

The Impact of Presidential Election on Abnormal Return, Trading Volume Activity, Security Return Variability in Banking Industries Listed on the Indonesia Stock Exchange

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ABSTRACT

Stock market connects parties which needs long term budget with other parties' requiring means of investment. The development of stock price and trading volume in stock market is an important indicator to study the activities of market and investors. This thesis analyzes the impact of presidential election on abnormal return, trading volume activity, and security return variability in banking industries listed on the Indonesia Stock Exchange with a case study on the presidential election in 2004, 2009, and 2014. This is a quantitative study with descriptive analysis. It compares everyday abnormal return, trading volume activity, and security return variability for five days before and after the presidential elections. Overall, there are observational periods before and after the presidential elections. The data are analyzed by applying descriptive statistical analysis and t-test for before and after the elections using paired t-test and non-parametric test. The results of the research which compared each day during the observation periods before and after the presidential elections demonstrated that the abnormal return was both significantly and insignificantly different depending on the time span compared. Generally, during the observation period before and after the elections, the abnormal return was significantly influenced during the presidential election in 2014, but it was insignificant during the elections in 2004 and in 2009. The trading volume activity which was compared each day during the observation period was both significantly and insignificantly different depending much on the time span compared and it was mostly insignificant. In general, during the observation period before and after the elections, the trading volume activity was significantly influenced during the presidential election in 2009, but it was insignificant during the elections in 2004 and 2009. The security return variability which was compared each day during the observation period was both significantly and insignificantly different depending on the time span compared. Overall, during the observation period before and after the elections, the security return variability was significantly influenced during the first round of the presidential election in 2004, but it was insignificant during the second round of the elections in 2004 and 2014.

Keywords: Abnormal Return, Trading Volume Activity, Security Return Variability, Presidential Election.

INTRODUCTION

Investment is one of the important activities in the economy of a country or

company. The existence of investment will increase activities or open new businesses so as to reduce unemployment, increase

public purchasing power, national income, and economic growth. Generally investments are categorized and types, namely real assets and real assets. Real assets are tangible investments, such as buildings, land, vehicles and others. While financial assets (financial assets) are documents or letters that have market value because the letter shows indirect claims to the company's real assets, such as stocks, bonds and others (www.wikipedia.com). Investments in the form of financial assets for investors can be done in the capital market.

The capital market brings together those who need long-term funds with those who need investment vehicles. Capital markets are one of the investment instruments that are influenced by events that have information for investors. The more important the role of the capital market in the economy of a country, the more sensitive the capital market is to various events around it (Suryawijaya and Setiawan, 1998). Information is the main requirement of investors in the capital market. From the relevant information, investors can assess the issuer's performance prospects so that investors have an overview of the risks and the expected return on funds that have been or will be invested. The information needed by this investor can come from the internal and external conditions of the issuer.

In efficient capital markets, the market will react quickly to all relevant information. If the information is positive, it will have a positive impact on the share price, otherwise if the information is negative, it will have a negative impact on the share price. In general, this is indicated by changes in stock prices exceeding normal conditions, giving rise to abnormal returns. In addition to using abnormal returns, the stock market reaction to information can also be seen through the parameters of the movement of trading activities in the market (Trading Volume Activity), where if an investor assesses an event containing information then the event will result in a

trade decision above the normal trading decision. Investors in the capital market are dominated by foreign investors.

The capital market has a big role for the economy of a country because capital markets carry out two functions at the same time, economic functions and financial functions. Capital markets are said to have economic functions because the capital market provides facilities or vehicles that bring together two interests, namely those with excess funds (investors) and those who need funds. With the existence of a capital market, investors can invest their funds in the hope of obtaining returns, while the parties needing funds can utilize these funds for investment purposes without having to wait for the availability of funds from the company's operations. The capital market is said to have a financial function, because it provides the possibility and opportunity to obtain returns for the owner of the fund according to the characteristics of the chosen investment.

Along with the development of the business world, according to Sylviani (2008), the capital market has become an alternative source of modern funding. To obtain funding sources through the capital market, companies do not need to provide collateral but enough to show good prospects and securities from the company. In the capital market itself there are various instruments that can be used as funding sources, such as common stock, bonds, and derivative products.

Trading activities on the stock exchange, as part of economic activity are not immune from the influence of political turmoil. According to Click (2005), the calculation of stock prices cannot be separated from political events that lead to the value of country risk because the calculation also includes variables that are influenced by social and political conditions that occur. Although not directly related to the dynamics that occur in the capital market, the influence of the non-economic environment cannot be separated from the activities of the stock exchange

(Suryawijaya and Setiawan, 1998). In addition, events related to the macroeconomic environment such as changes in interest rates on savings and deposits, foreign exchange rates, and various economic regulations and deregulations issued by the government also influence the fluctuations in trade prices and volumes on efficient capital markets (Suryawijaya & Setiawan, 1998).

Information that develops during the presidential election period can affect the rate of return on investment and trading volume. According to Widatmodjo (1996), company profits are also influenced by social and political phenomena reflected in stock prices, this is because information circulating can influence patterns of demand and supply in the capital market so that it can affect stock prices in the capital market. Political events of a country can affect the economic stability of a country. A country if it has a stable economy will build investor confidence in investing. Investors believe that they will not experience large losses if they invest in countries that have stable political conditions and a growing economy.

The influence of these political events can cause high fluctuations between the initial price of the stock and the current price (current price). Knowing whether there is a reaction in the capital market can be measured by the amount of reaction during the event period. The magnitude of the reaction measured can be categorized into two, namely the magnitude of the stock price reaction and the amount of stock trading activity reactions that occur due to information. Lia Nur Islami and Endi Sarwoko (2012) revealed that the measurement of the stock price reaction used is abnormal return (AR) and security return variability (SRV). While measuring the quantity of reaction of stock trading activities used is trading value activity (TVA). In this study, we will use measurements with both of these reaction quantities.

The use of abnormal returns will be useful to look for SRV, and the reason for

using SRV is to eliminate the effects that might occur due to events that are informed of good news or bad news, so that with SRV can be seen whether the market aggregately assesses an informative event, in what sense resulting in changes to the distribution of shares. While TVA is used because in its measurement does not separate purchasing decisions with purchasing decisions that are related to positive information, while sales decisions tend to relate to negative information. Husnan in Lesmana (2001) argues that purchasing decisions are related to positive information, while sales decisions tend to relate to negative information states.

Capital markets can be said as an efficient capital market if the prices of existing stocks reflect all existing information (Fama, 1991). It is very important for investors to sort out the information available so that the information received is relevant to the investment decisions that will be taken by investors. One political event that can affect a country's political and economic stability is the moment before and after the presidential election. The temperature of domestic politics is increasingly heating up as competition that occurs during the campaign period can make the state of a country unstable. The track record of prospective leaders carried by the party will be a reference for investors to obtain a high rate of return at the time of leadership change. This study raised three presidential election periods, namely at the start of direct elections in Indonesia, namely 2004, 2009 and 2014.

The role of the government and political events in Indonesia are identical to five-year events or when the government leadership changes. In 2004 was the year the direct election index rose 23.23 points (3.12 percent). In the second round of elections in 2004 the index was 9.23 points (1.13 percent). The 2009 election index rose 0.72 points (0.03 percent). The last 2014 election was paired by Joko Widodo - Jusuf Kalla with partner Prabowo Subianto-Hatta Rajasa

index 73.3 points (1.46 percent). Following Price Index (CSPI) and trading activity are the conditions of the Composite Stock volume in the presidential election:

Table 1.1 IHS movement and Volume Trading Activity on the Presidential Election

Presidential Candidate Pair	Election date	Transaction Volume	IHS
1. Wiranto dan Salahuddin Wahid	July 6, 2004	768,255	127,861,300
2. Megawati Soekarnoputri dan Hasyim Muzadi			
3. Amien Rais dan Siswono Yudo Husodo			
4. Susilo Bambang Yudhoyono dan Jusuf Kalla			
5. Hamzah Haz dan Agum Gumelar			

Table 1.1 Advanced IHS Movements and Volume Trading Activity on the Presidential Election

Presidential Candidate Pair	Election date	Transaction Volume	IHS
1. Megawati Soekarnoputri dan Hasyim Kalla	September 21, 2004	823,858	82,714,000
2. Susilo Bambang Yudhoyono dan Jusuf Kalla			
1. Susilo Bambang Yudhoyono dan Boediono	July 9, 2009	2,083.974	7,113,020,800
2. Jusuf Kalla dan Wiranto			
1. Joko Widodo dan Jusuf Kalla	July 10, 2014	5,098.010	7,732,344,900
2. Prabowo Subianto dan Hatta Rajasa			

Source: BEI and KPU

The use of measurement of stock price reaction rates and trading activities has also been used in several studies. Bittlingmayer (1998) found that political events can be explained as a source of stock price volatility, all of which support the opinion that there is a relationship between volatility and output is a related event that is caused by political factors. Heany and

Hoper (1999) argue that political risk indexes can explain market volatility. Jianping (1999) regarding the influence of political uncertainty (changes in government) on the economic conditions of a country suggests that eight out of nine financial crises occur during the period of change and change in government.

Table 1.2 Research Gap overview

No	Problem	Researcher	Title	Results
1	Political events against stock price volatility	Bittlingmayer (1998)	<i>Output, stock volatility, and political uncertainty in a Natural Experiment: Germany, 1880-1940</i>	political events can be explained as sources of volatility in stock prices
2	Political Influence on the Asia Pacific market	Heany and Hoper (1999)	<i>World, regional and political risk influence upon Asia Pacific equity market</i>	Political risk index can explain stock market volatility.
3	Effect of political uncertainty (changes in government) on the economic condition of a country	Jianping (1999)	<i>Politic risk, financial crisis and market volatility.</i>	Eight of the nine economic crises occurred during the election and change period of the government
4	Stock prices against political uncertainty	Voth (2002)	<i>Stock price volatility and political uncertainty: evidence from the interwar period.</i>	Extreme stock price index volatility occurs during times of economic depression that are usually caused by instability in political conditions
5	Market response during the presidential election	Bialkowski et al (2006)	<i>Stock market, volatility around, national election.</i>	The return index variance of a country will easily change nearly double in the weeks during the presidential election
6	Impact of Political Events in the Macedonian Stock Market	Angelovska (2014)	<i>The Impact of Political Events- "Name Issue" on an Emerging Macedonian Stock Market</i>	There is no cumulative difference in abnormal return (CAR) both before and after structural changes in the Macedonian capital market volatility

Source: Various journals

Voth (2002) concluded that there was extreme stock price index volatility during the period of economic depression which was usually caused by political

instability. In addition, from his research, it can also be concluded that political uncertainty caused by government changes tends to cause volatility in stock prices during the turnover. Bialkowski et al (2006) found that the variance of the return index of a country would easily change nearly doubled in the weeks during the presidential election. Angelovska (2014) conducted research in the Macedonian country also obtained insignificant results, namely there was no difference in the cumulative abnormal return (CAR) both before and after structural changes in the Macedonian capital market volatility. From some of the research findings above, the following overview of the research gap in table 1.2:

From a number of companies listed on the Indonesia Stock Exchange, the authors chose to conduct research on banking companies with certain sample criteria. The selection of groups of companies incorporated in banking companies listed on the Indonesia Stock Exchange is based on the consideration that among the various stocks offered on the Indonesia Stock Exchange, the banking sector is one sector that is expected to have quite bright prospects in the future, because

now everyday Indonesian society cannot be separated from banking services and banking companies are companies that have a considerable contribution to state revenues

In developing countries such as Indonesia the function and role of banking companies in this case is that commercial banks have a very important and strategic role in the economy. Commercial banks have a role in supporting the effectiveness of monetary policy in economic development. Loans in the context of accelerating economic development, mostly channeled by commercial banks. Banks are financial institutions that function as intermediaries who carry out activities more than just collecting and investing savings, but as financial institutions that function to provide other financial services such as supporting the smooth operation of international trade transactions that are closely related to the economic progress of a country. For this reason, the choice of investment in the banking industry is an attractive choice, much in demand by investors. The following are banking industry transactions listed on the Indonesia Stock Exchange in the presidential election year.

Table 1.3 Banking Industry Transactions in the Presidential Election Year

Tahun	Finance Sector	Market Capitalitation	Volume Trading (million)	Value Trading (Million Rp)	Frequency
2004	Bank	193,590,575	108,186	71,352,743	543,278
2009	Bank	478,502	50,641	124,542,243	1,540,207
2014	Bank	1,222,298	93,182	295,791,716	5,048,412

Source: BEI

In this study, political activities will be observed to influence stocks included in the banking industry in the 2004, 2009 and 2014 presidential elections. Researchers want to examine the theory of market efficiency in the 3 (three) presidential election periods in Indonesia, how the market reacts to these events. Researchers choose the banking industry that is listed on the Indonesia Stock Exchange because it has a very important and strategic role in the economy of the country. In the process of campaigning prospective leaders will explain their work program, investors absorb information then the market shows a

reaction to that information. In principle, the risk of investing in the capital market is closely related to the occurrence of stock price volatility that is influenced by information. Information that brings good news (good news) will cause stock prices to rise, and vice versa information that brings bad news (bad news) will cause stock prices to fall (Setyawan, 2006).

The presidential election in 2004 was interesting to study because in this period the direct general elections were held for the first time held in Indonesia. Presidential elections in 2009 and 2014 were also direct elections. The presidential

election directly gave a new color to Indonesia's political conditions.

Based on these conditions, this study seeks to conduct an event regarding the relationship between abnormal return and trading volume activity, as well as security return variability with the events of presidential elections in Indonesia with the aim of testing the strength of information content from an event on an exchange, or in other words will observe the reaction of the capital market to an event. Based on the description above, the author is interested in conducting research with the event study method regarding "The Impact Of Presidential Election On Abnormal Return, Trading Volume Activity, Security Return Variability In Banking Industries Listed On The Indonesia Stock Exchange".

Hypothesis

Based on the research background and the identification of the relationships between variables, the research hypothesis is as follows:

1. Ho: There is or no significant difference in abnormal returns between 5 days before and 5 days after the 2004-2009 and 2014 presidential elections.
Ha: There are significant differences in abnormal returns between 5 days before and 5 days after the 2004, 2009 and 2014 presidential elections.
2. Ho: There is no significant difference in Trading Volume Activity between 5 days before and 5 days after the 2004, 2009 and 2014 presidential elections.
Ha: There are significant differences in Trading Volume Activity between 5 days before and 5 days after the 2004, 2009 and 2014 presidential elections.
3. Ho: There is no significant difference in security return variability between 5 days before and 5 days after the 2004-2009 and 2014 presidential elections.
Ha: There is a significant difference in security return variability between 5 days before and 5 days after the 2004-2009 and 2014 presidential elections.

MATERIALS AND METHODS

This study analyzes the influence of domestic political conditions on abnormal returns, trading volume activity and security return variability in the banking subsector with case studies of presidential elections in Indonesia in 2004, 2009 and 2014. The data used in this study are based on secondary data, namely data obtained by a second party. Secondary data in this study were obtained from the Indonesia Stock Exchange (IDX) in the form of data on the sale price of the banking subsector in 2004, 2009 and 2014. In addition, secondary data obtained from the IDX also contained data in the form of a list of companies listed in the banking subsector in those years.

The period of observation is also called the event period. The event period used in this study is 10 trading days, 5 days before the event and 5 days after the event. This study only uses the observation period or does not use the estimation period based on the model used to calculate the expected return, namely market adjusted model, where in this model to estimate the return of a security is the market index return at that time, so it does not need to use the estimation period to form estimation model, because the estimated securities return is the same as the market index return (Hartono, 2013). The observation period for 11 days is chosen because such a time span is sufficient, because according to McWilliams and Siegel, the distance of the event window that is too long will cause two problems. First, it will reduce the power of statistical tests and lead to errors in drawing conclusions about the significance of the event. Second, the longer the period the more difficult it will be to isolate the event window from the confounding effect (Wardhani, 2012).

The date an event is published for the first time is specified as event day (t_0). If that date is a holiday for stock trading activities, then the next closest trading date is set as an event day.

In 2004 the presidential election was conducted through two rounds (two general

elections) because there were no votes from each candidate in the first round of general elections which achieved majority votes so that the acquisition between candidate pairs was almost balanced with each other. To decide who the candidate pairs are eligible to win the 2004 general election, two rounds of general elections need to be held. The first round was held on July 5, 2004 and the second round was held on September 20, 2004.

For the first round election occurred on July 5, 2004 (t0), while the event period began on June 28, 2004 as t-5 to July 12, 2004 as t + 5. In this second round election, t0 on September 20, 2004. The event period that occurred in the second round of elections began on September 13, 2004 as t-5 to 27 September 2004 as t + 10.

In this 2009 election, t0 on July 8, 2009. The event period that occurred in the second round of elections began on July 1, 2009 as t-5 to July 15, 2009 as t + 10. Finally in the 2014 election, t0 on July 9, 2014. The event period that occurred in the second round of elections began on July 2, 2014 as t-5 to July 16 2014 as t + 5.

RESULTS AND DISCUSSION

RESULTS

4.3.1 First Hypothesis

After the AR data is known 5 days before and 5 days after the presidential election, then hypothesis testing is performed using Paired-Samples T Test (for normally distributed data) and Wilcoxon signed ranks test (for data that is not normally distributed). The results of the complete hypothesis testing can be seen in the appendix and the summary is presented in Table 4.16.

In Table 4.16 you can see the results of different AR tests before and after the event. AR values differ significantly in the first round of the 2004 presidential election, which is 3 days before 2 days after the event, then 4 days before 2 days after the event and 5 days before 1 day after the event. AR values differ significantly in the 2004 presidential election in the second

round, which is 2 days before 1 day after the event, 2 days before 4 days after the event and 4 days before 4 days after the event. Furthermore, the AR value in the 2009 presidential election during the observation period has a significant difference between 2 days before 2 days after the event, 5 days before and 2 days after the event then 5 days before 3 days after the event. In the 2014 presidential election AR values differed significantly at 1 before and 1 day after the event, 1 day before with 2 days after the event, 1 day before 3 days after the event, 1 day before 4 days after the event, 1 day before with 5 days after the event, 2 days before 2 days after the event, 2 days before 3 days after the event, 3 days before 1 day after the event, 3 days before 2 days after the event, 3 days before 4 days after the event, 3 days before 5 days after the event, 4 days before 1 day after the event then 5 days before 1 day after the event.

**Table 4.16 Abnormal Return Statistics Test Results
5 Days Before Sunday 5 Days After the General Election Event**

Presidential Election of 2004 Round 1					
	H+1	H+2	H+3	H+4	H+5
H-1	0,633	0,301	0,765	0,784	0,789
H-2	0,762	0,155	0,989	0,595	0,878
H-3	0,622	0,063*	0,514	0,225	0,721
H-4	0,463	0,070*	0,741	0,640	0,799
H-5	0,047**	0,959	0,241	0,507	0,139
Presidential Election of 2004 Round 2					
H-1	0,696	0,578	0,878	0,646	0,868
H-2	0,074*	0,444	0,644	0,047**	0,385
H-3	0,575	0,139	0,878	0,444	0,959
H-4	0,241	0,959	0,799	0,073*	0,333
H-5	0,878	0,283	0,444	0,573	0,574
Presidential Election in 2009					
H-1	0,892	0,748	0,763	0,376	0,902
H-2	0,508	0,074*	0,169	0,646	0,333
H-3	0,183	0,225	0,112	0,831	0,141
H-4	0,593	0,462	0,434	0,608	0,708
H-5	0,129	0,068*	0,071*	0,422	0,136
Presidential Election in 2014					
H-1	0,006*	0,049**	0,096*	0,068*	0,048**
H-2	0,215	0,445**	0,018**	0,429	0,670
H-3	0,001**	0,006**	0,016*	0,018**	0,024**
H-4	0,004**	0,609	0,350	0,831	0,855
H-5	0,017**	0,951	0,378	0,976	0,761
Note:					
* = Significant α 10 %					
** = Significant α 5 %					
*** = Significant α 1 %					

Source: Summary of SPSS 22 output, data processed by researchers, 2019

The occurrence of differences and the absence of significant AR differences before and after the presidential election shows that

information on political events is responded to varying by market. The difference is also caused by how quickly the information about the presidential election is accepted by the market. In addition, the IHSG return is also a determining factor because the expected return that is used as a reference is the IHSG return.

4.3.2 Second Hypothesis

After TVA is known 5 days before and 5 days after the pilpers, then the next hypothesis is tested using Paired-Samples T Test (for normally distributed data) and Wilcoxon signed ranks test (for data that is not normally distributed). The results of the complete hypothesis testing can be seen in the appendix and the summary is presented in Table 4.17 below.

Table 4.17 Test Results Trading Volume Activity Statistics 5 Days Before Sunday 5 Days After the General Election Event

2004 Round 1					
	H+1	H+2	H+3	H+4	H+5
H-1	0,002**	0,526	0,646	0,575	0,185
H-2	0,005**	0,004**	0,139	0,445	0,518
H-3	0,169	0,508	0,203	0,169	0,114
H-4	0,037**	0,114	0,333	0,721	0,959
H-5	0,003**	0,042**	0,333	0,445	0,991
2004 Round 2					
H-1	0,047**	0,721	0,484	0,575	0,173
H-2	0,011**	0,343	0,047**	0,721	0,959
H-3	0,959	0,005**	0,208	0,153	0,038**
H-4	0,386	0,017**	0,214	0,083*	0,00**
H-5	0,333	0,047**	0,192	0,046**	0,005**
The Year 2009					
H-1	0,020**	0,477	0,460	0,789	0,110
H-2	0,018**	0,021**	0,013**	0,009**	0,007**
H-3	0,050**	0,450	0,285	0,878	0,066*
H-4	0,191	0,625	0,812	0,790	0,374
H-5	0,214	0,328	0,760	0,929	0,131
The Year 2014					
H-1	0,130	0,030**	0,011**	0,001**	0,371
H-2	0,001**	0,095*	0,063*	0,079*	0,681
H-3	0,008**	0,110	0,455	0,627	0,031**
H-4	0,001**	0,144	0,283	0,721	0,144
H-5	0,000**	0,003**	0,020**	0,013**	0,000**
Note: * = Significant α 10 % ** = Significant α 5 % *** = Significant α 1 %					

Source: Summary of SPSS 22 output, data processed by researchers, 2019

In Table 4.17 you can see the results of different TVA tests before and after the event. In the 2004 presidential election the first round of TVA scores differed significantly on 1 day before and 1 day after the event, 2 days before 1 day after the

event, 2 days before 2 days after the event, 4 days before 1 day after the event, 5 days before with 1 day after the event, 5 days before 2 days after the event. In the 2004 presidential election the second round of TVA scores was significantly different on 1 day before with 1 day after, 2 days before with 1 day after the event, 2 days before 3 days after the event, 3 days before 2 days after the event, 3 days before with 5 days after the event, 4 days before 2 days after the event, 4 days before 4 days after the event, 4 days before 5 days after the event, 5 days before with 2 days after the event, 5 days before 4 days after the event, then 5 days before 5 days after the event.

In the 2009 presidential election, the value of TVA was significantly different at 1 day before 1 day after the event, 2 days before 1 day after the event, 2 days before 2 days after the event, 2 days before 3 days after the event, 2 days before 4 days after the event, 2 days before 5 days after the event, 3 days before 1 day after the event then 3 days before 5 days after the event. In the 2014 presidential election, the value of TVA was significantly different at 1 day before 2 days after the event, 1 day before 3 days after the event, 1 day before 4 days after the event, 2 days before 1 day after the event, 2 days before 2 days after the event, 2 days before 3 days after the event, 2 days before 4 days after the event, 3 days before 5 days after the event, 4 days before with 1 day after the event, 5 days before 1 day after the event, 5 days before 2 days after the event, 5 days before 3 days after the event, 5 days before 4 days after the event then 5 days before 5 days after the event.

4.3.3 Third Hypothesis

After SRV was known 5 days before and 5 days after the pilpers, then the next hypothesis was tested using Paired-Samples T Test (for normally distributed data) and Wilcoxon signed ranks test (for data that is not normally distributed). The results of the complete hypothesis testing can be seen in the appendix and the summary is presented in Table 4.18.

Table 4.18 Security Return Variability Statistics Test Results 5 Days Before Sunday 5 Days After the General Election Event

2004 Round 1					
	H+1	H+2	H+3	H+4	H+5
H-1	0,374	0,953	0,515	0,260	0,678
H-2	0,214	0,314	0,214	0,086	0,173
H-3	0,208	0,767	0,441	0,173	0,401
H-4	0,139	0,110	0,260	0,110	0,173
H-5	0,263	0,441	0,515	0,441	1000
2004 Round 2					
	H+1	H+2	H+3	H+4	H+5
H-1	0,688	0,580	0,891	0,646	0,864
H-2	0,441	0,414	0,644	0,038**	0,330
H-3	0,575	0,139	0,959	0,475	0,959
H-4	0,213	0,959	0,799	0,073*	0,260
H-5	0,959	0,283	0,444	0,570	0,574
The Year 2009					
	H+1	H+2	H+3	H+4	H+5
H-1	0,657	0,657	1,000	0,374	0,657
H-2	0,722	0,859	0,286	0,424	0,657
H-3	0,534	0,657	0,477	0,248	0,374
H-4	0,790	0,374	0,424	0,790	0,286
H-5	0,790	0,859	0,790	0,248	0,602
The Year 2014					
	H+1	H+2	H+3	H+4	H+5
H-1	0,031**	0,274	0,068*	0,831	0,236
H-2	0,260	0,648	0,378	0,212	0,447
H-3	0,031**	0,144	0,212	0,447	0,089*
H-4	0,503	0,738	0,316	0,879	0,543
H-5	0,316	0,627	0,260	0,605	0,260
Note					
*	= Significant α 10 %				
**	= Significant α 5 %				
***	= Significant α 1 %				

Source: Summary of SPSS 22 output, data processed by researchers, 2019

In Table 4.18 the results of different SRV tests before and after the event. The significant value of SRV in the first round of the 2004 presidential election had no

significant differences in SRV variables before and after the presidential election. Then in the 2004 presidential election the second round was significantly different, 2 days before the presidential election with 4 days after the presidential election. In the 2009 presidential election there were also no significant differences in SRV variables before and after the presidential election. Furthermore, the 2014 presidential election has a significant difference 1 day before and 1 day after the presidential election, 1 day before 3 days after the presidential election, 3 days before and 1 day after the presidential election and 3 days before 5 days after the presidential election.

4.4 Normality Test for Variables AR, TVA and SRV in 2004, 2009 and 2014

After analyzing statistically the variables AR, TVA and SRV by comparing the days per day, then analyzing the overall statistics from 5 days before and 5 days after the presidential election in 2004, 2009 and 2014. The normality test is done first to see the data whether the overall data is normally distributed or not. The normality test used is the same as the normality test when comparing from day to day using Shapiro Wilk. Following are the AR normality tests in the 2004, 2009 and 2014 presidential elections, namely:

Table. 4.19 Normality Test of Shapiro Wilk Variable AR

	Statistic	df	Sig.	Information
After the first round of Pilpers 2004	0.96	50	0.09	Normal
Before the first round of Pilpers 2004	0.693	50	0.000	Abnormal
After the second round of Pilpers 2004	0.945	50	0.022	Abnormal
Before the second round of Pilpers 2004	0.811	50	0.000	Abnormal
After Pilpers 2009	0.98	55	0.553	Normal
Before Pilpers 2009	0.955	55	0.040	Abnormal
After Pilpers 2009	0.912	115	0.000	Abnormal
Before Pilpers 2014	0.964	115	0.004	Abnormal

Source: Researcher's processed results, 2019

The results of the AR normality test after the first round of the 2004 presidential election where data were normally distributed, before the 2004 presidential election were not normally distributed. In the 2004 presidential election the round after the election and before the election of the data were not normally distributed. In

2009 after the presidential election there was no normal distribution then before the election was normally distributed. Furthermore, in the 2014 presidential election after the election and before the election it was not normally distributed.

Then the normality of the TVA variable is then carried out to test whether

the data is normally distributed or not, using Shapiro Wilk. Following are the TVA

normality tests of the 2004, 2009 and 2014 presidential elections, namely:

Table. 4.20 Normality Test of Shapiro Wilk Variable TVA

	Statistic	df	Sig.	Information
After the first round of Pilpers 2004	0.84	50	0.000	Abnormal
Before the first round of Pilpers 2004	0.783	50	0.000	Abnormal
After the second round of Pilpers 2004	0.628	50	0.000	Abnormal
Before the second round of Pilpers 2004	0.724	50	0.000	Abnormal
After Pilpers 2009	0.628	50	0.000	Abnormal
Before Pilpers 2009	0.724	50	0.000	Abnormal
After Pilpers 2009	0.628	50	0.000	Abnormal
Before Pilpers 2014	0.724	50	0.000	Abnormal

Source: Researcher's processed results, 2019

The results of the TVA normality test after and before the presidential election in 2004, in 2009 and 2014 were not normally distributed. Then a significance test was performed using Wilcoxon to test hypothesis 2, namely whether there were significant differences in TVA before and

after the presidential elections in 2004, 2009 and 2014.

Then the normality test for SRV variables is then carried out to test whether the data is normally distributed or not, using Shapiro Wilk. Following are the SRV normality tests for presidential elections in 2004, 2009 and 2014, namely:

Table. 4.21 Normality Test of Shapiro Wilk SRV Variables

	Statistic	df	Sig.	Information
After the first round of Pilpers 2004	0.27	50	0.000	Abnormal
Before the first round of Pilpers 2004	0.233	50	0.000	Abnormal
After the second round of Pilpers 2004	0.726	50	0.000	Abnormal
Before the second round of Pilpers 2004	0.638	50	0.000	Abnormal
After Pilpers 2009	0.47	55	0.000	Abnormal
Before Pilpers 2009	0.119	55	0.000	Abnormal
After Pilpers 2009	0.073	115	0.000	Abnormal
Before Pilpers 2014	0.081	115	0.000	Abnormal

Source: Researcher's processed results, 2019

The results of the SRV normality test after and before the presidential election in 2004, in 2009 and 2014 were not normally distributed. Then a significance test was performed using Wilcoxon to test hypothesis 3, namely whether there were significant SRV differences before and after the presidential elections in 2004, 2009 and 2014.

4.5 Testing of Variables of AR, TVA and SRV Overall

Furthermore, hypothesis testing is done for the variables AR, TVA and SRV in 2004, 2009, 2014. If before testing the hypothesis by comparing days per day, then testing the overall hypothesis then 5 days before the election and 5 days after the election using a non test parametric Wilcoxon because paired data is not normally distributed. Testing the hypothesis as a whole is done to see whether the

variables AR, TVA, SRV have significant differences Following the hypothesis test AR, TVA and SRV presidential elections in 2004, 2009 and 2014, namely:

In Table 4.22 the test results for the significance of the variables AR, TVA and SRV show that before and after the 2014 presidential election the value of $P = 0.004$ concluded that there were significant differences between before and after the presidential election in 2014. Then the TVA variable in 2009 with a P value = 0.003 concluded that there was a significant difference between before and after the presidential election in 2009. Furthermore, in the first round of SRV variables in 2004 with a value of $P = 0,000$ that there were significant differences between before and after the 2004 presidential election in the first round.

Table. 4.22 Variable Hypothesis Test Results AR, TVA and SRV

	Z	Asymp. Sig. (2-tailed)	Information
AR Before and After Pilpers 2004 Round 1		0,746	Not significant
AR Before and After Pilpers 2004 Round 2		0,559	Not significant
AR Before and After Pilpers 2009		0,055	Not significant
AR Before and After 2014 Pilpers		0,004	Significant
TVA Before and After Pilpers 2004 Round 1		0,119	Not significant
TVA Before and After Pilpers 2004 Round 2		0,124	Not significant
TVA Before and After Pilpers 2009		0,003	Significant
TVA Before and After 2014 Pilpers		0,064	Not significant
SRV Before and After Pilpers 2004 Round 1		0,000	Significant
SRV Before and After Pilpers 2004 Round 2		0,461	Not significant
SRV Before and After Pilpers 2009		0,476	Not significant
SRV Before and After 2014 Pilpers		0,387	Not significant

Source: Researcher's processed results, 2019

DISCUSSION

First Hypothesis

The test results statistically show that AR which is significantly different or not significantly different depends on the time span of the comparison. In general, there is no particular pattern that describes the increase or decrease in AR and its level of significance. Brennan and Hughes (1991) assume that investors will only invest in stocks that are truly certain of everything (know about) and will trade through brokers which analyzes the company that issued the shares. Political events will be interpreted by investors as signals that the information will be profitable where it is indicated by the existence of significant AR around the period of the event.

From the results of the study which showed no particular pattern related to the level of AR significance before and after the event, due to the irregularity of the return movement of the IHSG which was used as the expected return reference. Information about political events will affect the actual returns of the feared, but the effect on the overall IHSG is not significant. This is because the IHSG is a composite price index of all shares listed on the Indonesia Stock Exchange, which is very much influenced by many factors, such as macroeconomic factors.

Lower interest rates and inflation result in investors holding back their shares and choosing to invest rather than save. In 2004 the interest rate was 7.35% and inflation was 6.4%, in 2009 the interest rate was 6.50% and inflation was 4.03% (World Economic Outlook Database, International

Monetary Funds, October 2009). In 2014 the interest rate was 7.75% and inflation was 8.36% (BPS and BI data). According to Miles and Scot (2005), when the interest rate is low, the interest in saving will decrease because at that time it was better to invest.

In the first round of the 2004 presidential election, at that time the community was looking forward to a new leader who could bring change to Indonesia. The winner of the 2004 presidential election, Susilo Bambang Yudhoyono and Yusuf Kalla, at that time AR had a significant effect on H-2 with H + 1. But when viewed from the AR as a whole without comparing days per day that there is no significant difference AR at the time before and after the presidential election. Then in 2009 which had a significant influence, namely H-2 with H + 2, overall AR before and after the presidential election in 2009 did not have a significant influence.

In 2009 general elections were won by Susilo Bambang Yudhoyono and Boediono. At that time the community believed that SBY had the right to lead Indonesia for two periods. SBY was the military which in the past Indonesia had never been led by a military and was the leader of the Demokrat party. The Democrats at that time were the newly established party. The community's expectation of this party is also great and hopes that its cadres are also qualified people. Investors hope the elected president at that time can bring new colors to Indonesia and the Indonesian Capital Market. Then in 2014 AR values were significant on H-1 with H + 1, H + 2,

H + 3, H + 4 and H + 5. Then overall that AR before and after the presidential election has a significant effect. In 2014, they won general elections, namely Joko Widodo and Jusuf Kalla. Joko Widodo's figure is a new leader whose track record leads solo and DKI Jakarta has been responded positively by the community.

Jokowi is not the leader of the party, this is a new color for the political world, because usually the rising candidates become presidential candidates, namely party leaders. If seen from the results of significant tests in 2014 by comparing the days per day before and after the majority of AR presidential elections are significant before and after the presidential election. We can conclude that investors respond positively to the results of general elections and take advantage of profits in the banking industry. This also supports previous research conducted by Bialkowski, Gottschalk and Wisniewski (2006) which proves that stock prices respond to political events that occur.

Overall, this research proves that the banking industry is not necessarily influenced by political information which was quickly responded by investors who chose the banking industry for investment. The banking industry will be more influenced by monetary policy issued by Bank Indonesia. Each policy also is not quickly responded by the banking industry, but requires time so that the policy can be applied by the banking industry and other industries related to banking. Investors are more interested in long-term investment in the banking industry sector.

Based on the results of research from AR market conditions in Indonesia during the events of the presidential election in 2014, the efficient market was half strong. In the 2004 and 2009 general elections the market was inefficient and half strong. In accordance with the three efficient market hypotheses (EMH) by Fama (1991), AR occurs prolonged (more than three time spots) reflects part of the market response late in absorbing and interpreting

information, and thus the market is considered inefficient in the form of half-strong.

Second Hypothesis

The results of the tests statistically show that the majority of TVA changed insignificantly before and after the presidential election political event. The absence of a significant reaction before and after the election reflects that investors in Indonesia still do not anticipate the information received in the capital market quickly, or investors assume that the pilgrimage event is not good news, so the majority does not experience significant differences in trading volume in the period before and after pilpers. Another possibility is that investors choose not to buy or sell their shares, because they assume that political instability is better to wait for the right time to transact. Therefore, investors tend to hold shares that have been bought before and wait for the right time to sell them. This of course results in the stock trading volume not increasing significantly.

If TVA is compared to days per day in 2004 H-1 with H + 1 is significant, it means that in the 2004 presidential election the first and second rounds of TVA had a significant effect before and after the presidential election. But if viewed from TVA as a whole 5 days before and 5 days after the presidential election there is no significant difference. From the results of the significance test by comparing the days per day TVA the majority does not have a significant effect. In 2009 also H-1 and H + 1 had a significant influence, and overall TVA 5 days before and 5 days after having a significant influence. At that time investors responded to the winner of the quick account general election. So that one day after the TVA presidential election had a significant effect and 1 day before the presidential election. At that time the people had read who would win the results of the general election. In contrast to the significant 2014, H-2 with H + 1, H + 2, H + 3 and H + 4. At that time investors

respond to quick account results at 2 days after the election up to 4 days after the election.

Then, if viewed as a whole, TVA does not have a significant influence between before and after the presidential election. But when compared to days per day the majority there are significant differences especially on H-5 with H + 1, H + 2, H + 3, H + 4 and H + 5. This also shows that the banking industry has little influence on political conditions. Investors prefer long-term investments.

Third Hypothesis

The results of the tests statistically show that the majority of SRVs change insignificantly before and after the pilgrims' events. This condition is due to the existence of information uncertainty or information distribution that is not symmetrical. This means that at that time not all investors have sufficient information to make a decision that they will benefit because of this event, but there are some investors who do not have sufficient information to make investment decisions not supported by the right distribution of information as other investors have. But this is a challenge for securities to be able to adjust market conditions that are static and reduce information obscurity; this is what causes the return distribution of the value to be very small.

If viewed in full SRV in each presidential election period in 2004 the first round of the SRV has a significant influence 5 days before 5 days after the presidential election. This means that in 2004 the first round of information on presidential election events contained information about stock returns. In 2004 the emergence of the SBY figure made investors respond to this information, so the capital market reacted. But it is different when compared to the day per day in 2004 the first round there is no significant.

The results of Zaqi (2006) which reveal that the use of SRV that is not significant or has significance for the

direction of stock price movements has the advantage of being difficult to determine whether an event of presidential election can be interpreted as a good or bad thing, so that all values become positive and cause the market to strongly react to the existing political situation. The results of this study are supported by previous researchers conducted by judge (2007) who stated that there was no distribution of stock returns in the event of the 2004 legislative elections, in other words the event did not have information content that caused the capital market to react.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of the analysis and discussion, conclusions can be taken as follows:

1. Based on the different tests of abnormal returns made by comparing each day during the event period, which is 5 days before and 5 days after the presidential election, it was found that AR is significantly or not significantly different depending on the comparison period. Based on the different tests of abnormal returns that are carried out as a whole with a significance level for testing hypotheses greater than 5% during the presidential election period that there were no significant differences in AR between before and after the presidential elections in 2004 and 2009. But in 2014 there were AR has an influence on the events of the presidential election.
2. Based on the results of different tests on the average trading volume activity during the period of the event, which is 5 days before and 5 days after the presidential election, it was found that the majority did not have a significant difference. Significant and insignificant differences also depend on the comparison period. Based on the different test of TVA as a whole with a significance level for testing hypotheses

greater than 5% it was concluded that there were no significant differences before and after the presidential elections in 2004 and 2014. Thus, the information on the 2004 and 2014 presidential elections did not affect trade volume in the Indonesian Capital Market. But there were significant differences in TVA before and after the presidential election in 2009. The events of the presidential election in 2009 affected the volume of trade in the banking industry.

3. Based on the results of the different tests on SRV conducted by comparing during the event period, which is 5 days before 5 days after the presidential election event, the majority there is no significant difference during the observation period. Based on the results of the different SRV test as a whole with a significant level of hypothesis testing greater than 5% it was concluded that there were significant differences in the presidential election before and after the 2004 presidential election in the first round. The events of the first round of the 2004 presidential election contained information on stock returns. In the second 2004, in 2009 and 2014 there were no significant differences between before and after the presidential election. Therefore it can be concluded that the political events of the presidential election in the second round of 2004, in 2009 and 2014 did not yet contain information about stock returns. In other words the event does not have information content that causes the capital market to react.

Recommendations

Based on the results of existing research, there are several suggestions that further research on the events of presidential elections can be done better. The suggestions are as follows:

1. The variables studied can be added to broaden the results of research such as adding transaction value variables in the

Indonesian Capital Market and seeing the number of investors when political events occur.

2. The method of looking for abnormal returns in this study uses the market adjusted model by making the return of the JCI as the expected return, which is less accurate in estimating the actual abnormal return.
3. The company sampled in this study is a banking industry company, the next researcher can add the object of research other than the banking industry which sector has more influence on political events in Indonesia during the presidential election, this can be seen from the work program of each presidential candidate.

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