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Analysis of LQ45 Stock Trading Volume and Stock Return in 2019 Pre and Post Election

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A B S T R A K

The global era can rapidly stimulate a country's economic growth, one of the key drivers being a continuously improving investment climate, particularly in Indonesia. The capital market plays a crucial role in economic activity, especially in the allocation of public funds. Political events serve as important information signals for capital market participants, who incorporate this information into their decision-making to generate future gains. This study aims to examine changes in Trading Volume Activity and Abnormal Returns of LQ45 companies before and after the 2019 General Election. The research employs two variables: Trading Volume Activity and Abnormal Returns. Data analysis is conducted using the Wilcoxon Signed Rank Test for two related samples with SPSS version 21.0. The sample consists of 45 companies included in the LQ45 index, observed over a period of five days before and five days after the 2019 General Election. The findings indicate a significant difference in Trading Volume Activity among LQ45 firms, while no significant difference is found in Abnormal Returns between the two observation periods.

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INTRODUCTION

The economic environment of a country often influences the attitudes and behavior of its population, including patterns of consumption and financial decision-making. In Indonesia, there is a growing tendency for individuals to allocate their funds toward investment instruments, such as real estate (land and buildings) and capital market assets, rather than spending solely on consumption. The increasing number of investment firms has expanded available choices, prompting individuals to exercise greater caution in managing their expenditures. The capital market serves as one of the primary channels through which the public can invest their funds.

The capital market holds a central role in economic development, particularly in facilitating the distribution of public capital. It provides liquidity for individuals with excess funds, such as savers and investors, while enabling companies to obtain the capital required for investment activities (Na'im, 1997, as cited in Nurhaeni, 2009). Investors seek to achieve optimal returns while bearing an acceptable level of risk, and the capital market allows them to reduce risk through diversification by constructing investment portfolios that align with their return expectations and risk preferences.

Investment decisions are largely driven by investors' expectations regarding a firm's future performance. As long as an investment is perceived to offer favorable returns, investors may proceed regardless of prevailing national conditions or external events in the host country.

Political developments including general elections, changes in government leadership, cabinet announcements, political instability, and armed conflict can influence stock price movements in the capital market. These effects arise as market participants receive and interpret political information, which subsequently shapes investor behavior and leads the market to adjust toward a new equilibrium (Laila, 2009).

Law Number 7 of 2017 on General Elections defines elections as an expression of popular sovereignty to elect members of the House of Representatives, the Regional Representative Council, the President and Vice President. Elections are conducted directly, publicly, freely, confidentially, honestly, and fairly within the Unitary State of the Republic of Indonesia, in accordance with Pancasila and the 1945 Constitution.

In the period leading up to the 2019 general election, trading activity on the stock exchange slowed. Between March 25 and March 29, 2019, weekly transaction volume reached 410,516 trades, with an average transaction value of IDR 8.17 trillion. On April 18, 2019, the IDX Composite Index recorded an increase of 87.3 points, or 1.35 percent, opening at 6,568.85. This strengthening was largely supported by foreign investor participation, as indicated by a net foreign purchase of IDR 1.43 trillion (Antara News).

The increase in the Composite Stock Price Index one day after the election reflects a positive investor response to the peaceful execution of political events in Indonesia. When an event results in higher stock returns, it suggests that market participants perceive the event favorably, thereby enhancing the

effectiveness of government policies. Conversely, negative investor reactions indicate reduced policy effectiveness (Taufik, 2009).

Information available to investors can be categorized into three types: firm-specific fundamental information; technical information relevant to market intermediaries and investors; and external information related to broader economic, political, and security conditions (Marzuki, 1990).

Following the 2019 election, improved perceptions of political stability encouraged investors and business owners to resume corporate activities. Companies that had previously postponed initial public offerings moved forward with plans to secure new funding to support their operations. However, when uncertainty arises due to conflicting information, investors may withdraw capital on a large scale and reallocate funds to other countries, potentially leading to long-term risks and prolonged stagnation in the stock market.

An event study, as defined by Jones (1996), is an empirical examination of stock price behavior surrounding a specific event to assess whether the event conveys informational value. Similarly, Peterson, cited in Sukirno DS (2003), describes event studies as analyses of stock price movements aimed at identifying abnormal returns earned by shareholders as a result of particular events.

An efficient market refers to a condition in which stock prices rapidly and accurately reflect all available information (Gumanti & Utami, 2003). Haugen (2001), as cited in Gumanti and Utami (2003), classifies information into three categories: (1) information contained in past stock prices, (2) all publicly available information, and (3) all available information, including insider or confidential information.

Trading volume is a key component in technical analysis. High trading activity in the stock exchange is commonly interpreted as an indication of improving market conditions, often described as bullish. When an increase in trading volume is accompanied by rising stock prices, it provides a stronger signal of bullish market sentiment. Investors use stock trading volume to assess whether a particular stock is actively traded in the market. Changes in trading volume reflect market activity and represent investment decisions made by investors. Stock trading volume is measured through Trading Volume Activity (TVA).

Return represents the gain obtained from an investment and can take the form of realized return, which has already occurred, or expected return, which is anticipated but has not yet materialized. Abnormal return is defined as the difference between actual return and normal return. Normal return refers to the expected return anticipated by investors. Therefore, abnormal return arises when the actual return deviates from the expected return. The actual return of a stock at time t is calculated as the relative change in price compared to the previous period. In this study, expected returns are estimated using an estimation model, specifically the adjusted market model, which assumes that the market index return at a given time serves as the best estimator of expected return.

Behavioral changes in the capital market affect not only investors but also issuing firms, namely publicly listed companies, including those classified in the LQ45 index. LQ45 companies tend to attract significant investor interest, as they dominate market capitalization, demonstrate strong financial performance, and are perceived to have favorable future prospects.

This study applies an event window of five trading days before and five trading days after the 2019 presidential election. The analysis examines whether there are differences in trading volume activity and abnormal returns between the pre-election and post-election periods, during which substantial information circulated among market participants surrounding the election event.

The primary objective of this research is to analyze changes in trading volume and stock returns of LQ45 companies in Indonesia before and after the 2019 general election.

METHODOLOGY

This study adopts a quantitative approach using comparative analysis, specifically examining differences between two groups to assess causal relationships between two independent variables based on events that have already occurred. The unit of analysis is Indonesia, with an observation period covering five trading days before and five trading days after the presidential election. The research utilizes secondary data, defined as data obtained indirectly from primary sources. These data include financial statements and/or daily stock trading transaction reports of the relevant companies, collected through the researcher's access to the Indonesia Stock Exchange. The collected data are subsequently examined with reference to journals and books related to the variables under study, as well as national and international accounting and banking journals.

The population of this study consists of secondary data in the form of financial reports and/or daily stock trading transaction reports of companies listed on the Indonesia Stock Exchange. The population comprises 450 stock trading transaction reports from 45 companies over a ten-trading-day period.

The sample is selected using purposive sampling, a non-probability sampling technique in which sample elements are chosen based on predetermined criteria aligned with the objectives of the study. The final sample includes 450 stock trading transaction reports from 45 companies over a ten-trading-day period. The sample data are analyzed using SPSS (Statistical Product and Service Solution) version 16.0 to examine the relationships among the research variables.Table 1 Research Sample of Companies Listed in LQ45.

No.	Stock Code	Company Name
1	AALI	Astra Agro Lestari Tbk
2	ADRO	Adaro Energy Tbk
3	AKRA	AKR Corporindo Tbk
4	ANTM	Aneka Tambang (Persero) Tbk
5	ASII	Astra International Tbk
6	BBCA	Bank Central Asia Tbk
7	BBNI	Bank Negara Indonesia Tbk
8	BBRI	Bank Rakyat Indonesia Tbk
9	BDMN	Bank Danamon Tbk
10	BISI	BISI International Tbk
11	BLTA	Berlian Laju Tanker Tbk
12	BMRI	Bank Mandiri (Persero) Tbk
13	BNGA	Bank CIMB Niaga Tbk
14	BNII	Bank International Indonesia Tbk
15	BRPT	Barito Pacific Tbk
16	BYAN	Bayan Resources Tbk
17	CPIN	Charoen Pokphand Indonesia Tbk
18	CTRA	Ciputra Development Tbk
19	ELSA	Elnusa Tbk
20	INCO	Vale Indonesia Tbk
21	INDF	Indofood Sukses Makmur Tbk
22	INDY	Indika Energy Tbk
23	INKP	Indah Kiat Pulp & Paper Tbk
24	INTP	Indocement Tunggal Perkasa Tbk
25	ISAT	Indosat Tbk
26	ITMG	Indo Tambangraya Megah Tbk
27	JSMR	Jasa Marga (Persero) Tbk
28	KLBF	Kalbe Farma Tbk
29	LPKR	Lippo Karawaci Tbk
30	LSIP	PP London Sumatera Indonesia Tbk
31	MEDC	Medco Energi Internasional Tbk
32	MIRA	Mitra Rajasa Tbk
33	PGAS	Perusahaan Gas Negara Tbk
34	PNBN	Bank Pan Indonesia Tbk

No.	Stock Code	Company Name
35	PTBA	Bukit Asam Tbk
36	SGRO	Sampoerna Agro Tbk
37	SMCB	Holcim Indonesia Tbk
38	SMGR	Semen Indonesia (Persero) Tbk
39	TBLA	Tunas Baru Lampung Tbk
40	TINS	Timah Tbk
41	TLKM	Telekomunikasi Indonesia (Persero) Tbk
42	UNSP	Bakrie Sumatra Plantations Tbk
43	UNTR	United Tractors Tbk
44	UNVR	Unilever Indonesia Tbk
45	WIKA	Wijaya Karya (Persero) Tbk

Source: Researcher's Data Processing, 2019

RESULTS AND DISCUSSION

This analysis is conducted to compare Trading Volume Activity and Stock Returns before and after the 2019 General Election event. Prior to hypothesis testing, the study performs classical assumption tests, with particular emphasis on the normality test. The normality test is applied to the residual values using statistical analysis through the Kolmogorov–Smirnov test, with the following hypotheses:

H_0: The residual data are normally distributed.

H_1: The residual data are not normally distributed.

The decision rule is based on a significance level (α) of 5 percent or 0.05. If the p-value exceeds 0.05, the null hypothesis (H_0) is accepted, indicating that the data follow a normal distribution. Conversely, if the p-value is less than 0.05, the null hypothesis is rejected, suggesting that the residuals are not normally distributed.

Table 2: Results of the Normality Test for Trade Volume Activity (TVA)

	H-5	H-4	H-3	H-2	H-1	H+1	H+2	H+3	H+4	H+5
Kolmogorov-Smirnov Z	2.408	1.206	1.449	2.050	2.186	2.408	1.942	2.033	2.204	2.033
Asymp. Sig. (2-tailed)	.000	.109	.030	.000	.000	.000	.001	.001	.000	.001

	TVAPRA	TVAPASCA
Kolmogorov-Smirnov Z	3.708	4.112
Asymp. Sig. (2-tailed)	0.000	0.000

Table 3: Normality Test Table for Abnormal Return Variable (AR)

	H-5	H-4	H-3	H-2	H-1	H+1	H+2	H+3	H+4	H+5
Kolmogorov-Smirnov Z	695	.438	.913	1.168	.526	.531	.764	.889	1.109	.885
Asymp. Sig. (2-tailed)	.720	.991	.375	.130	.945	.941	.603	.408	.171	.414

	ARPRA	ARPASCA
Kolmogorov-Smirnov Z	.997	1.191
Asymp. Sig. (2-tailed)	.273	.117

Source: Results of Normality Test Data Processing K-S with SPSS 21, 2019

Tables 2 and 3 report the findings of the Kolmogorov–Smirnov test for data normality. Under the established decision rules, a significance value (Sig.) below 0.05 indicates a violation of the normality assumption. The results presented in both tables demonstrate that the distributions of the two variables analyzed in this study deviate from normality. Consequently, a non-parametric approach is applied, and hypothesis testing is conducted using the Mann–Whitney test.Hypothesis

Testing

Based on the results of the classical assumption tests, issues were identified in the normality assessment, as most of the data across the variables were not normally distributed. This condition indicates that the data distributions for each variable exhibit a wide range of values.

One approach to addressing non-normal data distribution is through the identification of outliers. Outliers are observations or data points that display distinct characteristics and differ markedly from the majority of observations, often appearing as extreme values in either single variables or combinations of variables (Ghozali, 2013). Given these conditions, the researchers opted to employ the Mann–Whitney test for hypothesis testing. Accordingly, instead of using the parametric *t*-test for mean differences, a non-parametric alternative—the Mann–Whitney U test—was applied.

The Mann–Whitney U test is a non-parametric statistical method suitable for ordinal, interval, or ratio data that do not satisfy the assumption of normality. This test is designed to evaluate differences between two independent samples and serves a similar function to the *t*-test in determining whether there are significant differences between the central tendencies of two independent datasets. The test is conducted at a probability level of 5 percent ($\alpha = 0.05$), with the following decision criteria:

1. If the *p*-value is greater than 0.05, the null hypothesis (H_0) is accepted and the alternative hypothesis (H_1) is rejected, indicating no significant difference between the compared groups.

2. If the *p*-value is less than 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted, indicating a significant difference between the compared groups.

This study adopts a significance level of α = 5 percent (0.05) and formulates the following hypotheses:

H_0: There is no significant difference in Total Trading Volume Activity and Abnormal Returns before and after the 2019 general election event.
H_1: There is a significant difference in Total Trading Volume Activity and Abnormal Returns before and after the 2019 general election event.

The research findings are interpreted using relevant theoretical frameworks and prior literature discussed in the theoretical review section. The discussion is structured in accordance with the key results of the study, with interrelated findings examined in an integrated manner.

Table 4: Results of Hypothesis Testing for Trade Volume Activity Variable (TVA)

	TVAPRA - TVAPASCA
Z	-2.471[b]
Asymp. Sig. (2-tailed)	.013

Source: Results of Hypothesis Testing Data Processing – Mann Whitney Test with SPSS 21, 2019

Table 5 Hypothesis Testing Table for Abnormal Return Variable (AR)

	95% Confidence Interval of the Difference		t	Sig. (2-tailed)
	Lower	Upper		
ARPRA - ARPASCA	-.00465462	.00295814	-.439	.661

Source: Results of Hypothesis Testing Data Processing – Paired t Test with SPSS 21, 2019

Table 4 presents the hypothesis testing results for Trading Volume Activity (TVA). The asymptotic significance probability obtained for TVA is 0.013. Since this value is below the 0.05 significance threshold (0.013 < 0.05), the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted. This result indicates a statistically significant difference in Trading Volume Activity (TVA) between the periods before and after the 2019 general election.

Table 5 reports the hypothesis testing outcomes for the Abnormal Return (AR) variable. Based on the paired *t*-test results, the observed mean difference in Abnormal Returns before and after the 2019 election yields a *t*-value of −0.439 with a probability value of 0.661. As the significance level exceeds 0.05 (0.661 > 0.05), the null hypothesis (H_0) is accepted and the alternative hypothesis (H_1) is rejected. This finding suggests that there is no statistically significant difference in Abnormal Returns (AR) between the pre-election and post-election periods.

Overall, the hypothesis testing results for the two main variables Trading Volume Activity (TVA) and Abnormal Return (AR) reveal contrasting outcomes. While Trading Volume Activity exhibits a significant change before and after the

2019 election, Abnormal Returns remain statistically unchanged across the two observation periods. Consequently, the comparison between the pre-election and post-election periods demonstrates a significant effect on trading activity but no observable impact on abnormal stock returns.

CONCLUSION

This study examines the differences in Trading Volume Activity (TVA) and Abnormal Returns (AR) before and after the 2019 General Election. Based on the results of the normality tests using the Kolmogorov–Smirnov method, most of the data for both variables were not normally distributed. Consequently, non-parametric statistical techniques were applied, particularly the Mann–Whitney U test, to ensure the robustness of the hypothesis testing.

The empirical findings indicate that Trading Volume Activity experienced a statistically significant difference between the pre-election and post-election periods. This result suggests that the 2019 General Election event influenced investor trading behavior, as reflected in changes in market activity levels surrounding the election period.

In contrast, the analysis of Abnormal Returns shows no statistically significant difference before and after the election. This finding implies that, despite heightened trading activity, the capital market was able to absorb the political event without generating abnormal price movements. In other words, stock prices appear to have efficiently incorporated election-related information, preventing the emergence of abnormal returns.

Overall, the results demonstrate that the 2019 General Election had a noticeable impact on market trading activity but did not significantly affect stock returns. These findings support the view that political events can influence investor behavior in terms of trading intensity, while not necessarily leading to abnormal returns, particularly in markets that exhibit a degree of informational efficiency.

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