

# CHAPTER I

## INTRODUCTION

### 1.1. Backgrounds

The capital market is a platform where individuals or institutions with excess funds connect with those in need of capital through the exchange of securities. (Tandelilin, 2010). The meeting between these two parties indicates that the capital market can serve as a link between investors, companies, and government institutions through the trading of long-term financial instruments. Investors have the freedom to determine investment choices and decide to approve investments in the capital market. Investment diversification is generally done in the form of portfolios that have been adjusted to the respective levels of return and risk.

One of the key aspects investors take into account when deciding to buy or sell capital market instruments is the accessibility of relevant information. Typically, the information required by investors was originate from both the internal environment and external circumstances of the company (issuer). According to Hartono (2017), information published as an announcement signals investors to make investment decisions. Decisions made by investors can cause fluctuations in activity in the capital market, which in turn affects its stability. If the announcement contains positive value, it is expected that the market will react upon receiving the announcement.

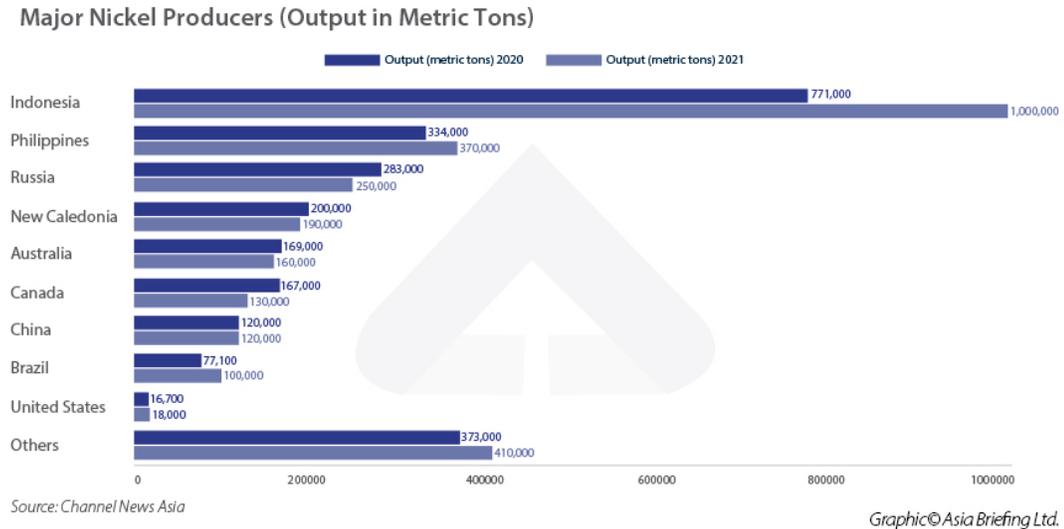
The Efficient Market Hypothesis (EMH) explains that security prices reflect the available information content (Fama, 1970). In an efficient market, security prices

will continuously adjust with the availability of information. According to classical financial theory, rational investors rely on fundamental analysis in investing, which drives stock price movements toward equilibrium (Smales, 2017). There are three versions of EMH based on the content of information: 1) weak form, 2) semi-strong form, and 3) strong form (Bodie, Zvi; Kane, Alex; Alan J, 2016).

The stability of the capital market is influenced not only by economic factors but also by non-economic factors, such as political events occurring in the country (Santoso & Artini, 2015). Domestic political events often trigger fluctuations in stock prices on stock exchanges worldwide, especially in Indonesia, where investors tend to be short-term oriented, meaning investments taken can be liquidated promptly and are intended to be held for 12 (twelve) months or less. This is where the important role of the stock exchange in economic activities comes into play, making it increasingly sensitive to various events in its surroundings, whether directly or indirectly related to economic issues. Although it cannot directly influence the capital market, information about a political event can be used by investors to estimate expected returns in the future (Kango, Saerang, & Mangantar, 2020). In this context, when Indonesia faces significant political events such as the announcement of the results of presidential elections, investors tend to evaluate their potential impact, such as policies and economic programs advocated by the elected candidate, on the investments made.

The size of investments in the mining sector has shown great potential to contribute to the regional and national economy in Indonesia. The value of the mining

sector's GDP contribution amounted to Rp 2,300 trillion or 8.57% of the total GDP in 2023. This is what makes many people interested in investing in the mining sector.



**Figure 1. 1. Nickel producing countries**

Source: [www.aseanbriefing.com](http://www.aseanbriefing.com)

As the world's largest nickel-producing country, Indonesian nickel emitters are regarded by investors both domestically and internationally. Nickel commodity reserves in Indonesia are equivalent to 23% of the world's reserves. In total, Indonesia has nickel resources reaching 17.7 billion tons of ore and 177.8 million tons of metal, with reserves totalling 5.2 billion tons of ore and 57 million tons of metal.

Nickel has become an essential metal in the worldwide shift toward electric vehicles and sustainable energy. As nickel prices recover and demand is set to surge due to the EV boom, investing in nickel presents a strong and attractive opportunity.

With nickel and tin serving as essential materials for energy-efficient electric vehicles, Indonesia's significance in the industry cannot be overstated.

The campaign for nickel down streaming, spearheaded by the elected presidential pair, Prabowo-Gibran, reflects a commitment to harnessing the country's mineral resources for added value. Endorsing a strategy akin to President Joko Widodo's, Prabowo Subianto champions the down streaming program, citing its potential to exponentially increase Indonesia's revenue. He emphasizes the imperative of domestic raw mineral processing to create significant value. Prabowo's reference to Indonesia's successful ban on nickel ore exports, resulting in a twenty-fold increase in national income, highlights the transformative potential of such policies. As the government aspires to position Indonesia as a key player in the electric vehicle ecosystem, massive efforts toward nickel down streaming, a critical component in electric vehicle battery production, are underway, signalling a pivotal moment in the country's economic trajectory.

With the official results of the vote recapitulation released by the General Election Commission (KPU) on March 20, 2024, confirming the victory of the presidential and vice-presidential candidate pair number two, Prabowo-Gibran, in the 2024 Indonesia Presidential Election. According to the KPU's calculation, the Prabowo-Gibran pair managed to garner support from 96,214,691 votes, while other candidate pairs lagged far behind, with the Anies Baswedan-Muhaimin Iskandar pair receiving 40,971,906 votes and the Ganjar Pranowo-Mahfud MD pair with 27,040,878 votes. With a significant difference in votes, the Prabowo-Gibran pair was officially

declared as the winner of the 2024 Indonesia Presidential Election, marking their success in securing strong national support.

The announcement of the election results then became a signal for investors to monitor the movement and fluctuations in the stock prices of mining companies, especially in nickel, which was vigorously advocated by Prabowo-Gibran throughout the campaign to estimate the expected return.

**Table 1. 1. Growth rate of nickel companies after the announcement (d+1)**

<b>Stock Code</b>	<b>Stock's Closing Price</b>		<b>Growth Rate</b>
	March 20, 2024	March 21, 2024	
<b>ANTM</b>	1660	1700	2.41%
<b>DKFT</b>	105	109	3.81%
<b>INCO</b>	4110	4260	3.65%
<b>MBMA</b>	480	482	0.42%
<b>NCKL</b>	880	900	2.27%
<b>NICL</b>	170	173	1.76%
<b>SMGA</b>	11.98	12.01	0.25%
<b>TINS</b>	770	855	11.04%

Source: Yahoo Finance

Based on the table above, there are slight differences in the closing stock prices of nickel companies following The official statement regarding the election, which occurred on the night of March 20, 2024. Closing prices are typically used to predict stock prices in subsequent periods. The table indicates that companies such as TINS experienced significant growth rates, up to 11.04%, while other companies showed slight growth variations ranging from 0.25% to 3.81%.

Previous research on the impact of political events on the stock market has been extensively conducted, such as Pujaastawan & Wiksuana (2020) study, which proved

that abnormal returns were not influenced by the announcement of the 2019 election results after the calculation results were announced. Research by Fitriaty & Saputra (2021) examined the effect of announcing the presidential election results on the stock prices of companies owned by one of the presidential candidates. Analysing abnormal returns, they found that the stock prices of companies owned by prospective candidates tended to change negatively. This is because if a presidential candidate who owns a company being studied loses the election, it contains negative information for investors.

Research by Candra, Guspendri, & Yenti (2022) focused on the stock market's reaction to political events, particularly voting events and the announcement of quick count results in presidential and vice-presidential elections, measured through abnormal returns and trading volume activity. The findings indicated that the stock market did not react to the voting and quick count announcement events in 2019, as there was no difference in returns and trading volume before and after these events. The announcement during the presidential and vice-presidential elections in Indonesia did not affect the stock index and trading volume on the Indonesia Stock Exchange.

Based on the research findings outlined earlier, it is evident that there are variations, either positive or negative, in investor responses regarding transactions in the capital market, as observed in studies analysing the effects of general elections on stock prices. The investors' expectation, which is caused by political events generally, will appear on price fluctuation or trading volume activity (Munawarah, 2009). The volume of stock trading represents a variable within the Event Study method, based on

its function (Munawarah, 2009). Fluctuations in trading activity on the stock exchange, along with investors' decision-making, can also be observed through changes in stock trading volume in the market. (Meidawati & Harimawan, 2004). Stock trading volume can be assessed using the Trading Volume Activity (TVA) metric. TVA represents the ratio of the number of shares traded to the total number of shares outstanding over a specific time frame (Munawarah, 2009). Consequently, it is essential to analyze the changes in trading volume resulting from the announcement of presidential and vice-presidential election outcomes.

Based on the circumstances, the study is conducted to determine whether there are abnormal returns and trading volume activity (TVA) before and after the announcement of the Presidential and Vice Presidential Election results on March 20, 2024, which was announced by the Indonesian General Election Commission, or named, *“The Influence of the Indonesia 2024 Presidential Election Result Announcement on Stock Prices through Analysis of Abnormal Return and Volume Trading Activity (Case Study on Nickel Mining Issuers on the Indonesian Stock Exchange)”*.

## **1.2. Problem Statement**

1. Is there a significant difference in average abnormal returns before and after the Indonesia 2024 Presidential Election Result Announcement?
2. Is there a significant difference in average trading volume activity (TVA) before and after the Indonesia 2024 Presidential Election Result Announcement?

### **1.3. Research Purposes**

The purpose of this research is to determine the difference in abnormal returns and trading volume activity (TVA) before and after the Indonesia 2024 Presidential Election Result Announcement on the nickel mining issuers listed on the Indonesia Stock Exchange.

### **1.4. Benefits of Research**

1. For investors in the Indonesian capital market, it is hoped that this research can provide input regarding the impact of a political event on stock returns and trading volume, so that it can help capital market players in carrying out investment analysis.
2. For academics, this research can be used as reference material carry out further research regarding the capital market reaction to a political event.

### **1.5. Theoretical Framework**

#### **1.5.1. Efficient market hypothesis**

According to Tandelilin (2010), an efficient capital market is a market where the prices of all traded securities reflect all available information. Available information includes all past information as well as current information and information about rational opinions circulating in the market, thus influencing price changes. The Efficient Market Hypothesis has three assumptions (Fama, 1970), namely:

1. Investors are assumed to act rationally, thus evaluating stocks rationally.

2. Some investors may act irrationally, but their trading behaviour is random, so their influence is exclusive and does not affect prices.
3. Rational arbitrageurs will reduce the influence of irrational investor behaviour on prices in the capital market.

Rational investors are expected to assess stocks by analyzing their intrinsic or fundamental value, which is typically calculated as the present value of all expected future cash flows, discounted at a rate that reflects the associated risk of the stock. This valuation approach ensures that investment decisions are grounded in objective financial indicators rather than speculation or market sentiment. When new and relevant information becomes available whether related to macroeconomic indicators, company performance, political developments, or other factors that could influence a firm's future earnings these investors will promptly respond. If the news is positive and signals improved future prospects, they are likely to place higher bids, driving the stock price upward. Conversely, negative news will lead to lower bid prices, causing the stock price to decline.

This behavior underlines the principle of market efficiency, particularly the semi-strong form of the Efficient Market Hypothesis (EMH), which posits that all publicly available information is rapidly incorporated into stock prices. As a result, stock prices adjust almost instantly to reflect new data, aligning with the updated fundamental value. This continuous adjustment process makes it extremely difficult to consistently predict price movements or achieve abnormal returns through information that is already known to the public. Therefore, stock prices tend to follow a random

walk, implying that their future movements are inherently unpredictable and do not follow any discernible pattern that can be reliably exploited.

#### **1.5.1.1. Forms of Efficient Market Hypothesis**

According to (Fama, 1970), there are three forms of efficient market hypothesis as follows:

##### 1. Efficient in weak form

An efficient capital market in weak form means that the current prices of securities reflect all past information. Thus, the prices formed now cannot be used to predict the prices of securities in the future. This is done using historical data in technical analysis.

##### 2. Efficiency in semi-strong form

An efficient capital market in semi-strong form means that the current prices of securities reflect all past information and also all currently published information.

##### 3. Efficiency in strong form

An efficient capital market in strong form is a market that has securities prices that depict all past information, currently published information, and future information.

#### **1.5.2. Stock**

##### **1.5.2.1. Stock definition**

Stock is a form of equity in the capital market. According to (Hartono, 2017), stocks are securities that prove ownership or participation in an organization or individual business, while according to (Fakhruddin & Darmadji, 2011), stocks are evidence of ownership by an individual or business entity within an entity. Based on the theories

above, stocks are evidence of ownership in an entity. One of the benefits of investing in stocks is capital gain or dividends. Capital gain is the difference between the purchase price and the selling price. If an investor buys at a lower bid price and sells at a higher price, the investor makes a profit. Dividends are the distribution of company profits to be distributed to shareholders or investors, the amount of which is approved by the General Meeting of Shareholders.

#### **1.5.2.2. Stock types**

According to (Fakhrudin & Darmadji, 2011), there are 3 types of stocks:

1. Based on ownership:
  - a) Common stock: Owners of these stocks will receive dividends if the company makes a profit, and the amount of dividends depends on the General Meeting of Shareholders (RUPS).
  - b) Preferred stock: Owners of this type of stock have priority rights over common shareholders, one example is that when dividends are distributed, preferred stockholders will receive a fixed amount annually.
2. Based on market capitalization:
  - a) Big Caps or Blue Chip stocks: Companies with very good fundamentals and a market capitalization of more than Rp40 trillion, ideal for long-term investment.
  - b) Second liner stocks: Companies with good fundamentals and a market capitalization between Rp1 trillion to Rp40 trillion.

- c) Third liner stocks: are stocks of issuers with poor fundamentals and losses and have a market capitalization of less than Rp1 trillion.
3. Based on liquidity:
    - a) Liquid stocks: Stocks with high liquidity, often traded and easy to sell or buy.
    - b) Seasonal stocks: Stocks that move based on specific phenomena that can affect business activities. An example is commodity prices.
    - c) Sleeping stocks: Stocks with the lowest liquidity, stocks move based on information or corporate actions by issuers.

### **1.5.3. Stock Analysis**

Investors can analyse stock prices by observing the following basic approaches:

#### **1. Technical Analysis**

Technical analysis is an attempt to predict security prices by observing the movement of security prices in the past (Suad Husnan, 1997). Technical analysis can also be interpreted as an approach to investing by studying past data on security prices and also observing the trading volume at that time.

#### **2. Fundamental Analysis**

Fundamental analysis is closely related to a company's health. Company health can be interpreted as the condition of a company related to its financial condition and also the condition of management and organizational human resources of the company itself. Fundamental analysis is an approach to analysing security prices that involves the performance of companies issuing securities and economic analysis that affects the

company in the future (Sutrisno, 2012). According to some economic experts, this analysis is more suitable for making decisions in choosing securities to be purchased in the long term. There are several factors that will affect stock prices in fundamental analysis, namely dividends, profits, sales, and company operations.

#### **1.5.4. Stock price**

Stock prices are one of the indicators of management success in providing benefits and satisfaction to investors who invest their stocks on the Indonesia Stock Exchange (IDX). Describing stock prices that fluctuate from one time to another. These changes depend on the forces of supply and demand. According to Brigham (2014), stock prices determine the wealth of shareholders. The price of a stock at a particular time will depend on the expected cash flow "on average" in the future if investors buy stocks. Indarti & Purba (2011) equate stock prices as the market price of stocks that occur in the stock exchange. Stock prices are one of the indicators of management success in providing benefits and satisfaction to investors who invest their stocks on the Indonesia Stock Exchange (IDX).

Stock price information is very important and needed by investors as a reference in making investment decisions. The stock prices held by companies are one of the indicators of company success (Hendrarini, 2011). Companies that are fundamentally sound generally have higher stock prices. Thus, increasing investor interest in investing in companies with high stock prices. Fahmi (2012) states that micro and macroeconomic conditions occurring in a country can affect stock prices. The Covid-

19 pandemic currently underway has almost suppressed all micro and macroeconomic sectors, where market movements have become very sluggish due to government regulations prohibiting people from activities outside the home. Pressure from ongoing micro and macro conditions will slowly affect the stock prices of companies in the capital market.

#### **1.5.4.1. Stock Influencing Factors**

Several factors can influence stock price fluctuations in the capital market, as stock prices can be affected by both external factors from the company and internal company factors. According to Brigham (2010), stock prices are influenced by several key factors:

1. Government announcements such as changes in savings and time deposit interest rates, foreign exchange rates, inflation, and various government regulations and economic regulations issued by the government.
2. Legal notifications such as legal claims against the company or its managers and company claims against its managers.
3. Securities industry announcements, such as insider trading annual meeting reports, trading volume, stock price limitations, or trading delays.
4. Marketing production sales announcements such as advertising, contract details, price changes, new product withdrawals, production reports, security reports, and sales reports.
5. Funding announcements, such as equity and debt-related announcements.

6. Management board of director announcements such as director, management, and organizational structure changes.
7. Verified takeover announcements such as merger investment reports, equity investments, takeover reports by acquirers and acquisitions, investment reports, and others.
8. Investment announcements such as factory expansion, research development, and other business closures.
9. Company financial report announcements, such as pre-fiscal year-end and post-fiscal year-end earnings per share (EPS), dividend per share (DPS), Price Earning Ratio, Net profit margin, return on assets (ROA), and others.

General factors influencing stock price fluctuations are:

#### 1. Interest Rates

Interest rates can affect stocks in the following ways:

- a) Influence competition in the capital market between stocks and bonds, if interest rates rise, investors will sell their stocks and exchange them for bonds. This will cause interest rates to fall, and vice versa if interest rates fall.
- b) Can affect company profits, as interest is a cost. Profit can be seen from interest rates, if interest rates are high, then company profits will be lower. Additionally, interest rates can also affect economic activities that can influence a company's or business entity's profits.

#### 2. Dividend Cash Distribution

Dividend distribution can be done with two policies, namely some distributed as dividends and some as retained earnings. Increasing dividends can affect price by increasing shareholder confidence because if the amount of cash dividends is large, it is highly desired by investors, so stock prices will rise.

### 3. Earnings Per Share (EPS)

In investing, investors will earn profits from the company in which they invest. The higher the company's profit, the better the returns. This will increase investor confidence to invest larger amounts than before, thus increasing the company's stock price.

### 4. Amount of Profit Obtained from the Company

Typically, an investor will engage in investment activities in a company that has a fairly good profit because it shows significant influence or impact, thus investors are interested in making investments which ultimately affects the stock price of a company or limited liability company.

### 5. Risk and Return Rate

Stock prices can influence profit projections and the level of a company's increase.

### 6. Government Policies

This is also one of the factors that can affect stock prices, as every event has a significant impact on the capital market.

### 7. Microeconomic Fundamental Conditions

- a) The rise or fall of interest rates caused by the American Central Bank.
- b) The inflation rate is one of the macroeconomic factors.

- c) The rise or fall of export-import values and benchmark interest rates of Bank Indonesia, which affect the exchange rate of the Indonesian rupiah against the US dollar.

#### 8. Fluctuations in the Exchange Rate of the Rupiah against Foreign Currencies

The high or low exchange rate of the rupiah against foreign currencies is one of the causes of the ups and downs of stock prices in companies or limited liability companies. The impact of these fluctuations can be positive or negative for certain companies. Especially for companies with foreign exchange debt burdens. Companies with foreign exchange debt burdens or import companies will be severely affected by the depreciation of the exchange rate. This will increase operational costs and cause the offered stock price to fall.

#### **1.5.5. Stock Return**

According to Hartono (2017), Stock Return is the profit obtained from an investment in stocks. Stock Return can be in the form of realized return that has already occurred or expected return that has not yet occurred but is anticipated in the future. Expectations for obtaining return also occur in financial assets. A financial asset indicates an investor's willingness to allocate funds at present to receive a future cash flow as compensation for the time factor during the investment and the risk borne. Thus, investors are currently risking a present value for an expected value in the future.

### 1.5.5.1. Realization return

Return realization is the return that has already occurred and its calculation uses past company data which serves to measure company performance and is also useful for determining expected return and risk in the future (Hartono, 2017).

The formula for calculating Return realization is as follows:

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}}$$

Where:

$R_{i,t}$  = realized return that occurs for security i in event period t.

$P_{i,t}$  = stock price i at time t-1.

$P_{i,t-1}$  = stock price i at time t.

### 1.5.5.2. Expected return

Expected return is the return predicted or expected to be obtained by investors in the future (Hartono, 2017).

$$E(R_{it}) = R_{mt}$$

Where:

$E(R_{it})$  = Expected profit rate on day t.

$R_{mt}$  = Market profit rate in period t.

### 1.5.6. Abnormal return

According to Hartono (2017), abnormal return is the excess return that actually occurs over the normal return. Normal return is the expected return or the return anticipated by investors. Thus, abnormal return is the difference between the actual return or profit

level (actual return) and the expected profit level (expected return). Abnormal return is usually used as the basis for testing market efficiency and commonly occurs around the announcement of an event. Abnormal stock returns have 2 directions, namely positive and negative. A positive abnormal return indicates that shareholders of the company receive returns on the stock above the market return on that trading day. Meanwhile, a negative abnormal return means that the return on the stock obtained is smaller than the market return. The following is the formula for abnormal return:

$$AR_{it} = R_{it} - E[R_{it}]$$

Where:

$AR_{it}$  = abnormal return of security i in event period t.

$R_{it}$  = realized return that occurs for security i in event period t.

$E[R_{it}]$  = expected return of security i for event period t.

#### 1.5.6.1. AAR

Average Abnormal Return is tested in aggregation or combined cross-sectionally for each day in the specified event period (Hartono, 2017).

$$\overline{AAR} = \frac{\sum_t^n AR_{it}}{N}$$

Where:

$\overline{AAR}$  = Average Abnormal Return.

$AR_{it}$  = Abnormal Return of security i in event period t.

$N$  = Number of samples used.

### 1.5.6.2. CAAR

Cumulative Abnormal Return is the cumulative sum on each day during the specified event period (Hartono, 2017).

$$CAAR = \sum_{t=-10}^{t=+10} \overline{AAR}_{it}$$

Where:

$CAAR$  = Cumulative Average Abnormal Return.

$\overline{AAR}_{it}$  = Average abnormal return of security  $i$  in event period  $t$ .

### 1.5.7. Trading Volume Activity

To make investment decisions, investors will weigh the risks and expected level of returns. Thus, investors need information to analyse stocks. With the information circulating in the stock market, it will change the beliefs of investors to make a decision. Every piece of information obtained by investors will result in a market reaction, which can be seen from the trading volume activity. Trading volume activity is a tool used to measure the level of buying and selling activity on the trading floor (Luhur, 2010).

Trading Volume Activity is the sales activity that occurs in the stock exchange at a certain time and is one of the variables that influence stock price movements. Trading volume of stocks indicates the level of the number of shares traded at a certain time. The larger the number of shares traded, the stock can be considered active because it is frequently transacted in the capital market. Trading volume activity (stock trading

volume) is an indicator used to measure the liquidity of a stock. If statistically there is an increase in stock trading activity several days after an event compared to several days before the event, it can be said that there is an increase in stock trading liquidity after an event (Akbar, 2019). Trading volume activity also becomes one of the important elements in making forecasts used as part of the information that signals future price movements where the stock price per share cannot be conveyed to market participants (Ivani, 2020).

#### **1.5.8. Event Study**

Event study is an empirical financial research technique that enables researchers to assess the impact of specific events on a company's stock price (Bodie, Zvi; Kane, Alex; Alan J, 2016). An analysis of the stock market that can be conducted by observing the impact of changes in dividends on stock prices, for example. An event study will measure the relationship between changes in dividends and stock returns. Analysing the impact of specific events is more challenging than it may initially appear. Every day, stock prices respond to various economic news such as updated forecasts for GDP, inflation rates, interest rates, or company profitability.

Event study is an approach to test the informational content of an event. The purpose of testing informational content is to examine the market's reaction to an event. If the market reacts when the information is received, then the event can be said to contain sufficient information. Market reaction occurs if there is a price change in the securities concerned. Market reaction can be measured using returns or abnormal returns as the

value of changes in stock prices. According to Hartono (2017), abnormal returns arise from events that contain information, while abnormal returns will not arise from events that do not contain information.

## **1.6. Relationship Between Variables**

### **1.6.1. Abnormal Return and Election Events**

Based on the theory of capital market efficiency (Hartono, 2017), the market is said to be inefficient when one or several market participants can enjoy abnormal returns over a long period. Research by Kabiru, Elly, Hellen, & Kinyua (2015) shows significantly different abnormal returns during the elections in Kenya in 1997 and 2007, whereas the abnormal returns generated during the elections in 2002 and 2013 did not differ significantly. The varying results shown due to the elections in Kenya are because investors responded differently. Decisions made by market participants are in line with the conditions of each country's capital market. Investment decisions made by investors can be seen by whether abnormal returns are received by market participants. Hence, the formulated hypothesis:

H1: There is a significant difference in abnormal returns of stocks before and after the Indonesia 2024 Presidential Election Result Announcement.

### **1.6.2. Trading Volume Activity (TVA) and Election Events**

In the concept of efficient markets, changes in the price of a stock security in the past cannot be used to estimate changes in prices in the future. Information that enters the market and is related to a stock security will result in the possibility of a shift in the

new equilibrium price. The market is called efficient if the market reacts quickly and accurately to achieve a new equilibrium price that fully reflects the available information, then market conditions like this are called efficient markets (Hartono, 2017). Trading Volume Activity (TVA) is an instrument used to observe the capital market's reaction to information through the measure of the trading volume of company stocks in the capital market. The magnitude of TVA with an event indicates that the issuer has responded to the event that occurred (Purba & Handayani, 2017). In Nuheriyani research (2015), TVA during the inauguration of the president and vice president of Indonesia showed significant differences before and after. Thus, the hypothesis is formulated:

H2: There is a significant difference in Trading Volume Activity (TVA) of stocks before and after the Indonesia 2024 Presidential Election Result Announcement.

### 1.7. Research framework



**Figure 1. 2. Research framework**

## 1.8. Previous Research

**Table 1. 2. Previous research**

No.	Title, Author, and Year	Methods	Research result
1	Indonesia's Capital Market Reaction to the Announcement of Political Parties Qualified as Participants in the 2024 General Election  Fitriaty & Saputra (2023)	This research employs quantitative methods using a sample of 780 companies listed on the Indonesian stock exchange. The companies are categorized based on sectors to analyse which sectors experience positive and negative influences. The data utilized includes daily closing stock prices of the companies and the composite stock price index. An 11-day window period was selected for analysis to avoid overlapping effects from other events or confounding factors.	The capital market responded significantly to the announcement of political parties qualifying as participants in the 2024 election. The impact was measured using abnormal returns, cumulative abnormal return, and paired t-tests. Specifically, the infrastructure and Information Technology (IT) sectors exhibited positive influences, whereas other sectors showed negative cumulative abnormal returns.
2	Analysis of Capital Market Reactions to Political Events: A Comparison of General Elections in Indonesia, Malaysia, and Thailand  Setyowati & Hariyati (2022)	The approach utilized in this study is an event study spanning 5 days before and 5 days after general elections. The research focuses on the LQ45, FBMKLCI, and SET50 indexes as the population and sample. A total of 125 companies were included in the sample. The analysis methods employed include One Sample t-Test and Paired Sample t-Test, with assistance from SPSS for data processing and statistical analysis.	There was no significant market reaction observed during Indonesian election events. Both abnormal returns and trading volume activity did not show substantial differences during the general election in Indonesia.
3	The Impact of the 2019 Presidential Election on Stock Prices and Trading	This research employs an event study covering 5 days before and after the event date, which is the 2019 presidential election held on April 17, 2019. The study focuses on companies	There were abnormal returns observed during the 2019 presidential election. However, there was no significant difference

No.	Title, Author, and Year	Methods	Research result
	Volume on the Indonesia Stock Exchange  Jange (2020)	within the banking sector from December 2018 to April 2019. Secondary data obtained from the Indonesian Stock Exchange includes daily closing stock prices, IHSG (Indonesia Stock Exchange Composite Index), daily stock trading volume, and total shares outstanding. The expected return is calculated using the market-adjusted model.	detected between before and after the event in terms of both abnormal returns and trading volume activity.
4	The Impact of the 2019 Indonesian Presidential Election on JII70 Stock Returns in Indonesia  Adevia Fendiyani, Zulia Kunthi, & Fadlullah Hana (2020)	The population: companies whose shares are listed in the JII70 index. The study employs an event study methodology to examine these effects.	The 2019 presidential election event had a significant impact on returns and stock prices in several companies listed in the JII70 index.
5	The Impact of the 2019 Presidential Election Results Announcement on Stock Prices on the Indonesia Stock Exchange  Nurvita (2019)	The stock sector data used are transportation, infrastructure, and telecommunications. The research methodology employed is event studies, beginning with the determination of event windows, specifically +30 days after the event date and -30 days before the event date. The data is analysed to calculate the average abnormal return, which signifies the information content surrounding the observation date.	There was positive market reaction on the 9th day after the announcement of the presidential election results and also on the 5th day before the announcement date of the election.
6	The Impact of Simultaneous General Elections on Stock Returns in Indonesia  Manurung (2019)	The stock market reaction is evaluated using abnormal returns and trading volume activity. The population for this study consists of companies whose shares are listed in the LQ-45 index. The methodology employed in this research is event study, which allows for the examination of market responses surrounding significant political events such as elections.	There was an investor reaction observed from 10 days before to 10 days after the simultaneous elections on April 17, 2019. There was an increase in the average volume of stock trading before and after the simultaneous election on April 17, 2019.

## **1.9. Conceptual Definition**

According to Sugiyono (2016), conceptual definition is the attribute, personality, or value of a person, as an object with certain variations, determined and inferred by the researcher. A concept is an essential aspect to measure the boundaries of a study so that the focus of the discussion becomes clear.

### **1.9.1. Abnormal return**

Abnormal Return, also known as excess return, represents returns that exceed investors' anticipated norms, termed Normal Return. It is segmented into two components: Realized Return, which quantifies past company performance using historical data to assess expected future returns and risks; and Expected Return, the projected return investors anticipate in the future. Abnormal return in this context denotes the disparity between actual or realized returns and expected returns. Simply put, actual returns deviate positively or negatively from investors' normal or expected projections. Actual return signifies the return observed at a specific time  $t$  calculated as the difference between the current and previous prices.

### **1.9.2. Trading Volume Activity**

Trading Volume Activity (TVA), as outlined by Suryawijaya & Setiawan (1998), is an instrument to observe trading reactions in the market. TVA is a variation of event studies, with the main difference lying in the parameters used to measure the capital market's reaction to a specific event or occurrence.

## 1.10. Operational Definition

### 1.10.1. Abnormal return

Abnormal return or excess return is the difference between realized return and expected return using the Market-Adjusted Model. Mathematically, abnormal return can be calculated as follows:

$$AR_{it} = R_{it} - E[R_{it}]$$

Where:

$AR_{it}$  = abnormal return of security i in event period t.

$R_{it}$  = realized return that occurs for security i in event period t.

$E[R_{it}]$  = expected return of security i for event period t.

(Suad Husnan, 2012)

### 1.10.2. Trading Volume Activity

Stock price can be measured by its trading volume. The rapid trading of stocks indicates increasing liquidity. Goulet & Foster (1986) stated that the trading volume of stocks can be observed using the Trading Volume Activity indicator, calculated by dividing the traded stocks of a company by its outstanding shares.

$$TVA = \frac{\text{Shares traded of company } i \text{ during period } t}{\text{Shares outstanding of company } i \text{ during period } t}$$

## 1.11. Research Methods

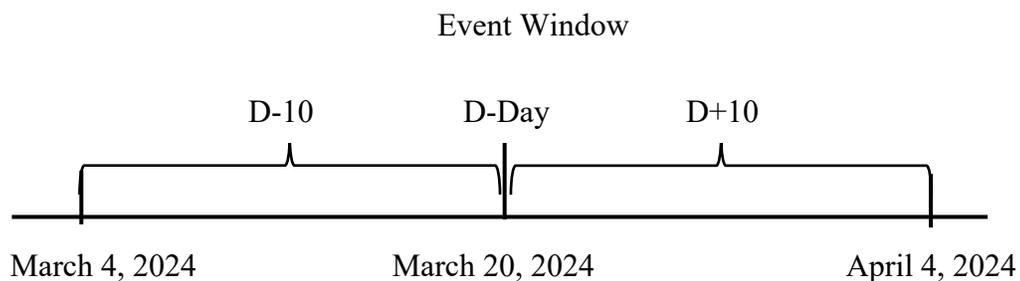
### 1.11.1. Research Type

This research falls into the category of studies employing event study methodology.

Event study is an investigation that examines market reactions to an event whose

information is disclosed as an announcement. The events examined in this research are the announcement of Indonesia's 2024 President Election by KPU (General Election Commission) and its effect on nickel mining sectors' stock prices.

The first step in conducting an event study is to determine the event window by first establishing the event date. In this study, the event date is March 20, 2024, which is the date when the General Election Commission (KPU) announced the results of the presidential election held on February 14, 2024. The steps in conducting research using the event studies method begin with determining the event window. In this study, the event window is determined as -10 working days before the event date, which is the announcement date of the presidential election results, and +10 working days after the announcement date of the presidential election results.



### 1.11.2. Population and Sample

#### 1.11.2.1. Population

Sekaran & Bougie (2009) state that population is the entire group of people, events, or interests that researchers want to investigate. Nickel was categorized as one of transition metal, found in earth's crust to be mined. For that reason, the population in

this study are all companies listed on the Indonesia Stock Exchange in subsector of “metal and mineral mining” year 2024. The total population is 36 companies.

#### 1.11.2.2. Sample

Non-probability sampling technique is a sampling design where elements in the population do not have an equal chance of being selected as samples for research (Sekaran & Bougie, 2009). The non-probability sampling technique used in this study is purposive sampling method. Purposive sampling is the selection of samples based on specific considerations. From the list of population, sampling criteria then determined by researchers are as follows:

- 1) Companies that have direct affiliation or subsidiaries operating in the field of nickel mining or processing during the event research period (March 4, 2024, to April 4, 2024).
- 2) Companies that are actively traded during the research period (March 4, 2024, to April 4, 2024.).

The sample selection results will select companies that are members of the Indonesia Stock Exchange (BEI) and experience increases or decreases within the specified time period.

**Table 1. 3. Sample companies**

<b>NO</b>	<b>CODE</b>	<b>COMPANY NAME</b>
<b>1</b>	ANTM	PT Aneka Tambang Tbk
<b>2</b>	DKFT	PT Central Omega Resources Tbk
<b>3</b>	INCO	PT Vale Indonesia Tbk
<b>4</b>	MBMA	PT Merdeka Battery Materials Tbk
<b>5</b>	NCKL	PT Trimegah Bangun Persada Tbk
<b>6</b>	NICL	PT PAM Mineral Tbk

<b>NO</b>	<b>CODE</b>	<b>COMPANY NAME</b>
7	SMGA	PT Sumber Mineral Global Abadi Tbk
8	TINS	PT Timah Tbk

### **1.11.3. Source of Data**

The source of data used in this study are secondary data in the form of daily closing stock prices, daily closing prices of each the nickel mining issuers, and the announcement dates of Indonesia's president announcement in the 2024 elections. These data are obtained from the Indonesia Stock Exchange, particularly from [www.idx.co.id](http://www.idx.co.id), [finance.yahoo.com](http://finance.yahoo.com) and relevant news regarding the 2024 Indonesia's presidential election.

### **1.11.4. Data Collection Techniques**

The technique employed for data collection is documentation sourced from various literature as well as from the websites [www.idx.co.id](http://www.idx.co.id) and Yahoo Finance. Additionally, this research is conducted through a literature review encompassing references from literature, journals, articles, previous studies, and reports to gain an understanding of the issue to be investigated through the aforementioned secondary data.

### **1.11.5. Analysis Techniques**

#### **1.11.5.1. Descriptive Analysis**

The technique of descriptive statistical analysis is a statistical outcome of data used to analyse by describing or portraying the collected data results as they are without intending to draw conclusions that apply universally or generally (Sugiyono, 2010).

Descriptive statistical techniques to be conducted as follows:

- 1) Analysing the development of abnormal returns and trading volume activity and explaining the development of each sample.
- 2) Determining the mean of abnormal return and trading volume activity indicators before and after the event.
- 3) Determining the difference in means (increase or decrease) of abnormal return and trading volume activity indicators before and after the event.

#### **1.11.5.2. Normality Test**

According to (Ghozali, 2001), the purpose of normality testing is to determine whether each variable is normally distributed or not. Normality testing is required in this research to ascertain whether the variables follow a normal distribution. If the data is not normally distributed, the next step is to use non-parametric statistical methods. Normality testing of data is done using the Shapiro-Wilk method, as follows:

- a. If the significance value (sig.)  $> 0.05$ , then the research data is normally distributed.
- b. If the significance value (sig.)  $< 0.05$ , then the research data is not normally distributed.

#### **1.11.5.3. Hypotheses test**

Hypothesis testing is determined based on the results of normality testing of the data, and from the results of normality testing, the testing tool to be used next will be determined. If the tested data is normally distributed, the parametric Paired Sample t-test will be used. And if the tested data is not normally distributed, the appropriate testing tool to be used is the Wilcoxon Signed Rank Test.

#### **1.11.5.3.1. Paired sample t-test**

The test of the difference between two means in this study uses a paired sample t-test by comparing each variable of abnormal return and Trading Volume Activity (TVA) in each company before and after the event. The paired sample t-test, or paired t-test, is a parametric test used to examine whether there is a difference in the means of two related samples (Ghozali, 2001). The paired sample t-test technique is employed because there is a possibility of normal distribution.

In the paired sample t-test, variables are compared between the abnormal return and Trading Volume Activity (TVA) before and after the announcement. With the following conditions:

- a. If the  $t\text{-test} > t\text{-table}$ , then  $H_0$  is rejected and  $H_a$  is accepted.
- b. If the  $t\text{-test} \leq t\text{-table}$ , then  $H_0$  is accepted and  $H_a$  is rejected.

$H_0$ 1: There is no significant difference in Abnormal Return in the stock price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

$H_a$ 1: There is a significant difference in Abnormal Return in the price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

$H_0$ 2: There is no significant difference in Trading Volume Activity (TVA) in the stock price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

Ha2: There is a significant difference in Trading Volume Activity (TVA) in the stock price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

The significance level used is 0.05 or 5%.

#### **1.11.5.3.2. Signification test**

The Wilcoxon Signed Rank Test is a non-parametric test used to analyse paired data due to the non-normal distribution of data in the previous test (Cooper & Schindler, 2014). Each variable of abnormal return and trading volume activity is tested before and after the Indonesia 2024 Presidential Election Result Announcement. With the following conditions:

- a. If the probability (Asymp.Sig)  $< 0.05$ , then  $H_0$  is rejected and  $H_a$  is accepted, meaning there is a difference.
- b. If the probability (Asymp.Sig)  $> 0.05$ , then  $H_0$  is accepted and  $H_a$  is rejected, meaning there is no difference.

$H_0$ 1: There is no significant difference in Abnormal Return in the stock price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

$H_a$ 1: There is a significant difference in Abnormal Return in the price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

Ho2: There is no significant difference in Trading Volume Activity (TVA) in the stock price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

Ha2: There is a significant difference in Trading Volume Activity (TVA) in the stock price of companies in the nickel mining subsector before and after the Indonesia 2024 Presidential Election Result Announcement.

The significance level used is 0.05 or 5%