IMPACT OF POLITICAL EVENTS ON STOCK MARKET PERFORMANCE: EVIDENCE FROM INDONESIA IN 2012-2017

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IMPACT OF POLITICAL EVENTS ON STOCK MARKET PERFORMANCE: EVIDENCE FROM INDONESIA IN 2012-2017

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ABSTRACT

Capital markets play an important role in the economy field. The rapid growth of the capital market can contribute to the economic growth of a country. This could help in increasing productivity in the economy. However, the capital market can be affected by several factors such as political events. This study aims to analyze the impact of political events on stock market performance: evidence from Indonesia in 2012-2017. In this study, political events are divided into 3 categories, namely Election Events, Corruption Cases, and Political Figures Cases. The sample used in this study are LQ45 stocks listed Indonesia Stock Exchange (IDX). The data are taken from Mandiri Sekuritas website. The results of the study indicate that election events, corruption cases, and political figures cases have insignificant impact with the error level 10%. If summed up in general, political events also have insignificant impact. The researcher used event study method and EVIEWS software for calculation.

Keywords*: Political Events, Event Study, Abnormal Return, Indonesia.*

ABSTRAK

Pasar modal memainkan peran penting dalam bidang ekonomi. Pertumbuhan pesat pasar modal dapat berkontribusi pada pertumbuhan ekonomi suatu negara. Ini dapat membantu dalam meningkatkan produktivitas perekonomian. Namun, pasar modal dapat dipengaruhi oleh beberapa faktor seperti peristiwa politik. Penelitian ini bertujuan untuk menganalisis Dampak dari Peristiwa Politik pada Kinerja Pasar Saham: Bukti dari Indonesia pada Tahun 2012-2017. Dalam penelitian ini, peristiwa politik dibagi menjadi 3 kategori, yaitu Pemilihan Umum, Kasus Korupsi, dan Kasus Tokoh-tokoh Politik. Sampel yang digunakan dalam penelitian ini adalah saham LQ45 yang terdaftar di Bursa Efek Indonesia (BEI). Data diperoleh dari situs Mandiri Sekuritas. Hasil penelitian menunjukkan bahwa Pemilihan Umum, Kasus Korupsi, dan Kasus Tokoh-tokoh Politik memiliki dampak yang tidak signifikan dengan tingkat kesalahan 10%. Jika disimpulkan secara umum, peristiwa politik juga memiliki dampak yang tidak signifikan. Peneliti menggunakan metode Event Study dan perangkat lunak EVIEWS dalam perhitungan.

Kata Kunci*: Peristiwa Politik, Event Study, Return Abnormal, Indonesia*

I. INTRODUCTION

Capital markets play an essential role in the economy field. The rapid growth of the capital market can contribute to the economic growth of a country, because it could help in increasing production and productivity in the economy. The capital markets performance can be influenced by many factors such as the interest rate, inflation, trends, politics and regulations, industry competition, as well as the performance of the company.

One of the factors that could affect the capital markets performance is politics. Political events are something that cannot be avoided by every country. Political changes or political instability of a country could make the stock prices changed. The stock price can either going up or going down in the stock market due to political uncertainty. According to Suleman (2012) in his research, he found that the good political news has a positive impact on the returns of the KSE100 index and bad political news has a negative impact on the returns (decrease the return).

An unstable political condition can reduce the number of investors who invest in the stock market because they are reluctant to invest in areas with unstable political conditions. According to Manzoor (2013), political stability is favorable for the investors because investors feel less risk in the market where political conditions are stable.

Indonesia has experienced many political shocks in recent years, our political conditions can be said to be unstable. This is why the researcher chooses this topic because many political events happened in Indonesia especially during the time span from 2012-2017. To make it easier, the researcher makes 3 categories they are election event, corruption cases, and political figures cases. The researcher wants to know whether or not these political events have an impact to the Indonesian Stock Exchange and also to add the collection of research on this topic.

II. LITERATURE REVIEW

Investment in Capital Markets

Investment in capital market is investing money in capital market to gain profit in the future. Capital markets are markets where equity and debt instruments are traded. Capital markets help in channeling the surplus funds from investors to the companies so that the money can be used productively and does not stop in one place. Investment in capital market is done in fixed-income securities and equity securities. Fixed-income securities include treasury bonds, agency bonds, municipal bonds, corporate bonds, asset-backed securities, and mortgage-backed securities (Jones, 2010). Meanwhile, equity securities include preferred stock and common stock.

Efficient Market Hypothesis

Efficient Market Hypothesis was first introduced by Fama in 1970. Based on Brown & Reilly (2009), Fama presented the efficient market theory in terms of a fair game model, contending that investors can be confident that a current market price fully reflects all available information about a security and the expected return based upon this price is consistent with its risk. This theory is often used to analyze stock prices when events have occurred, such as natural disasters, political events, mergers and acquisition, issue of bonus shares, earnings announcement, and so forth.

According to Fama (1970), efficient market hypothesis is divided into three types, namely weak-form efficiency, semi-strong form efficiency, and strong-form efficiency. Weak-form efficiency is when the current stock prices fully reflect all security market information. Semi-strong form efficiency is when the current stock prices fully reflect all available public information. Strong-form efficiency is when the stock prices reflect both public and private information.

Factors that Influence Capital Market Performance

Capital markets can be influenced by many factors. Those factors could influence the overall performance of the capital market, it could be negative performance or positive performance. The factors include:

1. interest rates, high interest rates reduce the present value of future cash flows and it can reduce the attractiveness of investment opportunities.
2. inflation, high inflation is negative for stocks, it causes higher market interest rates, more uncertainty about future prices and costs, and harms firms that cannot pass through cost increases (Brown & Reilly, 2009).
3. trends, consumer behavior is affected by trends and fads. The rise and fall of the company's products and services can be caused by changes in consumer taste.
4. politics and regulations, because political change reflects social values, today's social trend may be tomorrow's laws, regulation, or tax and the industry analyst needs to project and assess political changes relevant to the industry under study (Brown & Reilly, 2009). Regulation change can affect numerous industries, for instance, the retail industry. Change in the regulation could affect the cost of shipping and this will affect retailers' costs.
5. industry competition, Porter believes that the competitive environment of an industry determines the ability of the firms to sustain above average rates of return on invested capital.
6. performance of the company, the performance of the company can also affect the performance of the capital market. Companies that have less good performance will have an impact on their stock prices.

Political Factor and Capital Market

According to Dangol (2013), there are various factors that affect stock market price behavior, they bring out over or under reaction in the market. For instance, political factors. The stock market can become volatile when political events occur. According to Rames & Rajumesh (2015), developing countries have less stable political environment than developed countries. In other words, developing countries tend to have more political events. This is because developing countries tend to be inconsistent and fluctuate in terms of policy especially when a government change took place. A disturbed political system caused decline in the economic performance of a country (Mahmood et al, 2014). Unstable political situations reduced foreign investment in stock market and cause volatility because investors are reluctant to invest in more diverse political conditions (Chan & John, 1996; Mahmood et al, 2014).

The study of political events and stock market price behavior occupies an important place in financial management (Dangol, 2013). In the past, a lot of research work is done to check the relationship between the stock market and political events. According to Chau, Deesomsak, & Wang (2014), the results of their research indicate that the Arab Spring (and the associated political turbulence) has contributed to the volatility of MENA stock markets, especially for the Islamic indices. In Thailand, the RSET and RBANK were volatile according to political events because of an outbreak of violence towards anti-government groups (Khositkulporn et al, 2017).

Hypothesis Development

a. The Effect of Election Events on Stock Market Performance

Election is the process of choosing someone to fill an office or position. The examples of election are the presidential election, regional head election, and legislative elections. Stock market participants will incorporate expectations about political change into stock prices prior to an election and adjust their opinion according to the actual decision making following the election (Oehler et al, 2013).

According to Nezerwe (2013) in his research, he found that the presidential elections that took place on September 7th 2005 and June 17th 2012 in Egypt had positive impact on the stock returns. According to Oehler et al (2013) in their study, they document that the elections of all recent U.S. presidents, regardless of their political affiliation, have prompted abnormal company and sector returns. In Malaysia, the general election that took place in 1995 to 2013 has significant effect before and after the election (Liew & Rowland, 2016). Therefore, the following hypothesis is formed:

H1: The election events have an impact on the stock market performance.

b. The Effect of Corruption Cases on Stock Market Performance

In the academic literature, corruption is often defined as the misuse of public office for private gains (Klitgaard, 1991; Ng, 2006). The World Bank calls corruption ‘‘the single greatest obstacle to economic and social development, it undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends". Corruption can slow the economic growth of a country because the state money that should be used for economic growth is used for personal interest and benefit.

According to Ayaydin & Baltaci (2013), they found that corruption is significantly associated with stock market development. According to Aljazaerli et al (2016), they confirms a positive impact of corruption on stock market development. According to Qadir & Yaroson (2013), they found that corruption has significant impact in the development of the stock market.

Therefore, the following hypothesis is formed:
H2: The corruption cases have an impact on the stock market performance.

c. **The Effect of Political Figures Cases on Stock Market Performance**

According to Milyo (2014), the first key element of an event study is to identify an event that contains surprising information, the sudden and untimely death of a powerful politician would be one such example. Sometimes events that have been anticipated to occur can still affect the movement of stock prices in the market. For instance, the death of the minister who had been hospitalized for a long time.

According to Roberts (as cited in Milyo, 2014), he examines the effect of Senator Jackson's death on both financial and geographic client firms. He observe that firms located in Washington and Georgia did realize abnormal returns of about -2 percent and +1 percent, respectively. Bo Xilai political scandal caused a significant drop in stock prices, in particular the stock prices of firms that were the most sensitive to changes in government policies (Liu et al, 2017). Milyo & Smart (as cited in Milyo, 2014) they find large and significant effects for geographic clients; firms located in Illinois realized a 4 percent abnormal return compared to those in Louisiana in the immediate aftermath of Livingston's resignation.

Therefore, the following hypothesis is formed:
H3: The political figures cases have an impact on the stock market performance.

III. RESEARCH METHODS

Population and Sample

The population of this research is the total stocks listed in Indonesian Stock Exchange (IDX) which is 569 stocks from all sector. The sample of this research is all stocks incorporated in LQ45. LQ45 stocks are changing every 6 months, so the researcher uses all LQ45 lists start from 2012 until 2017.

Type and Source of Data

This study uses a quantitative type of study. The data of this research is the historical price of each sample stocks with a span of time from 2012 until 2017. The historical prices of the sample stocks are taken from Indonesian Stock Exchange (IDX).

Research Variable and Operational Definition

a. **Election Events**

Election system is an essential factor in democracy country. The main characteristic of election is in the process. The process includes candidate selection, campaigning, debate between candidates, mobilization and voting, and the announcement of the results. According to Wojtasik (2013), key features of elections in democratic systems are uncertainty of the electoral outcome which depends only on the decision of voters, possibility of a real alternation of power and formation of a de facto division into those in power and the opposition.

b. Corruption Cases

According to Aktan (2015) political corruption is the behavior and action of violating the contemporary laws, ethics, religious and cultural norms of the society by the actors (voters, politicians, bureaucrats, interest and pressure groups) which has a role in the decision making. The basic characteristics of political corruption as follows (Aktan, 1992; Aktan, 1997; Aktan 2015):

1. Political corruption appears in the political process. Political process is the structure where the decision-making of the government takes place.
2. Political corruption occurs in the relationship between political actors (politicians, bureaucrats, interest and pressure groups).
3. The political actors which has a right to make decisions due to political corruption, uses their political power and authority to violate the present legislations, norms and ethical rules.
4. The public officials that abuses their power and authority provide themselves or others with in-kind or financial "interests".
5. Political corruption is generally confidential.

c. Political Figure Cases

Political case / political scandal is a violation that discredits an incumbent or government institutions. The major political case / political scandal could decrease the public trust in the government. According to Thompson (as cited in Allern & Pollack, 2012) he listed five key characteristics of political scandal as follows:

1. A violation of fixed values, norms or moral codes.
2. The violation must be known to persons other than the parties themselves. A scandal arises only when the situation comes into the public spotlight.
3. There must be people who are shocked with the case.
4. There must be players who are willing to voice their criticism in public.
5. The allegation involving the violation of fixed values, norms or rules threatens the politician's reputation and renown.

Table 1: Lists of Events

No.	Name of the events	Date
1.	The corruption of megaproject Hambalang	19 July 2012
2.	The winning of Jokowi and Ahok as a Governor and Vice Governor of Jakarta	28 September 2012
3.	The corruption of imported beef	30 January 2013
4.	The bribery case of regional head election dispute	3 October 2013
5.	The Presidential election 2014	22 July 2014
6.	The issue of Jokowi and Jusuf Kalla's cheating in their victory as a president and vice president of Indonesia 2014	25 July 2014
7.	The bribery case of Budi Gunawan	13 January 2015
8.	The case of Freeport	16 November 2015
9.	The Minister possession of American passport	13 August 2016
10.	The defamation of religion case by Governor Jakarta	6 October 2016
11.	The winning of Anies and Sandiaga as a Governor and Vice Governor of Jakarta	30 April 2017
12.	E-Ktp Corruption	19 November 2017

This study uses event study. Event study is most common technique to check the impact of various events on the efficiency of stock market (Mahmood et al, 2014). It is a method used to test the market efficiency in semi-strong form. The windows period of this study is 7 days, so 3 days before the announcement and 3 days after the announcement.

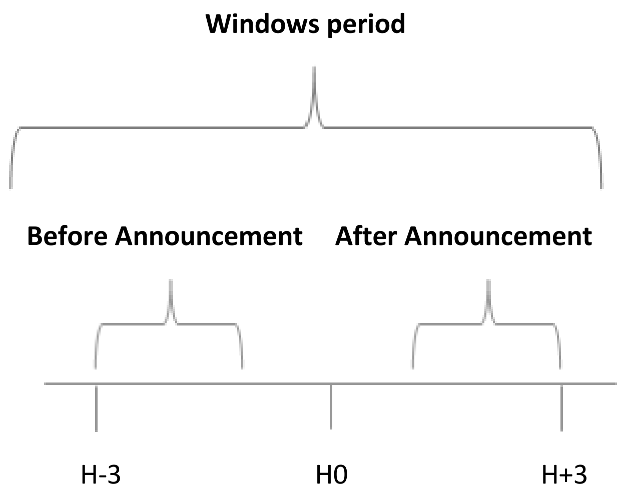

Figure 1: Timeline of study

In event study, calculating the abnormal return is necessary. According to Jogiyanto (2013), abnormal return is the excess of the actual return occurs to normal return which is expected return by the investor. In simple words, abnormal return is the difference between actual return and expected return. The formula for the abnormal return of stock i on day t uses the formula below:

$$\boxed{ARit = Rit - E(Rit)}$$

where:
ARit = the abnormal return rate of securities i at time t
Rit = the actual return of securities i at time t
E(Rit) = the expected return on securities i in period t

To calculate the actual return using the following formula:

$$Rit = \frac{Pit - Pit - 1}{Pit - 1}$$

Where:
Rit = Stock return i on day t
Pit = Stock price i on day t
Pit - 1 = Stock price i on day t – 1

To estimate the expected return using one of estimation model as follows:

Market-adjusted Model
This model does not use the estimation period to form the estimation model since the estimated security return is equal to the market price index return (Brown and Warner, 1985; Jogiyanto, 2008).

Hypothesis Testing

T-test

The statistical t-test is used to analyze the difference between the means of market abnormal returns in the pre and post event period (Nazir et al, 2014). To calculate the T-test, this study uses E-views 9.

Based on the significance t-value (define significant level (α) = 10%) :

1. If probability ≤ 0.1, then Ho is rejected and Ha is accepted which means that there is an abnormal return.
2. If probability ≥ 0.1, then Ho is accepted and Ha is rejected which means that there is no abnormal return.

IV. DATA ANALYSIS AND DISCUSSION

Table 2: The descriptive statistic of research variables

VARIABLES	Mean	Median	Maximum	Minimum	Std. Dev.
Abnormal Return	-0.000406	-0.000500	0.151700	-0.106800	0.020674
Market Return (IHSG)	0.000383	0.000570	0.018306	-0.024611	0.007191
Stock Return	-0.000022	0.000000	0.150013	-0.124298	0.022509

Source: Eviews 9

From the data above The mean of abnormal return is -0.000406, the median is 0.000500, the maximum is 0.151700, the minimum is 0.106800, and the standard deviation is 0.020674. For market return, the mean is 0.000383, the median is 0.000570, the maximum is 0.018306, the minimum is 0.024611, and the standard deviation is 0.007191. Meanwhile for the stock return, the mean is -0.000022, the median is 0.000000, the maximum is 0.150013, the minimum is 0.124298, and the standard deviation is 0.022509.

Election Events

The first category to be discussed is election events, events included in election events category are the winning of Jokowi and Ahok as a governor and vice governor of Jakarta, presidential election 2014, the issue of Jokowi and Jusuf Kalla's cheating in their victory as a president and vice president of Indonesia 2014, and the winning of Anies and Sandiaga as a governor and vice governor of Jakarta. Events were considered to be significant if the probability of T-1, T0, or T+1 showed a number below or equal to the error rate which is 10% or 0.10.

Table 3: T-test results of election events category

Election Events	Tm3		Tm2		Tm1		T0	
	Mean	Probability	Mean	Probability	Mean	Probability	Mean	Probability
Jakarta Governor 2012	0.006207	0.0316	-0.003802	0.1326	0.002716	0.3148	0.000367	0.8868
Presidential Election 2014	-0.006104	0.0080	0.002007	0.3483	0.005596	0.0881	-0.003427	0.1472
The cheating issue in election 2014	-0.003427	0.1472	0.001576	0.5508	-0.000598	0.8728	-0.004500	0.4079
Jakarta Governor 2017	-0.000411	0.8767	0.005567	0.0548	-0.001842	0.3590	0.000000	1.0000
ALL ELECTION EVENTS	-0.000934	0.4685	0.001337	0.2962	0.001468	0.3246	-0.001890	0.2374

Election Events	T1		T2		T3	
	Mean	Probability	Mean	Probability	Mean	Probability
Jakarta Governor 2012	0.000540	0.8358	-0.00137	0.5780	-0.007400	0.0208
Presidential Election 2014	0.001576	0.5508	-0.0006	0.8728	-0.004433	0.4125
The cheating issue in election 2014	0.006353	0.1684	0.006822	0.0113	-0.000051	0.9795
Jakarta Governor 2017	-0.004184	0.1391	-0.004787	0.2547	0.006276	0.1389
ALL ELECTION EVENTS	0.001071	0.5115	0.000017	0.9920	-0.001402	0.4731

Source: Eviews 9

In the table above, from 4 events, only 1 event that showed significant impact on the stock market performance which is presidential election 2014. The presidential election 2014 has been found to be significant. In three days before the announcement, only probability on T-2 that showed insignificant result. Two other days, T-3 and T-1 showed significant results which were 0.0080 and 0.0881. In the day of announcement (T0), the probability showed insignificant result. In three days after the announcement, all of them were insignificant. Because T-1 showed significant result, it can be concluded that the presidential election 2014 did affect the stock market performance. However, the information about the day of announcement was considered leaked because several investors have already known before the day of announcement, so the market consider inefficient.

In all election events, in three days before the announcement, the probability of all the days showed insignificant results. On the day of announcement, the probability showed insignificant result. In three days after the announcement, the probability of all the days also showed insignificant results. Based on these results, the probability of T-1, T0, and T+1 showed insignificant results which were 0.3246 for T-1, 0.2374 for T0, and 0.5115 for T+1. So, it is concluded that H0 is accepted and H1 is rejected. It means that there is no significant impact of election events on the stock market performance.

Corruption Cases

The second category to be discussed is corruption cases, events included in corruption cases category are the corruption of megaproject Hambalang, the corruption of imported beef, the bribery case of regional head election dispute, the bribery case of Budi Gunawan, the case of Freeport, and the corruption in E-Ktp project.

Table 3: T-test results of corruption cases category

Coruption Cases	Tm3		Tm2		Tm1		T0	
	Mean	Probability	Mean	Probability	Mean	Probability	Mean	Probability
Megaproject Hambalang	0.000264	0.8818	-0.002162	0.2943	-0.003096	0.2612	-0.001687	0.4350
Imported beef	-0.009024	0.0050	0.002229	0.2399	0.003096	0.2944	0.003680	0.1360
Regional head election dispute	-0.010287	0.0389	0.002747	0.5053	0.001696	0.5398	0.000918	0.7433
Bribery case of Budi Gunawan	0.003911	0.1759	0.001600	0.5544	-0.000511	0.8651	-0.000100	0.9835
Freeport case	-0.003184	0.4756	0.003593	0.3742	-0.012176	0.0080	-0.005576	0.0532
E-KTP corruption	-0.003682	0.2544	-0.003929	0.1029	0.002098	0.4743	0.000000	1.0000
All corruption cases	-0.003667	0.0119	0.000680	0.5765	-0.001482	0.2617	-0.000461	0.6942

Coruption Cases	T1		T2		T3	
	Mean	Probability	Mean	Probability	Mean	Probability
Megaproject Hambalang	-0.000580	0.8086	-0.005458	0.0188	-0.000429	0.8205
Imported beef	-0.001571	0.6433	0.000607	0.8335	-0.003911	0.0683
Regional head election dispute	-0.001722	0.4695	-0.003218	0.3131	0.006762	0.0606
Bribery case of Budi Gunawan	-0.006680	0.0325	0.002220	0.2555	-0.003433	0.3316
Freeport case	0.005453	0.1205	0.001796	0.6539	0.010744	0.0013
E-KTP corruption	-0.001153	0.5251	0.001642	0.6305	0.000020	0.9934
All corruption cases	-0.001042	0.3657	-0.000402	0.7438	0.001626	0.1733

Source: Eviews 9

In the table above, from 6 events, only 2 events that showed significant impact on the stock market performance which are the bribery case of Budi Gunawan and Freeport case. The bribery case of Budi Gunawan showed significant effect on the stock market performance. In three days before the announcement, all of them showed insignificant results. In the day of announcement, the probability also showed insignificant result. In three days after the announcement, only probability on T+1 showed significant result which was 0.0325. The two other days T+2 and T+3 showed insignificant results. In conclusion, the bribery case of Budi Gunawan did affect the stock market performance, but the respons of the investors was late. It was because the event has already announced and the effect on the market occured after the day of announcement. Here, the market was considered to be inefficient.

Freeport case also showed significant effect on the stock market performance. In three days before the announcement, only probability on T-1 showed significant effect which was 0.0080. The rest of them showed insignificant results. In the day of announcement (T0), the pobability showed significant result which was 0.0532. In three days after the announcement, only probability on T+3 showed significant result which was 0.0013. The rest of them showed insignificant result. In conclusion, Freeport case did affect the stock market performance. However, it can be said that the market was inefficient because information about the day of announcement was considered to be leaked. It was because several investors has already known before the day of the announcement.

In all corruption cases, in three days before the announcement, only probability on T-3 showed significant result which was 0.0119. The two other days showed insignificant results. On the day of announcement, the probability showed insignificant result. In three days after the announcement, the probability of all the days also showed insignificant results. Based on this results, the probability of T-1, T0, and T+1 showed insignificant results which was 0.2617 for T-1, 0.6942 for T0, and 0.3657 for T+1. So, it can be concluded that H0 is accepted and H2 is rejected. It means that there is no significant effect of corruption cases on the stock market performance.

Political Figure Cases

The third category to be discussed is political figure cases cases, events included in political figures cases category are the Minister possession of American passport, and the defamation of religion case by Governor of Jakarta. In the table below, from 2 events, all of them showed insignificant impact on the stock market performance.

In all political figures cases, in three days before the announcement, the probability of all the days showed insignificant results. On the day of announcement, the probability also showed insignificant result. In three days after the announcement, only probability on T+2 showed significant result which was 0.0430. The two other days showed insignificant results. Based on these results, the probability of T-1, T0, and T+1 showed insignificant results which were 0.3480 for T-1, 0.4432 for T0, and 0.8804 for T+1. In conclusion, H0 is accepted and H3 is rejected. It means that there is no significant effect of political figure cases on the stock market performance.

Table 3: T-test results of political figure cases category

Political Figures Cases	Tm3		Tm2		Tm1		T0	
	Mean	Probability	Mean	Probability	Mean	Probability	Mean	Probability
Minister passport case	0.002422	0.5063	-0.004444	0.1869	0.000624	0.8108	0.000000	1.0000
Governor religion case	0.004487	0.1331	-0.000580	0.8354	-0.001507	0.6139	-0.002531	0.4464
All political figures cases	0.002038	0.3055	0.002493	0.2145	-0.001674	0.3480	-0.001266	0.4432

Political Figures Cases	T1		T2		T3	
	Mean	Probability	Mean	Probability	Mean	Probability
Minister passport case	0.002404	0.3521	0.000493	0.9227	-0.004996	0.1159
Governor religion case	0.003618	0.1417	-0.004442	0.0174	0.000184	0.9537
All political figures cases	-0.000283	0.8804	-0.004614	0.0430	0.003230	0.2206

Source: Eviews 9

Discussion

Election events

On the whole announcement date of election events, the results showed insignificant effect which led to reject the H1. This result is contradictory with the research results conducted by Liew & Rowland (2016) who stated that the general election events has significant effect before and after the election, Nezerwe (2013) who found that the presidential elections that took place on September 7th 2005 and June 17th 2012 in Egypt had positive impact on the stock returns, and Oehler et al (2013) who document that the elections of all recent U.S. presidents (regardless of their political affiliation) have prompted abnormal company and sector returns. Meanwhile, this result is consistent with the research results done by Kabiru et al (2015) who stated that the t-test of abnormal returns of all four general elections events were statistically insignificant. Floros (2008) who found that there is a negative effect of the political elections on the course of the ASE and this effect is not statistically significant. There is no evidence of significant ‘‘political’’ effect on the course of the ASE, before and after the Greek Parliamentary and European elections. Balaji et al (2018) who found that Election does not have a significant impact on the CNX NIFTY.

This is very likely to happen if investors see candidates in election events as less attractive, it could be because of the influence of past experiences they have got about the candidates. This happened in a study conducted by Kabiru et al (2015) in which he concluded that Nairobi stock exchange market viewed several general election events as inconsequential and hence rebounded and stabilized immediately.

Another reason is the election events did not contain any useful information for the investors. This happened because the policies made by the candidates were not in line with what the investor expectation. The coalition of the political parties also could affect the result. This happened in the research by Vuchelen (2003), he said that from an investors’ point of view, an election called by an incumbent centre–left coalition could affect the stock market more positively than an election called by a centre–right coalition.

Corruption Cases

On the whole announcement date of corruption cases, the results showed insignificant effect which led to reject the H2. This result is contradictory with the research results done by Ayaydin & Baltaci (2013), they stated that corruption is significantly associated with stock market development. Aljazaerli et al (2016) they confirms a positive impact of corruption on stock market development. Qadir & Yaroson (2013) they found that corruption has significant impact in the development of the stock market. Meanwhile, this result is consistent with the research result done by Yartey (2010) which stated that there is a negative relationship and statistically insignificant between corruption and stock market development. Moreover, he found that GDP per capita, bank credit, value traded and investment are all positive and statistically significant to stock market development. Gani & Ngassam (2008) who found that there is weak evidence between corruption and stock market expansion. Cherif and Gazdar (2010) who found that there is a negative relationship between corruption and stock market development and this relationship is insignificant.

This happened because corruption was not the only factor that could be the determinants of stock market development. There are income level, gross domestic investment, banking sector development, and private capital flows (Yartey, 2010). Eventhough, there is a research that found positive effect of corruption on stock market, but still corruption is not a dominant factor that will surely affect the stock market of a country, because we should consider about other factors that are exist in the country that might affect the significance of the corruption effect.

Political Figure Cases

On the whole announcement date of political figures cases, the results showed insignificant effect which led to reject the H3. This result is contradictory with the research results conducted by Liu et al (2017), they stated that Bo Xilai political scandal in China caused a significant drop in stock prices. Roberts (as cited in Milyo, 2014), he examines the effect of Senator Jackson's death. He found that firms located in Washington and Georgia did realize abnormal returns of about -2 percent and +1 percent, respectively. Milyo & Smart (as cited in Milyo, 2014) they find large and significant effects for geographic clients; firms located in Illinois realized a 4 percent abnormal return compared to those in Louisiana in the immediate aftermath of Livingston's resignation. Meanwhile, this result is consistent with the research results by Murtaza et al (2015), they stated that deseating of Prime minister of Pakistan Syed Yousaf Raza Gilllani because of his conviction under the charges of contempt of court showed insignificant effect. It means that the market did not respond to this news in any way. Nimkhunthod (2007) he stated that the market responds negatively and not significantly to the massacre on October 6th 1976 due to the public opposed the return of a former dictator to rule Thailand, Thanom Kittikachorn. Ahmad (2015) she conclude that the assassination of former prime Minister of Pakistan, Benazir Bhutto, did not have a significant impact on the share price.

The results of both of the events in this category were said to be insignificant. This might be because on the date of announcement of two events in this study is in the beginning when the news began to spread through social media. As a result, the influence of the news on the stock market has not been seen. Maybe, if the announcement date had been chosen in the middle of the case, the abnormal return trend in the stock market could have been seen. Another reason might be the events seen as less important by the investors, so it does not affect the market.

V. CONCLUSIONS AND RECOMMENDATIONS

Election events category in general has no significant effect toward the stock market performance because only 1 out of 4 events (less than 50%) that has significant effects which is presidential election 2014. Even though there are a lot of research studies that found election events to be one of the most important of political events that affects stock market performance, but the election events in this study showed that they have no significant effect. It means that the election events category in this study do not contain any useful information needed by the investors to make investment decisions.

Corruption cases category in general has no significant effect toward the stock market performance because only 2 of 6 events (less than 50%) have significant effects on the stock market performance. Those are Freeport case and the bribery case of Budi Gunawan. Even though there are several research studies that found corruption cases have significant effect on stock market performance. However, the corruption cases in this study showed that they have no significant effect. It means that the Corruption cases category in this study has not become the main factor that affect the stock market performance.

Political figures cases category in general has no significant effect toward the stock market performance because all of them showed insignificant effect. Even though there are several research studies that found political figures cases have significant effect on stock market performance, but the political figures cases in this study showed that they have no significant effect. It means that the political figures cases category in this study has not become the main factor that affecting the investment decisions of the investors.

There are several recommendations based on the analysis from previous sections. Further studies could be conducted by adding more political events in order to further expand the results of research in this field, adding more period in order to further expand the results of research in this field, using another model in calculating the abnormal return, because research using different models will likely showed different results, consider other factors that may affect the results should be considered, such as announcement from inside of the company, macroeconomic condition such as inflation, and non-economic events such as natural disasters. Investors should always be careful in making investment decisions by considering the information that can affect the stock price in the market.

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