin et al., 2017). The significant variances reported in the TVA before and after the 2014 presidential election had an impact on the investors' decisions in investing – indicating market reaction towards the 2014 presidential election (Chandra, 2015). Hence, the following are hypothesised:

Hypothesis (H3a): There is a difference in Trading Volume Activity before and after the Election Voting Event.

Hypothesis (H3b): There is a difference in Trading Volume Activity before and after the Election Result Announcement Event.

Hypothesis (H3c): There is a difference in Trading Volume Activity before and after the 2019-2024 Presidential Inauguration Event.

2.4. Market Reactions during Election Voting, Election Announcement, and Presidential Inauguration

Investors are profit-seekers and are motivated to take advantage of election hassle. The time of election announcement, voting date, announcement of election results, and inauguration of presidential tenure can affect stock market activities (Chandara, 2015). Media reports about election activities can influence stock market activities as stock market investors are speculative to engage in buying or selling stocks to yield good returns during difficult social or political periods (Suhadak, Kurniaty, Handayani & Rahayu, 2019; Wang & Lin, 2009). The Indonesian stock markets witnessed escalated volumes during the election period, thus leading to speculative actions amongst stock exchange investors (Sihotang et al., 2015). The outcomes revealed significant variances in TVA before and after the 2014 presidential election activities. Hence, the following hypothesis:

Hypothesis (H4): There are differences in reactions that occur in the capital market during election voting, election announcement, and presidential inauguration of 2019 through abnormal returns obtained by investors.

3. Research Methodology

To address the study objectives and developed hypotheses, this research has applied the event study analysis while considering the returns measures and stated event related to the election during 2019 in terms of voting, election announcement, and presidential inauguration as well. To apply the event study methodology following steps are under consideration.

Step-1: Event Definition and Sampling:

The first step towards applying the event study methodology is to define the event and related sampling being adopted in any type of research. This would justify the argument that event must be defined and clearly stated in front of all the stakeholders. Meanwhile, a proper evaluation for the data sources of the event study is also needed under first step. The study subjects were comprised of companies listed on the Indonesian Stock Exchange (IDX) and incorporated the LQ45 Index within the period of 2019 simultaneous elections between January 11, 2019 and October 28, 2019. In total, 41 companies were used for Event Window 1 (Election) and Event Window 2 (Election Announcement), while 45 companies for Event Window 3 (Presidential Inauguration). This study selected LQ45 Stocks mainly because they comprise of the largest companies controlling more than 80% of the total capitalisation in IDX, so that the effect of an event can be measured immediately and relatively accurately. The study data included daily share price, number of shares outstanding, and number of shares traded during the observation period. The required data were retrieved from the following websites: (a) https: //www.idx.co.id, and (b) https://finance.yahoo.com. Both of these data sources were carefully evaluated and observed that various earlier studies have reasonably utilized them which provides their good authenticity as well.

Step-2: Treatment of confounding effects due to concurrent or overlapping events

After defining the event of the study and the related sample, second step is dealing with the treatment of confounding effects due to concurrent or overlapping events. For this purpose, present study has excluded all other events during the study period and entirely focused on the election event of 2019 to analzyed the true event impact on the stock exchange.

Step-3: Selection of an appropriate asset pricing model:

After dealing with the event definition, sample size and Treatment of confounding effect, next step is linked with the selection of appropriate asset pricing model which is utilized to analyse the trends in stock return. For this purpose, following details are under consideration. For example, among various return factors, abnormal return denotes the difference between actual and expected returns. Value of expected return can be calculated using the market model. Significance testing of abnormal returns was performed using model introduced by Chandra (2015).

$$\text{RETURN} = \frac{(\text{Pit} - \text{Pit} - 1)}{\text{Pit} - 1}$$

Where,

RETURN = realisation return for stock i on day t

P_{it} = Closing price for stock i on day t

P_{it-1} = Closing price for stock i on day t-1

$$ERit = \alpha i + \beta i \cdot Rmt$$

Where,

ERi,t = expected return for stock i on day t αi = intercept for the securities I;

Bi = the slope coefficient which is the Beta of the actual return of securities I;

Rmt = market return at time t.

Next, the abnormal return is calculated using the following formula:

$$ARit = R - ERit$$

Where,

ARit = Abnormal Return for stock i on day t;

R = Stock return (actual) for stock i on day t;

ERi, t = expected return for stock i on day t.

$$AAR\ PreEvent = \frac{\sum_{-1}^{-5} ARit\,()}{n}$$

$$AAR\ EventDay = \frac{\sum_{-1}^{-5} ARit\,()}{n}$$

$$AAR\ PostEvent = \frac{\sum_{-1}^{-5} ARit\,()}{n}$$

Where,

AAR = Average Abnormal Return

$\sum ARit$ = Total Abnormal Return for stock i on day to t for 5 days

N = the length of the period

Step-3: Tests of significance and their power

after determining the application of asset pricing model while considering the return factors, next step is to focus the fact that whether sample size of the study is good enough to yield sufficient power to test for the significance along with the implication of some appropriate tests. For this purpose, present study has considered both T-statistics and p-value to define the significance of the findings. Details are provided under analysis sections as well.

Step-4: Controls for sample selection bias

The last step under the event study analysis as applied by the present research is to controls for the sample selection bias. For this purpose, it is ensured that no sample selection biasness is presented under current study and all the study analysis are generated through ethicial consideration of the sample size.

3.1. Variable Measurement

3.1.1. Identification of Events and Observation Periods

The determination of the observation period in this study adopted the research method prescribed by Asmita (2005). The research period was composed of Estimation Period and Event Window. Figure 1 illustrates the study time period. The estimated period was 60 days (D-65 to D-5). Meanwhile, the event Window consisted of H-5 (pre-event), H = 0 (event-day), and H + 5 (post-event). The observation period in this study is given in the following:

a. Event Window 1

Election Implementation (17 April 2019). The estimated period was 60 days, from D-65 (February 25, 2019) to D-5 (April 10, 2019). The event Window was 10 days, consisting of D-5 (10 April 2019), H = 0 (17 April 2017), up to H + 5 (25 April 2019).

b. Event Window 2

Decision Announcement (May 21, 2019). The estimated period was 60 days, from D-65 (March 25, 2019) to D-5 (May 14, 2019). The event Window was 10 days, consisting of D-5 (14 May 2019), H = 0 (21 May 2019), up to H + 5 (29 May 2019).

c. Event Window 3

2019-2024 Presidential Inauguration (October 20, 2019). The estimated period was 60 days, from D-65 (August 29, 2019) to D-5 (October 14, 2019). The event Window was 10 days, consisting of D-5 (14 October 2019), H = 0 (21 October 2019), up to H + 5 (28 October 2019).

Figure 1. Identification of Events and Observation Periods

		Estimation Period	Event Window	
	t-45	**t-5**	**t=0**	**t+5**
Event Window 1	11/01/2019	10/04/2019	17/04/2019	26/04/2019
Event Window 2	12/02/2019	14/05/2019	21/05/2019	28/05/2019
Event Window 3	22/07/2019	14/10/2019	21/10/2019	28/10/2019

When the stock exchange activities at IDX during the event-day (H = 0) were closed, the event-day in this study was postponed to the next trading day (later trading day). The duration of the event period depended on the type of event. Suppose the event that occurs is an event whereby the economic value can easily be determined by investor. The event period used can be short for events, in which the economic value is difficult to determine (Chandra, 2015). Holler (2014) added that the length of the estimation period was spread between 30 and 750 days. Therefore, this study used an estimation period of 60 days to avoid the accumulation of research time period, which included three adjacent periods.

3.2. Trading Activity Volume (TAV)

The TAV in this study refers to the daily stock trading volume of the sampled issuers. The data were extracted from the movement of share trading volume issued by the IDX. The calculation of TAV was performed by comparing the number of traded shares by companies with the total number of outstanding shares of the company during the study period (Chandra, 2015).

3.3. Data Analysis Method

Hypotheses testing had been performed using three analytical methods: event study, paired sample t-test, and one-way ANOVA. Different tests of paired sample t-test were conducted to test two paired samples before and after the event at each of event Windows 1, 2, and 3. In comparison, the one-way ANOVA test was carried out to test the overall abnormal return in the three events. Both paired-sample t-test and one-way ANOVA aimed at determining the significant variance between before and after the 2019 simultaneous election events. All the tests were performed at 5% level of significance. Paired sample t-test empowers to estimates the case control studies, or repeated measures. Paired t test facilitates to measure the pre and after

measure of the effect on a sample. One-way ANOVA is a robust technique to compare two means of the groups. One-way ANOVA is different than t-test as t test can only compare means to two groups and ANOVA can be able to compare means between more than two group means.

4. Empirical Result

4.1. Descriptive Statistics

Descriptive statistics provide an overview of each research variable. The analysis used referred to average (mean), minimum, maximum, and standard deviation values. Tables 1 and 2 tabulate the results of descriptive statistics on the study variables.

Table 1. Descriptive Statistics Results for Return, Abnormal Return & Trading Activity Volume

Event	Variable	Min.	Max.	Mean	Std. Deviation
Event Window 1	return	-0.0756	0.066667	0.000431	0.022321
	AR	-0.0595	0.068363	0.001132	0.017791
	TVA	-0.0679	0.070698	0.001606	0.020491
Event Window 2	return	-0.1098	0.137500	0.000599	0.027012
	AR	-0.0638	0.081564	0.001821	0.021178
	TVA	-0.0904	0.128843	0.002062	0.022890
Event Window 3	return	-0.0986	0.115538	0.004180	0.023178
	AR	-0.0588	0.068963	-0.001402	0.019262
	TVA	0.00013	0.065523	0.001746	0.003438

Descriptive statistical analysis of the 2019 simultaneous election stock returns displayed the lowest and the highest stock return values in Event Window 2 at -0.109848 and 0.137500, respectively. Descriptive statistical analysis of the lowest and the highest abnormal return values in the 2019 simultaneous elections occurred in Event Window 2 at -0.063804 and 0.081564. The lowest average abnormal return was noted in Event Window 3, while the highest AAR occurred in Event Window 2, which were -0.001405 and 0.001821, respectively.

Descriptive statistical analysis of TVA during the 2019 simultaneous elections revealed the same lowest value for each election, and the highest TVA in Event Window 2. The lowest TVA average was in Event Window 1, while the highest average TVA was noted in Event Window 2.

Table 2. Results Descriptive Analysis Average Abnormal Return

Event	Event Windows	Min.	Max.	Mean	Std. Deviation
Event Window 1	Pre Event	-0.017838	0.022573	0.000431	0.007774
	Event Day	-0.045557	0.030949	-0.002171	0.020319
	Post Event	-0.012888	0.033344	0.002736	0.008363
Event Window 2	Pre Event	-0.020719	0.035965	0.002644	0.011219
	Event Day	-0.057452	0.044729	0.001778	0.018087
	Post Event	-0.016699	0.031446	0.000870	0.008929
Event Window 3	Pre Event	-0.028860	0.021384	-0.001878	0.010581
	Event Day	-0.049215	0.043920	-0.001696	0.019066
	Post Event	-0.019672	0.017827	-0.000905	0.007950

Table 2 shows that the lowest and the highest AAR values, both Pre-Event and Post-event, occurred in Event Window 3. However, the lowest and the highest values were AAR that occurred in Event Window 2. The average value in Event Window 2 was dominant. The results were inversely proportional to Event Window 3, with a negative value.

4.2. Abnormal Return and Simultaneous General Elections

The One-Sample T-Test analysis of the abnormal return value of stocks in Event Windows 1, 2, and 3 displayed significant abnormal return received by investors. The outcomes signified the reaction given by the capital market to the 2019 simultaneous election events. Table 3 presents the One-Sample T-Test analysis results on the abnormal return of stocks during the 2019 simultaneous elections, which exhibited a significant abnormal return at 5% level. In Event Window 1, the market gave positive reaction only four days before the event and two days after the event with counts of 2,625 and 2,137 with sig levels of 0.014 and 0.041, respectively. The capital market also exerted a significantly positive reaction only two days before the event-on-Event Window 2, with a t-value of 3,180 and significance level of 0.003. As for Event Window 3, the market gave an adverse but significant reaction three days prior to the election, a day before, and a day after the event with t-values of -2.191, -3.173, and -2.556 with significance at the levels of 0.034, 0.003, and 0.014, respectively.

In accordance to the analysis outcomes, the one-sample t-test describes the reaction of capital markets through investors' abnormal returns around the days of the 2019 simultaneous elections. This showed the speed of the market in absorbing the information received. Hence, hypotheses 1a, 1b, and 1c are accepted. The market was perceived as efficient to have semi-strength if the investors reacted quickly to published information (Fama, 1997). The speed of reaction displayed by the capital market to the 2019 simultaneous elections was relatively fast due to the significant reaction that occurred around 1-3 days before or after the event. Similarly, Asmita (2005) reported a significant variance through investors' abnormal returns on the day before the 2004 General Election.

Table 3. Analysis Results of One-Sample T-Test Abnormal Return

		Event Window 1		Event Window 2		Event Window 3	
		t-value	Sig.	t-value	Sig.	t-value	Sig.
Pre Event	H-5	-0.825	0.416	1.398	0.170	0.654	0.516
	H-4	2.625	0.014	-1.321	0.194	1.018	0.314
	H-3	0.014	0.989	0.651	0.519	-2.191	0.034
	H-2	-1.230	0.229	3.180	0.003	-0.485	0.630
	H-1	-0.148	0.883	-0.464	0.645	-3.173	0.003
Event Day	H-0	-0.693	0.493	0.629	0.533	-0.590	0.558
	H+1	1.803	0.081	0.733	0.468	-2.556	0.014
	H+2	2.137	0.041	-0.568	0.573	0.601	0.551
	H+3	1.394	0.174	-1.007	0.320	-0.909	0.368
Post Event	H+4	-1.697	0.101	0.576	0.568	0.829	0.412
	H+5	0.100	0.921	1.629	0.111	-0.297	0.768

Level of Significance = 5%

t-value = 2.01954 (EW 1 & 2), 2.01669 (EW 3)

4.3. Average Abnormal Return and Simultaneous General Elections

The abnormal return before and after the 2019 simultaneous election events had been identified by looking for AARs from all stock samples for five days before and five days after the event. The AAR values between before and after the 2019 simultaneous elections were then analysed using the Paired-Samples T-Test. Table 4 presents the results of the Paired-Samples T-Test analysis on AAR among Pre-event, During event, and Post-event of the 2019 simultaneous elections. Table 5 shows the results of the Paired-Samples T-Test on the abnormal return of stock samples as a whole among Pre-event, During event, and Post-event, which revealed differing outcomes. Table 4 shows that in Event Window 1, a significant difference was noted in positive abnormal returns received by investors four days before and four days after the event with a t-count of 2,723 at 1.1% significance level. Paired-Samples T-Test abnormal return on Event Window 2 displayed a significant difference in abnormal returns received by investors two days before and after the event with a t-count of 2.776 at 0.8% significance level. The Event Window 3 Paired-Samples T-Test revealed insignificant difference in abnormal returns received by investors before and after the event.

The analysis outcomes show that H2 is rejected. The AAR between before and after the election did not show a significant difference due to the actions of capital market players who speculated favourable returns for them on the days around the 2019 Election. Short-term investors took advantage of the increase in stock prices and realised profits by selling shares of leading firms, while medium-term investors were more willing to collect shares (Asmita, 2005). This study results are consistent with those reported by Chandra (2015), which stated insignificant difference in AAR within the LQ45 group before and after the 2004 and 2005 election events.

Table 4. Analysis Results Paired Sample T-Test AAR

Event	Paired Event	N	t-count	Sig.
Event Window 1	Pre Event - Event Day	41	0.796	0.431
	Pre Event - Post Day	41	-1,235	0.224
	Event Day - Post Event	41	-1,345	0.186
Event Window 2	Pre Event - Event Day	41	0.232	0.818
	Pre Event - Post Day	41	0.747	0.459
	Event Day - Post Event	41	0.320	0.751
Event Window 3	Pre Event - Event Day	43	0.192	0.849
	Pre Event - Post Day	43	-0.935	0.355
	Event Day - Post Event	43	-0.742	0.462

Level of Significance = 5%
t-value = 2.01954 (EW 1 & 2) 2.01669 (EW 3)

Table 5. Results of Paired Sample T-Test Analysis AR

			Mean	t	Sig.
Event Window 1	H-5	- H+5	-0.00263	-0.593	0.558
	H-4	- H+4	0.01063	2.723	0.011
	H-3	- H+3	-0.00192	-0.397	0.694
	H-2	- H+2	-0.00806	-1.858	0.074
	H-1	- H+1	-0.00788	-1.334	0.192
	H-5	- H+5	0.00072	0.125	0.901
	H-4	- H+4	-0.00427	-1.142	0.260
Event Window 2	H-3	- H+3	0.00436	1.119	0.270
	H-2	- H+2	0.01362	2.776	0.008
	H-1	- H+1	-0.00359	-0.795	0.431
	H-5	- H+5	0.00263	0.795	0.431
	H-4	- H+4	0.00007	0.017	0.987
Event Window 3	H-3	- H+3	-0.00098	-0.251	0.803
	H-2	- H+2	-0.00397	-0.960	0.342
	H-1	- H+1	-0.00528	-1.764	0.086

4.4. Average Trading Volume Activity and Simultaneous General Elections

In order to test the different reactions given by the capital market through the Average Trading Volume Activity (ATVA) activity that occurred between before and after the 2019 simultaneous election events, the ATVA of all stock samples had been estimated during Pre-event (five days before the event), Event day (H-0), and Post-event (five days after the event). The ATVA values before and after the 2019 simultaneous elections were analysed using the Paired-Samples T-Test. The results of the Paired-Samples T-Test on ATVA revealed significantly positive and negative differences in the ATVA for the three research event Windows. The test results are presented in Table 6:

Table 6. Analysis Results Paired Sample T-Test ATVA

Event	Paired Event	N	t-count	Sig.
Event Window 1	Pre Event - Event Day	41	-5,253	0.000
	Pre Event - Post Day	41	-4,113	0.000
	Event Day - Post Event	41	3,575	0.001
Event Window 2	Pre Event - Event Day	41	-1,126	0.267
	Pre Event - Post Day	41	1,893	0.066
	Event Day - Post Event	41	2265	0029
Event Window 3	Pre Event - Event Day	45	2437	0019
	Pre Event - Post Day	45	-0070	0945
	Event Day - Post Event	45	-2317	0025

Level of Significance = 5%
t-value = 2.01954 (EW 1 & 2) 2.01669 (EW 3)

Testing for the differences in stock trading activities during the Event Window of the 2019 Election exhibited the same results as the test results tabulated above. The Paired-Samples T-Test results in Table 7 denote significant differences in stock TVA throughout the research event Window.

Table 7. Analysis Results of Paired Sample T-Test TVA

		Mean	t-value	Sig.
Event Window 1	H-5. - H+5	-0.1299	-2.1300	0.0390
	H-4. - H+4	-0.3049	-5.4730	0.0000
	H-3. - H+3	-0.2254	-3.9720	0.0000
	H-2. - H+2	-0.0100	-0.2010	0.8420
	H-1. - H+1	0.0800	1.9770	0.0550
Event Window 2	H-5. - H+5	-0.1900	-3.4880	0.0010
	H-4. - H+4	0.1053	2.8750	0.0060
	H-3. - H+3	0.1414	3.0490	0.0040
	H-2. - H+2	0.0044	0.0910	0.9280
	H-1. - H+1	0.2777	6.1530	0.0000
Event Window 3	H-5. - H+5	0.0320	0.7640	0.4490
	H-4. - H+4	-0.0412	-0.9820	0.3320
	H-3. - H+3	-0.1046	-2.7240	0.0090
	H-2. - H+2	-0.0724	-1.6660	0.1030
	H-1. - H+1	0.1783	3.6400	0.0010

Significance Level = 5%

The results signify that H3a is received and accepted, while H3c and H3b are accepted. Profit-taking actions around the event day of each event caused the daily stock TVA to increase on the day before each event occurred. Transaction activity was rampant and daily stock TVA was rather high. This euphoria caused the market players to take advantage of the opportunity to gain profits from their portfolios within short duration by conducting short-term buying and selling of leading shares. The study results are in agreement with that retrieved by Sihotang and Mekel (2015), who found significant differences between TVA and the periods before and after July 9, 2014 - Presidential Election. Chandra (2015) asserted significant differences between AARs in the period after the Presidential election event.

4.5. Market Reactions during Election Voting, Election Announcement, and Presidential Inauguration

The One-Way ANOVA was conducted to determine the differences in investors' capital market reactions around Event Windows 1, 2, and 3. Based on the results of the Kruskal-Wallis test normality and the Levene's Test homogeneity test, the significant value is higher than $\alpha = 0.05$. The abnormal return as the dependent variable was normally distributed, and the data were homogeneous. These had met the requirements for conducting one-way ANOVA testing. In Table 8, the abnormal return orders received by investors around Event Windows 1, 2, and 3 had been based on the results of the Tukey HSD (honestly significant difference) and Bonferroni tests.

Table 8. Multiple Comparisons Analysis of Abnormal Return

	(I) Event Window	(J) Event Window	Mean Difference (I- J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
Tukey HSD	Event Window 1	Event Window 2	-.00049974	.00115228	.902	-.003203	.0022039
		Event Window 3	.00239637	.00112392	.084	-.000240	.0050335
	Event Window 2	Event Window 1	.00049974	.00115228	.902	-.002203	.0032034
		Event Window 3	.00289611*	.00112809	.028	.000249	.0055430
	Event Window 3	Event Window 1	-.00239637	.00112392	.084	-.005033	.0002408
		Event Window 2	-.0028961*	.00112809	.028	-.005543	-.000249
Bonferroni	Event Window 1	Event Window 2	-.00049974	.00115228	1.000	-.003261	.0022623
		Event Window 3	.00239637	.00112392	.100	-.000297	.0050905
	Event Window 2	Event Window 1	.00049974	.00115228	1.000	-.002262	.0032618
		Event Window 3	.00289611*	.00112809	.031	.0001920	.0056002
	Event Window 3	Event Window 1	-.00239637	.00112392	.100	-.005090	.0002977
		Event Window 2	-.0028961*	.00112809	.031	-.005600	-.000192

Note: Dependent Variable: Abnormal Return

The one-way ANOVA test results revealed a significant difference in reaction at 5% significance level, which was given by the capital market through abnormal returns received by investors in each stage of Event Windows 1, 2, and 3. Based on the test results, hypothesis 4 (H4) is accepted due to the differences in reactions given by the capital market to Event Windows 1, 2, and 3 through investors' abnormal returns.

Overall, the market displayed pretty good reaction throughout the 2019 simultaneous elections, considering that around the implementation of each stage of the 2019 simultaneous elections, the stock exchange constantly exhibited increased activity. The 2019 simultaneous elections provided abnormal return for investors and increased the stock exchange enthusiasm to conduct stock trading activities. The study outcomes are in line with those reported by Asmita (2005), who asserted differences in the reaction of capital market during the 2004 election.

5. Conclusion

This present empirical work had looked into the effect of 2019 Indonesian Presidential election on the stock exchange activities. The IDX, especially the LQ45 Index, responded to the 2019 Indonesian Presidential election. The study findings verified that the market reaction provided abnormal return received by the market players. The result depicts that the IDX can be classified as a capital market with semi-strong foundation. As the BEI offered abnormal returns to the stock investors around the series of events that occurred during the 2019 Election, it reflected the information absorption capacity of the market. Furthermore, investors need to be selective in responding to the market information in order to reap excessive market returns.

Nonetheless, no difference was noted in the AAR between before and after the events that occurred during the 2019 Election. A significant difference was noted in abnormal returns before and after the event four days before and after Event Window 1, while two days before and after Event Window 2. The results depicted that the investors received abnormal returns insignificantly before and after the 2019 presidential elections. The significant differences in market returns were achieved by the investors four days before the actual election day, and two days after the election day. The results highlighted the right selection of stock for investors to achieve good returns. These results are in agreement with the findings reported by Chandara (2015).

The ATVA before and after the events that occurred throughout the events Window series in the 2019 Election differed significantly. It also showed that the activity of stock TVA before and after the events had been paired on daily basis. The increase in volume during the series of the event revealed the enthusiasm of market players in taking advantage of the opportunity to gain profits on their portfolios in short run. The reaction of the capital market through abnormal return noted in Event Windows 1, 2, and 3 appeared to differ significantly, thus identifying the capital market response towards every event of Election 2019. This highlighted the expectations of the investors to gain good return by taking advantage of the election activities.

This present study had exploited a model to calculate expected return, namely the Market Model, which further depicted the limitation of this study. There are also other calculation models, namely Scholes / Williams Model, Market-Adjusted Model, Comparison Period Mean Adjusted, and Fama French Model. Future research may attempt to compare the three models so that the advantages and

disadvantages of each model may be identified in light of expected return.

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