

Minister of Finance Reshuffle and the Purbaya Effect: A Reflection of Market Confidence and Indonesia's Economic Stability through an Event Study Approach

Shinju Valentino Moksa¹, Yosua Parhorasan Manullang^{2*}
Universitas Mahkota Tricom Unggul

Corresponding Author: Yosua Parhorasan Manullang
yosuamanullang90@gmail.com

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ABSTRACT

This study examines the reaction of the Indonesian capital market to the reshuffle of the Minister of Finance on 8 September 2025 and the appointment of Purbaya Yudhi Sadewa, known as the "Purbaya Effect." Using an event study approach, abnormal returns of 45 LQ45 stocks are analyzed over an 11-day window (t-5 to t+5) around the announcement. Expected returns are estimated with a historical mean model, and abnormal returns are tested using one-sample t-tests, while differences between pre- and post-event periods are assessed with the Wilcoxon signed-rank test. The results show significant abnormal returns on several days, including a strongly negative reaction on the event day, followed by partial recovery in the post-event period. The significant difference between pre- and post-event abnormal returns indicates that the cabinet reshuffle had a material impact on market valuations. These findings provide empirical evidence of a "Purbaya Effect" and support the semi-strong form Efficient Market Hypothesis in the context of political shocks in an emerging market.

INTRODUCTION

Capital markets play a central role in mobilizing savings and allocating capital to productive sectors, thereby supporting long-term economic growth. In Indonesia, the stock market is a key component of the financial system, enabling funds to be transferred from surplus units to deficit units and contributing to national development. The performance of the capital market is closely linked to macroeconomic stability particularly inflation, interest rates, exchange rates, and output growth which shape investor confidence and risk appetite. In such an environment, information that alters expectations about risk and return is rapidly incorporated into asset prices.

A substantial body of research underscores the importance of political conditions in shaping economic performance and investment behavior. Political institutions and governance quality influence regulatory predictability, policy credibility, and the enforcement of property rights, all of which are essential for sustaining investor confidence. Empirical studies on Indonesia show that political transitions and shifts in economic policy orientation can reduce short-term investment flows and dampen investor sentiment, especially when they increase perceptions of uncertainty. More recent work finds that political instability has a negative impact on foreign direct investment, as investors reassess the reliability of legal and policy frameworks. These findings highlight that political stability is a critical precondition for sustaining domestic and foreign investment.

Within this broader context, political events—such as riots, elections, and cabinet announcements—are often treated by investors as informative signals about future policy direction. Prior Indonesian research indicates that events like legislative and presidential elections, as well as cabinet announcements, can trigger noticeable reactions in the capital market because they carry information relevant for investment analysis. Recent evidence from Indonesia's 2024 presidential election, for example, shows that Islamic stock indices and trading volume experienced significant short-term changes, suggesting that the market responds to major political events as investment signals. At the same time, some studies on cabinet reshuffles have found muted or insignificant market reactions, indicating that not all political events are perceived as equally value-relevant. This mixed evidence underscores the need to examine specific episodes in detail.

The early period of President Prabowo Subianto's administration (2024–2025) offers a particularly rich setting for such an examination. Indonesia faced a succession of large-scale demonstrations that signaled deep public dissatisfaction with the government's policy direction and cabinet performance. One of the earliest waves of protest, the "Indonesia Gelap" movement in February 2025, was organized by student groups across several major cities including Jakarta, Medan, and Surabaya to demand the enactment of an asset confiscation law, revisions to security-related legislation, and a reorientation of social spending toward vulnerable groups. Public discontent intensified between August and early September 2025, culminating in nationwide demonstrations involving participants from 32 provinces and reflecting anger

over generous parliamentary benefits amid difficult economic conditions and a high-profile protest-related fatality.

These socio-political tensions were mirrored in the performance of Indonesia's capital market. During the August 2025 protest wave, the Jakarta Composite Index (JCI) came under significant pressure, declining by 2.27% on 29 August 2025. Over the same period, Bank Indonesia reported cumulative foreign capital outflows of IDR 138.82 trillion since the beginning of 2025, including IDR 52.99 trillion in net foreign sales in the equity market. These figures point to a serious erosion of investor confidence and a growing perception of political and policy risk. The mounting turmoil ultimately contributed to President Prabowo's decision to implement a cabinet reshuffle on 8 September 2025, which included the dismissal of the Minister of Finance and the coordinating minister for Politics, Law, and Security.

A central feature of this reshuffle was the replacement of Sri Mulyani Indrawati with Purbaya Yudhi Sadewa as Minister of Finance. Upon his appointment, Purbaya pledged to maintain and strengthen existing fiscal policies while targeting economic growth of 6–8% in 2026, primarily driven by the property sector and household consumption. To support this objective, the government injected IDR 200 trillion into five state-owned banks to stimulate credit expansion and lower lending rates. These announcements were closely monitored by market participants as potential signals of the new administration's economic priorities and its commitment to financial stability.

The stock market's behavior around the reshuffle illustrates how investors processed this information. Prior to the cabinet change, the JCI had already corrected by roughly 3%, falling below the 7,800 level amid mounting political tension. Following the official announcement on 8 September 2025, market pressure persisted—on 9 September, the index fell by 1.78% and foreign investors recorded a net sell position of IDR 526.17 billion. Yet in the subsequent days, the market began to respond more positively to Purbaya's initial policy statements. By 17 September 2025, the JCI had climbed to 8,025.18, marking a new high for the year and fueling public discussion of a so-called "Purbaya Effect," referring to the perceived improvement in sentiment associated with the new finance minister.

From an empirical standpoint, this episode represents a natural experiment to investigate how an emerging capital market reacts to a high-salience cabinet reshuffle affecting a core economic portfolio under conditions of social unrest. It raises important questions about whether the appointment of a new finance minister generates value-relevant information that is quickly reflected in stock prices, and whether this information is interpreted as stabilizing or destabilizing for economic prospects. The event also provides an opportunity to test semi-strong-form market efficiency in Indonesia, given that event-study methodology is widely used to assess how quickly and accurately markets incorporate new public information.

This study applies an event study approach to measure abnormal returns around the announcement of Purbaya Yudhi Sadewa's appointment as Minister of Finance on 8 September 2025. Abnormal returns are defined as the difference between actual and expected returns, estimated using a historical-mean model over a pre-event estimation window.

The population consists of 954 companies listed on the Indonesia Stock Exchange (IDX) across 12 sectors, from which a purposive sample of 45 firms included in the LQ45 index is selected, representing highly liquid and actively traded stocks. The analysis employs an 11-day event window (t-5 to t+5) around the event date (t0), allowing us to capture market reactions before, during, and after the reshuffle announcement. By integrating this contextual and numerical evidence, the paper entitled "Minister of Finance Reshuffle and the Purbaya Effect: A Reflection of Market Confidence and Indonesia's Economic Stability Through an Event Study Approach" aims to contribute to the literature on political risk and capital markets in emerging economies. Specifically, it provides recent empirical evidence on how investors respond to a politically charged cabinet reshuffle, evaluates the presence and pattern of abnormal returns around the event, and offers policy-relevant insights into the signaling role of economic leadership during periods of heightened social and political tension.

LITERATURE REVIEW

The capital market plays a central role in mobilizing funds from surplus units to productive sectors and is therefore highly sensitive to information that changes investors' expectations about risk and return. In emerging markets such as Indonesia, macroeconomic stability and political developments are among the most important drivers of stock price dynamics. Recent event-study research shows that major political events—particularly general elections—produce measurable abnormal returns and shifts in trading activity on the Indonesia Stock Exchange (IDX). Studies on the 2024 Indonesian presidential election, for example, document significant reactions in both conventional and Islamic indices, with abnormal returns concentrating in short event windows around the announcement of official results. These findings support the view that the Indonesian capital market is at least semi-strong efficient, rapidly incorporating publicly available political information into asset prices.

A broader stream of international literature links political and economic uncertainty to stock market volatility and investor behavior. Political risk—ranging from elections and policy reversals to social unrest and cabinet crises—has been shown to heighten risk premia, increase volatility, and in some cases raise the probability of stock price crashes. Event-study evidence from the COVID-19 shock, for instance, finds that unexpected public-health announcements triggered sharp negative abnormal returns and elevated systematic risk across global equity markets. More recent work on U.S. presidential and mid-term elections confirms that election-related uncertainty generates persistent spikes in volatility across equity, bond, and foreign-exchange markets. Collectively, this literature suggests that sudden changes in the perceived policy environment operate as “uncertainty shocks” to financial markets, particularly when institutional credibility is at stake.

Within this broader context, cabinet reshuffles represent a politically salient but relatively under-explored type of event. In many countries, the Minister of Finance is viewed as a guardian of fiscal discipline and macroeconomic stability; abrupt changes in this position can therefore convey strong signals regarding the future stance of economic policy. The September 2025 reshuffle in Indonesia marked by the dismissal of Finance Minister Sri Mulyani Indrawati amid large-scale protests over living costs and legislative perks illustrates this mechanism. International news reports highlight that her removal rattled investors, triggered a sharp depreciation of the rupiah, and led to a notable drop in domestic stock indices, reflecting concerns about the credibility of fiscal policy under the new leadership. Domestic commentary similarly notes that the “Merah Putih Cabinet” reshuffle initially exerted downward pressure on the Jakarta Composite Index (IHSG), as foreign investors recorded sizable net sales, before more positive sentiment emerged in response to subsequent policy signals. In this setting, the market’s evolving response to the appointment of Purbaya Yudhi Sadewa as Finance Minister referred to in public discourse as the “Purbaya Effect” provides a natural experiment for examining how investors process complex political information over time.

Methodologically, most studies that analyze market reactions to discrete events rely on the event-study framework. An event study infers the information content of an event by comparing realized (actual) returns with a benchmark of expected returns that would have prevailed in the absence of the event. In the standard formulation, actual return is calculated from observed changes in stock prices over a given period, while expected return is typically estimated using historical averages or a return-generating model such as the market model. The difference between these two measures yields abnormal return, which represents the portion of return attributable to the new information. By aggregating abnormal returns across firms and across time within an event window—commonly a few days before and after the focal event—researchers can test whether the event has statistically and economically significant effects on asset prices. Extensions of this framework also incorporate

abnormal trading volume and volatility as complementary indicators of market reaction.

In Indonesia, event studies have been widely used to examine how the capital market responds to macroeconomic announcements, corporate news, and political events. Research on the first confirmed COVID-19 case in Indonesia, for example, documents significant changes in abnormal returns, trading volume, and return variability across sectors, underscoring the market's sensitivity to health-related uncertainty. More recent analyses of the 2024 general and presidential elections show that election outcomes generate abnormal returns and shifts in trading volume for stocks included in major indices such as LQ45 and JII, though the direction and magnitude of the reaction vary by sector and by investors' prior expectations. Event studies have also been applied to corporate fraud announcements and other firm-specific events, with mixed evidence regarding the presence of statistically significant abnormal returns, suggesting that not all public information is priced symmetrically or immediately.

Despite this growing body of work, empirical evidence on market reactions to cabinet reshuffles—especially those involving a change in the finance minister is still limited. Earlier Indonesian studies find that some cabinet reshuffles do not generate strong or persistent abnormal returns, implying that investors may view such events as having low information value when the policy continuity is perceived as high. However, recent political-economy research argues that the impact of political shocks depends critically on the credibility gap between outgoing and incoming policymakers, the surrounding socio-political context, and the degree of uncertainty about future policy direction. In the 2025 Indonesian case, the combination of widespread protests, concerns about populist spending programs, and the removal of a highly respected finance minister suggests that investors had strong reasons to reassess risk premia, at least in the short run.

Within the theoretical framework of the semi-strong form of the Efficient Market Hypothesis (EMH), stock prices are expected to adjust rapidly and unbiasedly to publicly available information, including political decisions and cabinet changes. When an event is largely anticipated and conveys little new information, abnormal returns around the announcement date should be statistically insignificant. Conversely, when an event is unexpected, alters expectations about macroeconomic or regulatory policy, or signals heightened political risk, significant abnormal returns—often negative in the short term—are expected. In the case of the “Purbaya Effect,” the initial decline in the IHSG and foreign capital outflows around the reshuffle date suggest that markets interpreted the event as increasing policy uncertainty, before subsequently revising expectations in light of the new minister's early statements and policy commitments.

The present study is positioned at the intersection of these strands of literature. First, it extends Indonesian event-study research on political events by focusing not on elections or referendums, but on a cabinet reshuffle that replaces a high-credibility finance minister amid intense social protests. Second, it contributes to the political risk literature by documenting how a single personnel change in a key economic portfolio can affect short-term abnormal returns for a broad cross-section of large, liquid firms (LQ45 constituents), thereby capturing both direct and indirect channels of policy uncertainty. Third, the study employs a combination of parametric tests (one-sample t-tests on daily average abnormal returns) and non-parametric tests (Wilcoxon signed-rank tests on pre- and post-event average abnormal returns) to account for non-normal return distributions frequently observed around political shocks. This dual approach responds to methodological critiques that standard event-study inferences can be biased when returns exhibit excess kurtosis or skewness during turbulent periods.

Based on EMH and the political-uncertainty framework, the mechanism underlying the “Purbaya Effect” can be summarized as follows: the unexpected dismissal of Sri Mulyani and appointment of Purbaya Yudhi Sadewa increase uncertainty about the future path of fiscal policy, risk management, and macroeconomic stabilization. Investors respond by revising downward their expectations of future cash flows or by demanding higher risk premia, which manifests as negative abnormal returns around the announcement date.

As new information about the incoming minister’s policy stance becomes available, markets gradually reassess these expectations, potentially leading to a partial recovery in prices and a shift in the sign of abnormal returns. From this theoretical and empirical background, the study formulates the following testable hypotheses:

- H1:** *The cabinet reshuffle that appoints Purbaya Yudhi Sadewa as Minister of Finance generates statistically significant abnormal returns for LQ45 stocks within the short event window ($t-5$ to $t+5$) around the announcement date.*
- H2:** *The average abnormal return after the reshuffle is significantly different from the average abnormal return before the reshuffle, indicating a structural shift in market valuation attributable to the “Purbaya Effect”.*

These hypotheses guide the subsequent empirical analysis and provide a coherent bridge between the theoretical discussion of political risk, EMH, and event-study methodology and the specific context of Indonesia’s 2025 cabinet reshuffle.

METHODOLOGY

Research Design

This study employs a quantitative research design using the event study method to examine the reaction of the Indonesian capital market to the reshuffle of the Minister of Finance on 8 September 2025. The event study approach is used to measure whether the event contains value-relevant information by comparing actual returns with expected returns around the announcement date. If the market is semi-strong form efficient, publicly available information about the reshuffle should be rapidly incorporated into stock prices, which will be reflected in statistically significant abnormal returns within a short event window.

Data and Sources

The study uses secondary data consisting of daily closing prices of individual stocks and the relevant market index, obtained from the Indonesia Stock Exchange (IDX) and other official sources such as financial data providers and government publications. The observation period covers trading days surrounding the announcement of the new Minister of Finance, allowing the estimation of returns before, during, and after the event. Additional contextual macroeconomic and political information is drawn from official statistics, central bank reports, and publicly available news to support the interpretation of the findings, but the core quantitative analysis relies exclusively on stock price data.

Population and Sample

The population of this research comprises all companies listed on the Indonesia Stock Exchange in 2025, totaling 954 firms across 12 industry sectors. From this population, the study focuses on firms included in the LQ45 index, which represents highly liquid and actively traded blue-chip stocks and is widely used as a proxy for the Indonesian equity market. The sample is selected using purposive sampling with the following criteria:

1. The company is included in the LQ45 index during the observation period surrounding the cabinet reshuffle.
2. The company has completed daily closing price data for the entire event and estimation periods.
3. The company's shares are not suspended from trading during the event window.

Based on these criteria, the final sample consists of 45 companies that meet all requirements and provide a consistent time series of daily returns suitable for event-study analysis.

Event Window and Estimation Period

The key political event analyzed in this study is the cabinet reshuffle and appointment of Purbaya Yudhi Sadewa as Minister of Finance on 8 September 2025, which is defined as day 0 (t_0). To capture market reactions before and after the announcement, the study adopts an 11-day event window, covering five trading days before the event ($t-5$ to $t-1$), the event day (t_0), and five trading days after the event ($t+1$ to $t+5$). This short event window is chosen to isolate the impact of the reshuffle from other macroeconomic or political news that might occur over longer horizons.

Expected returns are estimated using a historical mean model, in which the expected return for each stock is computed as the average of its historical daily returns over a pre-event estimation period. Actual returns during the event window are then compared with these expected returns to obtain abnormal returns attributable to the reshuffle. This approach is consistent with standard event-study practice when the primary objective is to detect short-term market reactions to a discrete political event.

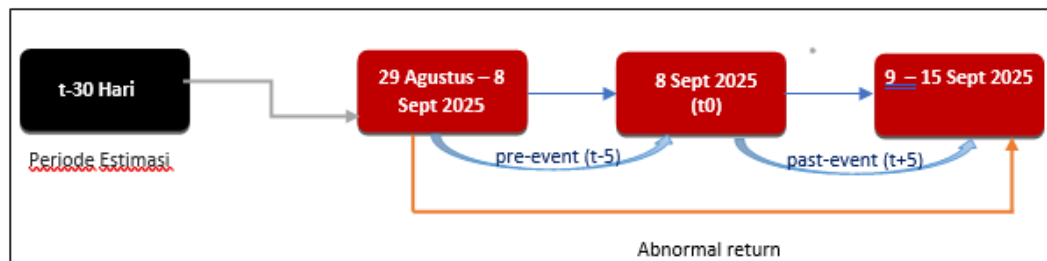


Figure 1. Event Period

Measurement of Variables

The main variable in this study is abnormal return, derived from the following steps:

1. Actual Return ($R_{i,t}$)

The actual return of stock i on day t is calculated from daily closing prices as the relative change from the previous day:

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

where $P_{i,t}$ is the closing price of stock i on day t and $P_{i,t-1}$ is the closing price on day $t-1$.

2. Expected Return ($E(R_i)$)

The expected return for stock i is obtained using the historical average (mean-adjusted return) model:

$$E(R_i) = \frac{1}{N} \sum_{t=1}^N R_{i,t}$$

where N is the number of trading days in the estimation period and $R_{i,t}$ is the actual return of stock i on day t .

3. Abnormal Return ($AR_{i,t}$)

Abnormal return represents the difference between the actual and expected returns:

$$AR_{i,t} = R_{i,t} - E(R_i)$$

To evaluate the overall market reaction, the study also calculates:

- Average Abnormal Return (AAR_t) across all sampled firms on each day within the event window.
- Average Abnormal Return before and after the event, by aggregating abnormal returns over the pre-event period (t-5 to t-1) and the post-event period (t+1 to t+5).

These measures allow a comparison of investor reactions before versus after the appointment of the new finance minister and provide empirical evidence on the existence of the “Purbaya Effect.”

Data Analysis

The analysis proceeds in several stages. First, descriptive statistics are computed for abnormal returns within the event window to summarize their central tendency and dispersion and to identify any apparent patterns around the announcement date. Second, a normality test is performed on the abnormal return series for each day in the event window to determine whether the distribution of returns satisfies the assumptions of parametric testing.

If the data meet the normality assumption, one-sample t-tests are used to examine whether the average abnormal return (AAR_t) on each event-window day differs significantly from zero. A statistically significant AAR_t indicates that the market reacted to the reshuffle on that specific day. To assess whether market valuations differ systematically before and after the event, the study compares average abnormal returns in the pre-event period with those in the post-event period. When the normality assumption is violated, a non-parametric Wilcoxon signed-rank test is applied to test for differences between pre-event and post-event abnormal returns.

Together, these procedures make it possible to determine whether the reshuffle of the Minister of Finance—and the associated “Purbaya Effect”—produced significant short-term reactions in the Indonesian capital market and whether those reactions are consistent with the notion of a semi-strong form efficient market responding to new political information.

RESEARCH RESULT AND DISCUSSION

Descriptive Results

The empirical analysis is based on 45 LQ45 companies observed over an 11-day event window ($t-5$ to $t+5$) surrounding the cabinet reshuffle and appointment of Purbaya Yudhi Sadewa as Minister of Finance on 8 September 2025 (t_0). All sampled firms have completed daily closing price data for the estimation and event periods, and none experienced trading suspensions during the window. The descriptive screening shows that 100% of observations are valid, with no missing values. This ensures that subsequent statistical procedures normality testing, difference tests, and the event study itself – are not biased by data gaps or outliers introduced by incomplete series.

Based on the descriptive statistics of abnormal returns across the event window, a clear pattern emerges. In the pre-event period ($t-5$ to $t-1$), average abnormal returns tend to be negative, indicating rising uncertainty and investor caution in the days leading up to the reshuffle. This pattern is consistent with heightened speculation about possible cabinet changes and concerns over the future direction of fiscal and macroeconomic policy. On the event day (t_0) itself, the average abnormal return becomes sharply negative, suggesting a direct and adverse market reaction to the official announcement of the dismissal of the incumbent finance minister and the appointment of her successor.

However, the pattern changes in the post-event period ($t+1$ to $t+5$). Abnormal returns gradually recover and, on several days, turn positive, indicating that the initial negative shock is not sustained. The improvement in abnormal returns suggests that investors start to reassess their expectations as more information becomes available about the new minister's policy stance – particularly his commitment to maintaining fiscal sustainability while targeting higher economic growth through credit expansion. Overall, the descriptive evidence points to a short-term negative reaction immediately around the reshuffle, followed by a partial recovery in market sentiment as uncertainty begins to subside.

Normality Testing

Before conducting inferential tests, the distribution of abnormal returns is examined for normality. The results show that some event-window days exhibit non-normal return distributions, especially around the event date and in the immediate pre- and post-event periods. This is not surprising, as political shocks and major announcements often generate extreme price movements, which can produce skewness and kurtosis in the return distribution. In contrast, several other days in the window display return distributions closer to normality. Given this mixed pattern, the study adopts a dual testing strategy. For days on which the abnormal returns are approximately normally distributed, parametric tests (one-sample t-tests) are appropriate to evaluate whether the average abnormal return differs significantly from zero. For comparisons of abnormal returns before and after the event, where non-normality is more pronounced, the study employs the Wilcoxon signed-rank test, a non-parametric procedure that does not require the assumption of normality.

This combination of methods improves the robustness of the empirical findings and accommodates the distributional characteristics commonly observed in financial data around political events.

Table 1. Normality Test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
TM5	.101	45	.200*	.968	45	.240
TM4	.121	45	.098	.944	45	.030
TM3	.172	45	.002	.872	45	.000
TM2	.111	45	.200*	.968	45	.249
TM1	.103	45	.200*	.959	45	.111
T0	.125	45	.077	.926	45	.007
TP1	.134	45	.041	.934	45	.013
TP2	.082	45	.200*	.982	45	.699
TP3	.138	45	.032	.945	45	.034
TP4	.169	45	.003	.836	45	.000
TP5	.174	45	.002	.900	45	.001
AARSBL	.119	45	.113	.952	45	.059
AARSD	.117	45	.142	.917	45	.003

H

*. *This is a lower bound of the true significance.*

One-Sample t-Test: Daily Market Reactions

The *one-sample t-test* is applied to the average abnormal return (AAR) on each day of the event window to assess whether the market reaction on that day is statistically different from zero. The results indicate that *abnormal returns are significantly different from zero on several days within the window, including certain days before the reshuffle, the event day itself, and some days after the event.*

Table 2. One-Sample t-Test

Periode	Sig. (2-tailed)	Keputusan
TM5	0.000	Ditolak
TM2	0.006	Diterima
TM1	0.000	Ditolak
T0	0.000	Ditolak
TP1	0.003	Ditolak
TP2	0.155	Diterima
TP3	0.000	Ditolak

In the pre-event period, at least one day shows a significant abnormal return, which suggests that part of the information about the impending cabinet change may have been anticipated or leaked to the market.

This is consistent with the idea that investors react not only to the formal announcement but also to rumors, media speculation, and informal signals about changes in economic leadership. Market participants may have started adjusting their portfolios in response to rising political tension and expectations of a major reshuffle, especially given the intensity of protests and public pressure on the government.

On the event day (t_0), the average abnormal return is significantly negative, reflecting a clear short-term adverse reaction to the official announcement of the reshuffle. The dismissal of a highly respected finance minister in the midst of nationwide protests appears to have been interpreted initially as an increase in policy uncertainty and a potential weakening of fiscal credibility. This is consistent with descriptive evidence showing a concurrent fall in the Jakarta Composite Index and continued foreign capital outflows around the announcement date.

In the post-event period, the one-sample t-test reveals significant abnormal returns on at least two days, with some of these values being positive. This indicates that investors revised their initial assessments as more information became available about the new minister's policy priorities and the government's economic agenda. The presence of significant post-event abnormal returns is also consistent with the notion of a short-term overreaction followed by partial correction, a pattern often documented in event studies of political shocks.

Wilcoxon Signed-Rank Test: Pre- and Post-Event Comparison

To examine whether the overall valuation of LQ45 stocks differs before and after the reshuffle, the study compares the average abnormal return before the event (AARSBL) with the average abnormal return after the event (AARSDL) using the Wilcoxon signed-rank test. This non-parametric test is chosen because the aggregated abnormal returns across the pre- and post-event windows do not fully satisfy the normality assumption.

Table 3. Wilcoxon Signed Rank Test

Test Statistics ^a	
	AARSDH - AARSBL
Z	-5.514 ^b
Asymp. Sig. (2-tailed)	0,000
a. Wilcoxon Signed Ranks Test	
b. Based on negative ranks.	

The Wilcoxon test yields a Z-statistic of approximately -5.514, with a p-value below 0.05, indicating a statistically significant difference between pre- and post-event abnormal returns. The negative sign of the Z-statistic suggests that, on average, abnormal returns after the reshuffle are lower than those before the event. This result confirms that the cabinet reshuffle and the appointment of the new finance minister had a material and persistent impact on investor valuations, rather than merely generating transitory noise.

At the same time, when combined with the daily t-test results, the evidence indicates that the strongest effects are concentrated in a short window around the event, with the market gradually moving toward a new equilibrium as more information is digested.

CONCLUSIONS AND RECOMMENDATIONS

This study set out to examine how the Indonesian capital market reacted to the reshuffle of the Minister of Finance on 8 September 2025 and the appointment of Purbaya Yudhi Sadewa, an episode that has come to be known as the “Purbaya Effect.” Using an event study methodology on a sample of 45 LQ45 companies over an 11-day window ($t-5$ to $t+5$), the research provides several key conclusions.

First, the findings show that the cabinet reshuffle generated statistically significant abnormal returns on several days within the event window, including both the days preceding the official announcement and the event day itself. The presence of significant pre-event abnormal returns suggests that part of the information about the reshuffle was anticipated by the market—either through rumors, media coverage, or informal signals—highlighting the sensitivity of investors to political news in a period of social unrest and policy uncertainty.

Second, on the event day (t_0) the average abnormal return is significantly negative, indicating a clear short-term adverse reaction to the dismissal of the incumbent finance minister and the appointment of her successor. In the context of ongoing nationwide protests and concerns about the government’s economic direction, investors initially interpreted the reshuffle as a source of increased policy risk and uncertainty about fiscal and macroeconomic management.

Third, the post-event behaviour of abnormal returns points to a process of gradual reassessment by the market. Although the Wilcoxon test indicates that, on average, abnormal returns after the reshuffle are lower than before, the daily analysis reveals that some post-event days exhibit positive and significant abnormal returns. This suggests that, as more information emerged about the new minister’s policy stance particularly commitments to fiscal sustainability and growth the market partially revised its initial pessimistic view, leading to a degree of recovery in stock prices.

Fourth, taken together, the results are broadly consistent with the semi-strong form of the Efficient Market Hypothesis (EMH). Publicly available information regarding the cabinet reshuffle and subsequent policy signals was rapidly impounded into stock prices, generating observable abnormal returns within a short horizon. The pattern of a sharp initial reaction followed by partial correction is in line with theories of political uncertainty and information shocks, which emphasize that markets respond strongly to unexpected political events but adjust as uncertainty is resolved.

Finally, the study demonstrates that changes in key economic leadership positions especially the Minister of Finance—carry significant information content for investors in an emerging market such as Indonesia. The “Purbaya Effect” is not purely a media label but corresponds to measurable shifts in abnormal returns around the reshuffle, confirming that cabinet decisions at the core of economic governance are perceived as materially relevant for risk assessment and valuation.

ADVANCED RESEARCH

Further studies could also examine how different types of investors—domestic vs. foreign, institutional vs. retail—respond to political events, and how *information channels* (traditional media, social media, official announcements) shape these responses. This would provide a more granular view of the mechanisms through which political information is transmitted to financial markets.

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