THE EFFECT OF THE 17TH APRIL 2019 ELECTION ON STOCK PRICES ON THE INDONESIA STOCK EXCHANGE

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Abstract: *Inter-party coalition is also inevitabel where with a good coalition will affect the macro economy of government work is quite good, characterized by increasing GDP per capita from year to year, controlled inflation in recent years, the ranking of debt securities that received investment grade , the debt to GDP ratio is relatively lower than other countries, interest rates continue to decline, there is progress in combating corruption. Investment grade is one of the activities contained in the capital market as a measure of the health of the economy which raises investors' enthusiasm to return to invest. Historical statistics 2003-04 and 2008-09, one year before the general election (election) usually the share price represented by the CSPI one time experienced a significant increase which rose 62.82% in 2003 and fell significantly namely -50.64% in 2008 and the same event also applies to government bonds, which rose 16.07% in 2003 and was relatively flat by -0.03% in 2008 after experiencing a significant decline in October - November. This study aims to determine the effect of the April 17, 2019 general election on stock prices on the Indonesia Stock Exchange. This study took a sample at the stage during the event period (event period) by utilizing the abnormal return situation. The research method that will be used is the event study method regarding political events or general elections by looking at the movement of stock prices on the Indonesia Stock Exchange. Data analysis in this study used Microsoft Excel software and SPSS. The results of this study are the return per day before the ten days of the April 2019 election and the return per day after the ten days of the April 2019 election does not affect the stock prices listed on the stock exchange, especially in companies listed in LQ-45 and if judging in terms of abnormal returns also do not has a significant influence on stock prices before and after the ten days of holding elections in April 2019.*

Keywords: Indonesia Stock Exchange, Stock Price, Abnormal Return, LQ-45

1. Introduction

Indonesia will soon hold general elections (PEMILU), which is around April 2019. This momentum is often used as a venue for self-promotion through political parties that are carried by using campaigns that have been arranged in such a way as to run smoothly using banners, door to door, or cyberspace. This is based on by Law Number 7 of 2017 concerning General Elections which states that general elections as a means of people's sovereignty which considers 4 (four) general election functions which are 1) building legitimacy, 2) strengthening elite circulation periodically, 3) provide representation and 4) political education facilities.

General elections (elections) will usually be followed by a large number of participating parties. Coalitions between parties are inevitabel where a good coalition will affect the macroeconomic work of this government quite well, which is marked by the increase in GDP per capita from year to year, controlled inflation in recent years, the rating of

debt securities that has received investment grade, debt to GDP ratio that is relatively lower than other countries, interest rates that decreased, progress in corruption eradicating. If this is not happening then the coalition is not good.

According to Tandelilin (2010), investment grade is one of the activities in the capital market, which is a measure of the healthy economy that causes investors to re-invest. Historical statistics 2003-2004 and 2008-2009, one year before the general election, usually the stock price represented by the IHSG once experienced a significant increase, increase by 62.82% in 2003 and a significant decrease by -50.64% in 2008 and the same incident also applies to government obligation, which increase by 16.07% in 2003 and relatively flat at -0.03% in 2008 after experiencing a significant decrease in October - November. According to Rudiyanto (2013) stated that "Frankly, I had not studied the capital market in 2003 so I do not know what caused the increase in stocks and obligations that year".

Other statistical data reveals that the data for 2003-2004 and 2008-2-09, in the year the General Election was held, usually the price of shares and government obligations always showed a significant increase where in 2004, the IHSG and IGBI increase by 44.56% and 21.49% and then in 2009 increase by 86.98% and 15.99%. The real purpose of this research is to provide educational purpose and analyze whether the April 2019 general election held by the Indonesian government has an effect on stock price movements. This research also considers the benefits of the research which are no less important as follows "increasing knowledge about the effect of the 17th April 2019 general election on stock prices on the Indonesia Stock Exchange". From the description of the problem above, the researcher is interested in conducting a study entitled "the effect of the 17th April, 2019 general election on stock prices on the Indonesia Stock Exchange (BEI)".

2. Theoretical Basis

Stock on the Indonesian Stock Exchange

According to Darmadji & Fakhruddin (2011), stock can be defined as a sign of the participation or ownership of a person or entity in a company or limited liability company, which usually consists of two types of stock, common stock and preference stock. Common stock according to Taufik (2011) is a stock where the stockholder represents ownership in the company as much as the invested capital, meaning that if he already owns these stocks, the ownership of a company is equal to the invested capital. Ownership will not cease until the shares are sold to other investors. Meanwhile, the preferential stock (preference stock) according to Taufik (2011) is a hybrid stock, which is a mixture of common stock with a fixed income effect, because the owners of these stocks will receive regular income which is distributed regularly in the form of dividends. In order for this stock to be known by the public, the company must facilitate the stocks marketing, which is usually called the trade activity or capital market.

Trade Activity

Law Number 8 of 1995 states that the capital market is an activity concerned with public offerings and stock or securities trading for public companies, institutions and professions related to stock or securities. However, the trade activity media in Indonesia is commonly known as the Indonesia Stock Exchange (BEI).

Trade activity of Indonesian Stock Exchange users must consider fundamental decisions. Judging from the level 2 Indonesian Stock Exchange sources, fundamental decisions are including financial conditions, company or industry performance, macro and micro conditions as well as technical decisions. Based on the opinion of Gene at all (2003)

stated that technical decisions are include last year's price (historical price), patterns and indicators. Trade activity in making decisions to sell and buy stocks is inseparable from observing stock prices and trading volume data on past time.

According to Tandelilin (2001) this is usually called trading volume activity. It is not only the price that needs to be considered, but there are even more dominant ones to consider which are technical decisions such as general election events, commonly referred to as trend analysis indicators which usually affect the fluctuation of stocks that have been circulating through the Indonesia Stock Exchange.

3. Hypotesis

The Effect of General Election 17th April 2019 on Stock Prices

The assessment of the stock market price is also inseparable from the supply and demand made by investors for stocks. This is in accordance with what is expressed by Jogiyanto (2000: 91), that basically the increase or decrease in demand for shares cannot be separated from various information. Such information can be grouped into 3 types, namely (1) fundamental Information, this information is related to the company, the general condition of similar industries and other factors that affect the condition and prospects of the company in the future. (2) technical Information, this information reflects conditions of economic trade, fluctuations in exchange rates and transaction volume, volume and frequency of transactions and market forces, and (3) Information relating to the environment, this information is related to economic, political and state security conditions, inflation rates, and monetary policy. Therefore, politics such as general elections is one type of information that must be considered. So, in a research scheme entitled "The Effect of the 17th April 2019 Election on Stock Prices on the Indonesia Stock Exchange" it can be described as follows:

Based from the scheme above, the hypothesis that can be described is as follows:
   H1: The 17th April 2019 General Election has a positive effect on stock prices.

4. Research Method

Population is the whole group consisting of peoples, events or things the writer wants to research. The population taken in this study were general election activities on 17th April 2019 which included pre-election stages, general election stages and post-election stages to observe stock price movements of the Indonesia Stock Exchange.

According to O'Leary (2011), there are two research periods, the event period the and estimation period. The event period is seven days before up to seven days after the event occurs. According to Manurung and Cahyanti's opinion (2007) the event period is used to calculate the abnormal return of the sample at the time of the event. The estimation period mentioned is 30 days before the event. So, this study takes samples at the stage during the event period by taking advantage of the abnormal return situation at companies listed in LQ-45.

The research method used is the event study method regarding political events or such as general elections by looking at stock price movements on the Indonesia Stock Exchange. According to Jogiyanto (2007), the event study method is a study that studies the stock market's reaction to events who's the information has been published as an

announcement. For example, measuring the market's reaction to political events such as the general election on 17th April, 2019. In order to support the course of this study, researchers used time series secondary data in the form of the Composite Stock Price Index (IHSG) and daily stock data.

Data analysis used in this study used Microsoft Excel and SPSS software. The data that will be calculated are data in the event period by utilizing the abnormal return situation. Event study method is needed with several stages as revealed by Trisnawati (2010):

a. Defining sample
b. Identify the announcement day of the general election 17th April 2019 (event day)
c. Calculate the returns per day during the event using a formula
$$R_{it} = P_{it} - P_{it} / P_{it-1}$$
d. Calculating the abnormal return with the formula
$$R_{mt} = IHSG_t - IHSG_{t-1} / IHSG_{t-1}$$
e. Doing t-difference test, which compares the t-count with the t-statistics contained in the statistical tabel.

5. Result And Analysis

5.1 Result

This study took a sample of LQ-45 stocks by paying attention to the stages during the event period by taking advantage of the abnormal return situation with reference to events ten days before and ten days after the election. The following is a list of companies listed in LQ-45 stocks and return which can be seen in Tabel 4.1.

Table 1
Companies Listed in LQ-45 Stocks

No	Stock Code	Company
1	ADHI	Adhi Karya (Persero) Tbk.
2	ADRO	Adaro Energy Tbk.
3	AKRA	AKR Corporindo Tbk.
4	ANTM	Aneka Tambang Tbk.
5	ASII	Astra International Tbk.
6	BBCA	Bank Central Asia Tbk.
7	BBNI	Bank Negara Indonesia (Persero) Tbk.
8	BBRI	Bank Rakyat Indonesia (Persero) Tbk.
9	BBTN	Bank Tabungan Negara (Persero) Tbk.
10	BMRI	Bank Mandiri (Persero) Tbk.
11	BRPT	Barito Pacific Tbk.
12	BSDE	Bumi Serpong Damai Tbk.
13	CPIN	Charoen Pokphand Indonesia Tbk
14	ELSA	Elnusa Tbk.
15	ERAA	Erajaya Swasembada Tbk.
16	EXCL	XL Axiata Tbk.
17	GGRM	Gudang Garam Tbk.
18	HMSP	H.M. Sampoerna Tbk.
19	ICBP	Indofood CBP Sukses Makmur Tbk.
20	INCO	Vale Indonesia Tbk.
21	INDF	Indofood Sukses Makmur Tbk.

22	INDY	Indika Energy Tbk.
23	INKP	Indah Kiat Pulp & Paper Tbk.
24	INTP	Indocement Tunggal Prakarsa Tbk.
25	ITMG	Indo Tambangraya Megah Tbk.
26	JSMR	Jasa Marga (Persero) Tbk.
27	KLBF	Kalbe Farma Tbk.
28	LPPF	Matahari Department Store Tbk.
29	MEDC	Medco Energi Internasional Tbk.
30	MNCN	Media Nusantara Citra Tbk.
31	PGAS	Perusahaan Gas Negara (Persero) Tbk.
32	PTBA	Bukit Asam Tbk.
33	PTPP	PP (Persero) Tbk.
34	PWON	Pakuwon Jati Tbk.
35	SCMA	Surya Citra Media Tbk.
36	SMGR	Semen Indonesia (Persero) Tbk.
37	SRIL	Sri Rejeki Isman Tbk.
38	TKIM	Pabrik Kertas Tjiwi Kimia Tbk.
39	TLKM	Telekomunikasi Indonesia (Persero) Tbk.
40	TPIA	Chandra Asri Petrochemical Tbk.
41	UNTR	United Tractors Tbk.
42	UNVR	Unilever Indonesia Tbk.
43	WIKA	Wijaya Karya (Persero) Tbk.
44	WSBP	Waskita Beton Precast Tbk.
45	WSKT	Waskita Karya (Persero) Tbk.

To find out the effect of the election on stocks in the April 2019 period, the data analysis carried out are return per day during the event, which is ten days period before the 17th April 2019 election and returns per day for a period of ten days after the 17th April 2019 elections can be seen in tabel 4.2.

Table 2
Return per day ten days period before the April 2019

No	Stock Code	Company	∑Return on ten days period before the 17th April 2019 election (April 1st until 15 April 2019)	∑Return on ten days period after the 17th April 2019 election
1	ADHI	Adhi Karya (Persero) Tbk.	-14,74%	-7%
2	ADRO	Adaro Energy Tbk.	-1,39%	1%
3	AKRA	AKR Corporindo Tbk.	-1,45%	-10%
4	ANTM	Aneka Tambang Tbk.	-4,79%	-15%
5	ASII	Astra International Tbk.	5,40%	-5%
6	BBCA	Bank Central Asia Tbk.	-0,02%	0%
7	BBNI	Bank Negara Indonesia (Persero) Tbk.	2,70%	-10%
8	BBRI	Bank Rakyat Indonesia	4,51%	-5%

		(Persero) Tbk.		
9	BBTN	Bank Tabungan Negara (Persero) Tbk.	8,39%	-5%
10	BMRI	Bank Mandiri (Persero) Tbk.	1,86%	-74%
11	BRPT	Barito Pacific Tbk.	10%	-5%
12	BSDE	Bumi Serpong Damai Tbk.	-3%	-13%
13	CPIN	Charoen Pokphand Indonesia Tbk	-3%	-20%
14	ELSA	Elnusa Tbk.	2%	-6%
15	ERAA	Erajaya Swasembada Tbk.	-14%	-33%
16	EXCL	XL Axiata Tbk.	2%	0%
17	GGRM	Gudang Garam Tbk.	0%	3%
18	HMSP	H.M. Sampoerna Tbk.	-1%	-7%
19	ICBP	Indofood CBP Sukses Makmur Tbk.	-2%	5%
20	INCO	Vale Indonesia Tbk.	-8%	-9%
21	INDF	Indofood Sukses Makmur Tbk.	3%	8%
22	INDY	Indika Energy Tbk.	-4%	0%
23	INKP	Indah Kiat Pulp & Paper Tbk.	-6%	0%
24	INTP	Indocement Tunggal Prakarsa Tbk.	10%	-7%
25	ITMG	Indo Tambangraya Megah Tbk.	-8%	-18%
26	JSMR	Jasa Marga (Persero) Tbk.	3%	-7%
27	KLBF	Kalbe Farma Tbk.	0%	-1%
28	LPPF	Matahari Department Store Tbk.	-11%	12%
29	MEDC	Medco Energi Internasional Tbk.	-7%	-4%
30	MNCN	Media Nusantara Citra Tbk.	12%	8%
31	PGAS	Perusahaan Gas Negara (Persero) Tbk.	0%	-7%
32	PTBA	Bukit Asam Tbk.	-5%	-4%
33	PTPP	PP (Persero) Tbk.	11%	-14%
34	PWON	Pakuwon Jati Tbk.	-1%	12%
35	SCMA	Surya Citra Media Tbk.	7%	4%
36	SMGR	Semen Indonesia (Persero) Tbk.	-4%	-17%
37	SRIL	Sri Rejeki Isman Tbk.	-1%	1%
38	TKIM	Pabrik Kertas Tjiwi Kimia Tbk.	-4%	11%
39	TLKM	Telekomunikasi Indonesia (Persero) Tbk.	-1%	0%
40	TPIA	Chandra Asri Petrochemical Tbk.	-8%	-3%

41	UNTR	United Tractors Tbk.	-3%	3%
42	UNVR	Unilever Indonesia Tbk.	0%	-8%
43	WIKA	Wijaya Karya (Persero) Tbk.	7%	16%
44	WSBP	Waskita Beton Precast Tbk.	7%	-7%
45	WSKT	Waskita Karya (Persero) Tbk.	5%	-8%

The third data analysis is the abnormal return in the ten days period before the April 2019 election, it can be seen in Tabel 4.3 below.

Table 3
Abnormal Return Ten Days Period Before April 2019 Election

Date	Code	Annotation	Return
1-April-19	IHSG	Composite Stock Price Index	0,003635738
02-Apr-19	IHSG	Composite Stock Price Index	0,002865936
04-Apr-19	IHSG	Composite Stock Price Index	-0,003173391
05-Apr-19	IHSG	Composite Stock Price Index	-0,007459044
08-Apr-19	IHSG	Composite Stock Price Index	0,009122699
09-Apr-19	IHSG	Composite Stock Price Index	-0,000928389
10-Apr-19	IHSG	Composite Stock Price Index	-0,01052123
11-Apr-19	IHSG	Composite Stock Price Index	-0,000670809
12-Apr-19	IHSG	Composite Stock Price Index	0,004570808
15-Apr-19	IHSG	Composite Stock Price Index	0,007208845

The fourth stage of the data analysis process regarding abnormal returns in the ten-day period after the April 2019 election, can be seen in Tabel 4.4 below.

Table 4.
Abnormal Returns Ten Days Period After April 2019 Election

Date	Code	Annotation	Return
22-Apr-19	IHSG	Composite Stock Price Index	-0,014211906
23-Apr-19	IHSG	Composite Stock Price Index	0,007495238
24-Apr-19	IHSG	Composite Stock Price Index	-0,002311684
25-Apr-19	IHSG	Composite Stock Price Index	-0,011645688
26-Apr-19	IHSG	Composite Stock Price Index	0,004439186
29-Apr-19	IHSG	Composite Stock Price Index	0,003877471
30-Apr-19	IHSG	Composite Stock Price Index	0,004583016
2-Mei-19	IHSG	Composite Stock Price Index	-0,043518942
3-Mei-19	IHSG	Composite Stock Price Index	0,023490466
6-Mei-19	IHSG	Composite Stock Price Index	-0,009986613

The Last data analysis in this study is related to the t-difference test, which compares the t-count with the t-statistic in tabel 4.5 below.

Tabel 5

The t-Difference test (Comparison of t-count with t-statistic)
Paired Samples Test

		Paired Differences			
					95% Confidence Interval of the Difference
		Mean	Std. Deviation	Std. Error Mean	Lower
Pair 1	PRETEST – POSTTEST	-,0544276	,9481433	,0442074	-,1413016

Paired Samples Test

		Paired Differences			
		95% Confidence Interval of the Difference			Sig. (2-tailed)
		Upper	t	df	
Pair 1	PRETEST – POSTTEST	,0324464	-1,231	459	,219

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PRETEST	-,000340	460	,0279275	,0013021
	POSTTEST	,054087	460	,9482302	,0442115

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	PRETEST & POSTTEST	460	,018	,703

5.2 Analysis

Based on trade trading theory, it defines that in making decisions to sell and buy stocks cannot be separated from observations of the price data and stock trading volume in the past. However, it has been synergized with other theories such as technical decisions. This is showed in general election events, commonly referred to as trend analysis indicators, which usually affect the fluctuation of shares that have been circulating through the Indonesia Stock Exchange. The test results show

1) The t-count is -1.231 with df = 459 = 0.219 (-1.833) at the 60% level of trust because t-count (-1.231)> t tabel (-1.833), then H1 is rejected, which means that there is a significant difference between abnormal returns before t-10 April 2019 elections with Abnormal Return after t+10 April 2019 elections. In other words that stock prices are

not significantly affected by the issue of the General Election held in April 2019, both ten days before and ten days after the implementation.

2) In addition, looking from the second significance tabel, the significant value of returns per day after and before the ten days of the election held in April 2019 was 0.703, which means that H1 was rejected. This is a benchmark that returns per day after and before the ten days of the April 2019 elections do not have a significant effect on stock price.

From the test results, can be concluded that the April 2019 election activities which were predicted to have an impact on price fluctuations did not actually have any impact on trend analysis indicators in the Indonesia Stock Exchange for ten days before and after the election event.

6. Conclusions And Suggestions

In this study, can be concluded that returns per day on ten days period before and after April 2019 elections do not affect the price of stocks on the stock exchange market, especially on companies listed in LQ-45 and when viewed from an abnormal return perspective, it also does not have a significant effect on stock prices before and after the ten-day period of election in April 2019.

Suggestions that can be given by researchers in this research, should be more anticipatory in receiving and responding to relevant and irrelevant information that directly or indirectly affects the capital market and capital market players should also be more sensitive to various activities or events that can directly or indirectly affect stock prices and trading volume activity, of course market players are also required to be careful in weighing the relevance of events and stock price movements on the stock market.

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