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Stock Price Analysis And Trading Volume Activity Before And After The 2024 Election

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Abstract

Elections are often important political events that affect the capital market. This study aims to analyze the differences in stock prices and trading volume activity before and after the 2024 Election on the Indonesia Stock Exchange (IDX). The research method used is a quantitative approach by comparing stock price data and trading volume in a certain time period, namely one month before and one month after the election.The analysis was carried out using a paired sample t-test to determine any significant differences between the two periods. The results of the study showed that there were significant changes in stock prices for certain sectors that were sensitive to political issues, while other sectors did not experience significant changes. In addition, trading volume activity increased after the election, indicating an increase in investor interest in stocks in the capital market. These findings provide implications for investors in understanding the influence of political events on investment decisions and portfolio strategies. This study is expected to contribute to the financial literature, especially regarding the effects of politics on the capital market in Indonesia

Keywords: Stock Price, Trading Volume, Capital Market, Indonesia Stock Exchange

INTRODUCTION

Indonesia is a country that uses a presidential system led by a President as Head of State. The President in Indonesia is elected by its people through General Elections (Pemilu). The first direct election was held again in 2004 to elect the President and Vice President since it was previously held directly in 1955. Competition occurred between candidates supported by not only supporting Political Parties but also economic actors who have the power to influence the economy in Indonesia. The competing candidates

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were two camps that had previously competed for the same election in 2014. What is interesting to do research with the background of the 2019 Presidential Election is because this event drained the energy of the Indonesian nation. The incumbent pair who won through the decision of the General Election Commission (KPU) on May 21, 2019 did not have their own records, various issues such as negative economic growth issues and the poor condition of the Indonesian economy overshadowed the incumbent's performance. Several economic issues overshadowed this event such as fluctuations in the dollar exchange rate against the rupiah, capital market performance marked by stock price movements and national economic growth. The movement of stock prices in the capital market is influenced by several factors, both those originating from within the issuing company and those that are external factors. The Constitutional Court (MK) hearing regarding the 2024 election dispute has become public attention in recent weeks. The results of the MK hearing regarding the 2024 election dispute were officially released on Monday (22/4/2024). The decision produced by the MK is an important highlight for the public, especially in strengthening democracy. According to a Political Science Lecturer (Ali Sahab, 2024), he expressed his critical views on the results of the MK hearing regarding the 2024 election dispute. This view is expected to be a reflection for the public in strengthening democracy in the country..

Table 1.1 Bank Stock Movement March 2024

Issuer	Stock Code	Last Price	Price Change
Bank Tabungan Negara (Persero)	BBTN	1.405	2,93%
Bank Syariah Indonesia (BSI)	BRIS	2.700	1,50%
Bank Rakyat Indonesia (Persero)	BBRI	6.175	1,23%
Bank Mandiri (Persero)	BMRI	7.125	1,06%
Bank Negara Indonesia (Persero)	BBNI	5.925	0,85%
Bank Central Asia (BCA)	BBCA	10.200	0,74%

Based on table 1.1 above after session I opened, six major bank stocks were observed to have strengthened with details of four stocks having shot up more than 1%, while the other two strengthened below 1%. PT Bank Tabungan Negara Tbk (BBTN)

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shares were the ones that strengthened the most at the beginning of session I today, reaching 2.93% to a position of Rp1,405/unit. Meanwhile, the smallest strengthening was recorded by PT Bank Central Asia Tbk (BBCA) shares of 0.74% to Rp10,200/unit. The index closed 1.20% to a position of 7,209.74. In fact, the JCI had advanced to the psychological level of 7,300 when trading session I had just opened. It was recorded that the transaction value was Rp9.9 trillion with a trading volume of 15.04 billion shares. A total of 214 stocks rose, 308 stocks fell, and 245 stocks were stagnant. Meanwhile, foreign investors were recorded as making a jumbo net purchase on the trading day before the election. Foreigners made purchases of IDR 1.23 trillion in all markets, with details of IDR 1.12 trillion in the regular market and IDR 102.78 billion in the negotiation and cash markets. The following are stocks that occurred in the 2024 election

1. PT Bank Rakyat Indonesia (Persero) Tbk. (BBRI) - IDR341.5 billion
2. PT Bank Mandiri (Persero) Tbk. (BMRI) - IDR274.3 billion
3. PT Bank Central Asia Tbk. (BBCA) - IDR182.0 billion
4. PT Bank Negara Indonesia (Persero) Tbk. (BBNI) - IDR112.5 billion
5. PT Astra International Tbk. (ASII) - IDR65.8 billion

After analyzing the table above, the researcher concluded that there was a very significant decrease in the price of a stock that occurred in several Banking Companies and each of the Company's shares was monitored being released by foreigners

According to Jogiyanto (2008), the stock price is the price of a company's shares that is currently occurring on the stock exchange at a certain time which is determined by the demand and supply of the shares concerned in the capital market. The factors that cause changes in stock prices can be explained in the circumstances that determine a company's shares. Some things that can cause changes in stock prices are the economic conditions of a country, policies taken by the company, changes in directors without a meeting with shareholders and without clear notification, criminal acts related to cases carried out by the company and companies that continuously show a decline in performance at all times and the psychology of market players who are able to move the level of buying and selling shares more aggressively than usual through supply and demand transactions.

According to Jogiyanto (2008) stock prices are the price of a company's shares that are currently occurring on the stock exchange at a certain time which is determined by the demand and supply of the shares concerned in the capital market. The factors causing changes in stock prices can be explained in the circumstances that determine a company's shares. Some things that can cause changes in stock prices are the economic conditions of a country, policies taken by the company, changes in directors without being held with shareholders and without clear notification, criminal acts related to cases carried out by the company and companies that continuously show a decline in performance at

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all times and the psychology of market players who are able to move the level of buying and selling shares more aggressively than usual through demand and supply transactions.

The capital market can be interpreted as a meeting place between supply and demand for securities. A place where individuals or business entities that have excess funds (surplus funds) invest in securities offered by issuers (Sunariyah, 2006:5). The capital market has an important role in supporting the implementation of national development because it is one of the sources of financing. In the process, the capital market will bring together parties who need funds with parties who have excess funds, thus encouraging the creation of efficient fund allocation because investors can choose investment alternatives that provide the most optimal returns. The Indonesian Capital Market is organized by 2 (two) stock exchanges, namely the Jakarta Stock Exchange (BEJ) and the Surabaya Stock Exchange (BES). The Stock Exchange is a Party that organizes and provides a system and/or means to bring together offers to sell and buy Securities of other Parties with the aim of trading Securities between them (Law No. 8 of 1995 Article 1 Paragraph 4). The role of the stock exchange is as a provider of securities trading facilities, making regulations related to stock exchange activities, seeking instrument liquidity, preventing prohibited practices on the stock exchange, disseminating stock exchange information, creating new instruments and services. Therefore, the role of the stock exchange has an important meaning for the development of the Indonesian capital market. 3 The political event of the general election held in March 2024 is something interesting to study and observe because it only happens once every five years. For economic actors, this cannot be underestimated, because political events can influence investors' decisions in investing in the capital market (Katti, 2018).

Stock trading volume is the number of shares traded by market players (both investors and financiers in the stock market). Trading volume activity is an instrument that can be used to see the reaction of the capital market to information through the parameters of trading volume activity movements in the market. Judging from its function, it can be said that trading volume is a variation of event study. According to Zamroni (in Halimatusyadiyah: 2020), trading volume is a key element in predicting stock price movements. He believes that volume tends to increase as long as prices increase, the market is indicated to be bullish. When volume tends to decrease as long as selling prices decrease, the market is bearish. The difference in trading volume is the increase in the level of buying and selling of securities by investors on the Indonesia Stock Exchange. The higher the volume of shares offered and requested, the higher the influence on the tendency of rising and falling stock prices on the exchange. The increasing trading volume indicates that a stock is in demand by the public and affects the increase in stock prices (Irawan and Suaryana, 2016).

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According to Kurniawan (2014) with the title Analysis of the Influence of Stock Trading Volume, Stock Trading Frequency, and Stock Trading Days on Stock Returns, the partial results are Stock Trading Volume, Stock Trading Frequency, Stock Trading Days, have an effect on Stock Returns. Stock Trading Frequency has a dominant effect on stock returns. According to Silviyani. (2014) with the title The Influence of Stock Trading Liquidity, Stock Trading Volume and Market Capitalization on Stock Returns of Companies on the Lq45 Index on the Indonesia Stock Exchange for the 2009-2013 Period, the partial results are (1) Trading Frequency does not have an effect on stock returns. (2) Trading Volume has an effect on stock returns. (3) Market Capitalization has an effect. Market Capitalization has a dominant effect on stock returns. According to Ratnasari (2013) with the title Analysis of Fundamental Factors, Trading Volume and Market Capitalization Value on Stock Returns of Manufacturing and Banking Companies on the IDX, the partial results are Fundamental Factors, Trading Volume, and Market Capitalization Value have an effect on Stock Returns.

Research on trading volume and simple moving average has been conducted several times before Sugeng Abidin, et al (2016) in his research stated that trading volume partially has a negative effect on stock prices while Gadiesya Mahalanie's research (2011) stated that past trading volume has a positive and significant effect on stock prices on the Indonesia Stock Exchange. The results of Gadiesya Mahalanie's research (2016) showed that the simple moving average (SMA) has a significant and positive effect on stock prices, while research conducted by Sugeng Abidin, Suhadak and Raden Rustam Hidayat (2016) stated that the average price of past stocks partially has a negative effect on stock prices.

Based on the phenomena and research gaps above, the author tries to research "Analysis of Stock Prices and Trading Volume Activity Before and After the 2024 Election"

LITERATURE REVIEW

Agency Theory according to Jensen and Meckling (1976) is a theory that states that the separation between the owner (principal) and the manager (agent) of a company can cause agency problems. The Agency Problem in question includes the occurrence of asymmetric information (unequal) between that owned by the owner and manager. With the existence of unequal information ownership, the company's management (agent) tends to carry out moral hazard and adverse selection. Agency theory has 3 (three) assumptions, namely (a) assumptions about information: Asymmetric information is information that is not balanced between the principal and agent. (b) assumptions about human nature: assumptions about human nature emphasize that humans have a self-interested nature, have limited rationality (bounded rationality) and do not like risk (risk aversion), and (c) assumptions about organization: Organizational assumptions

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emphasize the existence of conflict between members of the organization, efficiency as a criterion of productivity.

According to Scott (2012), the conflict of interest between the agent and the principal is caused because the agent has more information than the principal. Both the agent and the principal want to maximize their respective utilities with the information they have, so that the conflict of interest becomes the basis for the emergence of information asymmetry between the agent and the principal. If there is information asymmetry between the agent and the principal, then decision making can have a negative impact and harm many parties. Agency theory underlies the concept of financial reporting practices in public sector organizations. Information asymmetry is the discontinuity of information held by the agent and the principal when the agent has more information about their own capacity, work environment and the company as a whole and the principal does not have sufficient information about the performance of the agent and the agent. More information owned by the agent can also support taking action according to the desire to maximize its utility. While the principal finds it difficult to effectively control the actions taken by the agent because the principal has little information. Thus, many policies must be carried out by the agent without the knowledge of the principal. The hospital acting as an agent has an obligation to present all kinds of information related to finance that is useful for users of government financial information acting as the principal in assessing the accountability of financial report management.

Dar-Hsin et al. (2014) conducted a study entitled "The Impacts of Political Events on Foreign Institutional Investors and Stock Returns: Emerging Market Evidence from Taiwan" concluded that there were significant results on the Taiwanese stock market due to political events / government conflicts that occurred in Taiwan. Kumar and Liu (2013) studied political issues about the impact of terrorism on the world stock market, finding significant results in 63 countries studied. Murekachiro (2014) conducted an event study with abnormal return variables concluding that there was a significant influence on abnormal returns in Zimbabwean stock market companies both before and after the presidential election. Research analyzing the impact of the US presidential election on stock prices has also been conducted by Oehler et al. (2010) who obtained varying results in the direction and magnitude of abnormal returns after the presidential election from 1976-2008.

No	Title and Name of Research	Results	Thesis	
			Similarities	Differences
1	Stock Price Prediction Model Using Deep	To expect next week using the Deep Learning method, namely the Multilayer Perceptron, and	- Stock Price Prediction	- Using Deep Learning Optimization

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No	Title and Name of Research	Results	Thesis	
			Similarities	Differences
	Learning Optimization Based on Technical Analysis Indicators (Julian et al., 2023)	combined with the day-shifting method. To expect the results of this stock, the author also observes the model's usefulness and proposes a Mean Error to Mean Price Ratio (MEMPR) to increase the insights processed by the model. Then to find out the accuracy of stock price predictions for each algorithm, testing is carried out using stock data which consists of new data which is then carried out by a training process		
2	The impact of oil price shocks on the U.S. and Chinese stock markets: A quantitative structural analysis (Wei et al., 2023)	We observe that the U.S.and Chinese stock markets are extensively influenced by the three types of oil structural shocks. In particular, oil price shocks induced by speculation can significantly affect the performance of stock markets in both countries. Under the frequency domain, we notice that the flow demand shock is the most important driver of the variance in U.S. and Chinese stock returns and volatility, particularly at low and business cycle	-oil price shocks	- quantitative structural analysis

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No	Title and Name of Research	Results	Thesis	
			Similarities	Differences
		frequencies. Meanwhile, we note that short-term fluctuations in Chinese stock market returns and volatility are more vulnerable to speculative demand shocks. These analysis results are not only useful for policymakers to take targeted measures to deal with the impact of oil price shocks on the stock market, but also useful for investors to adjust their stock portfolios to achieve excess returns		
3	Wijantini (2007) *A Test of the Relationship Between Political Connection and Indirect Costs of Financial Distress in Indonesia*	The results of the study show that politically connected companies in Indonesia have lower indirect costs of financial distress and there are significant differences between politically connected and non-politically connected companies regarding indirect costs of financial distress.	Political Connection - Stock Price	-Trading Volume Activity -Abnormal Return -Difference Test
4	*The Response of European Stock Markets to The Brexit* (Raddant, 2016)	The results of the study explain that stock prices fell sharply and returned to near previous levels within 3 weeks in Germany, France, Spain, and Italy -Stock Prices	-Abnormal Returns	-Trading Volume -Political Connections
5	*Parliamentary Elections' Impact on Stock Market*	There is no abnormal difference in returns before and after the event	*-Abnormal Return*	Stock Price - Trading Volume -

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No	Title and Name of Research	Results	Thesis	
			Similarities	Differences
	Returns (Lehander Dan Lonnqvist,2011)			Political Connection

RESEARCH METHODS

This research is a quantitative research using a comparative method to compare stock prices and trading volumes before and after the MK announcement in the 2024 election. The data for this research is secondary, namely data obtained not directly from information sources but through intermediary media.

Concept Variable	Indicator	Variable	Reference	Scale
Stock Price	Average share price of Company i per day	Avg.(Stock Price)	Harsono (2000) dan Taslim (2015).	Nominal
Trading Volume Activity	Comparison between amounts shares which traded right with number of shares in circulation.	$TVA_{it=}$ Σ Stock *i* traded time *t* / Σ Stock *i* time passes *t*	Foster, 1986	
Abnormal Return	The difference between the expected return and the return obtained	$RTNit=Rit-E(Rit)$	Hartono, 2010	

The population in this study are companies whose shares are included in Banking Company shares, which are 10 companies. The reason the researcher chose Banking samples is because this study is based on event study, especially for daily periods, so it requires liquid issuers so that the influence of an economic event or political event can

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be measured immediately and relatively accurately. In addition, Banking Company shares are shares that are actively traded on the Indonesia Stock Exchange.

After determining the population, the next step is to determine the research sample. Samples are defined as elements of the population selected based on certain criteria to be used for data collection and processing in research. The sampling technique in this study used purposive sampling. Purposive sampling is a non-probability sampling method that is adjusted to certain criteria. The considerations determined by the researcher in sampling are the availability of data needed to be processed in the study with the following criteria: (1) Shares listed as issuers on the Indonesia Stock Exchange (IDX) which are included in the Banking company group during the research period of 10 event days consisting of t-5 and t+5. (2) The shares are actively traded during the research period.

RESULTS AND DISCUSSION

Hypothesis testing in this study uses SPSS 22 software. Testing is done using the paired sample t-test method because the panel data in this study compares abnormal stock returns before and after mergers and acquisitions. Table 4.5 below explains the results of hypothesis testing using SPSS 22 software.

Table Before and After 2024 Election

Hypothesis	Variable	t-count	Sig.(2-Tailed)	Conclusion
H1	Stock price	2.716	0.002	Supported
H2	TVA	-1.866	0.068	Not Supported

The results of the hypothesis testing before and after the election as shown in the table can be explained as follows:

1. The table shows that the t-count value is 2.716 with a Sig. (2-tailed) value of 0.002. This study can empirically prove that there is no difference in stock prices before and after the election because the probability value (p)> α = 0.05, which is 0.002. Based on the results of this study, it can be concluded that stock prices have increased significantly and this hypothesis is supported by research data.
2. The table shows that the t-count value is -1.866 with a Sig. (2-tailed) value of 0.068. This study can empirically prove that there is no difference in trading volume activity before and after the election because the probability value (p)> α = 0.05, which is 0.068. Based on the results of this study, it can be concluded

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that trading volume activity has not increased significantly and the hypothesis is not supported by research data

The significant difference in stock prices during the MK announcement event shows that investors responded to the stock market which was very appreciative of the events leading up to the MK announcement. Research using event study on the 2019 election event shows that this event contains information that causes market players or investors to react to the event.

This is in line with what was expressed by Tandelilin (2010) that information that brings good news will cause stock prices to rise. Likewise, vice versa if information brings bad news will cause stocks to fall. In principle, investment risk in the capital market is closely related to the occurrence of stock price volatility influenced by information.

In proving this hypothesis, there are results that there are differences in TVA before and after the general election, and there are differences in TVA before and after the election in politically connected companies that support presidential candidates. This means that companies respond to this election event. However, it is different when the MK announcement event actually did not have a significant difference before and after the event, including with politically connected companies, there was no significant difference. This supports research by Luhur, (2010) which shows that there is no significant difference in trading volume activity before and after the event.

CONCLUSION

The conclusion of the research results "Analysis of Stock Prices and Trading Volume before and after the Constitutional Court's announcement of the 2024 Election Results (Event Study on Banking Companies listed on the Indonesia Stock Exchange)" is as follows

1. The results of the stock price test showed a difference between before and after the 2024 election for 5 days before and after the 2024 election.
2. The results of the stock trading volume test showed a difference between before and after the 2024 election for 5 days before and after the 2024 election.

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