Applied Quantitative Analysis, Vol. 5 No. 1 (2025) https://doi.org/10.31098/quant.2842

Research Paper

Event Study: This Study do Politically Affiliated Groups Affect Stock Returns During the Presidential Election?

Pudi Setiyawan[1]*, Lela Nurlaela Wati[1], Mukti Soma[2], Eko Kusnadi[3]
[1] Universitas Teknologi Muhammadiyah Jakarta, Indonesia
[2] Universitas Telkom, Indonesia
[3] STIA Satya Negara Palembang, Indonesia

Received : December 4, 2024	Revised : February 18, 2025	Accepted : February 18, 2025	Online : March 18, 2025

Abstract

This study analyzes the effect of the 2024 general election on the stock prices of companies affiliated with presidential and vice presidential candidate pairs in Indonesia. The methodology used in this study is an event study to measure abnormal returns before and after an election. The sample includes companies listed on the IDX, with as many as 34 listed based on connection politics. The research period comprises 40 estimation periods and 20 event periods. The statistical tools used for hypothesis testing were the t-test, paired sample t-test, and Wilcoxon signed-rank test. This study found that election-related information does not significantly impact average abnormal returns (AAR) before and after. However, the event study results show that political connections between companies with presidential and vice presidential candidates affect market reactions to new information during the event period. This study is essential for investors and capital market practitioners when formulating investment decision-making strategies during the general election period. These results are expected to serve as a reference for further studies on the influence of politics on the capital market in Indonesia.

Keywords: *Presidential election, event study, stock return, political affiliation*

INTRODUCTION

The stock market plays a crucial role in the financial system by providing a platform for buying and selling shares of publicly traded companies. It is essential for resource allocation and economic development. Previous studies have demonstrated a positive relationship between stock market returns and economic growth (Owen, 2020). External factors such as the COVID-19 pandemic have also highlighted the stock market's sensitivity to global events and economic conditions (He et al., 2020).

Extensive research has explored the relationship between stock market value and macroeconomic variables. Empirical evidence suggests a long-term correlation between economic growth and stock market value, indicating a broad economic impact (He et al., 2020). The concept of abnormal return, which measures the difference between actual and projected returns, has been widely studied to understand the impact of events, information, or market conditions on stock prices. For instance, studies have analyzed abnormal returns during significant events like the COVID-19 pandemic and presidential elections to assess market reactions and investor behavior (Hung et al., 2021).

Of the several political events that have occurred in Indonesia, one of the latest political events that wants to be tested for information content on stock exchange activities is the presidential election that was held on February 14, 2024. One indication is that the Indonesia Stock Exchange (IDX) Composite Stock Price Index (JCI) in Fig. 1 showed outstanding performance after the quick count results started to run; investors' positive response to the quick count result of the 2024 Presidential Election was the main driver. On a point-to-point basis, JCI closed, surging 1.30%

Corresponding author's email: lela@stiemj.ac.id

to 7303.28 on Thursday (15/2/2024), a day after the 2024 presidential election, and the actual count results have been seen. Although it shrank at closing, JCI skyrocketed by more than 2% to 7,362.68. This record was surpassed by its all-time high on January 5, 2024.

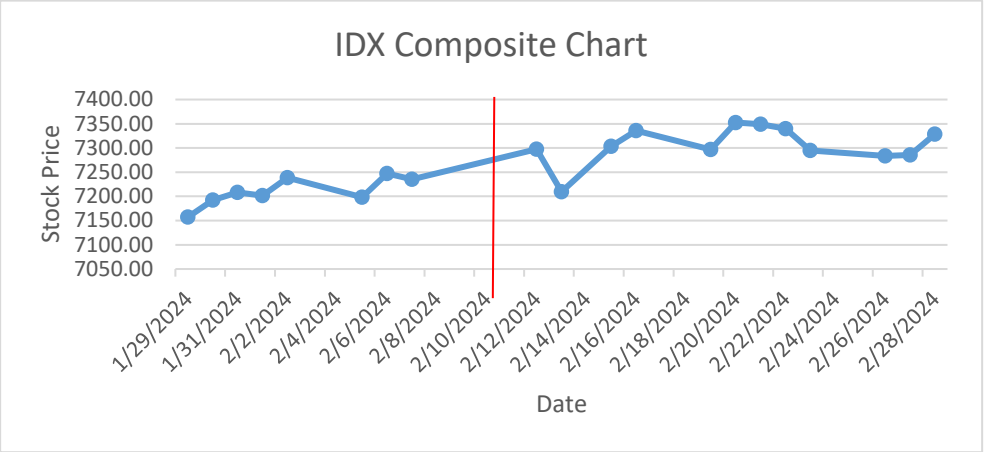


Figure 1. IDX Composite Chart of stock price (JCI) movements after the election.
Source: Yahoo Finance (n.d.)

Despite extensive research, there are limitations in understanding the impact of political events on stock market volatility, particularly in the context of companies with political affiliations. Previous studies have primarily focused on general market reactions without considering the specific effects on politically connected firms. This study aims to fill this gap by examining the impact of the 2024 presidential election on the abnormal returns of politically affiliated companies with winners, losers, and not politically affiliated.

This study analyzes the differences in abnormal returns of politically affiliated companies before and after the 2024 presidential election. This approach seeks to provide insights into market dynamics and investor behavior in response to political events, contributing to a better understanding of the interplay between politics and the stock market. By explicitly stating how it contributes to existing knowledge and resolves specific gaps in prior research, this study addresses the gap by examining the impact of elections on stock returns in the year following the election.

LITERATURE REVIEW

This review discusses the impact of political connections on companies and highlights potential conflicts of interest, signaling theory, political connection theory, and an efficient market hypothesis. The study also discusses the 2024 Indonesian presidential election and its effects on politically connected companies, highlighting the need for alignment and addressing investor reactions to uncertainty and policy changes.

The Efficient Market Hypothesis

The Efficient Market Hypothesis, also known as EMH, was first introduced by Markowitz in 1952 and later named by Fama (1970). This proposition posits that financial markets efficiently assimilate all available public information, resulting in share prices reflecting every pertinent detail. The accuracy of information is crucial for shaping expectations and enabling investors to analyze all available data comprehensively. In addition, the discount rate should align with a normatively acceptable preference specification (Fama, 1972). The concept of informational efficiency in the Efficient Market Hypothesis exudes a serene and counterintuitive quality. Mensi et al. (2021)

proved that the greater the market efficiency, the more random the sequence of price changes. The most efficient market is one in which price changes are entirely random and unpredictable. Ratnaningsih and Widanaputra (2019) found that the Indonesian capital market experienced significant abnormal returns and a positive market reaction following the announcement of the 2019 presidential election results. Similarly, Lestari and Yunita (2021) examined the impact of elections on stock returns in Indonesia, highlighting the role of abnormal returns in understanding investor behavior during election periods. Similarly, Musah et al. (2022) explored the effect of presidential elections on stock return volatility in selected sub-Saharan African stock markets, demonstrating that election periods increase stock market volatility. This paper analyzes market reactions to companies with political connections to a presidential candidate pair during the 2024 election, indicating that the market has not effectively reflected political information.

Political Connection Theory

The political connection theory was initially developed by (North, 1990) and (Olson, 1993), who proposed that politicians or government leaders establish relationships with companies to achieve agendas that benefit their supporters. In recognition of their contributions through cast votes, politicians who successfully win seats will benefit companies, such as through favorable contracts or subsidies. The relationship between political connections and company performance has been the subject of extensive research, with significant implications for understanding market dynamics and investor behavior (Wati & Pirzada, 2020). Political connections can provide firms with various advantages, such as easier access to financing, favorable regulatory treatment, and preferential treatment in government contracts (Faccio & Hsu, 2013). However, these connections can also lead to conflicts of interest and inefficiencies because firms may prioritize political goals over economic performance (Wati et al., 2019).

The hypotheses of this study are relevant and address specific gaps in the literature. However, they could be better contextualized within the broader academic literature to enhance their academic rigor and relevance. For instance, the hypothesis that abnormal returns differ significantly before and after the election could be further supported by recent findings on the impact of political events on stock market volatility. Similarly, the hypotheses related to the differences in average abnormal returns for companies with political connections to winning and losing presidential candidates could be better integrated with empirical findings from recent studies to create a cohesive narrative that bridges theory and application.

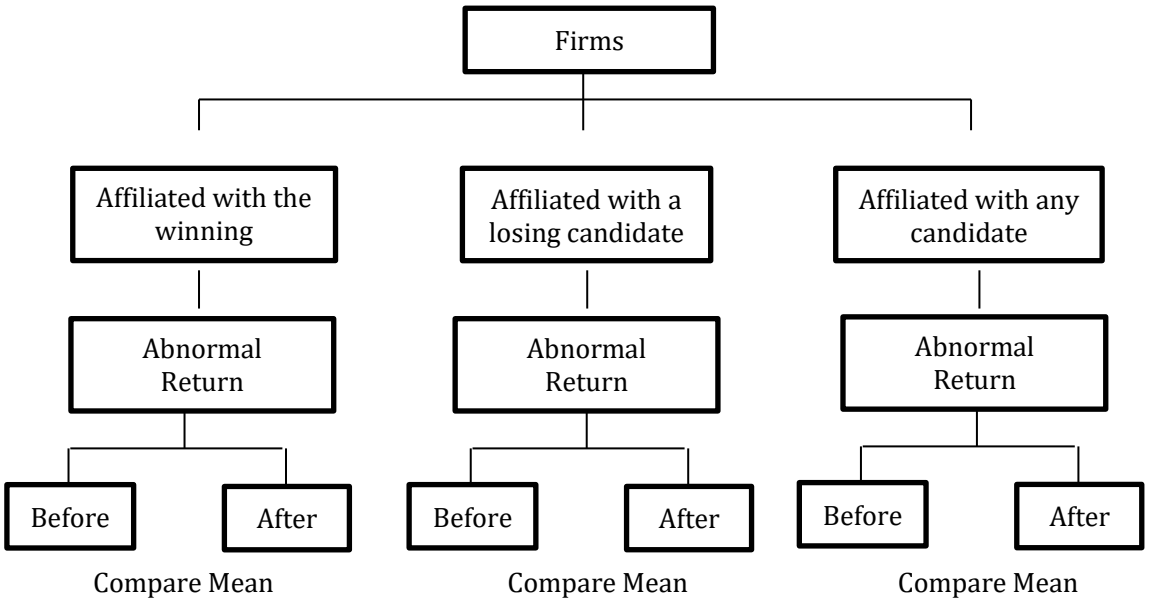


Figure 2. Frameworks of research

RESEARCH METHOD

This study categorizes companies into affiliated and unaffiliated groups. The affiliated group was further subdivided into those affiliated with the winning candidate and those affiliated with the losing candidate. Subsequently, Abnormal Returns (AAR) values are extracted from the secondary data for each group both before and after the election. The population data used in this study are the daily stock data of all companies listed on the Indonesia Stock Exchange (IDX) in 2024, sourced from the Indonesia Stock Exchange (n.d.). Furthermore, the data to be used are the daily stock data of companies with ownership links with the presidential and vice presidential election participants in 2024. The sampling technique used is purposive sampling. The sampling technique used is purposive sampling. According to (Sugiyono, 2013), purposive sampling is a sampling technique with specific considerations.

The study includes companies whose owners or commissioners hold at least 10% of the total shares and directly serve or have served in the government, such as a Minister, Chairman of the Regional Representative Council, or member of the Presidential Advisory Council (Faccio, 2006). Top management ties to political entities—such as party chairmen, campaign team board members, or presidential election-winning team members—and their impact on performance and corporate governance are considered, as noted by Komera (2022) and Rosyida et al. (2020). Additionally, the company must have healthy financial statements with stable or increasing revenues and profits, demonstrate high liquidity during the event with significant daily trading volume, and not be included in the special monitoring list

From the total number of company stocks, 23 stocks fall into the above criteria. The sample comprises 11 companies supporting the losing presidential candidate pair and 12 companies supporting the winning candidate pair.

For data on unaffiliated companies using the proposed sampling method, companies with the following criteria are listed on the Indonesian stock exchange. With a market cap of > 1 billion, top management has never declared a supporter of the 2024 presidential candidate pair. From the criteria above, 11 stocks were included in various sectors.

The variable in this study is abnormal return, where abnormal return is the difference between actual return and expected return that occurs before official information is published. This study uses an event study where the time used in this study is 20 days in the vulnerable time of the rights offering made by the company in the capital market can be transformed into numbers -10, -9, -8, -7, -6, -5, -4, -3, -2, -1, +1, +2, +3, +4, +5, +6, +7, +8, +9, +10. The event time is based on previous studies, where the market reaction to the signal given is swift and avoids mixing information from an event with other events (confounding effect).

To find abnormal returns, the following calculation is required:

Abnormal return formula: $AR_{it} = R_{it} - E_{RT}$

When: AR_{it} = Abnormal return
R_{it} = Actual return
E_{RT} = Expected return

Before looking for abnormal returns, calculations are needed to find the actual and expected returns first:

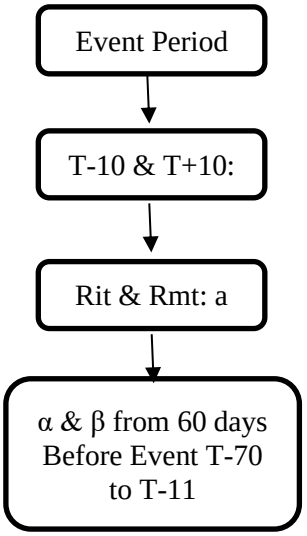
$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it}}$$

When: $R_{i,t}$ = Return on stock i on day t
$P_{i,t}$ = Current Price
$P_{i,t-1}$ = Previous Price

Calculating Expected Return: $E(R_{it}) = \alpha + \beta R_{mt}$

When: $E_{(Rit)}$ = Expected return
α = Coefficient Intercept (the rate of return on a risk-free investment)
β = Coefficient variable (Beta investment/volatility)
R_{mt} = Daily Return Stock

We obtained alpha and beta values from the trading history 60 days before the event study from t-70 to t-11 for each stock. Then, we calculate E(Rit) at the time of the event study using the previously obtained alphas and betas.



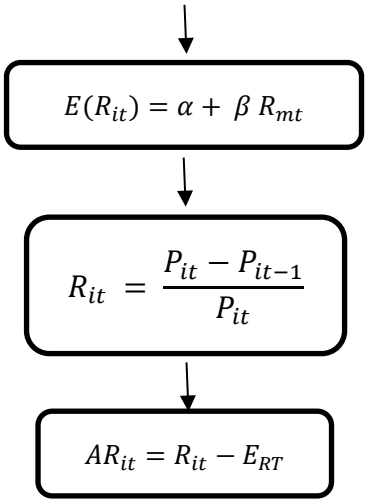


Figure 3. Research Flowchart

The SPSS analysis program used a paired sample T-test analysis to test the hypothesis. The paired sample T-test determines whether there is a difference in the averages of two related samples. This test uses an event study methodology. At a significance level of 0.05, the test criteria were as follows.

H0 is accepted, and Ha is rejected if count < stable or count > -table (p-value > α), which means there is no difference in the average abnormal return before and after the election.

H0 is rejected, and Ha is accepted if count > stable or count < -table (p-value < α), which means there is a difference in the average abnormal return before and after the election.

FINDINGS

Markets react during the 2024 election

To analyze how the market reacts to companies that are politically connected to a presidential candidate pair during the 2024 election, we examine whether there is a statistically significant difference in abnormal returns surrounding the event. The data were analyzed using SPSS; the results are visualized in the figure below. If the data are found to be non-normally distributed, the one-sample Kolmogorov-Smirnov test is the appropriate statistical test; conversely, if the data exhibit a normal distribution, the One-sample t-test is the appropriate statistical test.

Table 1. Significance AAR around the Election Day

		Affiliate Candidate	
Periode	**Win**	**Lost**	**Unaffiliated**
TMIN10	Insignificant	Insignificant	Insignificant
TMIN9	Insignificant	Significant	Insignificant
TMIN8	Insignificant	Significant	Insignificant
TMIN7	Insignificant	Insignificant	Significant
TMIN6	Insignificant	Insignificant	Insignificant
TMIN5	Insignificant	Insignificant	Significant
TMIN4	Insignificant	Insignificant	Insignificant
TMIN3	Insignificant	Insignificant	Insignificant

		Affiliate Candidate	
Periode	**Win**	**Lost**	**Unaffiliated**
TMIN2	Significant	Significant	Insignificant
TMIN1	Significant	Significant	Insignificant
TPLUS1	Insignificant	Insignificant	Insignificant
TPLUS2	Insignificant	Significant	Insignificant
TPLUS3	Significant	Insignificant	Insignificant
TPLUS4	Insignificant	Insignificant	Insignificant
TPLUS5	Insignificant	Insignificant	Insignificant
TPLUS6	Significant	Insignificant	Insignificant
TPLUS7	Significant	Insignificant	Insignificant
TPLUS8	Insignificant	Insignificant	Insignificant
TPLUS9	Insignificant	Significant	Insignificant
TPLUS10	Insignificant	Insignificant	Insignificant

Source: SPSS program processed by the author.

Winner–affiliated companies' market reactions tend to be significant in several periods before and after the event, especially for TMIN3, TMIN2, TMIN1, and TPLUS1. Where TMIN3, TMIN2, and TMIN1 indicate that the market starts to react significantly before the main event occurs. This may be due to investors' positive expectations of the victory of the supported candidate. Meanwhile, in TPLUS1, the market reaction remains significant after the main event, indicating that the event's outcome aligns with market expectations or is even better.

Affiliated companies' loss market reactions also show significance in some periods, such as TMIN9, TMIN8, TMIN7, and TMIN6. TMIN9, TMIN8, TMIN7, and TMIN6 during this period indicate that the market began to react negatively long before a significant event occurred. This could be due to investors' negative expectations about the endorsed candidate's defeat. TMIN3, TMIN2, and TMIN1 occur as market reactions remain significantly closer to significant events, indicating uncertainty or investor concern.

The market reaction was generally insignificant for unaffiliated companies, with some exceptions in TMIN7 and TMIN5. Despite being unaffiliated, there was a significant market reaction during this period. This may be due to other external factors that affect the overall market.

Overall, companies affiliated with winning or losing candidates exhibit more significant market reactions than unaffiliated companies. Companies affiliated with the winning candidate tend to experience positive and significant market reactions before and after the major event. This finding supports research conducted by Davi & Portugal (2020), where companies that contribute to political campaigns, especially those affiliated with winning candidates, experience positive and statistically significant market reactions. Companies affiliated with the losing candidate experience negative and significant market reactions before the major event. This follows the research conducted by Niessen & Ruenzi (2010). Unaffiliated companies generally do not show significant market reactions, except in specific periods that may be affected by other external factors (Hu & Wang, 2018). Research indicates that unaffiliated companies tend to be more stable and experience fewer significant shocks than affiliated companies.

We compare the differences in abnormal returns of companies that have relations with presidential candidates before and after the election.

Every action taken by the company may affect the investors' decisions. This follows signaling theory, which states that an announcement signals investment decision-making. If the announcement contains positive or negative values, the market reacts to the announcement. Market participants first interpret and analyze the information as good or bad. The signaling theory states that being affiliated with the winner of an election is considered a good signal by management to the public that the company has good prospects in the future (Jogiyanto, 2014).

According to (Ratnaningsih & Widanaputra, 2019), the reaction of the Indonesian capital market to the announcement of the 2019 presidential election results showed significant abnormal returns and positive market reaction after the election results. Similarly, researchers have examined the impact of elections on stock returns in Indonesia by examining abnormal returns compared with investor portfolio motives and market scenarios (Lestari & Yunita, 2021). In addition, the 2016 US presidential election was associated with significant transaction costs, adverse election costs, and increased volatility in the days following the election day, reflecting the market response to election uncertainty (Cox & Griffith, 2019).

Descriptive Statistic Analysis.

Table 2: Descriptive Statistics for Average Abnormal Return

		Win	**Lose**	**Unaffiliate**
AAR Before	N	11	12	11
	Mean	0.00752292	-0.0041955	-0.0006337
	Std. Deviation	0.00073868	0.0095039	0.0038577
	Std. Error	0.00222723	0.0027435	0.0011631
AAR After	N	11	12	11
	Mean	-0.0001379	-0.0063097	0.0006585
	Std. Deviation	0.0163729	0.0118682	0.0030784
	Std. Error	0.0049366	0.0034260	0.0009281

Source: SPSS program processed by the author.

1. Affiliated Company with Winning Candidate (Win)

Before the Event: Mean: 0.0075 indicates that the company affiliated with the winning candidate experienced an abnormally positive return before the event. This can be interpreted as the market has positive expectations for this candidate, reflected in the increase in the share price of affiliated companies. Std. Deviation: 0.0074 indicates that the variation in returns among these companies is relatively low, indicating consistency in market reactions. Std. An error of 0.0022 indicates that the estimate of the abnormal average return is accurate.

After Event: Mean: 0.0001, indicating that the abnormal return is almost neutral after the event. This can be interpreted as the event's outcome following market expectations, so there is no significant change in the stock price. Std. Deviation: 0.0164 indicates an increase in the variation in returns after the event, which can be due to different market reactions to the event's outcome. Std. Error: 0.0049 indicates that the estimated average abnormal return is less accurate than before the event.

2. Company Affiliated with the Losing Candidate

Before the Event: Mean: -0.0042 indicates that the company affiliated with the losing candidate experienced abnormally negative returns before the event. This could mean that the market has negative expectations for this candidate, which is reflected in the decline in the share price of the affiliated company. Std. Deviation: 0.0095 indicates a higher return variation than the

winning companies, indicating more significant uncertainty in the market. Std. An error of 0.0027 indicates that the estimate of the abnormal average return is accurate.

After the Event: Mean: -0.0063 indicates that abnormal return remains negative after the event. This can be interpreted as the event's outcome reinforcing negative market expectations. Std. Deviation: 0.0119 indicates an increase in the variation in returns after the event, which different market reactions to the event's outcome can cause. Std. An error of 0.0034 indicates that the estimate of the abnormal average return is accurate.

3. Unaffiliated Companies

Before the Event: Mean: -0.0006 indicates that the unaffiliated company experienced abnormal returns that were almost neutral before the event. This can be interpreted as the market has no special expectations for this company related to the event. Std. Deviation: 0.0039 indicates low return variation, indicating stability in the market reaction. Std. An error of 0.0012 indicates that the estimate of the abnormal average return is very accurate.

After the Event: Mean: 0.0007 indicates that abnormal return remains almost neutral after the event. This can be interpreted as the event's outcome not significantly impacting the unaffiliated company. Std. Deviation: 0.0031 indicates low return variation, indicating stability in the market reaction. Std. Error 0.0009 indicates that the estimate of the abnormal average return is very accurate.

Empirical Result

The normality test in this study uses the One-Sample Kolmogorov-Smirnov Test. The data are considered normal if they are asym. Sig > 0.05, and data are considered abnormal for asym. Sig < 0.05. Here, is the normality data test using the Shapiro-Wilk.

Table 3. Test of normality using Saphiro-wilk

	Win	**Lose**	**Unaffiliate**
AAR Before	0.258	0.002	0.881
AAR After	0.123	0.001	0.688

Source: SPSS program processed by the author.

1. Affiliated Company with Winning Candidate (Win)

The normally distributed data before and after the election were tested using a paired sample T-test, whereas those not normally distributed were tested using the Wilcoxon signed-rank test. Here, we present the results of the analysis. The supporting candidates of the winning candidate have normal data; thus, they were tested using a paired sample T-test.

Table 4. Result of the sample t-test for the winner of candidate affiliation

	Mean	**Std. Deviation**	**Std. Error Mean**	**Lower**	**Upper**	**t**	**df**	**Sig (2-tailed)**
AABFR - AARAFTER	0.0076609	0.0160051	0.004825	-0.003091	0.018413	1.588	10	0.143

Source: SPSS program processed by the author.

Descriptive: Mean (Average): 0.007010292, Std. Deviation (Standard Deviation): 0.009061429, Std. Error Mean (Average Standard Error): 0.002857250; Confidence Interval: From -0.003891407 to 0.017911991, t-value: 1.508, Sig. (2-tailed): 0.143. Mean difference statistic: The mean difference between two conditions. In this case, the mean difference is 0.0070 10292. Std. Deviation: This measures how scattered the data are from the mean. Smaller values indicate more consistent data. Error Mean: This parameter estimates how far the sample average is from the actual population average. Smaller values indicate more accurate estimates. Confidence Interval: This interval provides a range in which we are 95% sure the mean difference exists. This interval covers zero (-0.003891407 to 0.017911991), which suggests that the mean difference may not be significant. t-value: This value determines if the difference between two conditions is significant. Here, the t-value is 1.508. Sig. (2-tailed) (p-value): This value indicates the probability that the observed difference occurred by chance. A p-value of 0.143 is greater than 0.05, so we cannot reject the null hypothesis that there is no significant difference between the two conditions.

Based on the results of these statistical tests, we can conclude that there is not enough evidence to state that there is a significant difference between the conditions before and after the event. A p-value >0.05 indicates that the observed difference may be coincidental or not statistically significant. This means that the event does not have a significant impact that can be considered statistically different from the performance of the winning company.

2. Company Affiliated with the Losing Candidate

The supporting candidates of the winning candidate have normal data; thus, they were tested using the Wilcoxon sign-rank test.

Table 5. Wilcoxon signed-rank test for losing candidate affiliation

	AARBFR-AARAFTR
Z	-1.334b
Asymp. Sig. (2-tailed)	0.182

a. Wilcoxon Signed

b. Based on positive

Source: SPSS program processed by the author.

This Z-value: -1.334 indicates how far the observed data deviate from the null hypothesis. A negative value indicates that the value after the event tends to be lower than before the event; however, this does not necessarily mean that the value is statistically significant. Asymp. Sig. (2-tailed): 0.182, which is the p-value of the test. The p-value indicates the probability of obtaining a result that is at least as extreme as the observed one under the assumption that the null hypothesis is correct. We failed to reject the null hypothesis because the p-value exceeded 0.05. This means that there is not enough evidence to state that there is a significant difference between before and after the event.

3. Unaffiliated Companies

Table 6. Result of sample T-test for unaffiliated firms

	Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig (2-tailed)
AABFR - AARAFTER	-0.001292	0.0037773	0.0011389	-0.003829	0.001245	-1.135	10	0.283

Source: SPSS program processed by the author.

Mean difference: 0.001292298 The average difference between before and after the event is small. Standard Deviation: 0.003777353 indicates how much the data varies from the mean. Standard Error Mean: 0.001138915 The standard error of the mean difference. 95% Confidence Interval: Lower bound: 0.003829958 Upper bound: 0.001245362 This interval includes zero, indicating that the average difference may not be significant. t-value: -1.135 The t-value indicates how far the mean difference is from zero in standard error units—degrees of freedom (df): 10 Number of observations minus one. Significance Level (2-tailed): 0.283 Because this p-value is greater than 0.05, we fail to reject the null hypothesis. This means that no significant difference between the before and after events based on the results of this test. The event did not have a statistically significant impact on the analyzed data. The event had the least significant impact on the unaffiliated company.

DISCUSSION

Research on the presidential election event shows that this event has information that causes market participants to react. The presidential election is a democratic party in Indonesia, where the people have the right to choose leaders who will take part in determining the nation's state and state in the future, at least 5 years to date. Capital market participants, in this case, have anticipated the election event in advance. The anticipated information is instant, and its impact will be felt immediately during or after the event (Fitriaty, 2023).

The occurrence of the Presidential Election event provides a signal about the existence of information about stock exchange activities or stock price movements that are increasing, which pose risks for investors and their investments (bad news) (Zamani Dadaneh et al., 2023). This can be seen from the difference in the average abnormal return, which tends to decrease for affiliated companies that lose and increase for affiliated companies that win. Unaffiliated companies are more stable before and after the February 14, 2024 presidential election. This supports the results of the study by Belghitar et al. (2019), where unaffiliated companies tend to be more stable.

Based on a statistical test of the average abnormal return of stocks during the event period, it was found that there was no difference in the average abnormal return before and after the presidential election on February 14, 2024. This indicates that market participants (investors) anticipated the event by creating a safety net so that investors did not make too many transactions before the election event. However, after the presidential election on February 14, 2024, there was an abnormal decrease in returns, which means that there was bad news for affiliated companies that lost when the presidential election on February 14, 2024, which ran safely, was not well responded to by investors because there was still uncertainty about the winner of the election (Anderson et al., 2023). In the 2024 presidential election, there was no significant abnormal difference in return. This is in line with the research conducted by Deari et al. (2024)

This was due to the stock market price before the presidential election, which occurred two

days before the election. Investors make purchases, and some investors reason to avoid an uncertain situation during an election, and stock buying actions are also carried out by investors. This differs from previous election years, 2019 when supporters seemed to focus on one of the presidential candidates. However, in 2024, it will be divided because the candidates who advance in the 2024 election are those who have been or are in government positions. Presidential Candidates in the 2024 Election Unlike presidential candidates in the 2019 elections, it can be said that prominent figures are not in government. This causes the market to be highly uncertain. Hence, investors have some reason to avoid an uncertain situation during the election and take action to hold back from trading stocks.

CONCLUSIONS

This research highlights the impact of the 2024 Indonesian presidential election on abnormal returns. Companies affiliated with winning candidates experience significant positive market reactions before and after the election, whereas those linked to losing candidates face notable negative reactions beforehand. Unaffiliated companies generally exhibit minimal market reactions, except during specific periods influenced by external. Companies affiliated with the winning candidate tend to experience a significant increase in market value before and after the major event. This could be due to the market's expectation that the policies or decisions taken by the winning candidates will benefit these companies. Business Implications for Winner-affiliated Companies may be able to capitalize on this momentum to increase investment or expansion given the strong market support. Companies affiliated with losing candidates tend to experience a significant decline in market value before the election. This may be due to the market's concern that the policies or decisions taken by the losing candidate will not benefit these companies. Business Implications for Companies affiliated with a losing candidate may need to plan a risk mitigation strategy to address the decline in market value and find ways to adjust to new policies that may not be advantageous.

Unaffiliated companies have insignificant market reactions; that is, unaffiliated companies generally do not show significant market reactions, except in specific periods when other external factors may influence the market. This suggests that such elections do not have a substantial direct impact on companies' performance. The business implications for unaffiliated companies may not need to change their business strategies significantly based on such an election. However, they should still be aware of external factors that affect their performance. Statistically, there was no significant difference in the performance of companies affiliated with winners, losers, or non-affiliated entities before and after the major event. The results of this study suggest that the presidential election may not need to be the main focus of a company's strategy because it does not significantly change its performance. Companies may be better off focusing on other factors that have a greater impact on their performance, including changes in global economic conditions, such as recession or economic growth, which can have a greater impact on the company's performance than certain political or social events or the existence of new government policies, such as regulatory changes or tariffs, which can significantly affect the company's performance. Developing new technology can also open up new opportunities or threaten existing business models; therefore, companies must continue to innovate to remain competitive.

LIMITATION & FURTHER RESEARCH

This research examines the 2024 Indonesian presidential election and its effects on the IDX, focusing on firms listed in the nation. This study recognizes limitations, including potential biases from the purposive sampling method, an emphasis on rapid market responses, and the exclusion of

long-term market reactions or the influence of exogenous variables, such as global economic events or industry-specific trends. Alternative research approaches, such as machine learning and comparative studies across many countries, might enrich the conversation. The distinctive political climate of Indonesia during this period may impact results, and reliance on event-study methodology may overlook all factors influencing stock prices. Future research may mitigate these limitations by exploring diverse timeframes, incorporating more diversified demographics, and evaluating supplementary variables that might influence stock market reactions, including a comparative examination between developed and developing countries.

REFERENCES

Anderson, W., Białkowski, J., & Wagner, M. (2023). Midterm elections and stock returns. *Finance Research Letters, 55*, 103825. https://doi.org/10.1016/j.frl.2023.103825

Belghitar, Y., Clark, E., & Saeed, A. (2019). Political connections and corporate financial decision making. *Review of Quantitative Finance and Accounting, 53*(4), 1099–1133. https://doi.org/10.1007/s11156-018-0776-8

Cox, J. S., & Griffith, T. G. (2019). When elections fail to resolve uncertainty: The case of the 2016 U.S. presidential election. *Journal of Financial Research, 42*(4), 735–756. https://doi.org/10.1111/jfir.12194

Davi, M. G., & Portugal, M. S. (2020). Politics and finance: A study on the impact of campaign donations on Brazilian firms. *Empirical Economics, 58*(3), 1057–1105. https://doi.org/10.1007/s00181-018-1594-5

Deari, F., & Koku, P. S. (2024). Do local political elections affect daily stock returns? Evidence from the Republic of North Macedonia's MBI10 Index. *Studia Universitatis "Vasile Goldis" Arad – Economics Series, 34*(1), 98–116. https://doi.org/10.2478/sues-2024-0005

Faccio, M. (2006). Politically connected firms. *American Economic Review*, 96(1), 369–386. https://doi.org/10.1257/000282806776157704

Faccio, M., & Hsu, S. H. C. (2013). Politically connected private equity and employment. *Journal of Finance*. Advance online publication. https://doi.org/10.2139/ssrn.2289309

Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The Journal of Finance, 25*(2), 383–417. https://doi.org/10.1111/j.1540-6261.1970.tb00518.x

Fama, E. F. (1972). Components of investment performance. *The Journal of Finance, 27*(3), 551–567. https://doi.org/10.1111/j.1540-6261.1972.tb00984.x

Fitriaty, M. H. S. (2023). Reaksi Pasar Modal Indonesia Terhadap Pengumuman Partai Politik Yang Lolos Menjadi Peserta Pemilu Tahun 2024. *Jurnal Manajemen Terapan Dan Keuangan Mankeu*, *12*(01), 237–248.

He, Q., Liu, J., Wang, S., & Yu, J. (2020). The impact of COVID-19 on stock markets. *Economic and Political Studies, 8*(3), 275–288. https://doi.org/10.1080/20954816.2020.1757570

Hu, G., & Wang, Y. (2018). Political connections and stock price crash risk: The role of intermediary information disclosure. *China Finance Review International, 8*(2), 140–157. https://doi.org/10.1108/CFRI-06-2017-0079

Hung, D. N., Van, V. T. T., & Van, C. L. (2021). Covid-19 pandemic and abnormal stock returns of listed companies in Vietnam. *Cogent Business & Management, 8*(1), 1941587. https://doi.org/10.1080/23311975.2021.1941587

Jogiyanto, H. (2014). *Teori Portofolio dan Analisis Investasi* (9th ed.). BPFE.

Komera, S. R., & Tiwari, S. K. (2022). Firm-specific characteristics, political connections, and financial outcomes: Evidence from Indian firms. *Business and Politics, 24*(2), 188–220. https://doi.org/10.1017/bap.2021.23

Lestari, S. P., & Yunita, I. (2021). Analisis reaksi pasar modal terhadap peristiwa Pemilihan Umum

Presiden Republik Indonesia pada tanggal 17 April 2019 (studi peristiwa pada kelompok saham LQ45 periode April 2019). *Jurnal Mitra Manajemen*, 5(2). https://doi.org/10.52160/ejmm.v5i2.510

Mensi, W., Shafiullah, M., Vo, X. V, & Kang, S. H. (2021). Volatility Spillovers Between Strategic Commodity Futures and Stock Markets and Portfolio Implications: Evidence From Developed and Emerging Economies. *Resources Policy*. https://doi.org/10.1016/j.resourpol.2021.102002

Musah, G., Domeher, D., & Alagidede, I. (2022). Effect of presidential elections on investor herding behaviour in African stock markets. *International Journal of Emerging Markets*. https://doi.org/10.1108/IJOEM-06-2021-0960

Niessen, A., & Ruenzi, S. (2010). Political connectedness and firm performance: Evidence from Germany. *German Economic Review, 11*(4), 441–464. https://doi.org/10.1111/j.1468-0475.2009.00482.x

North, D. C. (1990). A transaction cost theory of politics. *Journal of Theoretical Politics, 2*(4), 355–367. https://doi.org/10.1177/0951692890002004001

Olson, M. (1993). Dictatorship, democracy, and development. *American Political Science Review, 87*(3), 567–576. https://doi.org/10.2307/2938736

Owen, M. A. (2020). Stock market development and economic growth: Empirical evidence from an institutional impaired economy. *International Journal of Financial Research, 11*(5), 496–509. https://doi.org/10.5430/ijfr.v11n5p496

Ratnaningsih, N. M. D., & Widanaputra, A. A. G. P. (2019). The reaction of Indonesian capital market to political event: The announcement of Indonesia presidential election 2019 results: Event study on KOMPAS 100. *International Research Journal of Management, IT and Social Sciences, 6*(6), 87–94. https://doi.org/10.21744/irjmis.v6n6.765

Rosyida, H., Firmansyah, A., & Wicaksono, S. B. (2020). Volatilitas harga saham: Leverage, ukuran perusahaan, pertumbuhan aset. *JAS (Jurnal Akuntansi Syariah)*, 4(2), 196–208. https://doi.org/10.46367/jas.v4i2.256

Sugiyono. (2013). *Metode penelitian pendidikan: Pendekatan kuantitatif, kualitatif, dan R&D*. Alfabeta.

Wati, L. N., Primiana, H. I., Pirzada, K., & Sudarsono, R. (2019). Political connection, blockholder ownership and performance. *Entrepreneurship and Sustainability Issues, 7*(1), 52–68. https://doi.org/10.9770/jesi.2019.7.1(5)

Indonesia Stock Exchange. (n.d.). Retrieved July 27, 2024, from https://www.idx.co.id

Yahoo Finance. (n.d.). Retrieved July 27, 2024, from https://finance.yahoo.com

Zamani Dadaneh, F., Khezre, M., Haghighat, H., & Barzgar, Z. (2023). The presidential period in the United States of America and stock returns: Evidence from Iran. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.4438040