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Islamic Capital Market Reactions to Political Transition: Evidence from Indonesia's 2024 Presidential Election

ABSTRACT - This study conducts an event analysis on the impact of the official announcement of the 2024 Indonesian presidential election results by the General Elections Commission (KPU) on stock market performance. The objective is to investigate changes in abnormal returns (AR) and trading volume activity (TVA) during an 11-day event window (±5 days surrounding the announcement date) and a 60-day estimation period. The sample comprises 30 companies listed on the Jakarta Islamic Index (JII), representing nine industry sectors, selected through saturated sampling. Analytical methods include the Paired T-test and the Wilcoxon Signed Rank Test to examine statistical differences in AR and TVA before and after the event. The findings reveal no significant difference in AR for the JII overall, although the consumer non-cyclicals sector displays a noteworthy deviation. In contrast, a significant change in TVA is observed, particularly within the basic materials sector. These results underscore the importance for investors in the Islamic capital market to remain attentive to political developments that may affect asset performance. The study provides meaningful insights for investors, regulators, and academics regarding portfolio diversification and risk management in the context of political uncertainty, contributing to the broader discourse on Islamic capital markets.

***ABSTRAK** - **Reaksi Pasar Modal Syariah terhadap Transisi Politik: Studi Kasus Pemilihan Presiden Indonesia 2024.** Penelitian ini menganalisis dampak pengumuman resmi hasil Pemilu Presiden 2024 oleh Komisi Pemilihan Umum (KPU) terhadap kinerja pasar saham, khususnya pada indeks saham syariah. Tujuannya adalah untuk mengetahui perubahan return tidak normal (abnormal return/AR) dan aktivitas volume perdagangan (TVA) selama periode peristiwa selama 11 hari (5 hari sebelum dan sesudah pengumuman), serta periode estimasi selama 60 hari. Sampel penelitian terdiri dari 30 perusahaan dalam Jakarta Islamic Index (JII) dari 9 sektor industri, menggunakan metode sampling jenuh. Pengujian dilakukan dengan uji Paired T-test dan Wilcoxon Signed Rank Test. Hasilnya menunjukkan tidak ada perbedaan signifikan dalam AR secara keseluruhan pada indeks JII, namun terdapat perbedaan signifikan pada sektor konsumer non-siklikal. Sementara itu, terdapat perubahan signifikan pada TVA, khususnya di sektor bahan dasar (basic materials). Temuan ini menegaskan pentingnya kewaspadaan investor di pasar saham syariah terhadap dinamika politik yang dapat mempengaruhi portofolio. Penelitian ini memberikan wawasan bagi investor, regulator, dan akademisi terkait strategi diversifikasi dan manajemen risiko dalam menghadapi ketidakpastian politik, serta memperkaya kajian literatur tentang pasar modal syariah*

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INTRODUCTION

The capital market is widely recognized as a vital instrument of economic growth, functioning as both a source of corporate financing and a mechanism through which firms may secure additional capital from investors (Tandelilin, 2010). In Indonesia, the rapid expansion of the sharia capital market underscores its growing importance. By 2024, the number of sharia investors had risen by 21%, reaching 180,000, while market capitalization was recorded at IDR 6,825 trillion, equivalent to 55.3% of the national total (OJK, 2023). This expansion has been bolstered by regulatory safeguards from the National Sharia Board, ensuring that listed firms comply with Islamic principles and thereby strengthening investor confidence (MUI, 2020).

Compliance criteria distinguish sharia stocks from their conventional counterparts. Enterprises involved in gambling, fraudulent trading, usurious transactions, or prohibited goods and services are excluded (Sari et al. 2024). Financial screening rules further mandate that debt ratios and non-halal revenue streams remain within specific thresholds (MUI, 2020; Ibrahim & Salam, 2021). These provisions enhance the attractiveness of sharia indices such as the Jakarta Islamic Index (JII), which combines liquidity with conformity to Islamic tenets (Yani et al., 2020).

Capital markets, however, are not solely shaped by economic fundamentals (Mariana & Ibrahim, 2022). Non-economic factors including elections, political conflicts, and government policies, also exert significant influence on stock market performance (Diniar & Kiryanto, 2016; Kliger & Gurevich, 2015). Political stability, in particular, is often associated with positive investor sentiment, whereas political uncertainty can trigger volatility (Chien et al., 2014; Putri, 2020; Saraswati & Mustanda, 2018). Among all political events, presidential elections are considered especially critical, as they frequently alter investor perceptions and future policy expectations (Hung, 2013).

The Indonesian presidential election of February 2024 represents a pivotal event for investors, as leadership transitions can directly affect economic strategies (Komdigi, 2022). Previous research has demonstrated mixed findings regarding such events. For example, studies in Tunisia and the United States report insignificant or negative effects on market indices (Diaconaşu et al., 2023; Souffargi & Boubaker, 2024). In Indonesia, Akbar et al. (2019) found significant abnormal returns among state-owned enterprises during the 2019 presidential election, whereas Amalia and Santosa (2022) reported no abnormal return effects on the JII70 index. Event studies focusing on trading volume also reveal divergent outcomes, with some detecting significant shifts around U.S. and Indonesian political events (Putra & Putri, 2018; Akbar et al., 2019; Ananto, 2014). Similar inquiries have been conducted internationally, examining European, American, Greek, Tunisian, Swiss, and Swedish markets (Diaconaşu et al., 2023; Frey & Waldenström, 2004; Ghanem & Rosvall, 2014; MacKinlay, 1997; Souffargi & Boubaker, 2024; Spais & Filis, 2006).

Although numerous studies have explored political event impacts on capital markets, there remains a gap in inter-sectoral analyses of sharia-compliant indices. Most prior work has concentrated either on conventional indices or specific state-owned enterprises deemed vulnerable to policy changes. To fill this gap, this study investigates abnormal returns and trading volume activity across sectors within the JII surrounding the 2024 presidential election. The

objective is to provide empirical evidence of sectoral variations in market response, thereby contributing to the literature on event studies and offering practical insights for sharia investors navigating periods of political uncertainty.

LITERATURE REVIEW

Signaling Theory

Signaling theory, introduced by Spence (1973), was originally developed to explain information asymmetry in the labor market. The theory addresses situations where two parties hold different levels of information and examines how one party (the signaler) conveys information to influence the behavior of the other party (the signal recipient). Within financial markets, companies act as signalers by communicating information—whether directly observable or requiring deeper analysis—that can alter investor perceptions and evaluations. Importantly, a signal must contain valuable information to meaningfully influence external assessments of the firm.

Efficient Market Hypothesis

The efficient market hypothesis (EMH) posits that security prices fully reflect all available information, rendering it impossible for investors to consistently achieve above-normal returns based solely on public data (Ross et al., 2010; Schwartz, 1970). Fama (1970) conceptualizes three forms of efficiency:

1. Weak form efficiency – prices reflect all historical price information, implying that technical analysis cannot generate abnormal returns.
2. Semi-strong form efficiency – prices quickly incorporate all publicly available information, including announcements and reports, eliminating the possibility of abnormal returns from such information.
3. Strong form efficiency – prices fully reflect both public and private (insider) information, a state that is rarely attainable in practice.

The degree of market efficiency depends on how rapidly and accurately new information is absorbed into security prices. Market-moving information may include economic developments, political events, government policies, or external shocks (Khoa & Huynh, 2021). As Malini (2019) notes, EMH underscores the importance of investor behavior and market responsiveness to news, whether ordinary or extraordinary, in shaping security valuation.

Event Study

An event study is employed to assess how markets react to announcements or other external events. Hartono (2005) defines it as an analysis of how swiftly information is reflected in stock prices, thereby serving as a test of market efficiency, particularly in its semi-strong form. Prior research suggests that daily data, combined with equally weighted indices, provide more accurate estimates of abnormal returns compared to monthly data and value-weighted indices (Hartono, 1999).

Evidence from event studies also challenges EMH when abnormal returns persist after information disclosure. For example, Brown and Warner (1980) emphasize that the existence of systematically non-zero abnormal returns following events is inconsistent with the assumption of rapid and complete price adjustments.

Abnormal Return

Abnormal return is defined as the difference between the actual return and the expected return of a security (Hartono, 2005, 2016). Positive abnormal returns arise when actual returns exceed expected returns, while negative abnormal returns occur when actual returns fall below expectations. The formula is expressed as:

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \quad (1)$$

Where:

- $AR_{i,t}$= abnormal return of stock *i* on day *t*
- $R_{i,t}$= actual return of stock *i* on day *t*
- $E(R_{i,t})$= expected return of stock *i* on day *t*

Actual return is calculated as the percentage change in closing prices between two periods. Expected return, meanwhile, is estimated using the market model, which assumes stock movements are correlated with the market index. This model is preferred to mean-adjusted or market-adjusted approaches due to its lower estimation bias (Hartono, 1999; Ricks, 1984).

For the Indonesian context, the Jakarta Islamic Index (JII) is particularly relevant because it consists of 30 of the most liquid sharia-compliant stocks, which account for significant market capitalization and average daily trading volumes. The market return is calculated as:

$$R_{m,t} = \frac{JCI_t - JCI_{t-1}}{JCI_{t-1}} \quad (2)$$

Expected returns are then derived using the ordinary least squares (OLS) estimation of α and β parameters, as follows:

$$E(R_{i,t}) = \alpha + \beta \cdot E(R_{m,t}) \quad (3)$$

To assess average effects, the Average Abnormal Return (AAR) before and after an event is calculated across firms in the sample. The Average Abnormal Return (AAR) represents the mean abnormal return of each stock over a specified period, both before and after an event. It is calculated using the following formulas:

$$AAR_{before} = \frac{\Sigma_{t=-5}^{t=-1} AR_{before}}{n} \quad (4)$$

$$AAR_{after} = \frac{\Sigma_{t=+5}^{t=+1} AR_{after}}{n} \quad (5)$$

Where:

- AAR_{before}= average abnormal return before the event
- AAR_{after}= average abnormal return after the event
- n= number of observations (stocks)

Trading Volume Activity

Trading volume activity (TVA) is a measure of stock liquidity, reflecting the intensity of trading surrounding an event. TVA is calculated as (Jones, 2004):

$$TVA = \frac{\text{Number of shares traded}}{\text{Number of shares outstanding}} \quad (6)$$

Average TVA (ATVA) for periods before and after an event is then estimated to evaluate whether trading activity significantly changes in response to new information. A significant increase in TVA post-event would indicate heightened investor participation and liquidity. It is calculated using the following formulas:

$$ATVA_{before} = \frac{\Sigma_{t=-5}^{t=-1} TVA_{before}}{n} \quad (7)$$

$$ATVA_{after} = \frac{\Sigma_{t=+5}^{t=+1} TVA_{after}}{n} \quad (8)$$

Where:

- $ATVA_{before}$= average trading volume activity before the event
- $ATVA_{after}$= average trading volume activity after the event
- n= number of observations (stocks)

Research Framework and Hypotheses

The research framework serves as a guide to ensure that the study remains focused on its objectives, provides structure to the research process, and guarantees that each phase builds systematically upon the previous one. In this study, the framework is designed to examine two stages: (1) the differences in abnormal returns (AR) and trading volume activity (TVA) before and after the official announcement of the 2024 presidential election on the Jakarta Islamic Index (JII), and (2) the sectoral differences in AR and TVA across the nine business sectors included in the JII.

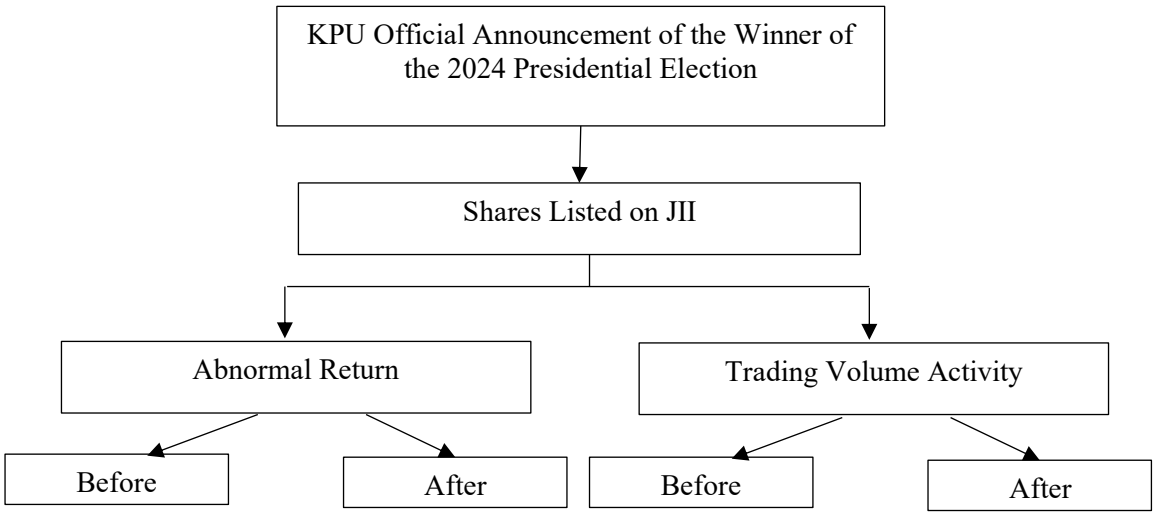

Figure 1. Research Framework
(Source: Author's Figure, 2024)

Political events, although not directly related to economic fundamentals, are often regarded as critical external factors influencing capital market behavior. Such events can significantly impact stock returns and trading volume activity, and in some cases may even cause temporary disruptions in trading (Souffargi & Boubaker, 2024). Among various political events, presidential elections are particularly influential, as they have the potential to reshape investor sentiment and national economic policy. In the Indonesian context, the relevance of political events is amplified by the democratic system, which makes leadership transitions highly significant (Siregar et al., 2014).

Empirical studies provide further support for these arguments. Research on the U.S. presidential election of Donald Trump in 2016 reported significant changes in abnormal returns before and after the announcement of his victory (Putra & Putri, 2018). Similar findings were reported in Indonesia, where election events influenced the abnormal returns of listed companies (Akbar et al., 2019). Based on this evidence, the first hypothesis of this study is formulated as follows:

> H1: There is a significant difference in abnormal returns before and after the announcement of the winner of the 2024 presidential election on JII indices.

In addition to returns, political events also influence trading behavior. Elections can stimulate investor participation and increase trading volumes as market players respond to political uncertainty or anticipate policy changes. Santosa and Amalia (2022) found significant differences in average TVA surrounding the 2019 Indonesian presidential election for JII70-listed companies. Similar evidence was observed during the 2016 U.S. presidential election, where trading activity increased significantly before and after the announcement of Trump's victory (Putra & Putri, 2018). Drawing upon this evidence, the second hypothesis is proposed:

> H2: There is a significant difference in trading volume activity before and after the announcement of the winner of the 2024 presidential election on JII indices.

METHODOLOGY

Research Design

This study adopts a quantitative research approach with a descriptive design. The method employed is an event study, which evaluates market reactions to specific information announcements through quantitative data analysis. The choice of a quantitative approach is appropriate, as the research relies on numerical data that can be measured, compared, and generalized. The observation period covers December 2023 to March 2024, with data collected from secondary sources, including the Indonesia Stock Exchange (idx.co.id), finance.yahoo.com, the General Elections Commission (kpu.go.id), and official websites of listed companies.

The event window consists of 11 trading days: 5 days before the announcement (t-5 to t-1), the announcement date (t0), and 5 days after the announcement (t+1 to t+5). The event date (t0) is March 20, 2024, when the KPU officially announced the presidential election results. An additional estimation period of 60 days prior to the event window is used to calculate expected returns. Following Basdas and Oran (2014), an 11-day event window is selected to balance precision while minimizing bias from confounding events.

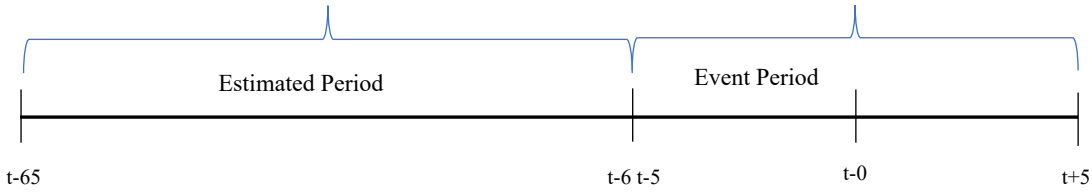

Figure 2. Event Windows
(Source: Ricks, 1984; Rosman & Yudanto, 2022; Dzar et al., 2023)

Two primary variables are examined:

1. Abnormal Return (AR) is the difference between actual returns and expected returns during the event window.
2. Trading Volume Activity (TVA) is the proportion of traded shares to shares outstanding, used to measure liquidity changes.

Both variables are analyzed before and after the event, and subsequently tested for inter-sectoral differences across JII-listed firms.

Population and Sample

The population comprises all companies included in the Jakarta Islamic Index (JII), based on the IDX Announcement No. Peng-00178/BEI.POP/08-2024 dated August 26, 2024. The JII consists of 30 companies representing the most liquid sharia-compliant stocks in Indonesia. This study employs a saturated sampling technique, whereby all members of the population are included in the sample. The 30 firms are distributed across nine business sectors: Cyclical Consumers, Energy, Basic Materials, Industrials, Financials, Non-Cyclical Consumers, Healthcare, Technology, and Infrastructure.

Table 1. Research Samples and Business Sectors

No	Code	Company	Sector
1	ACES	Ace Hardware Indonesia	Cyclical Consumers
2	ADMR	Adaro Minerals Indonesia	Energy
3	ADRO	Adaro Energy	Energy
4	AKRA	AKR Corporindo	Energy
5	AMMN	Amman Mineral Internasional	Basic Materials
6	ANTM	Aneka Tambang	Basic Materials
7	ASII	Astra International	Industrials
8	BRIS	Bank Syariah Indonesia	Financials
9	BRMS	Bumi Resources Minerals	Basic Materials
10	BRPT	Barito Pacific	Basic Materials
11	CPIN	Charoen Pokphand Indonesia	Non-Cyclical Consumers
12	EXCL	XL Axiata	Infrastructures
13	GOTO	Goto Gojek Tokopedia	Technology
14	ICBP	Indofood CBP Sukses Makmur	Non-Cyclical Consumers
15	INCO	Vale Indonesia	Basic Materials
16	INDF	Indofood Sukses Makmur	Non-Cyclical Consumers
17	INKP	Indah Kiat Pulp & Paper	Basic Materials

No	Code	Company	Sector
18	ITMG	Indo Tambangraya Megah	Energy
19	KLBF	Kalbe Farma	Healthcare
20	MAPI	Mitra Adiperkasa	Cyclical Consumers
21	MBMA	Merdeka Battery Materials	Basic Materials
22	MDKA	Merdeka Copper Gold	Basic Materials
23	MEDC	Medco Energi Internasional	Energy
24	PGAS	Perusahaan Gas Negara	Energy
25	PGEO	Pertamina Geothermal Energy	Infrastructures
26	PTBA	Tambang Batubara Bukit Asam	Energy
27	SMGR	Semen Indonesia	Basic Materials
28	TLKM	Telekomunikasi Indonesia	Infrastructures
29	UNTR	United Tractors	Industrials
30	UNVR	Unilever Indonesia	Non-Cyclical Consumers

(Source: Processed Data, 2024)

Data Analysis

The data analysis was conducted in several stages. First, the normality of the data distribution was assessed using the Kolmogorov-Smirnov test. Based on the results, hypothesis testing was carried out using different methods depending on the distribution. If the data were normally distributed, the differences in Abnormal Return (AR) and Trading Volume Activity (TVA) before and after the event were tested using a paired sample t-test. Conversely, if the data were not normally distributed, the Wilcoxon signed-rank test was applied. All statistical tests were performed at a 95% confidence level ($\alpha = 0.05$).

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics summarize the cross-sectional distribution of abnormal returns (AR) and trading volume activity (TVA) for 30 JII constituents observed over an 11-day event window (t−5…t+5). Table 2 reports the minimum, maximum, mean, and standard deviation for pre- and post-event subsamples (5 trading days each; n = 150 firm-days per side).

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AR Before	150	-0,0968	0,0844	0,00311	0,0251
AR After	150	-0,0466	0,0614	0,00004	0,0173
TVA Before	150	0,0071	10,5339	1,7739	1,6225
TVA After	150	0,0000	11,0122	1,2793	1,3170

(Source: Processed Data, 2024)

Two patterns emerge. First, AR dispersion narrows after the announcement (SD: 0.0173 vs. 0.0251), and the mean AR shifts toward zero (0.00311 → 0.00004). The pre-event AR range (−9.68% to +8.44%) is driven by ADMR (minimum) and MEDC (maximum), whereas post-event extremes (−4.66% to +6.14%) are anchored by AKRA (minimum) and MDKA

(maximum). This compression is consistent with transitory pre-event positioning followed by post-event uncertainty resolution.

Second, TVA levels decline on average after the announcement (1.7739 → 1.2793) and exhibit lower dispersion (SD: 1.3170 vs. 1.6225). The largest pre- and post-event TVA observations are associated with GOTO and ACES, respectively. The mean decline suggests trading intensity cooled after the official result, a first indication that the market may have partially anticipated the outcome.

Normality and Mean-Difference Tests

We compute Average Abnormal Returns (AAR) by firm for the pre- and post-event windows and assess normality using Kolmogorov–Smirnov (K–S). Both AAR series are normally distributed (p = .200 > .05). We therefore apply a paired-sample *t*-test.

Table 3. Normality Test (K–S)

Variable	T-Statistic	Asymp. Sig. (2-tailed)
AAR before	0.098	0.200
AAR after	0.127	0.200

(Source: Processed data, 2024)

Analysis of data from 30 companies reveals no statistically significant difference in Average Abnormal Returns (AAR) on the Jakarta Islamic Index before and after the 2024 Presidential Election announcement, as indicated by a two-tailed significance value of 0.117 (p > 0.05).

Table 1. Paired T-Test Difference Abnormal Return

	T-Statistics	Sig.(2-Tailed)
AAR before – AAR after	1.617	0.117

(Source: Processed data, 2024)

Sectoral AAR Analysis

We next examine sector-level AAR differences (paired tests by sector). Only Non-Cyclical Consumers exhibit a significant shift in AAR (p = .009). The AAR path in this sector trends downward across the window: the peak occurs at t−2 (0.01608), followed by a trough at t+1 (−0.01114), a brief rebound, and another dip by t+5 (−0.01101).

Table 5. Inter-Sector AAR Results

No.	Sector	Sign. (2-tailed)	Description
1	Basic Materials	0.881	No difference
2	Cyclical Consumers	0.764	No difference
3	*Non-Cyclical Consumers*	*0.009*	*Significantly Different*
4	Energy	0.831	No difference
5	Financials	0.500	No difference
6	Healthcare	0.922	No difference
7	Industrials	0.223	No difference
8	Infrastructures	0.224	No difference
9	Technology	0.868	No difference

(Source: Processed data, 2024)

This profile indicates negative post-announcement revaluation concentrated in staples-oriented names as presented in Figure 3.

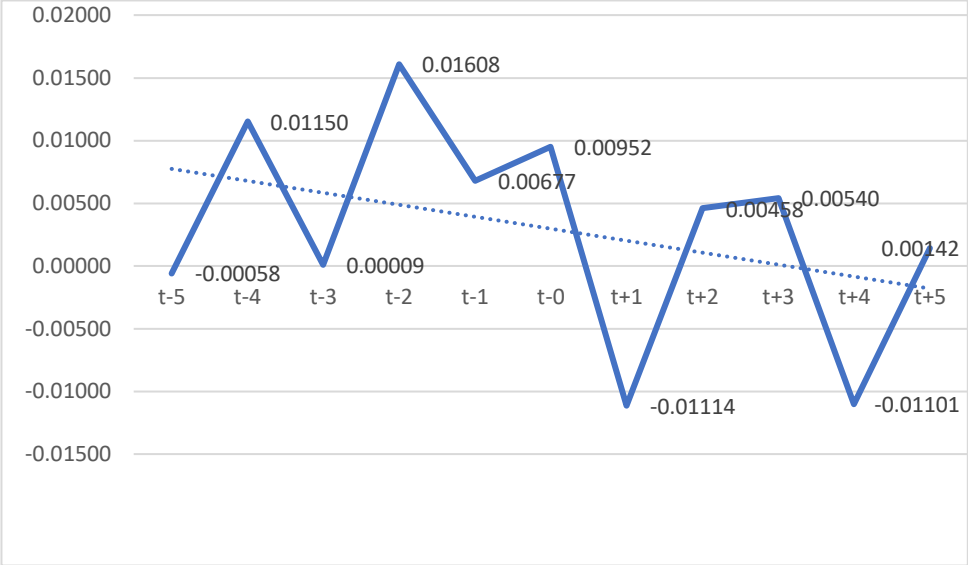

Figure 1. AAR Consumer Non-Cyclical during Event Period
(Source: Processed data, 2024)

Normality and Median-Difference Tests

The second variable examines differences in Trading Volume Activity (TVA) based on the number of shares traded. A normality test using the Kolmogorov-Smirnov method at a 5% significance level yielded the results presented in Table 6.

Table 6. TVA Normality (K–S)

Variable	T-Statistic	Asymp. Sig. (2-tailed)
TVA before	0.204	0.003
TVA after	0.142	0.125

(Source: Processed data, 2024)

K–S tests indicate TVA is non-normal pre-event but normal post-event, prompting a Wilcoxon signed-rank test for paired medians.

Table 2. Wilcoxon Signed Rank Test Results

	TVAbefore-TVAafter
Z	-2.561[b]
Asymp. Sig. (2-tailed)	0.010

(Source: Processed data, 2024)

With p = .010 (< .05), we reject H0 for TVA, median trading activity changes significantly across the announcement. The negative Z (−2.561) indicates the post-event TVA is generally lower, i.e., a cool-off in trading intensity following disclosure.

Sectoral TVA Analysis

The average Trading Volume Activity (TVA) shows a significant difference before and after the announcement of the 2024 Presidential Election winner on the Jakarta Islamic Index (JII).

Subsequently, sector-wise difference tests were conducted across the nine business sectors within the JII. Wilcoxon tests by sector identify where trading behavior shifted most.

Table 8. Inter-Sector Average TVA

No.	Sector	Sign. (2-tailed)	Description
1	*Basic Materials*	*0.008*	*Significantly Different*
2	Cyclical Consumers	0.655	No Difference
3	Non-Cyclical Consumers	0.068	No Difference
4	Energy	0.091	No Difference
5	Financials	0.070	No Difference
6	Healthcare	0.284	No Difference
7	Industrials	0.180	No Difference
8	Infrastructures	0.285	No Difference
9	Technology	0.161	No Difference

(Source: Processed data, 2024)

Only Basic Materials shows a significant TVA shift (p = .008). The sector's ATVA trajectory peaks at t−5 (2.20633), pops on t+1 (2.00911), and then declines steadily to t+5 (0.79721). This "spike-then-fade" suggests event-driven repositioning followed by post-announcement consolidation. TVA trend graph is presented in Figure 4.

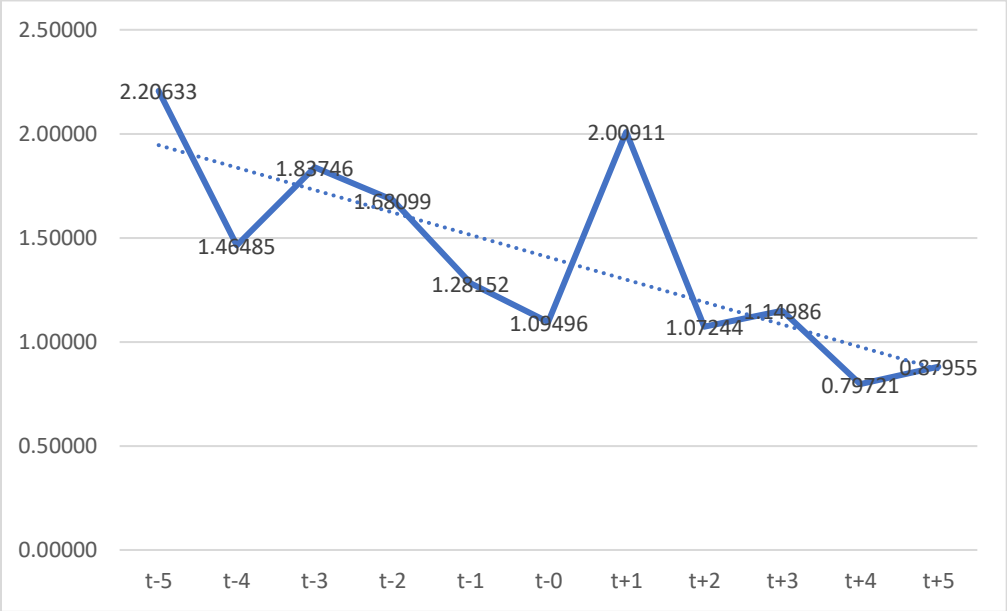

Figure 2. ATVA Basic Materials during Event Period
(Source: Processed data, 2024)

Discussion

This study investigates the market reaction of companies listed on the Jakarta Islamic Index (JII30) to the announcement of the winner of the 2024 Indonesian presidential election by the General Elections Commission (KPU). The analysis focuses on two key variables: abnormal returns (AR) and trading volume activity (TVA). The event window spans 11 trading days, covering t−5 to t+5 (March 13–27, 2024), with an estimation period of 60 trading days prior to the event window. The sample comprises all 30 firms included in the JII30 index, classified into nine business sectors.

Abnormal Returns and Market Efficiency

Figure 5 illustrates the AAR across nine sectors in the Jakarta Islamic Index (JII), with t0 marking the KPU's official announcement of the 2024 presidential election winner. The first hypothesis—predicting a difference in abnormal returns before and after the announcement—is rejected, as no significant change in AAR is observed at the aggregate JII30 level. This suggests the market efficiently absorbed the information, consistent with the Efficient Market Hypothesis (EMH), which posits that public disclosures are rapidly reflected in stock prices, eliminating abnormal profit opportunities (Rosman & Yudanto, 2022).

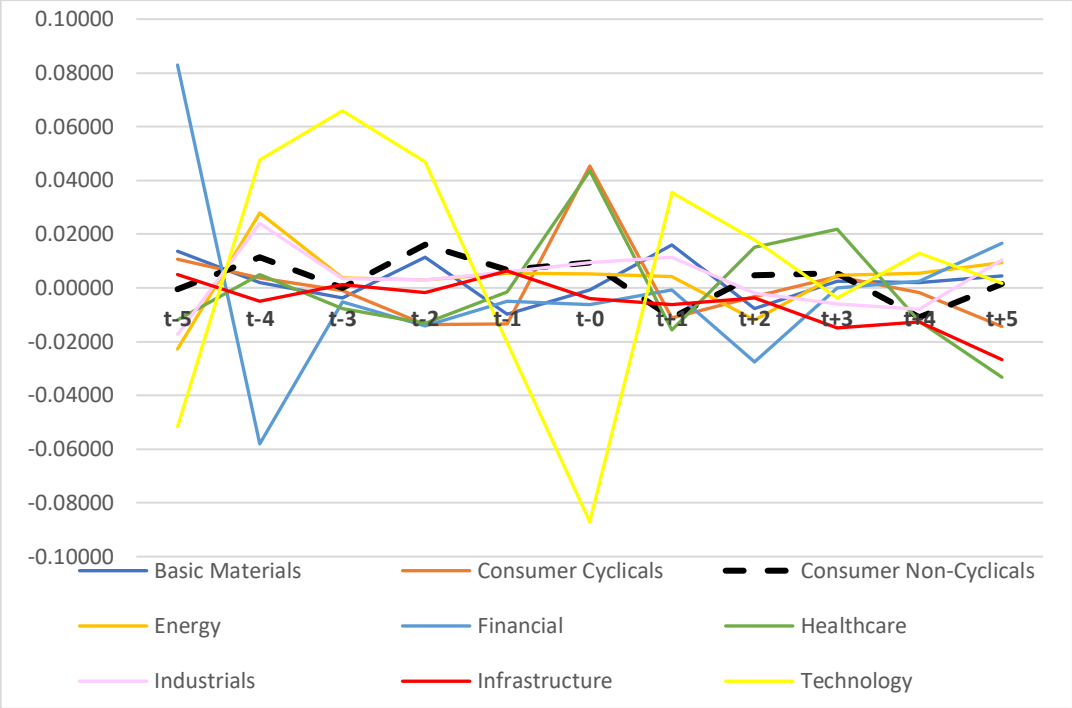

Figure 3. AAR Inter-Sector during Event Period
(Source: processed data, 2024)

This interpretation is further supported by contextual political factors. The vice president-elect, who is the son of former President Joko Widodo, was widely expected to continue policies aligned with the previous administration. Open support from Jokowi and the involvement of officials and business elites in the campaign reinforced perceptions of continuity (Kompas, 2023; CNBC, 2023). As a result, the official election outcome may have been largely anticipated, reducing its informational surprise and limiting its impact on aggregate abnormal returns.

Nonetheless, sectoral analysis reveals that the Non-Cyclical Consumer sector experienced a statistically significant decline in abnormal returns following the announcement. This reaction is linked to President Prabowo's flagship policy of providing free nutritious meals for all Indonesian students. While the program has the potential to stimulate demand for staple goods, investor sentiment turned negative due to concerns about implementation risks—ranging from corruption in procurement and distribution, to potential manipulation of beneficiary data, to uncertainty about budgetary sustainability and oversight mechanisms (Suwastoyo, 2024; Tempo, 2025; Santia, 2025). The declining AAR trend in this sector highlights how policy-specific risks

can outweigh anticipated benefits, leading to downward price adjustments despite a broadly efficient market.

These findings align with earlier comparative studies suggesting that Islamic capital markets often demonstrate higher informational efficiency relative to conventional markets. This greater efficiency may be attributed to Shariah compliance requirements and enhanced corporate governance disclosures (Ali et al., 2018). At the same time, the sectoral divergence observed here underscores the importance of policy-sensitive subsectors, where targeted government initiatives can produce asymmetric investor reactions.

Interestingly, this result differs from Utami and Qoyum (2020), who found significant AAR differences during the 2019 presidential election depending on the announcement type (quick count vs. KPU vs. Constitutional Court rulings). In that case, the source of information played a role in shaping investor confidence. By contrast, in 2024, the market's muted aggregate response suggests a higher degree of expectation alignment prior to the official KPU announcement.

Trading Volume Activity and Investor Behavior

The second hypothesis examined differences in TVA before and after the election announcement. Results show a statistically significant decline in TVA post-announcement at the aggregate JII30 level, thereby supporting H2. According to signaling theory, political announcements provide signals that investors interpret when making portfolio decisions. In this case, the KPU's announcement prompted investors to reevaluate their positions, leading many to adopt a "wait-and-see" strategy, which reduced overall trading intensity.

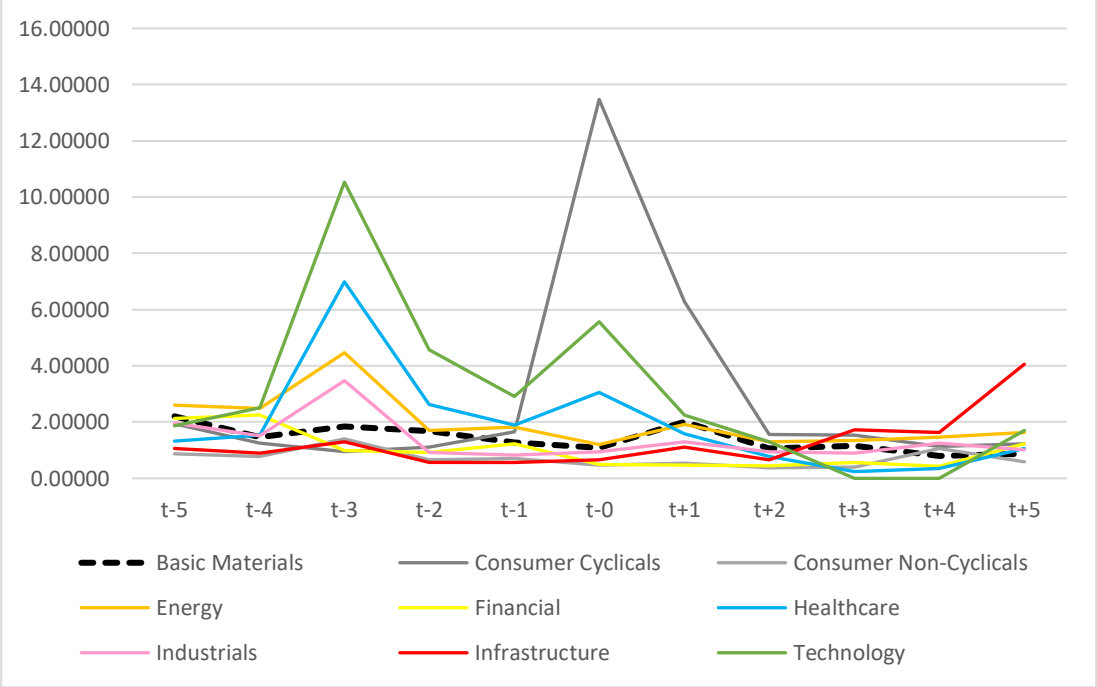

Figure 4. ATVA Inter-Sector during Event Period
(Source: processed data, 2024)

Figure 6 highlights a significant decline in trading volume within the Basic Materials sector. Activity peaked at t−5, briefly surged at t+1, then steadily dropped to its lowest point at t+5. This pattern suggests early repositioning followed by investor caution post-announcement. The drop

in TVA reflects weaker demand relative to supply, often leading to price pressure (Hendrayant et al., 2021). Despite initial optimism tied to President Prabowo's affiliations with agriculture and mining, investors remained uncertain about policy direction in this sector (Antara, 2024).

However, broader market forces such as weakening global commodity demand and falling export prices also dampened trading activity. Investors thus perceived the sector as facing significant structural challenges and chose to reduce exposure while awaiting greater policy clarity. This aligns with the "wait-and-see" behavior previously documented in political event contexts, where uncertainty curtails trading until more concrete information becomes available.

The observed pattern is consistent with earlier evidence from Amalia and Santosa (2022), who reported no difference in AR but a significant change in TVA around the 2019 presidential election for JII70 firms. Similarly, in the 2004, 2009, and 2014 elections, sector-specific variations—particularly in mining—emerged, but TVA shifts were not uniform across sectors. These findings suggest that trading activity is more sensitive than prices to short-term political announcements, reflecting how liquidity reacts faster than fundamental valuations.

Research Implications

These results yield several insights. First, the absence of abnormal returns supports the semi-strong form of EMH, suggesting that the JII efficiently integrates political information into stock prices. Second, trading activity patterns indicate heightened uncertainty, especially in policy-sensitive sectors, confirming the relevance of signaling effects in shaping investor behavior. Third, the significant sectoral responses (negative AR in Non-Cyclical Consumers and declining TVA in Basic Materials) demonstrate that political events can generate heterogeneous effects across industries, depending on policy expectations and market fundamentals.

From a practical standpoint, investors are advised to adopt a diversified portfolio strategy during political transitions, rather than concentrating on sectors that may be directly influenced by government programs or regulatory risks. Furthermore, consistent with Islamic investment principles, investors should prioritize rational decision-making, avoid speculative panic, and employ a "wait-and-see" strategy to mitigate risks of loss while monitoring the alignment of government policies with market fundamentals (Abadi & Fahrie, 2021).

CONCLUSION

This study investigated the market reaction of companies listed in the Jakarta Islamic Index (JII30) to the official announcement of the 2024 Indonesian presidential election results by the General Elections Commission (KPU). Using an event study approach on 30 firms across nine sectors, the analysis revealed no significant differences in abnormal returns (AR) before and after the announcement, except in the non-cyclical consumer sector, which exhibited a negative post-event trend. In contrast, trading volume activity (TVA) showed significant differences, particularly within the basic materials sector, reflecting a decline in investor trading intensity following the announcement. These results affirm the Efficient Market Hypothesis, suggesting that aggregate JII prices efficiently incorporated the election outcome, while sector-level variations highlight the asymmetric sensitivity of certain industries to political information.

The findings carry important implications for both theory and practice. From a theoretical perspective, the evidence reinforces the semi-strong form of EMH while also demonstrating the explanatory relevance of signaling theory in understanding sectoral differences. Practically, the results suggest that investors cannot consistently gain abnormal returns from election announcements but should closely monitor policy-sensitive sectors, such as non-cyclical consumer goods and basic materials, which react more sharply to political and policy shifts. For policymakers, the results emphasize the importance of communication and program clarity, as uncertainty around new policies—such as the free nutritious meals initiative—can generate negative sentiment in key industries.

Despite its contributions, this study is subject to several limitations. The relatively short event window (11 trading days) may not fully capture longer-term market adjustments, while reliance on AR and TVA alone may overlook other channels of market response, such as volatility or bid–ask spreads. Future research could extend the analysis by incorporating multiple event dates, such as election day, quick count results, and Constitutional Court rulings, to provide a more comprehensive picture of market dynamics. Expanding the scope to include comparative analyses with other indices or regional Islamic markets could also enrich understanding of how political events shape investor behavior across different contexts.

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