THE CAPITAL MARKET RESPONSE TO THE ANNOUNCEMENT OF THE 2019-2024 INDONESIA ONWARD CABINET SYSTEM (EMPIRICAL STUDY ON COMPANIES LISTED ON KOMPAS INDEX 100)

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ABSTRACT

This research aims to examine capital market response to the 2019-2024 Indonesia Onward Cabinet System announced by President Jokowi. This event study research used market estimation model to estimate the expected return with an estimated period of 100 days and window period of seven days. There were 90 companies that are the member of Kompas Index 100 as the sample used in this research. T-test was used to analyze the data. The result shows that the announcement System of Indonesia Onward Cabinet 2019-2024 was responded positively and significantly by capital market. The result supports signaling theory in which the announcement of the 2019-2024 Indonesia Onward Cabinet System gave positive signal (influence) on capital market.

Keywords: Event study, abnormal return, market response

INTRODUCTION

Tandelilin (2017: 25) states that capital market is a place to trade long-term security (a period of over one year) such as shares, bonds, and mutual funds. Capital market plays important roles in supporting the economy because it connects parties who need funds with those who have excess funds. In addition, capital market is a place for investment for those who have more funds and those who need funds. This place provides investors opportunities to have a "healthy" company with such a good prospect, an implementation of company management in a professional and transparent manner, and improve national economic activity (Martalena & Malinda 2011: 5).

The success of a capital market can be influenced by factors of political and economic conditions. A country's political and economic conditions that re conducive and in line with investors' expectations will provide a sense of security and confidence to investors in increasing investments in the capital market. In contrast, the opposite conditions will make

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investors distrustful and reduce their investment in the capital market. Events containing important are important for investors because relevant information are necessary to assess performance prospects of issuers so that investors have an overview of the risk and expected return on their securities in order to form the best portfolio. Information contained in an event will be interpreted as good signal (good news) or bad signal (bad news) (Hartono 2016: 612).

The information conveyed in a form of an announcement by President Joko Widodo concerning the formation of Indonesia Onward Cabinet on October 23, 2019, is a political event that attracted investors' attention in 2019. The cabinet formation is considered crucial due to the global economic condition that is facing such uncertainties. Global challenges are tough because word economic growth is to soften from 3% in 2018 to 2.9% in 2019 (https://ekonomi.kompas.com 2019) and the arising of several geopolitical issues such as the cancellation of Asian-Pacific Economic Cooperation in Chile, US election in 2020, and Japan-South Korea trade dispute that can affect Indonesian economy. The cabinet formation is expected to give good impact on Indonesian economy amidst global uncertainties. In addition, it is expected to support the success of the working program planned by President Joko Widodo in the future. Therefore, the market is expected to give positive reactions to the announcement.

Announcements about political events may result in positive responses, negative responses, or even no response by capital market. Examples of political events responded positively by Indonesian capital market are the announcement of Joko Widodo as a presidential candidate of the Republic of Indonesia on March 14, 2014 (Agris 2016), limited reshuffle of the United Indonesia Cabinet by President Susilo Bambang Yudhoyono on 2005 (Rahayu 2007), reshuffle of the Working Cabinet by President Joko Widodo on 2015 (Sari 2016), and investment announcement by King Salman in Indonesia (Yulita 2017). Positive responses show by the appearance of a positive and significant average abnormal return on the days around the announcement. Meanwhile, Ramesh and Rajumesh (2015) examined market efficiency and market reaction to 40 political events in Colombo from 2008 to 2012 and they found that share market reacted negatively and significantly to political incidents through the appearance of cumulative average abnormal return that has negative value during the entire window period. Their research strongly supports semi-strong market efficiency forms by rapidly inputting information related to political events. Other events outside Indonesia affecting the capital market are Donald Trump elected in the election (Agasi 2018) and the launch of North Korean missiles (Dwianto & Yulita 2019). The capital market did not react to both events at that moment (t 0), however, negative reaction appeared three days after the announcement indicating that bad political information will become such bad news or signal that leads to a negative reaction from investors.

In 2019, at least there were two crucial events affecting Indonesian capital market; presidential election and Indonesia Onward Cabinet system announcement. The market response regarding the presidential election event had shown inconsistent results. Riyani *et al*. (2020) finds that Indonesian capital market did not react to the announcement regarding the victory of President of the Republic of Indonesia on 2019 presidential election. In addition, there was no difference in market reaction regarding the announcement (before and after) to banking-sector companies. Raya and Paramita (2020) also state that there was no difference in abnormal returns and abnormal cumulative returns for financial-sector issuers before and after the Indonesian General Election on April 17, 2019. This means that the General Election does not contain important information for market players that leads no reaction by the market. On the other hand, Setiawan and Nisa (2020) examines the market reaction to news about quick count result announced in Indonesian presidential election in

2019 for shares included in LQ-45 Index. They found that in general, quick count result of Indonesian presidential election in 2019 was responded negatively by the market. However, Putri *et al*. (2020) as well as Argantha and Sudirman (2020) find significant abnormal returns around the 2019 election. This indicates that election events contain important information that causes the share market to react.

A research on Indonesia Onward Cabinet system announcement had been conducted by Bramesta (2020) with the sample consisting 44 companies registered in LQ45 Index under the observation of 11 days. The result shows that there is no significant abnormal return on the days around the event and there is no significant difference in average abnormal return on the sample before and after the announcement. The result indicates that investors do not respond to the announcement of the new cabinet system. Meanwhile, a research by Karina *et al.* (2020) related to the inauguration of the 8th President of Indonesia shows no significant difference in abnormal return in the period before and after the event due to investors do not react to Joko Widodo's inauguration as the 8th president of Indonesia. In general, several research results regarding the influence of political event announcements on shareholders reactions to Indonesian capital market are still controversial. Therefore, this research aims to examine the capital market reaction to the announcement of the 2019-2024 Indonesia Onward Cabinet System by President Joko Widodo by using event study.

LITERATURE REVIEW AND HYPOTHESIS

Capital Market

Capital market is a place trading long-term security (a period of over one year) such as shares, bonds, and mutual funds (Tandelilin 2017:25). The capital market play roles and provide benefits as a place for allocating funds efficiently and an alternative investment. In addition, it enables investors to have "healthy" and prospective companies, have transparent and professional company management, and increase national economic activity (Martalena & Malinda 2011:5). The capital market leads to capital demand and supply. It plays economic roles by connecting the party who need funds or lack of funds and the party who have excess funds. The success of a capital market can be influenced by several factors; (1) availability of securities, (2) demand for securities, (3) political and economic condition. (4) legal and regulatory issues, and (5) institutions regulating and supervising activities of capital market and various institutions that enable efficient transactions.

Market Efficiency

Market efficiency are related to two things namely speed and accuracy of market price adjustment to new information (Asri 2015: 50). A market place is more efficient if new information is reflected faster price of securities (Martalena & Malinda 2011: 41). According to Fama (1970) (in Hartono 2016: 606), based on the availability of information, an efficient market is divided into three types namely weak form market efficiency, semi-strong form market efficiency, strong-form market efficiency.

Event study

According to Bowman (1983) (in Hartono, 2016:4), an event study is a study involving behavior analysis of security prices around the time of an event or an information announcement. This study analyzes market responses to an event in which the information is published as an announcement. An event can be used to examine the content of information of an announcement and can be used to examine semi-strong form market efficiency. The

market is expected to give a response when the announcement containing economic value information is received. A market response can be showed by relevant security price changes. The response can be measured by using return obtained from price changes or by using abnormal return. An informative announcement will provide abnormal return to the market and when the announcement has no information, abnormal return will not be provided to the market (Hartono 2016: 644).

Signaling Theory

Investors will pay attention to various information announced by either the government or issuers when they make a decision related to an investment. According to Hartono (2016: 612), after market players receive information announced by the company, the information will be interpreted and analyzed as a good sign or a bad sign. Investors will be motivated to actively buy and sell shares if the information announced is a good sign and vice versa. One of the examples is earnings announcement by corporate issuers. The increase in earnings is considered good news and vice versa. Market prices moving randomly indicate the rise and fall of share prices depending on new information to be received. New information is information that will be received without knowing when it will be received. Therefore, new information and share prices are called unpredictable (Samsul 2015: 226).

Hypothesis Development

Information is crucial for investors to make decisions related to investments in the market place. According to Efficient Market Hypothesis (EMH), in as efficient market place, relevant information will be responded quickly, completely, and accurately by the market (Asri 2015: 49). Information regarding a political event in a country is generally relevant for investors and it will be responded quickly by the market. Market responses are showed by the presence of abnormal returns around the period of the event.

Indonesian capital market has responded positively to several events such as the announcement of Joko Widodo as a presidential candidate of the Republic of Indonesia on March 14, 2014 (Agris 2016), limited reshuffle of the United Indonesia Cabinet by President Susilo Bambang Yudhoyono on 2005 (Rahayu, 2007), reshuffle of the Working Cabinet by President Joko Widodo on 2015 (Sari 2016), and investment announcement by King Salman in Indonesia (Yulita 2017). Positive responses show by the appearance of a positive and significant average abnormal return on the days around the announcement. Election event in 2019 is also responded by the capital market by showing significant abnormal returns around the 2019 Election (Fendiyani *et al.* 2020; Putri *et al*. 2020 and Argantha & Sudirman 2020). This indicates that the election event contains important information causing the capital market to react. However, on the other hand, Bramesta (2020) find out different result Indonesia Onward Cabinet system announcement was not responded by investors.

The announcement the 2019-2024 Indonesia Onward Cabinet System is one of the moments investors are waiting for after Joko Widodo was re-elected as the President of the Republic of Indonesia. This is because of one of the ministers in the previous cabinet who have good performance, Sri Mulyani, the minister of finance. Sri Mulyani was successful in increasing tax compliance. Therefore, she was successful in increasing Indonesia tax revenues (www.liputan6.com 2019). Finance Asia Magazine headquartered at Hong Kong named Sri Mulyani as Finance Minister of the Year, East Asia Pacific in 2017 and the World Government Summit awarded her as the Best Minister in the World in 2018 (www.cnnindonesia.com, 2019).

When the 2019-2024 Indonesia Onward Cabinet System was announced, Sri Mulyani was reappointed as the Minister of Finance and Luhut Binsar Pandjaitan was reappointed as the Coordinating Minister of maritime affairs and investments. On the first period, Luhut Binsar Pandjaitan was often elected to represent the government to handle political and non-political affairs. He is considered as a neutral party between coalition and opposition parties under the Jokowi government. He often makes agreements with other countries to have investment in Indonesia such as Cina investing a nickel factory for batteries and United Arab Emirates investing agricultural land in Central Kalimantan.

There are also new people in Indonesia Onward Cabinet system such as Makarim, Erick Tohir and Wisnutama Kusubandio. Nadiem Makarim is the founder of GOJEK and the former CEO of GOJEK who is appointed as Minister of Education and Culture. He was able to make GOJEK achieves the world's prestigious award as a decacorn company. President Joko Widodo chose him because he understands the management and use of information technology, can apply existing various innovations, has an out of the box thinking, dares to get out of his comfort zone, likes to do things out of the ordinary various things that makes him creates creative ideas. Erick Tohir is appointed as Minister of State-Owned Enterprises (BUMN). He is the founder and the former main commissioner of Mahaka Group as well as the head of national committee of Asian Games 2018 in which he has much appreciated, especially his success in saving a budget of nearly Rp 2.8 trillion.

Wisnutama Kusubandio is the former chief commissioner of NET TV appointed as Minister of Tourism and Creative Economy by President Joko Widodo. He is an inspirational figure for many people, especially for millennial generations due to his achievements. In his 30s, Wisnutama became of TransTV in 2008-2012. And then, in 2013-2019, he was the main commissioner of NET TV. His perseverance led him to be the Best CEO in Indonesia in 2010 as well as the Indonesia Youngster Inc. by SWA Magazine. In 2018, he was involved in the success of the 2018 Asian Games opening and closing ceremonies as one of the creators. He is considered as a creative figure who are able to promote and elevate Indonesian tourism with his out of the box ideas.

The presence several ministers in the 2019-2024 Indonesia Onward Cabinet System who have various achievements in which they are expected to give good news for investors in the capital market because they are considered to be able to realize and provide new hopes for Indonesian especially in economic sector. Therefore, the hypothesis of this research is formulated as follows:

H1: Capital Market positively responded to the announcement of Indonesia Onward Cabinet System 2019-2024.

RESEARCH METHOD

Population and Sample

The population this research was all of companies (657 companies) listed on Indonesia Share Exchange in the observation period of 2019. The sample was taken by using purposive sampling technique. Purposive sampling is a technique determining samples with certain considerations to have more representative data by conducting competent research process in each field (Sugiyono 2014: 156).

Sampling criteria in this research were (1) the company was consecutively listed Kompas Index 100 during the observation period on February – July 2019 and on August 2019 – January 2020; (2) during the window period, the company does not take corporate actions. Based on both criteria, there are 90 companies as the sample in this research.

Types and Sources of Data

This research used secondary data in the form of daily share prices from 90 companies involved in Kompas Index 100, and Composite Share Price Index (IHSG).

Determination of Window Period and Estimation Period

The announcement of the Indonesia Onward Cabinet System was conducted on October 23, 2019; therefore, the date was determined as the date of event (t 0). The period of time of window period was 7 days in which 3 days before the date of event (t-3), the date of event (t 0) and 3 days after the date of event (t+3). Estimation period used in this research was 100 days (from t-104 to t-4) for estimating expected return on shares using a market model.

Data Analysis Technique

This research used event study to examine Capital Market Response to the announcement of the 2019-2024 Indonesia Onward Cabinet System. This capital market reaction is projected with abnormal returns happening during window period. The examination of this hypothesis used the right side of t-test.

There are several steps conducted in the event study (Hartono 2015: 30):
(1) Determining research sample by identifying companies listed on Kompas Index 100 in the announcement of Indonesia Onward Cabinet System and removing companies that do not comply with the predetermined criteria.
(2) Determining research time. This research used 107 trading days that is divided into two periods consisting of 100 days of estimation period and 7 days of window period.
(3) Recording daily share prices of companies involved in Kompas Index 100 and met the criteria of the time of window and estimation period.
(4) Recording Composite Share Price Index (IHSG) on widow period and estimation period.
(5) Calculating actual returns on individual shares during estimation period and window period.

$$R_i = \frac{P_t - P_{t-1}}{P_{t-1}}$$

Description:
R_i : actual return on individual share
P_t : individual share price at time t
P_{t-1} : individual share price at time t-1

(6) Calculating daily market returns. Market return is the rate of return of all shares listed on capital market. Market return is represented by Composite Stock Price Index (IHSG). IHSG shows share price index listed on the capital market that can be formulated as follows:

$$R_{mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

Description:
R_{mt} : market return at time t
$IHSG_t$: Composite Stock Price Index at time t
$IHSG_{t-1}$: Composite Stock Price Index at time t-1

(7) Calculating expected returns on window period.

$$R_{ij} = \alpha_i + \beta_i \times R_{mj} + \varepsilon_{ij}$$

Description:
R_{ij} : realized return of the i-th security in the j-th estimation period return
α_i : intercept for the i-th security
β_i : slope coefficient which is the beta of the i-th security
R_{mj} : market index return on the j-th estimation period that can be calculated by the formula
R_{mj} $= (IHSG_j - IHSG_{j-1}) / IHSG_{j-1}$ with IHSG adalah Composite Stock Price Index
ε_{ij} : residual error of the i-th security in the j-th estimation period

The α and β are obtained from the calculation of regression equation in time series from daily share returns and market returns. With the dependent variable in the equation is daily stock returns and the independent variable is market returns

(8) Calculating abnormal returns on each share during window period

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

Description:
$RTN_{i,t}$: abnormal return of share i at time t
$R_{i,t}$: share return i at time t
$E(R_{i,t})$: expected return of share i at time t

(9) Calculating average abnormal return of all t-th daily share

$$RRTN_{n,t} = \frac{\sum_{i=t}^{n} RTN_{i,t}}{n}$$

Description:
$RRTN_t$: average abnormal return of all share at time t
$RTN_{i,t}$: abnormal return of share I at time t
n   : number of shares being studied

(10) Statistical Testing of Abnormal Return

This testing aims to observe the significance of abnormal returns in the event period. An abnormal return is considered statistically significant if the value is not equal to zero or is positive for good sign and negative for bad sign. In general, t-testing that examines null hypothesis in which the value of a parameter is equal to zero is as follows:

$$t = \frac{\beta}{\text{Estimation Standard Error}}$$

Description:
t   : t-count
β   : parameter to be tested for significance

T-testing is conducted to examine whether an abnormal return is different from zero. This testing is conducted by dividing abnormal return values by values of estimation standard error. Estimation standard error is standard error when estimating abnormal return values estimated by using standard deviation values (Hartono 2015).

RESULT AND DISCUSSION

Data Analysis

In this study, the model used by researcher to calculate expected returns is market model. Here are the following steps for calculating abnormal returns:
(1) Calculating the actual return of individual daily share (Ri) during the observation period.

Table 1. Statistical Description of the Actual Return of Daily Shares for All Samples in Window Period

	N	Minimum	Maximum	Mean	Deviation Std.
t-3	90	-0,0485	0,1134	0,0076	0,0304
t-2	90	-0,0627	0,0766	0,0004	0,0192
t-1	90	-0,0341	0,0971	0,0090	0,0210
t0	90	-0,0684	0,0591	0,0096	0,0221
t+1	90	-0,0512	0,0970	0,0128	0,0253
t+2	90	-0,0986	0,0296	-0,0140	0,0184
t+3	90	-0,0419	0,1512	0,0109	0,0252

Source: processed data (2020)

Table 1 shows that the actual average return for all samples on three days before event date (t-3) is 0,0076. The actual average return for all samples of daily shares on two days before event date (t-2) has decreased to be 0,0004. This means that the average of share prices on the two days before the event has decreased compared to the average of share prices on the three days before the event. The actual average return on one day before event date (t-1) for all samples of daily shares has increased to be 0,0090, which means that the average of share prices on the one day before the event has increased compared to the average of share prices on the two days before the event. The actual average return for all samples of daily shares on event date (t-0) is 0,0096, which means that on the event date, October 23, 2019, the average of daily shares has increased compared to the average of process on one day before the event date. On one day after the event date (t + 1), the average of actual returns for all daily samples is 0,0128. On two days after the event date (t + 2), the average of actual returns for all daily samples is -0,0140 on three days after the event date (t + 3), the average of actual returns for all daily samples is 0,0109.

(2) Calculating daily market return (R$_{mt}$) during observation period. Market return is represented by Composite Share Price Index (IHSG).

Table 2. Market Return Calculation Results During the Event Period

Before the Event		During the Event		After the Event	
Day	Rmt	Day	Rmt	Day	Rmt
t-3	0,0018	t0	0,0052	t+1	0,0131
t-2	0,0011			t+2	-0,0138
t-1	0,0043			t+3	0,0021

Source: processed data (2020)

Based on table 2, daily market return at t-3, t-2, t-1, t0, t+1 and t+3 is positive. This means that at t-3, t-2, t-1, t0, t+1 and t+3, the average of company shares prices listed on Indonesia Stock Exchange increases. However, at t+2, daily market return is negative. This means that the average of company shares prices listed on Indonesia Stock Exchange decreases.

(3) Calculating expected return ($R_{i,j}$) during window period.

Table 1. Statistical Description of Expected Return of Daily Shares for All Samples During Window Period

	N	Minimum	Maximum	Mean	Deviation Std.
t-3	90	-0,0048	0,0805	0,0037	0,0086
t-2	90	-0,0063	0,0795	0,0028	0,0086
t-1	90	-0,0012	0,0838	0,0067	0,0090
t0	90	-0,0014	0,0850	0,0078	0,0091
t+1	90	-0,0032	0,0957	0,0174	0,0119
t+2	90	-0,0417	0,0595	-0,0153	0,0121
t+3	90	-0,0042	0,0809	0,0040	0,0086

Source: processed data (2020)

Table 3 shows that the average expected return for seven days during window period is positive. The highest average expected return of daily shares is at t+3 while the lowest at t+2.

(4) Calculating abnormal return of each share during window period ($RTN_{i,t}$). Abnormal Return is calculated from the difference between actual return and expected return on individual shares.

Table 4. Statistical Description of Abnormal Return of Daily Shares for All Samples in Window Period

	N	Minimum	Maximum	Mean*	Deviation Std.
t-3	90	-0,0686	0,1090	0,0039	0,0311
t-2	90	-0,0834	0,0767	-0,0024	0,0215
t-1	90	-0,0799	0,0847	0,0023	0,0221
t0	90	-0,0844	0,0566	0,0019	0,0239
t+1	90	-0,0957	0,0678	-0,0045	0,0267
t+2	90	-0,0689	0,0430	0,0013	0,0188
t+3	90	-0,0770	0,1487	0,0069	0,0279

Description: Mean*= Average of Abnormal Return
Source: processed data (2020)

Table 4 shows that positive abnormal return happens in several days during window period at t-3, t-1 t0, t+2, t+3. Market response is measured by the average of abnormal return. The average of positive abnormal return can be interpreted as positive market response to the announcement of the 2019-2024 Indonesia Onward Cabinet System. At t-2 and t+1, the market reacts negatively which means that capital market gives negative response to the announcement of the 2019-2024 Indonesia Onward Cabinet System.

Hypothesis Testing

Table 2. Testing Result of the Average of Abnormal return (RRTN) During Window Period

Day	RRTN t	Significance	t calculated
t-3	0,0039	*	1,5205
t-2	-0,0024		-0,3275
t-1	0,0023	*	1,3420
t0	0,0019	*	1,3950
t+1	-0,0045		-0,7579
t+2	0,0013		0,6515
t+3	0,0069	***	3,0619

Source: processed data (2020)
Description:
***	= Significance = 1% (t > 2,36947)
**	= Significance = 5% (t > 1,66235)
*	= Significance = 10% (t > 1,29125)

Table 5 shows that the average of abnormal return which is positive or negative appearing the seven days trading during window period, however, none of the are significant. The announcement of the 2019-2024 Indonesia Onward Cabinet System on October 23, 2019 shows positive and significant capital market response reflected by the average of positive and significant abnormal return ($\alpha = 10\%$) on the event date (t 0). Positive market response is in line with signaling theory, in which one of the factors that can provide signal (increase activities) of capital market is political events in which the information is published in the form of announcements through various media.

Positive and significant average of abnormal return at $\alpha = 10\%$ appears 3 days before the event date (t-3) and a day before the event date (t-1), this means that there is positive capital market reaction to the announcement of the 2019-2024 Indonesia Onward Cabinet System before the announcement date (t0). This reaction is caused by information leakage in which several people who are believed to be candidates of the cabinet are invited by President Joko Widodo to go to the State Palace. One of them is Sri Mulyani who states to the media that she is appointed by the president to return as Minister of Finance in the period of 2019-2024.

The significant average of abnormal reappears three days after the event date of the announcement of Indonesia Onward Cabinet System (t + 3) at $\alpha = 1\%$. This is caused by several investors who are late in responding the announcement of the 2019-2024 Indonesia Onward Cabinet System because they still assess each selected figure's capability to occupy the ministerial position.

The significant average of abnormal return of the announcement of Indonesia Onward Cabinet System on October 23, 2019 (t 0) shows that the event provides the information that leads the capital market responds it as good news (Hartono 2016:644). It is because of several ministers already have good achievements in the previous period of the ministerial cabinet such as Sri Mulyani and Luhut Binsar Pandjaitan. However, there are also new ministers

involved in the cabinet such as Nadiem Makarim, Erick Tohir, and Wisnutama Kusubandio who also have their own achievement.

Nadiem Makarim won the 24th Nikkei Asia Prize due to his innovation in economy and business in Asia. He is also the first Indonesian who achieved Asian of the year in 2012. Meanwhile, Erick Tohir achieved Marketeer Award in the category of Special International Recognition on Marketing in 2019. He successfully manages various business in broadcasting, publishing, and sport and entertainment companies. He was also appointed as the head of national committee of 2018 Asian Games. His success in conducting 2018 Asian Games is much appreciated, especially in saving the budget of nearly Rp 2.8 trillion out of Rp 8.7 trillion provided by the government. On the other hand, Wisnutama is an inspirational figure especially for millennials due to his achievement. In his 30s, Wisnutama was the managing director of TransTV in 2008 – 2012 and the main commissioner of NET TV in 2013-2019. His perseverance led him to be the best CEO in Indonesia in 2010 and Indonesia Youngster Inc. by SWA magazine.

The result of this research is different from the finding by Bramesta (2020) in which there is no significant abnormal return around the event date of the announcement of Indonesia Onward Cabinet System on October 23, 2019 and there is no significant difference of the average of abnormal return for the sample of companies before and after the announcement. If it is connected to political events, this research is also not in line with the finding by Karina et al. (2020) in which there is no significant abnormal return before and after the event of the Inauguration of Joko Widodo as the 8th President the Republic of Indonesia. In addition, the finding by Riyani et al. (2020) shows that Indonesia capital market did not react to the victory announcement of Indonesian President in the 2019 presidential election and there is no difference in market reaction before and after the announcement for banking sub-sector companies. Furthermore, Raya and Paramita (2020) also shows that there is no difference in abnormal return and cumulative abnormal return on issuers in financial sector before and after the general election on April 17, 2019.

On the other hand, this research result is in line with the findings by Agris (2016) regarding the announcement of Joko Widodo as the presidential candidate of the president of the Republic of Indonesia on March 14, 2014; Rahayu (2007) regarding limited reshuffle of the United Indonesia Cabinet by President Susilo Bambang Yudhoyono; Sari (2016) regarding reshuffle of the Working Cabinet by President Joko Widodo on 2015; and Yulita (2017) regarding investment announcement by King Salman in Indonesia that obtain investors' positive reaction. This research is also supported by Fendiyani et al. (2020) in which the 2019 Presidential Election shows significant return and share prices in several companies listed on JII70 Index. Putri et al. (2020) and Argantha and Sudirman (2020) find that significant abnormal return appears around the 2019 general election. This indicates that general election event provides important information that make capital market to react.

CONCLUSION AND IMPLICATION

It can be concluded that capital market positively reacts to the announcement of the 2019-2024 Indonesia Onward Cabinet System. This reaction is in line with signaling theory in which one of the factors providing signal (increase activities) to capital market is the political event in which the information is published in the form of announcements through various media. The suggestion for further research is that using all companies listed on Indonesia capital market as the research sample is better for obtaining the result that can be generalized for all companies. Besides, it is better to use other approaches to calculate

abnormal return such as CAPM model, constant average return model or market return model.

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